

SAGICOR FINANCIAL COMPANY LTD.

(formerly Sagicor Financial Corporation Limited)

Condensed Consolidated Financial Statements

Six-months ended June 30, 2020

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

ACRONYMS

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

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

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


SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>Amounts in US \$000</u>	<u>As of June 30, 2020 (unaudited)</u>	<u>As of December 31, 2019 (audited)</u>
ASSETS		
Investment property	93,990	95,577
Property, plant and equipment	292,747	289,870
Associates and joint ventures (note 15)	209,719	230,558
Intangible assets	99,636	106,864
Financial investments (note 7)	6,050,647	6,080,758
Financial investments repledged (note 7)	626,040	604,886
Reinsurance assets	703,258	724,237
Income tax assets	28,536	26,594
Miscellaneous assets and receivables	240,142	208,059
Cash	294,951	273,072
Restricted cash	94,571	88,396
Total assets	8,734,237	8,728,871
LIABILITIES		
Actuarial liabilities	3,721,309	3,604,653
Other insurance liabilities	293,808	286,960
Investment contract liabilities (note 8)	418,031	424,340
Total policy liabilities	4,433,148	4,315,953
Notes and loans payable (note 9)	513,704	517,732
Lease liabilities (note 14)	44,498	35,700
Deposits and security liabilities (note 10)	1,789,039	1,752,689
Other liabilities / retirement benefit liabilities	58,701	59,795
Income tax liabilities	45,643	56,889
Accounts payable and accrued liabilities	215,775	240,333
Total liabilities	7,100,508	6,979,091
EQUITY		
Share capital	1,481	1,477
Share premium	764,438	762,015
Reserves	(48,051)	(9,023)
Retained earnings	354,678	399,582
Total shareholders' equity	1,072,546	1,154,051
Participating accounts	1,023	1,223
Non-controlling interests in subsidiaries	560,160	594,506
Total equity	1,633,729	1,749,780
Total liabilities and equity	8,734,237	8,728,871

These financial statements have been approved for issue by the Board of Directors on August 13, 2020.


Director


Director

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

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Six months to June 30, 2020	Six months to June 30, 2019	Three months to June 30, 2020	Three months to June 30, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<u>Amounts in US \$000</u>				
REVENUE				
Premium revenue (note 4)	678,109	715,413	335,813	332,356
Reinsurance premium expense (note 4)	(50,529)	(37,643)	(25,914)	(19,645)
Net premium revenue	627,580	677,770	309,899	312,711
Gain on derecognition of amortised cost investments	2,974	1,663	1,734	281
Gain on derecognition of assets carried at FVOCI	15,193	3,530	5,713	4,960
Interest income earned from financial assets measured at amortised cost and FVOCI (note 5)	159,349	152,069	79,253	78,194
Other investment (expense) / income (note 5)	(52,258)	64,779	41,729	28,921
Credit impairment losses	(27,216)	19	(11,604)	67
Fees and other revenue	76,083	84,316	31,804	43,263
Total revenue, net	801,705	984,146	458,528	468,397
BENEFITS				
Policy benefits and change in actuarial liabilities (note 6)	520,567	686,725	377,258	310,787
Policy benefits and change in actuarial liabilities reinsured (note 6)	(23,025)	(76,027)	(72,299)	(34,544)
Net policy benefits and change in actuarial liabilities	497,542	610,698	304,959	276,243
Interest costs	19,246	29,002	8,834	15,622
Total benefits	516,788	639,700	313,793	291,865
EXPENSES				
Administrative expenses	167,156	161,020	75,821	86,135
Commissions and related compensation	58,024	60,296	27,392	29,696
Premium and asset taxes	10,252	9,785	2,687	2,442
Finance costs	23,182	19,993	11,558	10,017
Depreciation and amortisation	21,007	17,245	9,291	9,133
Total expenses	279,621	268,339	126,749	137,423
Loss arising on business combinations, acquisitions and divestitures	(1,254)	(347)	(1,254)	(347)
Share of operating (loss) / income of associates and joint ventures	(24,098)	8,696	(18,468)	974
(LOSS) / INCOME BEFORE TAXES	(20,056)	84,456	(1,736)	39,736
Income taxes	(16,115)	(26,574)	(9,315)	(14,204)
NET (LOSS) / INCOME FROM CONTINUING OPERATIONS	(36,171)	57,882	(11,051)	25,532

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

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

CONDENSED CONSOLIDATED STATEMENT OF INCOME

<u>Amounts in US \$000</u>	Six months to June 30, 2020 (unaudited)	Six months to June 30, 2019 (unaudited)	Three months to June 30, 2020 (unaudited)	Three months to June 30, 2019 (unaudited)
Net (loss) / income from continuing operations	(36,171)	57,882	(11,051)	25,532
Net income from discontinued operation	-	517	-	-
NET (LOSS) / INCOME FOR THE PERIOD	(36,171)	58,399	(11,051)	25,532
Net (loss) / income is attributable to:				
Common shareholders:				
From continuing operations	(29,606)	26,194	(281)	11,095
From discontinued operation	-	517	-	-
	(29,606)	26,711	(281)	11,095
Participating policyholders	136	705	(63)	457
Non-controlling interests	(6,701)	30,983	(10,707)	13,980
	(36,171)	58,399	(11,051)	25,532
Basic earnings per common share (note 16):				
From continuing operations	(19.9) cents	37.0 cents	(0.2) cents	15.7 cents
From discontinued operation	0.0 cents	0.7 cents	0.0 cents	0.0 cents
	(19.9) cents	37.7 cents	(0.2) cents	15.7 cents
Fully diluted earnings per common share (note 16):				
From continuing operations	(19.9) cents	33.0 cents	(0.2) cents	13.8 cents
From discontinued operation	0.0 cents	0.7 cents	0.0 cents	0.0 cents
	(19.9) cents	33.7 cents	(0.2) cents	13.8 cents

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

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<u>Amounts in US \$000</u>	Six months to June 30, 2020 (unaudited)	Six months to June 30, 2019 (unaudited)	Three months to June 30, 2020 (unaudited)	Three months to June 30, 2019 (unaudited)
NET (LOSS) / INCOME FOR THE PERIOD	(36,171)	58,399	(11,051)	25,532
OTHER COMPREHENSIVE INCOME:				
Items net of tax that may be reclassified subsequently to income:				
Financial assets measured at FVOCI:				
(Losses) / gains on revaluation	(32,530)	119,451	158,575	53,516
Gains transferred to income	(9,024)	(1,105)	(2,353)	(1,534)
Net change in actuarial liabilities	19,894	(64,106)	(92,516)	(29,956)
Other reserves	(1,701)	-	627	-
Retranslation of foreign currency operations	(26,866)	(7,653)	(16,866)	(12,113)
	(50,227)	46,587	47,467	9,913
Items net of tax that will not be reclassified subsequently to income:				
(Losses) / gains arising on revaluation of owner-occupied property and owner-managed property	(164)	(2,964)	(511)	59
Gains on equity securities designated at FVOCI	-	18	-	1
(Losses) / gains on defined benefit plans	(202)	-	2,087	-
	(366)	(2,946)	1,576	60
Other comprehensive (loss) / income from continuing operations	(50,593)	43,641	49,043	9,973
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(86,764)	102,040	37,992	35,505
Total comprehensive (loss) / income is attributable to:				
Common shareholders:				
From continuing operations	(59,329)	57,453	37,098	19,205
From discontinued operation	-	517	-	-
	(59,329)	57,970	37,098	19,205
Participating policyholders	(104)	1,325	(382)	681
Non-controlling interests	(27,331)	42,745	1,276	15,619
	(86,764)	102,040	37,992	35,505

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

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Reserves	Retained earnings	Total Shareholders' Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Six months to June 30, 2019					
Balance as of December 31, 2018	3,061	300,665	(76,995)	374,138	600,869
Total comprehensive income:					
From continuing operations	-	-	31,259	26,194	57,453
From discontinued operation	-	-	-	517	517
Transactions with holders of equity instruments:					
Movements in treasury shares	1	(30)	-	-	(29)
Changes in reserve for equity compensation benefits	-	-	6,296	-	6,296
Dividends declared	-	-	-	(7,658)	(7,658)
Transfers and other movements	-	-	683	474	1,157
Balance as of June 30, 2019	3,062	300,635	(38,757)	393,665	658,605

	Total Shareholders' Equity	Participating Accounts	Non- controlling interests	Total Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Six months to June 30, 2019				
Balance as of December 31, 2018	600,869	4,078	530,514	1,135,461
Total comprehensive income:				
From continuing operations	57,453	1,325	42,745	101,523
From discontinued operation	517	-	-	517
Transactions with holders of equity instruments:				
Movements in treasury shares	(29)	-	-	(29)
Changes in reserve for equity compensation benefits	6,296	-	-	6,296
Dividends declared	(7,658)	-	(12,036)	(19,694)
Transfers and other movements	1,157	(1,798)	1,244	603
Balance as of June 30, 2019	658,605	3,605	562,467	1,224,677

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

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<u>Amounts in US \$000</u>	Six months to June 30, 2020 (unaudited)	Six months to June 30, 2019 (unaudited)
OPERATING ACTIVITIES		
(Loss) / Income before taxes	(20,056)	84,456
Adjustments for non-cash items, interest and dividends (note 13)	167,850	161,209
Interest and dividends received	174,747	155,352
Interest paid	(40,269)	(44,894)
Income taxes paid	(22,687)	(34,861)
Net change in investments and operating assets (note 13)	(532,580)	(321,166)
Net change in operating liabilities (note 13)	42,779	40,387
Net cash flows - operating activities	(230,216)	40,483
INVESTING ACTIVITIES		
Property, plant and equipment, net (note 13)	(6,621)	(4,250)
Associates and joint ventures, net (note 15)	(5,951)	-
Acquisition of subsidiaries, net of cash and cash equivalents	(227)	-
Dividends received from associates and joint ventures	468	320
Purchase of intangible assets	(1,939)	(831)
Net cash flows - investing activities	(14,270)	(4,761)
FINANCING ACTIVITIES		
Repurchase of common shares	(1,473)	-
Shares (purchased from) / issued to non-controlling interests	(765)	746
Movement in treasury shares	(2,474)	-
Notes and loans payable, net (note 13)	(3,197)	(10,883)
Principal elements of lease payments (note 13)	(3,787)	(3,602)
Dividends paid to common shareholders	(16,767)	(7,496)
Dividends paid to non-controlling interests	(2,603)	(12,036)
Net cash flows - financing activities	(31,066)	(33,271)
Effect of exchange rate changes	(3,686)	(2,730)
Net change in cash and cash equivalents - continuing operations	(279,238)	(279)
Net change in cash and cash equivalents – discontinued operation	-	17,756
Cash and cash equivalents, beginning of period	775,344	321,561
Cash and cash equivalents, end of period	496,106	339,038

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

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

These unaudited interim condensed consolidated financial statements (“condensed financial statements”) of Sagicor Financial Company Ltd. and its subsidiaries (the “Group”), (“Sagicor”) are presented in compliance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting. The common shares and warrants of Sagicor are listed on the Toronto Stock Exchange and are traded under the symbols “SFC” and “SFC.WT”, respectively. The condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited 2019 annual consolidated financial statements and the accompanying notes included in pages 148 to 314 of the Annual Report for 2019. The condensed financial statements however do include certain disclosures required in the annual financial statements, but which are additional to the requirements of IAS 34.

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

2. ACCOUNTING POLICIES

These condensed financial statements have been prepared using the same accounting policies and methods used in preparation of the audited 2019 annual consolidated financial statements. The principal accounting policies are described in note 2 of those annual consolidated financial statements.

2.1 Exchange rates

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

	Closing rates as of June 30, 2020	Closing rates as of December 31, 2019	Average rates for the six months to June 30, 2020	Average rates for the three months to June 30, 2020	Average rates for the six months to June 30, 2019	Average rates for the three months to June 30, 2019
Barbados dollar	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	139.8526	132.5324	138.3380	140.2336	130.4506	130.8014
Trinidad & Tobago dollar	6.7400	6.7624	6.7398	6.7236	6.7578	6.7454
Pound sterling	0.80910	0.75700	0.78436	0.80254	0.77056	0.77604

2.2 Share premium paid on repurchase of shares

The premium paid on repurchase of shares is recorded in retained earnings.

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS

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

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

There have been no changes in the reportable operating segments from 2019. Segmented financial information is set out in the sections 3.1 to 3.5.

3.1 Statement of income from continuing operations by reportable operating segment

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Six months to June 30, 2020						
Net premium revenue	169,238	183,332	256,253	18,757	-	627,580
Net gains on derecognition of amortised cost investments	283	2,691	-	-	-	2,974
Net gains / (losses) of assets carried at FVOCI	900	15,405	(929)	(183)	-	15,193
Interest income earned on amortised cost and FVOCI investments	37,287	81,611	37,703	2,748	-	159,349
Other investment expense	(2,293)	(33,032)	(16,461)	(130)	(342)	(52,258)
Credit impairment losses	(9,051)	(11,896)	(6,073)	(196)	-	(27,216)
Fees and other revenue	3,736	61,167	180	10,758	242	76,083
Inter-segment revenues	10,270	-	-	3,638	(13,908)	-
Total revenue, net	210,370	299,278	270,673	35,392	(14,008)	801,705
Net policy benefits	97,377	115,706	86,982	6,535	-	306,600
Net change in actuarial liabilities	35,716	(15,147)	170,373	-	-	190,942
Interest costs	2,635	14,062	2,315	234	-	19,246
Administrative expenses	40,056	84,148	15,682	26,762	508	167,156
Commissions and premium and asset taxes	21,613	28,604	13,247	4,812	-	68,276
Finance costs	22	4,588	201	18,371	-	23,182
Depreciation and amortisation	3,683	10,802	1,963	4,559	-	21,007
Inter-segment expenses	2,319	854	1,671	9,914	(14,758)	-
Total benefits and expenses	203,421	243,617	292,434	71,187	(14,250)	796,409
(Losses) / Gains arising on business combinations and acquisitions (note 15)	-	(2,753)	-	1,499	-	(1,254)
Share of operating income / (loss) of associates and joint ventures	1,669	(25,767)	-	-	-	(24,098)
Segment income / (loss) before taxes	8,618	27,141	(21,761)	(34,296)	242	(20,056)
Income taxes	(4,360)	(15,495)	4,570	(930)	100	(16,115)
Net income / (loss) - continuing operations	4,258	11,646	(17,191)	(35,226)	342	(36,171)
Net loss attributable to non-controlling interests	-	(6,531)	-	(170)	-	(6,701)
Net income / (loss) attributable to shareholders from continuing operations	4,122	18,177	(17,191)	(35,056)	342	(29,606)
Total comprehensive income / (loss) attributable to shareholders from continuing operations	395	(1,073)	(23,384)	(35,835)	568	(59,329)

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.1 Statement of income from continuing operations by reportable operating segment (continued)

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Six months to June 30, 2019						
Net premium revenue	189,005	161,534	308,719	18,512	-	677,770
Net gain / (loss) on derecognition of amortised cost investments	42	1,636	(15)	-	-	1,663
Net gains of assets carried at FVOCI	499	2,248	775	-	8	3,530
Interest income earned on amortised cost and FVOCI investments	36,318	79,326	34,568	1,857	-	152,069
Other investment income	6,151	28,385	29,503	815	(75)	64,779
Credit impairment losses	1,069	(838)	(289)	77	-	19
Fees and other revenue	3,416	73,652	(1,051)	8,345	(46)	84,316
Inter-segment revenues	9,654	-	-	21,487	(31,141)	-
Total revenue, net	246,154	345,943	372,210	51,093	(31,254)	984,146
Net policy benefits	108,265	100,645	55,986	10,402	-	275,298
Net change in actuarial liabilities	40,384	36,935	258,081	-	-	335,400
Interest costs	7,881	16,841	4,030	250	-	29,002
Administrative expenses	37,577	84,893	17,452	19,819	1,279	161,020
Commissions and premium and asset taxes	21,681	26,943	16,086	5,371	-	70,081
Finance costs	22	2,768	268	16,935	-	19,993
Depreciation and amortisation	3,553	9,859	2,341	1,492	-	17,245
Inter-segment expenses	1,048	1,058	1,646	9,376	(13,128)	-
Total benefits and expenses	220,411	279,942	355,890	63,645	(11,849)	908,039
Loss arising on business combinations and acquisitions	(347)	-	-	-	-	(347)
Share of operating income of associates and joint ventures	1,814	6,882	-	-	-	8,696
Segment income / (loss) before taxes	27,210	72,883	16,320	(12,552)	(19,405)	84,456
Income taxes	(5,205)	(16,829)	(3,427)	(1,119)	6	(26,574)
Net income / (loss) - continuing operations	22,005	56,054	12,893	(13,671)	(19,399)	57,882
Net income / (loss) attributable to non- controlling interests	-	31,318	-	(335)	-	30,983
Net income / (loss) attributable to shareholders from continuing operations	21,300	24,737	12,893	(30,276)	(2,460)	26,194
Total comprehensive income / (loss) attributable to shareholders from continuing operations	27,854	36,580	25,210	(29,861)	(2,330)	57,453

Where necessary certain comparative numbers have been adjusted to conform with the presentation in the current period as outlined in note 19. Fees and other revenue of \$367 and administrative expenses of \$60 previously eliminated in the Sagicor Life segment are now reflected in Adjustments. Finance costs of \$16,941 were also reclassified from Adjustments to Head office and other.

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.1 Statement of income from continuing operations by reportable operating segment (continued)

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Three months to June 30, 2020						
Net premium revenue	75,640	89,139	135,807	9,313	-	309,899
Net gain / (loss) on derecognition of amortised cost investments	(45)	1,779	-	-	-	1,734
Net gains of assets carried at FVOCI	(678)	7,711	(1,137)	(183)	-	5,713
Interest income earned on amortised cost and FVOCI investments	19,377	40,923	18,466	487	-	79,253
Other investment income / (expense)	70	11,450	25,498	4,760	(49)	41,729
Credit impairment losses	(5,208)	(6,571)	91	84	-	(11,604)
Fees and other revenue	3,123	22,492	1,196	5,655	(662)	31,804
Inter-segment revenues	4,921	-	-	1,847	(6,768)	-
Total revenue, net	97,200	166,923	179,921	21,963	(7,479)	458,528
Net policy benefits	41,830	50,145	39,537	2,537	-	134,049
Net change in actuarial liabilities	19,700	24,740	126,470	-	-	170,910
Interest costs	1,601	6,996	117	120	-	8,834
Administrative expenses	17,919	38,378	7,923	12,166	(565)	75,821
Commissions and premium and asset taxes	9,813	10,726	7,078	2,462	-	30,079
Finance costs	11	2,345	87	9,115	-	11,558
Depreciation and amortisation	1,953	5,479	1,087	772	-	9,291
Inter-segment expenses	721	413	1,303	4,736	(7,173)	-
Total benefits and expenses	93,548	139,222	183,602	31,908	(7,738)	440,542
(Loss) / gain arising on business combinations and acquisitions (note 15)	-	(2,753)	-	1,499	-	(1,254)
Share of operating income / (loss) of associates and joint ventures	927	(19,395)	-	-	-	(18,468)
Segment income / (loss) before taxes	4,579	5,553	(3,681)	(8,446)	259	(1,736)
Income taxes	(2,467)	(7,007)	773	(621)	7	(9,315)
Net income / (loss) - continuing operations	2,112	(1,454)	(2,908)	(9,067)	266	(11,051)
Net loss attributable to non-controlling interests	-	(10,527)	-	(180)	-	(10,707)
Net income / (loss) attributable to shareholders from continuing operations	2,175	9,073	(2,908)	(8,887)	266	(281)
Total comprehensive income / (loss) attributable to shareholders from continuing operations	13,283	20,041	11,569	(7,963)	168	37,098

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.1 Statement of income from continuing operations by reportable operating segment (continued)

Amounts in US \$000

Three months to June 30, 2019	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Net premium revenue	82,131	81,911	139,306	9,363	-	312,711
Net gain / (loss) on derecognition of amortised cost investments	-	288	(7)	-	-	281
Net gains of assets carried at FVOCI	57	4,566	329	-	8	4,960
Interest income earned on amortised cost and FVOCI investments	18,647	40,711	17,902	934	-	78,194
Other investment income	4,306	15,637	8,461	546	(29)	28,921
Credit impairment losses	707	(352)	(369)	81	-	67
Fees and other revenue	720	39,217	(1,873)	4,618	581	43,263
Inter-segment revenues	4,906	-	-	20,437	(25,343)	-
Total revenue, net	111,474	181,978	163,749	35,979	(24,783)	468,397
Net policy benefits	53,519	50,748	29,258	6,018	-	139,543
Net change in actuarial liabilities	7,538	22,649	106,513	-	-	136,700
Interest costs	4,882	8,930	1,680	130	-	15,622
Administrative expenses	20,783	44,590	8,015	12,578	169	86,135
Commissions and premium and asset taxes	10,956	10,758	7,497	2,927	-	32,138
Finance costs	(16)	1,371	127	8,535	-	10,017
Depreciation and amortisation	1,790	5,224	1,163	956	-	9,133
Inter-segment expenses	(462)	576	1,942	4,794	(6,850)	-
Total benefits and expenses	98,990	144,846	156,195	35,938	(6,681)	429,288
Loss arising on business combinations and acquisitions	(347)	-	-	-	-	(347)
Share of operating income of associates and joint ventures	714	260	-	-	-	974
Segment income / (loss) before taxes	12,851	37,392	7,554	41	(18,102)	39,736
Income taxes	(2,883)	(8,764)	(1,558)	(999)	-	(14,204)
Net income - continuing operations	9,968	28,628	5,996	(958)	(18,102)	25,532
Net income / (loss) attributable to non- controlling interests	-	14,324	-	(344)	-	13,980
Net income / (loss) attributable to shareholders from continuing operations	9,511	14,304	5,996	(9,177)	(9,539)	11,095
Total comprehensive income / (loss) attributable to shareholders from continuing operations	11,523	13,085	12,438	(8,535)	(9,306)	19,205

Where necessary certain comparative numbers have been adjusted to conform with the presentation in the current period as outlined in note 19. Fees and other revenue of \$(260) and administrative expenses of \$29 previously eliminated in the Sagicor Life segment are now reflected in Adjustments. Finance costs of \$8,565 were also reclassified from Adjustments to Head office and other.

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.2 Statement of financial position by reportable operating segment

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
As of June 30, 2020						
Financial investments	1,397,206	2,600,561	2,213,684	465,236	-	6,676,687
Other external assets	378,938	776,181	716,000	186,431	-	2,057,550
Inter-segment assets	342,240	15,915	65,133	141,747	(565,035)	-
Total assets	2,118,384	3,392,657	2,994,817	793,154	(565,035)	8,734,237
Policy liabilities	1,399,132	831,850	2,127,640	74,526	-	4,433,148
Other external liabilities	67,717	1,653,504	464,516	481,623	-	2,667,360
Inter-segment liabilities	109,707	7,887	129,735	317,706	(565,035)	-
Total liabilities	1,576,556	2,493,241	2,721,891	873,855	(565,035)	7,100,508
Net assets	541,828	899,416	272,926	(80,441)	-	1,633,729
Net assets attributable to non-controlling interests	-	543,558	-	16,602	-	560,160

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
As of December 31, 2019						
Financial investments	1,438,618	2,670,339	2,040,771	535,916	-	6,685,644
Other external assets	341,370	795,798	735,747	170,312	-	2,043,227
Inter-segment assets	335,784	15,903	65,224	141,760	(558,671)	-
Total assets	2,115,772	3,482,040	2,841,742	847,988	(558,671)	8,728,871
Policy liabilities	1,379,761	865,914	1,997,405	72,873	-	4,315,953
Other external liabilities	77,259	1,673,057	437,936	474,886	-	2,663,138
Inter-segment liabilities	120,000	6,097	110,835	321,739	(558,671)	-
Total liabilities	1,577,020	2,545,068	2,546,176	869,498	(558,671)	6,979,091
Net assets	538,752	936,972	295,566	(21,510)	-	1,749,780
Net assets attributable to non-controlling interests	-	577,429	-	17,077	-	594,506

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.3 Revenues by products and services

<u>Amounts in US \$000</u>	Six months to June 30, 2020	Six months to June 30, 2019	Three months to June 30, 2020	Three months to June 30, 2019
Life, health and annuity insurance contracts issued to individuals	497,035	678,600	309,165	313,205
Life, health and annuity insurance and pension administration contracts issued to groups	153,683	148,845	75,738	77,830
Property and casualty insurance	44,108	26,666	22,587	14,842
Banking, investment management and other financial services	81,849	90,367	40,727	48,577
Hospitality services	10,874	22,057	1,425	10,807
Unallocated revenues	14,156	17,611	8,886	3,136
Total revenue	801,705	984,146	458,528	468,397

3.4 Revenues by geographical area

<u>Amounts in US \$000</u>	Six months to June 30, 2020	Six months to June 30, 2019	Three months to June 30, 2020	Three months to June 30, 2019
Barbados	88,563	85,947	48,693	42,833
Jamaica	271,697	313,816	155,226	163,211
Trinidad and Tobago	87,644	94,066	36,333	47,331
Other Caribbean	72,665	103,693	37,515	41,526
USA	281,136	386,624	180,761	173,496
Total revenue	801,705	984,146	458,528	468,397

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.5 Revenues from service contracts with customers

The following table discloses revenue from service contracts with customers by reportable operating segment.

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Six months to June 30, 2020						
Revenue from contracts with customers:						
Products transferred at a point in time	-	20,163	75	-	-	20,238
Products and services transferred over time	3,977	28,943	-	-	-	32,920
Total included in fees and other revenue	3,977	49,106	75	-	-	53,158
Six months to June 30, 2019						
Revenue from contracts with customers:						
Products transferred at a point in time	-	28,095	111	-	-	28,206
Products and services transferred over time	4,045	36,524	-	-	-	40,569
Total included in fees and other revenue	4,045	64,619	111	-	-	68,775

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.5 Revenues from service contracts with customers (continued)

The following table discloses revenue from service contracts with customers by reportable operating segment.

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Three months to June 30, 2020						
Revenue from contracts with customers:						
Products transferred at a point in time	-	7,046	37	-	-	7,083
Products and services transferred over time	2,048	10,321	-	-	-	12,369
Total included in fees and other revenue	2,048	17,367	37	-	-	19,452
Three months to June 30, 2019						
Revenue from contracts with customers:						
Products transferred at a point in time	-	12,316	43	-	-	12,359
Products and services transferred over time	2,182	18,458	-	-	-	20,640
Total included in fees and other revenue	2,182	30,774	43	-	-	32,999

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. PREMIUM REVENUE

<u>Amounts in US \$000</u>	Gross premium		Ceded to reinsurers	
	2020	2019	2020	2019
Six months to June 30,				
Life insurance	225,356	224,281	15,029	14,853
Annuity	298,208	363,769	13	63
Health insurance	92,123	89,429	2,547	3,304
Property and casualty insurance	62,422	37,934	32,940	19,423
Total premium revenue	678,109	715,413	50,529	37,643

<u>Amounts in US \$000</u>	Gross premium		Ceded to reinsurers	
	2020	2019	2020	2019
Three months to June 30,				
Life insurance	107,642	114,397	8,204	7,672
Annuity	153,736	153,778	5	15
Health insurance	44,082	44,838	1,309	2,027
Property and casualty insurance	30,353	19,343	16,396	9,931
Total premium revenue	335,813	332,356	25,914	19,645

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. NET INVESTMENT INCOME

<u>Amounts in US \$000</u>	Six months to June 30, 2020	Six months to June 30, 2019	Three months to June 30, 2020	Three months to June 30, 2019
Investment income				
Interest income (amortised cost assets):				
Debt securities	42,133	40,372	21,575	20,736
Mortgage loans	10,584	9,879	5,490	5,065
Policy loans	5,502	5,185	2,663	2,618
Finance loans and finance leases	31,843	30,664	15,978	16,073
Securities purchased for resale	449	109	314	89
Deposits	297	807	231	495
	<hr/> 90,808	<hr/> 87,016	<hr/> 46,251	<hr/> 45,076
Interest Income (FVOCI assets):				
Debt securities and money funds	68,541	65,053	33,002	33,118
	<hr/>	<hr/>	<hr/>	<hr/>
Interest income earned from financial assets measured at amortised cost and FVOCI	<hr/> 159,349	<hr/> 152,069	<hr/> 79,253	<hr/> 78,194
Fair value changes and interest income (FVTPL assets):				
Debt securities	78	12,797	12,433	5,549
Equity securities	(35,438)	29,208	16,937	16,053
Mortgage loans	(1,487)	1,505	(1,243)	959
Derivative financial instruments	(15,060)	20,659	14,088	5,486
Other items	10	5	9	1
	<hr/> (51,897)	<hr/> 64,174	<hr/> 42,224	<hr/> 28,048
Investment income:				
Other income on financial investments	263	947	162	558
Investment property income – rental income	4,020	5,797	1,541	2,932
Investment property – realised losses	(103)	-	(103)	-
Investment property – unrealised (losses) / gains	96	(591)	96	2
Other investment income / (expense)	(259)	42	(8)	(172)
	<hr/> 4,017	<hr/> 6,195	<hr/> 1,688	<hr/> 3,320
Investment expenses:				
Direct operating expenses of investment property that generated rental income	3,159	4,597	1,565	2,260
Direct operating expenses of investment property that did not generate rental income	164	-	164	-
Other direct investment expenses	1,055	993	454	187
	<hr/> 4,378	<hr/> 5,590	<hr/> 2,183	<hr/> 2,447
Other investment (expense) / income	<hr/> (52,258)	<hr/> 64,779	<hr/> 41,729	<hr/> 28,921
Net Investment income	<hr/> 107,091	<hr/> 216,848	<hr/> 120,982	<hr/> 107,115

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

<u>Amounts in US \$000</u>	Gross benefit		Ceded to reinsurers	
	2020	2019	2020	2019
Six months to June 30,				
Life insurance benefits	121,102	117,921	9,294	9,426
Annuity benefits	163,285	131,304	42,782	42,154
Health insurance claims	63,017	68,917	1,954	1,667
Property and casualty claims	14,515	13,104	1,289	2,701
Total policy benefits	361,919	331,246	55,319	55,948
Change in actuarial liabilities	158,648	355,479	(32,294)	20,079
Total policy benefits and change in actuarial liabilities	520,567	686,725	23,025	76,027
<u>Amounts in US \$000</u>	Gross benefit		Ceded to reinsurers	
	2020	2019	2020	2019
Three months to June 30,				
Life insurance benefits	50,965	61,109	4,778	4,456
Annuity benefits	79,769	64,691	21,942	21,300
Health insurance claims	26,222	34,115	856	634
Property and casualty claims	5,172	6,735	503	717
Total policy benefits	162,128	166,650	28,079	27,107
Change in actuarial liabilities	215,130	144,137	44,220	7,437
Total policy benefits and change in actuarial liabilities	377,258	310,787	72,299	34,544

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS

Analysis of financial investments

<u>Amounts in US \$000</u>	June 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at fair value through other comprehensive income				
Debt securities and money market funds	3,407,344	3,407,344	3,673,421	3,673,421
Equity securities	1,093	1,093	1,291	1,291
	3,408,437	3,408,437	3,674,712	3,674,712
Financial assets at fair value through profit and loss				
Debt securities	247,166	247,166	243,107	243,107
Equity securities ⁽¹⁾	598,651	598,651	370,173	370,173
Derivative financial instruments	25,084	25,084	36,891	36,891
Mortgage loans	27,506	27,506	28,933	28,933
	898,407	898,407	679,104	679,104
Investments at amortised cost				
Debt securities	1,150,957	1,321,766	1,148,739	1,361,973
Mortgage loans	375,393	373,886	362,547	362,341
Policy loans	153,009	172,380	151,533	181,902
Finance loans and finance leases	584,061	590,100	595,307	602,512
Securities purchased for re-sale	38,908	38,908	10,904	10,904
Deposits	67,515	67,515	62,798	62,798
	2,369,843	2,564,555	2,331,828	2,582,430
Total financial investments	6,676,687	6,871,399	6,685,644	6,936,246

⁽¹⁾ Included in equity securities are exchange-traded funds of \$288,057 as at June 30, 2020 (\$23,290 as at December 31, 2019).

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments (continued)

Non-derivative investments at FVTPL	FVTPL mandatory designation	FVTPL designation by election	Total
<u>Amounts in US \$000</u>			
June 30, 2020			
Equity securities	523,542	75,109	598,651
Debt securities	133,743	113,423	247,166
Mortgage loans	40	27,466	27,506
	657,325	215,998	873,323
December 31, 2019			
Equity securities	286,764	83,409	370,173
Debt securities	115,104	128,003	243,107
Mortgage loans	-	28,933	28,933
	401,868	240,345	642,213

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments (continued)

Financial investments repledged

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

<u>Amounts in US \$000</u>	June 30, 2020	December 31, 2019
Financial investments repledged	626,040	604,886

Balance sheet presentation

Financial investments	6,050,647	6,080,758
Financial investments repledged	626,040	604,886
	6,676,687	6,685,644

<u>Amounts in US \$000</u>	June 30, 2020	December 31, 2019
	Pledged value	Pledged value
Investments at FVOCI:		
Debt securities and money market funds	619,980	602,288

Investments at FVTPL:

Debt securities	3,575	-
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Investments at amortised cost:

Debt securities	2,074	2,188
Securities purchased for re-sale	37	37
Deposits	374	373
	2,485	2,598

Financial investments repledged	626,040	604,886
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SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENT CONTRACT LIABILITIES

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

<u>Amounts in US \$000</u>	June 30, 2020		December 31, 2019	
	Carrying value	Fair Value	Carrying value	Fair value
At amortised cost:				
Deposit administration liabilities	117,061	117,061	113,767	113,767
Other investment contracts	153,449	156,448	148,188	149,928
	270,510	273,509	261,955	263,695
At fair value through profit and loss:				
Unit linked deposit administration liabilities	147,521	147,521	162,385	162,385
Total investment contract liabilities	418,031	421,030	424,340	426,080

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE

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

<u>Amounts in US \$000</u>	June 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair Value
Liabilities at amortised cost:				
8.875% senior notes due 2022 (a)	319,758	331,959	318,227	330,197
5.10% unsecured bond due 2020	33,896	34,047	33,700	34,256
5.95% unsecured bond due 2020	40,898	42,983	42,904	44,826
5.00% notes due 2020	15,974	15,974	16,857	17,257
6.75% notes due 2024	15,721	15,721	16,589	15,845
Mortgage loans (b)	73,991	75,538	75,019	77,034
Bank loans and other funding instruments	13,466	13,466	14,436	14,436
	513,704	529,688	517,732	533,851

(a) Valuation of Call Option Embedded Derivative

As at June 30, 2020, the Group had US \$320 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 various scenarios as summarized below and described in more detail herein:

Optional Redemption without an Applicable Premium - At any time on or after August 11, 2019, the Group may redeem the Notes in whole or in part at specified redemption prices, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption.

The Group has estimated the fair value of this embedded derivative at US \$0.6 million as at June 30, 2020 (US \$2.8 million as at December 31, 2019).

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(b) Mortgage Loans

<u>Amounts in US \$000</u>	<u>Issuer / mortgagor</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
4.90% USD mortgage notes due 2025	X Fund Properties LLC	45,728	45,741
4.75% USD mortgage notes due 2021	Sagicor X-Fund Real Estate Limited	2,156	2,112
5.00% USD mortgage notes due 2020	X Fund Property Limited	4,292	4,255
8.75% JMD mortgage notes due 2020	X Fund Property Limited	9,678	10,136
9.00% JMD mortgage notes due 2048	X Fund Property Limited	3,413	3,598
8.00% JMD mortgage notes due 2021	X Fund Property Limited	3,319	3,548
10.00% JMD mortgage notes due 2026	X Fund Property Limited	3,302	3,511
3.26%/3.61% mortgage notes due 2026	X Fund Property Limited	947	996
Development loan ⁽¹⁾	X Fund Property Limited	1,156	1,122
		73,991	75,019

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

X Fund Properties LLC

The 4.90% USD mortgage note is secured by the investment in hotel property.

Sagicor X-Fund Real Estate Limited

This mortgage note was issued in three tranches (A,B,C). The tranches attract interest at 3.5%, 3.75% and 4.75% with maturity dates May 2018, May 2019 and May 2021 respectively, with option for further extension. This loan was originally secured by a debenture over units in the Sigma Real Estate Portfolio. This has been substituted for shares in Jamziv MoBay Jamaica Portfolio Limited which holds shares of Playa Hotel and Resorts N.V.

X Fund Properties Limited

These mortgage notes are secured by:

- a charge over Jamziv MoBay Jamaica Portfolio Limited allocated to X Fund Properties Limited,
- a charge over the assets and undertakings of X Fund Properties Limited.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(b) Mortgage Loans (continued)

Financial Covenants

As at June 30, 2020, the subsidiary group, X Fund, was not in compliance with certain financial covenants related to mortgage loans, which are outlined below:

(i) 4.90% USD mortgage notes due 2025

COVENANT	DESCRIPTION
Debt service coverage ratio	The mortgage note contains a minimum debt service coverage ratio of 1.25 and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender. The company was not in compliance at June 30, 2020.

(ii) 4.75% USD mortgage notes due 2021

COVENANT	DESCRIPTION
Interest coverage ratio, Debt to EBITDA ratio and a maximum loan to security value ratio.	The company must maintain a minimum interest coverage of 1.35. The company was not in compliance at June 30, 2020. There were no penalties incurred for this breach. The company must maintain a maximum ratio of 4.75 for total debt to EBITDA. The company was in breach at June 30, 2020. There were no penalties incurred for this breach. The company must maintain a maximum loan to security value ratio of 75%. The company was compliant at June 30, 2020.

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9. NOTES AND LOANS PAYABLE (continued)

(b) Mortgage Loans (continued)

Financial Covenants (continued)

(iii) 5.00% USD mortgage notes due 2020

8.75% JMD mortgage notes due 2020

9.00% JMD mortgage notes due 2048

8.00% JMD mortgage notes due 2021

10.00% JMD mortgage notes due 2026

3.26%/3.61% mortgage notes due 2026

COVENANT	DESCRIPTION
Interest coverage ratio and maximum debt to equity ratio	<p>The mortgage notes contain a minimum interest coverage of 1.5 which is EBITDA divided by interest charges. The company was not in compliance with the covenant at June 30, 2020. There were no penalties incurred for this breach.</p> <p>A maximum debt to equity ratio of 1.8 is to be maintained. The company was compliant at June 30, 2020.</p>

Movement for the six months to June 30,	2020	2019
<u>Amounts in US \$000</u>		
Balance, beginning of period	517,732	490,275
Valuation of call option embedded derivative	2,190	-
Repayments:		
Principal	(3,197)	(10,883)
Interest	(19,684)	(20,505)
	<u>(22,881)</u>	<u>(31,388)</u>
Finance leases reclassified to lease liabilities	-	(4,255)
Amortisation during the period	1,858	1,229
Accrued interest	20,024	18,868
Effects of exchange rate changes	(5,219)	(814)
Balance, end of the period	<u>513,704</u>	<u>473,915</u>

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10. DEPOSIT AND SECURITY LIABILITIES

The following table presents the carrying values and estimated fair values of deposit and security liabilities.

<u>Amounts in US \$000</u>	June 30, 2020		December 31, 2019	
	Carrying value	Fair Value	Carrying value	Fair value
At amortised cost:				
Other funding instruments	439,354	439,977	418,047	418,932
Customer deposits	807,305	812,377	808,119	811,715
Securities sold for repurchase	541,815	541,815	512,857	512,857
Bank overdrafts	565	565	6,646	6,646
	1,789,039	1,794,734	1,745,669	1,750,150
At fair value through income:				
Structured products	-	-	6,756	6,756
Derivative financial instruments	-	-	264	264
	-	-	7,020	7,020
Total deposit and security liabilities	1,789,039	1,794,734	1,752,689	1,757,170

11. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

11.1 Property

Investment property, owner-occupied property, and owner-managed hotel property are carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property may also be considered in determining its fair value.

Some tracts of land are currently used for farming operations or are un-developed or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential. These lands are mostly in Barbados and the Group has adopted a policy of orderly development and transformation to realise their full potential over time.

The fair value hierarchy has been applied to the valuations of the Group's property. The different levels of the hierarchy are as follows:

- Level 1 - fair value is determined by quoted un-adjusted prices in active markets for identical assets;
- Level 2 - fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
- Level 3 - fair value is determined from inputs that are not based on observable market data.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.1 Property (continued)

Applying the fair value hierarchy to the Group's property, results in a classification of Level 3 to all properties as set out below:

<u>Amounts in US \$000</u>	As of	As of
	June 30, 2020	December 31, 2019
	Level 3	Level 3
Investment property	93,990	95,577
Owner-occupied properties	108,351	110,172
Owner-managed hotel properties	95,920	96,608
Total properties	298,261	302,357

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner-occupied properties and owner-managed hotel properties, reasonable changes in fair value would affect other comprehensive income.

The following table sets out the movements for the period in investment property, owner-occupied properties and owner-managed hotel properties.

<u>Amounts in US \$000</u>	Six months to June 30, 2020				Twelve months to December 31, 2019
	Investment property	Owner-occupied properties	Owner-managed hotel properties	Total	Total
Balance, beginning of period	95,577	110,172	96,608	302,357	297,097
Additions at cost	129	115	124	368	1,133
Additions arising from acquisition	-	-	-	-	12,941
Other transfers	-	-	-	-	1,375
Fair value changes recorded in net investment income	96	-	-	96	(566)
Fair value changes recorded in other comprehensive income	-	(506)	-	(506)	4,125
Depreciation charge	-	(499)	(1,253)	(1,752)	(3,515)
Disposals and divestitures	(529)	-	-	(529)	(8,418)
Effect of exchange rate changes	(1,283)	(931)	441	(1,773)	(1,815)
Balance, end of period	93,990	108,351	95,920	298,261	302,357

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

11.2 Financial instruments carried at fair value

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

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

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

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

A financial instrument is classified as Level 2 if:

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

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

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

Certain of the Group's policy liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Group assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

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

A financial instrument is classified as Level 3 if:

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

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

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

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

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

<u>Amounts in US \$000</u>	As of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income:				
Debt securities and money market funds	523,349	2,883,995	-	3,407,344
Equity securities	587	463	43	1,093
	523,936	2,884,458	43	3,408,437
Financial assets at fair value through profit and loss:				
Debt securities	18,070	128,870	100,226	247,166
Equity securities	339,413	235,708	23,530	598,651
Derivative financial instruments	-	-	25,084	25,084
Mortgage loans	-	-	27,506	27,506
	357,483	364,578	176,346	898,407
Total assets	881,419	3,249,036	176,389	4,306,844
Total assets by percentage	21%	75%	4%	100%
Investment contracts:				
Unit linked deposit administration liabilities	-	-	147,521	147,521
Total liabilities	-	-	147,521	147,521
Total liabilities by percentage	0%	0%	100%	100%

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

<u>Amounts in US \$000</u>	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Available for sale securities:				
Debt securities	488,832	3,184,589	-	3,673,421
Equity securities	754	491	46	1,291
	489,586	3,185,080	46	3,674,712
Investments at fair value through income:				
Debt securities	17,719	104,123	121,265	243,107
Equity securities	85,389	262,344	22,440	370,173
Derivative financial instruments	-	264	36,627	36,891
Mortgage loans	-	-	28,933	28,933
	103,108	366,731	209,265	679,104
Total assets	592,694	3,551,811	209,311	4,353,816
Total assets by percentage	13%	82%	5%	100%
Investment contracts:				
Unit linked deposit administration liabilities	-	-	162,385	162,385
Deposit and security liabilities:				
Structured products	-	-	6,756	6,756
Derivative financial instruments	-	264	-	264
	-	264	6,756	7,020
Total liabilities	-	264	169,141	169,405
Total liabilities by percentage	0%	0%	100%	100%

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

Movements in Level 3 Instruments

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

<u>Amounts in US \$000</u>	Six months to June 30, 2020			Twelve months to December 31, 2019	
	Investments at FVOCI	Investments at FVTPL	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	46	172,638	36,627	209,311	140,433
Additions	-	13,381	11,970	25,351	87,418
Fair value changes recorded in net investment income	-	(3,998)	(12,870)	(16,868)	35,633
Disposals and divestitures	-	(24,175)	(10,643)	(34,818)	(53,424)
Transfers out of Level 3 classification	-	(7,044)	-	(7,044)	-
Effect of exchange rate changes	(3)	460	-	457	(749)
Balance, end of period	43	151,262	25,084	176,389	209,311
Fair value changes recorded in net investment income for instruments held at the end of the period	-	(3,932)	(4,022)	(7,954)	15,627

<u>Amounts in US \$000</u>	Six months to June 30, 2020			December 31, 2019
	Investment contracts	Structured products	Total liabilities	Total liabilities
Balance, beginning of period	162,385	6,756	169,141	213,792
Issues	8,136	-	8,136	21,255
Settlements	(20,726)	(7,054)	(27,780)	(68,192)
Gains / (losses) recorded in interest costs	(3,269)	160	(3,109)	4,806
Effect of exchange rate changes	995	138	1,133	(2,520)
Balance, end of period	147,521	-	147,521	169,141
Fair value changes recorded in interest expense for instruments held at the end of the period	(3,269)	159	(3,110)	2,488

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK

12.1 Credit risk exposure – financial investments subject to impairment

The following tables analyse the credit risk exposure of financial investments for which an ECL allowance is recognised. The gross carrying amounts of investments below represent the Group's maximum exposure to credit risk on these assets.

Amounts in US \$000	June 30, 2020				December 31, 2019	
	Stage 1 12-month ECL	ECL Staging Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Debt securities – amortised cost						
Credit grade:						
Investment	249,213	-	-	410	249,623	236,049
Non-investment	710,848	5,322	-	155,025	871,195	907,049
Watch	705	30,149	10	5,288	36,152	7,554
Unrated	572	-	-	17	589	595
Gross carrying amount	961,338	35,471	10	160,740	1,157,559	1,151,247
Loss allowance	(3,631)	(2,520)	-	(451)	(6,602)	(2,508)
Carrying amount	957,707	32,951	10	160,289	1,150,957	1,148,739

Amounts in US \$000	June 30, 2020				December 31, 2019	
	Stage 1 12-month ECL	ECL Staging Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Mortgage loans – amortised cost						
Credit grade:						
Investment	138,947	92,113	9,288	-	240,348	230,969
Non-investment	92,047	11,651	3,537	-	107,235	110,179
Watch	119	2,432	15,161	-	17,712	13,616
Default	-	-	13,096	-	13,096	9,675
Unrated	523	-	1,332	-	1,855	-
Gross carrying amount	231,636	106,196	42,414	-	380,246	364,439
Loss allowance	(759)	(1,139)	(2,955)	-	(4,853)	(1,892)
Carrying amount	230,877	105,057	39,459	-	375,393	362,547

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

<u>Amounts in US \$000</u>	June 30, 2020				December 31, 2019	
	ECL Staging			Purchased credit-impaired	Total	Total
Finance loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	1,446	-	-	-	1,446	1,444
Non-investment	554,840	19,167	-	-	574,007	589,339
Watch	-	6,694	-	-	6,694	2,048
Default	-	-	15,234	-	15,234	12,716
Gross carrying amount	556,286	25,861	15,234	-	597,381	605,547
Loss allowance	(4,783)	(1,559)	(6,978)	-	(13,320)	(10,240)
Carrying amount	551,503	24,302	8,256	-	584,061	595,307

<u>Amounts in US \$000</u>	June 30, 2020				December 31, 2019	
	ECL Staging			Purchased credit-impaired	Total	Total
Securities purchased for resale – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Non-investment	38,908	-	-	-	38,908	10,904
Gross carrying amount	38,908	-	-	-	38,908	10,904
Loss allowance	-	-	-	-	-	-
Carrying amount	38,908	-	-	-	38,908	10,904

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

<u>Amounts in US \$000</u>	June 30, 2020				December 31, 2019	
	ECL Staging			Purchased credit-impaired	Total	Total
Policy loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	146,133	-	-	-	146,133	144,556
Non-investment grade	7,105	-	-	-	7,105	7,174
Gross carrying amount	153,238	-	-	-	153,238	151,730
Loss allowance	(229)	-	-	-	(229)	(197)
Carrying amount	153,009	-	-	-	153,009	151,533

<u>Amounts in US \$000</u>	June 30, 2020				December 31, 2019	
	ECL Staging			Purchased credit-impaired	Total	Total
Deposits – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	38,707	-	-	-	38,707	35,977
Non-investment	16,732	247	-	-	16,979	25,613
Watch	1,442	11,121	-	-	12,563	1,087
Unrated	436	-	-	-	436	433
Gross carrying amount	57,317	11,368	-	-	68,685	63,110
Loss allowance	(225)	(945)	-	-	(1,170)	(312)
Carrying amount	57,092	10,423	-	-	67,515	62,798

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12. CREDIT RISK (continued)

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

<u>Amounts in US \$000</u>	June 30, 2020				December 31, 2019	
	ECL Staging			Purchased credit- impaired	Total	Total
Debt securities and money market funds – FVOCI	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	2,405,117	3,047	-	-	2,408,164	2,784,088
Non-investment	744,614	147,797	2,521	30,228	925,160	774,714
Watch	-	-	743	43	786	189
Default	-	-	3,155	-	3,155	-
Gross carrying amount	3,149,731	150,844	6,419	30,271	3,337,265	3,558,991
Loss allowance	(5,965)	(10,184)	(4,467)	-	(20,616)	(8,217)
Carrying amount	3,143,766	140,660	1,952	30,271	3,616,649	3,550,774

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment

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

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

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

DEBT SECURITIES AND MONEY MARKET

FUNDS - FVOCI

Loss Allowances

Amounts in US \$000

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

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEBT SECURITIES AND MONEY MARKET

FUNDS - FVOCI

Loss Allowances

Amounts in US \$000

Six months ended June 30, 2019

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2019	1,646	8,011	19,555	-	29,212
Transfers:					
Transfer from Stage 1 to Stage 2	(203)	203	-	-	-
Transfer from Stage 1 to Stage 3	38	(38)	-	-	-
Transfer from Stage 2 to Stage 3	-	(276)	276	-	-
New financial assets originated or purchased	794	-	-	-	794
Financial assets fully derecognised during the period	(325)	(1,436)	-	-	(1,761)
Changes in ECL inputs, models and / or assumptions	(87)	(230)	137	-	(180)
Effect of exchange rate changes	(8)	(31)	30	-	(9)
Loss Allowance as at June 30, 2019	1,855	6,203	19,998	-	28,056
Credit impairment loss recorded in income					
– Six months ended June 30, 2019					<u>(792)</u>
Credit impairment loss reduction of loss recorded in income					
– Three months ended June 30, 2019					<u>605</u>

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEBT SECURITIES – AMORTISED COST

Loss Allowances

Amounts in US \$000

Six months ended June 30, 2020

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2020	1,378	759	-	371	2,508
Transfers:					
Transfer from Stage 1 to Stage 2	(220)	220	-	-	-
New financial assets originated or purchased	966	-	-	4	970
Financial assets fully derecognised during the period	(159)	(2)	-	-	(164)
Changes in ECL inputs, models and / or assumptions	1,698	1,543	-	79	3,320
Effect of exchange rate changes	(32)	-	-	-	(32)
Loss Allowance as at June 30, 2020	3,631	2,520	-	451	6,602
Credit impairment loss recorded in income					
– Six months ended June 30, 2020					<u>(4,128)</u>
– Three months ended June 30, 2020					<u>(1,750)</u>
Loss Allowance as at January 1, 2019	1,855	1,228	161	612	3,856
New financial assets originated or purchased	258	-	-	-	258
Financial assets fully derecognised during the period	(211)	-	(104)	-	(315)
Changes in ECL inputs, models and / or assumptions	(98)	(199)	2	(284)	(579)
Effect of exchange rate changes	(15)	-	-	-	(15)
Loss Allowance as at June 30, 2019	1,789	1,029	59	328	3,205
Credit impairment loss recorded in income					
– Six months ended June 30, 2019					<u>(796)</u>
– Three months ended June 30, 2019					<u>(402)</u>

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

MORTGAGE LOANS - AMORTISED COST

Loss Allowances	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Amounts in US \$000					
Six months ended June 30, 2020					
Loss Allowance as at January 1, 2020	611	339	942	-	1,892
Transfers:					
Transfer from Stage 1 to Stage 2	(171)	171	-	-	-
Transfer from Stage 1 to Stage 3	(2)	-	2	-	-
Transfer from Stage 2 to Stage 1	28	(28)	-	-	-
Transfer from Stage 2 to Stage 3	-	(346)	346	-	-
Transfer from Stage 3 to Stage 2	-	856	(856)	-	-
Transfer from Stage 3 to Stage 1	2	-	(2)	-	-
New financial assets originated or purchased	91	-	-	-	91
Financial assets fully derecognised during the period	(13)	(5)	(81)	-	(99)
Changes in ECL inputs, models and / or assumptions	217	155	2,616	-	2,988
Effect of exchange rate changes	(4)	(3)	(12)	-	(19)
Loss Allowance as at June 30, 2020	759	1,139	2,955	-	4,853
Credit impairment loss recorded in income					
– Six months ended June 30, 2020					<u>(2,784)</u>
– Three months ended June 30, 2020					<u>(855)</u>
Six months ended June 30, 2019					
Loss Allowance as at January 1, 2019	625	283	1,472	-	2,380
Transfers:					
Transfer from Stage 1 to Stage 2	(19)	19	-	-	-
Transfer from Stage 1 to Stage 3	(26)	-	26	-	-
Transfer from Stage 2 to Stage 1	107	(107)	-	-	-
Transfer from Stage 2 to Stage 3	-	(39)	39	-	-
Transfer from Stage 3 to Stage 2	-	159	(159)	-	-
Transfer from Stage 3 to Stage 1	76	-	(76)	-	-
New financial assets originated or purchased	130	-	-	-	130
Financial assets fully derecognised during the period	(23)	(18)	(313)	-	(354)
Changes in ECL inputs, models and / or assumptions	(206)	(119)	400	-	75
Effect of exchange rate changes	(2)	(3)	(19)	-	(24)
Loss Allowance as at June 30, 2019	662	175	1,370	-	2,207
Credit impairment loss recorded in income					
– Six months ended June 30, 2019					<u>(180)</u>
– Three months ended June 30, 2019					<u>(415)</u>

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

FINANCE LOANS AND FINANCE LEASES - AMORTISED COST

Loss Allowances <u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Six months ended June 30, 2020					
Loss Allowance as at January 1, 2020	3,757	729	5,754	-	10,240
Transfers:					
Transfer from Stage 1 to Stage 2	(232)	232	-	-	-
Transfer from Stage 1 to Stage 3	(114)	-	114	-	-
Transfer from Stage 2 to Stage 1	162	(162)	-	-	-
Transfer from Stage 2 to Stage 3	-	(148)	148	-	-
Transfer from Stage 3 to Stage 1	40	-	(40)	-	-
New financial assets originated or purchased	849	-	-	-	849
Financial assets fully derecognised during the period	(288)	(148)	(991)	-	(1,427)
Changes in inputs, models and / or assumptions	752	1,087	2,193	-	4,032
Effect of exchange rate changes	(143)	(31)	(200)	-	(374)
Loss Allowance as at June 30, 2020	4,783	1,559	6,978	-	13,320
Credit impairment loss recorded in income					
– Six months ended June 30, 2020					<u>(6,572)</u>
– Three months ended June 30, 2020					<u>(3,884)</u>
Six months ended June 30, 2019					
Loss Allowance as at January 1, 2019	4,441	1,196	7,731	-	13,368
Transfers:					
Transfer from Stage 1 to Stage 2	(209)	209	-	-	-
Transfer from Stage 1 to Stage 3	(186)	-	186	-	-
Transfer from Stage 2 to Stage 1	413	(413)	-	-	-
Transfer from Stage 2 to Stage 3	-	(85)	85	-	-
Transfer from Stage 3 to Stage 1	3	-	(3)	-	-
New financial assets originated or purchased	955	-	-	-	955
Financial assets fully derecognised during the period	(519)	(251)	(1,745)	-	(2,515)
Changes in inputs, models and / or assumptions	(1,064)	160	6	-	(898)
Effect of exchange rate changes	(80)	(18)	(154)	-	(252)
Loss Allowance as at June 30, 2019	3,754	798	6,106	-	10,658
Credit impairment reduction of loss recorded in income					
– Six months ended June 30, 2019					<u>1,867</u>
– Three months ended June 30, 2019					<u>159</u>

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEPOSITS - AMORTISED COST

Loss Allowances

Amounts in US \$000

Six months ended June 30, 2020

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2020	261	51	-	-	312
Transfers:					
Transfer from Stage 1 to Stage 2	(156)	156	-	-	
New financial assets originated or purchased	132	-	-	-	132
Financial assets fully derecognised during the period	(112)	(24)	-	-	(136)
Changes in ECL inputs, models and / or assumptions	101	762	-	-	863
Effect of exchange rate changes	(1)	-	-	-	(1)
Loss Allowance as at June 30, 2020	225	945	-	-	1,170
Credit impairment loss recorded in income					
– Six months ended June 30, 2020					(860)
– Three months ended June 30, 2020					(890)

Six months ended June 30, 2019

Loss Allowance as at January 1, 2019	355	64	-	-	419
New financial assets originated or purchased	53	-	-	-	53
Financial assets fully derecognised during the period	(47)	-	-	-	(47)
Changes in ECL inputs, models and / or assumptions	(169)	-	-	-	(169)
Loss Allowance as at June 30, 2019	192	64	-	-	256
Credit impairment loss recorded in income					
– Six months ended June 30, 2019					(165)
– Three months ended June 30, 2019					(34)

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

POLICY LOANS - AMORTISED COST

Loss Allowances

Amounts in US \$000

Six months ended June 30, 2020

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2020	197	-	-	-	197
Changes in ECL inputs, models, and / or assumptions	43	-	-	-	43
Effect of exchange rate changes	(11)	-	-	-	(11)
Loss Allowance as at June 30, 2020	229	-	-	-	229
Credit impairment loss recorded in income					
– Six months ended June 30, 2020					(68)
– Three months ended June 30, 2020					(31)

Six months ended June 30, 2019

Loss Allowance as at January 1, 2019	110	-	-	-	110
Changes in ECL inputs, models and / or assumptions	47	-	-	-	47
Effect of exchange rate changes	(3)	-	-	-	(3)
Loss Allowance as at June 30, 2019	154	-	-	-	154
Credit impairment reduction of loss recorded in income					
– Six months ended June 30, 2019					47
– Three months ended June 30, 2019					20

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

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

Economic variable assumptions

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

		As of June 30, 2020		
		2020	2021	2022
GDP Growth (USA)	Base	-8.3%	1.9%	8.0%
	Upside	-5.5%	5.1%	8.1%
	Downside	-8.6%	0.3%	5.4%
World GDP	Base	0.1%	5.4%	5.4%
	Upside	0.2%	8.0%	8.0%
	Downside	0.1%	4.1%	4.1%
WTI Oil Prices/10	Base	\$3.93	\$4.16	\$4.28
	Upside	\$9.43	\$9.43	\$9.43
	Downside	\$2.41	\$2.56	\$2.63
DOW Jones Industrial Average Index - EPS	Base	\$1,272.99	\$1,574.67	\$1,692.46
	Upside	\$1,976.82	\$2,445.30	\$2,628.22
	Downside	\$773.56	\$956.88	\$1,028.46
S&P 500 Financial Index – EPS	Base	\$27.14	\$34.62	\$37.66
	Upside	\$41.94	\$53.49	\$58.20
	Downside	\$17.98	\$22.93	\$24.95
GBP/USD	Base	\$1.24	\$1.24	\$1.25
	Upside	\$1.38	\$1.45	\$1.50
	Downside	\$1.11	\$1.04	\$0.99
NZD/USD	Base	\$0.64	\$0.64	\$0.64
	Upside	\$0.72	\$0.75	\$0.78
	Downside	\$0.57	\$0.53	\$0.51

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Economic variable assumptions (continued)

		As of December 31, 2019		
		2020	2021	2022
GDP Growth (USA)	Base	1.6%	1.8%	1.9%
	Upside	2.2%	2.5%	2.5%
	Downside	1.2%	1.4%	1.3%
World GDP	Base	3.4%	3.6%	3.6%
	Upside	5.0%	5.3%	5.3%
	Downside	2.5%	2.7%	2.7%
WTI Oil Prices/10	Base	\$5.62	\$5.32	\$5.19
	Upside	\$9.47	\$9.47	\$9.47
	Downside	\$3.45	\$3.27	\$3.19
DOW Jones Industrial Average Index - EPS	Base	\$1,733.64	\$1,885.49	\$1,885.49
	Upside	\$2,450.69	\$2,665.34	\$2,665.34
	Downside	\$1,045.02	\$1,136.56	\$1,136.56
S&P 500 Financial Index – EPS	Base	\$38.46	\$41.44	\$41.44
	Upside	\$54.31	\$58.52	\$58.52
	Downside	\$25.42	\$27.39	\$27.39
GBP/USD	Base	\$1.31	\$1.32	\$1.32
	Upside	\$1.43	\$1.49	\$1.54
	Downside	\$1.18	\$1.15	\$1.11
NZD/USD	Base	\$0.65	\$0.65	\$0.65
	Upside	\$0.70	\$0.73	\$0.75
	Downside	\$0.59	\$0.57	\$0.74

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Economic variable assumptions (continued)

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

As of June 30, 2020		
Barbados		
	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Trinidad		
	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Jamaica		
	Expected state for the next 12 months	
Interest rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Economic variable assumptions (continued)

As of December 31, 2019		
Barbados		
	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Stable
	Downside	Negative
Trinidad		
	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Positive
	Downside	Negative
Jamaica		
	Expected state for the next 12 months	
Interest rate	Base	Positive
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Positive
	Upside	Super Positive
	Downside	Stable

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Significant increase in credit risk (SICR)

As of June 30, 2020

Amounts in US \$000

SICR criteria	Actual threshold applied	Change in threshold	ECL impact of
			Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	\$371

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

Loss Given Default	Actual value applied	Change in value	ECL impact of	
			Increase in value	Decrease in value
Corporate	52%	(- /+ 5) %	\$2,005	(\$1,893)
Sovereign (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	\$505	(\$505)
Sovereign (Government of Barbados - BAICO Bonds)	17%	(- /+ 5) %	\$44	(44)
Sovereign (Government of Jamaica)	15%	(- /+ 5) %	\$463	(\$463)

Scenario design

The weightings assigned to each economic scenario as at June 30, 2020 are set out in the following table.

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

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

	Base – 80%	Base – 80%
	Upside – 5%	Upside – 15%
	Downside – 15%	Downside – 5%
	Increase in ECL	Decrease in ECL
Debt securities	\$612	(\$612)
Lending products	\$294	(\$250)

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Significant increase in credit risk (SICR)

As of December 31, 2019

Amounts in US \$000

SICR criteria	Actual threshold applied	Change in threshold	ECL impact of
			Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	\$419

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

Loss Given Default	Actual value applied	Change in value	ECL impact of	
			Increase in value	Decrease in value
Corporate	52%	(- /+ 5) %	\$826	(\$786)
Sovereign (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	\$317	(\$317)
Sovereign (Government of Barbados - BAICO Bonds)	17%	(- /+ 5) %	\$25	(25)
Sovereign (Government of Jamaica)	15%	(- /+ 5) %	\$254	(\$254)

Scenario design

The weightings assigned to each economic scenario as at December 31, 2019 are set out in the following table.

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

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

	Base – 80% Upside – 5% Downside – 15%	Base – 80% Upside – 15% Downside – 5%
	Increase in ECL	Decrease in ECL
Debt securities	\$269	(\$269)
Lending products	\$43	(\$40)

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross carrying values – financial investments subject to impairment

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

DEBT SECURITIES AND MONEY MARKET FUNDS - FVOCI

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Six months ended June 30, 2020					
Gross carrying amount as at January 1, 2020	3,458,152	70,695	-	30,144	3,558,991
Transfers:					
Transfer from Stage 1 to Stage 2	(103,874)	103,874	-	-	-
Transfer from Stage 1 to Stage 3	(164)	-	164	-	-
Transfer from Stage 2 to Stage 3	-	(5,548)	5,548	-	-
New financial assets originated or purchased	867,925	-	-	43	867,968
Financial assets fully derecognised during the period	(953,725)	(15,930)	-	-	(969,655)
Changes in principal and interest	(83,001)	(2,157)	735	161	(84,262)
Effect of exchange rate changes	(35,582)	(90)	(28)	(77)	(35,777)
Gross carrying amount as at June 30, 2020	3,149,731	150,844	6,419	30,271	3,337,265
Six months ended June 30, 2019					
Gross carrying amount as at January 1, 2019	2,566,176	97,233	54,279	-	2,717,688
Transfers:					
Transfer from Stage 1 to Stage 2	(5,609)	5,609	-	-	-
Transfer from Stage 2 to Stage 1	381	(381)	-	-	-
Transfer from Stage 2 to Stage 3	-	(739)	739	-	-
New financial assets originated or purchased	716,123	-	-	-	716,123
Financial assets fully derecognised during the period	(392,523)	(13,925)	-	-	(406,448)
Changes in principal and interest	(61,242)	(343)	1,305	-	(60,280)
Effect of exchange rate changes	(10,254)	(211)	85	-	(10,380)
Gross carrying amount as at June 30, 2019	2,813,052	87,243	56,408	-	2,956,703

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEBT SECURITIES - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Six months ended June 30, 2020					
Gross carrying amount as at January 1, 2020	988,324	4,555	-	158,368	1,151,247
Transfers:					
Transfer from Stage 1 to Stage 2	(29,123)	29,123	-	-	-
Transfer from Stage 1 to Stage 3	(10)	-	10	-	-
New financial assets originated or purchased	116,921	-	-	207	117,128
Financial assets fully derecognised during the period	(95,658)	-	-	(59)	(95,717)
Changes in principal and interest	(3,551)	1,793	-	2,224	466
Effect of exchange rate changes	(15,565)	-	-	-	(15,565)
Gross carrying amount as at June 30, 2020	961,338	35,471	10	160,740	1,157,559
Six months ended June 30, 2019					
Gross carrying amount as at January 1, 2019	931,848	12,152	798	156,099	1,100,897
New financial assets originated or purchased	167,562	-	-	-	167,562
Financial assets fully derecognised during the period	(118,039)	-	(307)	(662)	(119,008)
Write-offs	(82)	-	-	-	(82)
Changes in principal and interest	14,862	(453)	(244)	653	14,818
Effect of exchange rate changes	(6,026)	1	-	-	(6,025)
Gross carrying amount as at June 30, 2019	990,125	11,700	247	156,090	1,158,162

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

MORTGAGE LOANS - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Six months ended June 30, 2020					
Gross carrying amount as at January 1, 2020	300,647	38,766	25,026	-	364,439
Transfers:					
Transfer from Stage 1 to Stage 2	(96,333)	96,333	-	-	-
Transfer from Stage 1 to Stage 3	(2,530)	-	2,530	-	-
Transfer from Stage 2 to Stage 1	11,422	(11,422)	-	-	-
Transfer from Stage 2 to Stage 3	-	(17,248)	17,248	-	-
Transfer from Stage 3 to Stage 2	-	1,685	(1,685)	-	-
Transfer from Stage 3 to Stage 1	606	-	(606)	-	-
New financial assets originated or purchased	29,107	-	-	-	29,107
Financial assets fully derecognised during the period	(4,057)	(258)	(344)	-	(4,659)
Changes in principal and interest	(3,638)	(1,378)	408	-	(4,608)
Effect of exchange rate changes	(3,588)	(282)	(163)	-	(4,033)
Gross carrying amount as at June 30, 2020	231,636	106,196	42,414	-	380,246
Six months ended June 30, 2019					
Gross carrying amount as at January 1, 2019	297,646	17,079	24,675	-	339,400
Transfers:					
Transfer from Stage 1 to Stage 2	(5,363)	5,363	-	-	-
Transfer from Stage 1 to Stage 3	(3,100)	-	3,100	-	-
Transfer from Stage 2 to Stage 1	5,824	(5,824)	-	-	-
Transfer from Stage 2 to Stage 3	-	(3,795)	3,795	-	-
Transfer from Stage 3 to Stage 2	-	990	(990)	-	-
Transfer from Stage 3 to Stage 1	1,149	-	(1,149)	-	-
New financial assets originated or purchased	30,674	-	-	-	30,674
Financial assets fully derecognised during the period	(8,290)	(563)	(2,521)	-	(11,374)
Changes in principal and interest	(5,493)	(747)	(235)	-	(6,475)
Effect of exchange rate changes	(795)	(108)	(122)	-	(1,025)
Gross carrying amount as at June 30, 2019	312,252	12,395	26,553	-	351,200

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

FINANCE LOANS AND FINANCE LEASES - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Six months ended June 30, 2020					
Gross carrying amount as at January 1, 2020	579,856	12,975	12,716	-	605,547
Transfers:					
Transfer from Stage 1 to Stage 2	(21,669)	21,669	-	-	-
Transfer from Stage 1 to Stage 3	(2,897)	-	2,897	-	-
Transfer from Stage 2 to Stage 1	2,648	(2,648)	-	-	-
Transfer from Stage 2 to Stage 3	-	(2,505)	2,505	-	-
Transfer from Stage 3 to Stage 1	83	-	(83)	-	-
New financial assets originated or purchased	77,491	-	-	-	77,491
Financial assets fully derecognised during the period	(44,391)	(2,055)	(2,241)	-	(48,687)
Changes in principal and interest	(12,590)	(1,102)	(89)	-	(13,781)
Effect of exchange rate changes	(22,245)	(473)	(471)	-	(23,189)
Gross carrying amount as at June 30, 2020	556,286	25,861	15,234	-	597,381
Six months ended June 30, 2019					
Gross carrying amount as at January 1, 2019	497,099	15,233	15,522	-	527,854
Transfers:					
Transfer from Stage 1 to Stage 2	(13,822)	13,822	-	-	-
Transfer from Stage 1 to Stage 3	(2,277)	-	2,277	-	-
Transfer from Stage 2 to Stage 1	5,850	(5,850)	-	-	-
Transfer from Stage 2 to Stage 3	-	(927)	927	-	-
Transfer from Stage 3 to Stage 1	6	-	(6)	-	-
New financial assets originated or purchased	93,762	-	-	-	93,762
Financial assets fully derecognised during the period	(58,794)	(2,758)	(5,076)	-	(66,628)
Changes in principal and interest	(9,314)	(320)	(746)	-	(10,380)
Foreign exchange adjustment	(8,578)	(63)	(247)	-	(8,888)
Gross carrying amount as at June 30, 2019	503,932	19,137	12,651	-	535,720

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

SECURITIES PURCHASED FOR RESALE - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Six months ended June 30, 2020					
Gross carrying amount as at January 1, 2020	10,904	-	-	-	10,904
New financial assets originated or purchased	973,525	-	-	-	973,525
Financial assets fully derecognised during the period	(944,305)	-	-	-	(944,305)
Changes in principal and interest	108	-	-	-	108
Effect of exchange rate changes	(1,324)	-	-	-	(1,324)
Gross carrying amount as at June 30, 2020	38,908	-	-	-	38,908
Six months ended June 30, 2019					
Gross carrying amount as at January 1, 2019	7,170	-	-	-	7,170
New financial assets originated or purchased	400,244	-	-	-	400,244
Financial assets fully derecognised during the period	(385,171)	-	-	-	(385,171)
Changes in principal and interest	(6)	-	-	-	(6)
Effect of exchange rate changes	(59)	-	-	-	(59)
Gross carrying amount as at June 30, 2019	22,178	-	-	-	22,178

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEPOSITS - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Six months ended June 30, 2020					
Gross carrying amount as at January 1, 2020	62,493	617	-	-	63,110
Transfers:					
Transfer from Stage 1 to Stage 2	(10,821)	10,821	-	-	-
New financial assets originated or purchased	34,190	-	-	-	34,190
Financial assets fully derecognised during the period	(27,015)	(179)	-	-	(27,194)
Changes in principal and interest	(1,348)	109	-	-	(1,239)
Effect of exchange rate changes	(182)	-	-	-	(182)
Gross carrying amount as at June 30, 2020	57,317	11,368	-	-	68,685
Six months ended June 30, 2019					
Gross carrying amount as at January 1, 2019	107,156	371	-	-	107,527
New financial assets originated or purchased	20,331	-	-	-	20,331
Financial assets fully derecognised during the period	(62,786)	-	-	-	(62,786)
Changes in principal and interest	(2,189)	1	-	-	(2,188)
Effect of exchange rate changes	(427)	-	-	-	(427)
Gross carrying amount as at June 30, 2019	62,085	372	-	-	62,457

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

POLICY LOANS – AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Six months ended June 30, 2020					
Gross carrying amount as at January 1, 2020	151,730	-	-	-	151,730
New financial assets originated or purchased	2,120	-	-	-	2,120
Financial assets fully derecognised during the period	(1,530)	-	-	-	(1,530)
Changes in principal and interest	1,241	-	-	-	1,241
Effect of exchange rate changes	(323)	-	-	-	(323)
Gross carrying amount as at June 30, 2020	153,238	-	-	-	153,238
Six months ended June 30, 2019					
Gross carrying amount as at January 1, 2019	147,156	-	-	-	147,156
New financial assets originated or purchased	1,153	-	-	-	1,153
New financial assets fully derecognised during the period	(482)	-	-	-	(482)
Changes in principal and interest	868	-	-	-	868
Effect of exchange rate changes	(36)	-	-	-	(36)
Gross carrying amount as at June 30, 2019	148,659	-	-	-	148,659

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS

Amounts in US \$000

	June 30, 2020	June 30, 2019
Adjustments for non-cash items, interest and dividends:		
Income from financial investments	(125,882)	(222,383)
Loss from disposal of interests in subsidiaries and associates	1,254	347
Net increase in actuarial liabilities	190,942	335,400
Interest costs and finance costs	42,428	48,995
Credit impairment losses / reduction in loss	27,216	(19)
Depreciation and amortisation	21,007	17,245
Increase in provision for unearned premiums	9,176	(2,790)
Other items	1,709	(15,586)
	167,850	161,209
Net change in investments and operating assets:		
Investment property	298	(59)
Debt securities	(172,510)	(266,117)
Equity securities	(286,003)	(32,940)
Mortgage loans	(17,144)	(5,914)
Policy loans	(1,269)	(1,616)
Finance loans and finance leases	(14,560)	(24,873)
Securities purchased for re-sale	(1,319)	4,397
Deposits	6,608	28,080
Other assets and receivables	(46,681)	(22,124)
	(532,580)	(321,166)

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

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

<u>Amounts in US \$000</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Investment property:		
Purchases	(129)	(59)
Disposal proceeds	427	-
	<u>298</u>	<u>(59)</u>
Debt securities:		
Purchases	(1,239,439)	(1,401,630)
Disposal proceeds	1,066,929	1,135,513
	<u>(172,510)</u>	<u>(266,117)</u>
Equity securities:		
Purchases	(376,035)	(116,815)
Disposal proceeds	90,032	83,875
	<u>(286,003)</u>	<u>(32,940)</u>
Net change in operating liabilities:		
Insurance liabilities	(532)	(2,447)
Investment contract liabilities	(4,538)	31,940
Other funding instruments	22,606	(72,329)
Deposits	17,487	46,946
Securities sold for repurchase	32,636	72,233
Other liabilities and payables	(24,880)	(35,956)
	<u>42,779</u>	<u>40,387</u>

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

Amounts in US \$000

	June 30, 2020	June 30, 2019
Investing activities		
Property, plant and equipment:		
Purchases	(6,692)	(4,350)
Disposal proceeds	71	100
	<u>(6,621)</u>	<u>(4,250)</u>
Financing activities		
Notes and loans payable:		
Repayments	(3,197)	(10,883)
Lease liability payments are allocated as follows:		
Principal paid	(3,787)	(3,602)
Interest paid	(1,185)	(277)
	<u>(4,972)</u>	<u>(3,879)</u>
Cash and cash equivalents		
Cash	294,951	269,379
Call deposits and other liquid balances	201,720	80,924
Bank overdrafts	(565)	(11,265)
	<u>496,106</u>	<u>339,038</u>

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. LEASE LIABILITIES

The lease liabilities recognised are as follows:

<u>Amounts in US \$000</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Current lease liabilities	7,750	7,748
Non-current lease liabilities	36,748	27,952
	<u>44,498</u>	<u>35,700</u>

The lease liabilities relate to right-of-use assets of \$39,288 as at June 30, 2020 (\$29,369 as at December 31, 2019).

15. INTEREST IN ASSOCIATE

Playa Hotel and Resorts N.V.

Among other interests in associates, the Group holds an investment in Playa Hotels and Resorts (Playa). Following the emergence of COVID-19 coronavirus, which was declared a global pandemic by the World Health organisation on March 11, 2020, the Group considered that travel restrictions, the impact on tour and holiday bookings and cancellations may result in a downturn in revenues and profits which could negatively impact the carrying value of this asset. An assessment of the carrying value of this investment was performed during the period ended March 31, 2020. A recoverable value was determined using the value-in-use method which is a discounted cash flow technique that utilises a significant amount of judgement in estimating key variables such as earnings before interest, taxes, depreciation and amortisation and a discount factor. Value-in-use calculations are very sensitive to changes in these estimates. As a result of this exercise, the investment was written down by US \$3.4 million as at March 31, 2020.

On June 12, 2020, in addition to entering into certain financing transactions to support its ongoing operations, Playa sold 4,878,049 ordinary shares for US \$20 million which resulted in a 0.6% dilution of Sagicor Group Jamaica Ltd.'s 15.4% shareholding, and ultimately the Sagicor Group's ownership interest of 15.4%, in Playa.

On June 15, 2020, Sagicor Financial Corporation Limited, the intermediate parent company of SGJ, acquired a further 1,500,000 shares of Playa by a series of purchases, at a weighted average price of US \$3.9676 per share, for a total of US \$5.966 million including commissions paid. This represented an increase of 1.1% in the Group's shareholding, bringing the Group's total shareholding in Playa to 16%.

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. INTEREST IN ASSOCIATE (continued)

The transactions gave rise to a net loss of US \$2.753 million on dilution of the shareholding (deemed disposal), and negative goodwill of US \$1.499 million on the acquisition of additional shares, as follows:

i. Deemed disposal of 0.6% holding in associate:

The Group's share of the carrying value of the investment in Playa on its balance sheet as at June 30, 2020 was compared to its share of the proceeds of US \$20 million received by Playa and adjusted for recycling of net unrealised foreign exchange gains and unrealised interest rate swap losses in OCI to income.

Amounts in US \$000

Group's share of proceeds received by Playa on issuance of shares	2,963
Share of carrying value of investment in Playa as an Associate on the Balance Sheet of SGJ as at June 30, 2020	(6,075)
	<hr/>
	(3,112)
Net unrealised gains recycled to income	359
	<hr/>
Loss on deemed disposal of 0.6% holding in associate	(2,753)

ii. Acquisition of 1.1% holding in associate:

The Group compared its share of the net identifiable assets and liabilities of Playa, at fair value, to the purchase price paid. The resulting negative goodwill has been recorded in these financial statements.

Amounts in US \$000

Share of net assets acquired	7,465
Purchase consideration	(5,966)
	<hr/>
Negative goodwill arising on acquisition	1,499

Negative goodwill arose as Playa's shares have been trading below the company's book value per share in response to depressed share prices which occurred as the hotel industry has been severely impacted by the effects of COVID-19 coronavirus on tour and hotel bookings, given widespread travel restrictions and cancellations.

As at June 30, 2020, the book value of Playa Hotels and Resorts was \$168,134 (\$184,929 as at December 31, 2019). At this date, the proportionate share of market value of Playa, calculated based on quoted prices by the National Association of Securities Dealers Automated Quotation (NASDAQ), was \$72,400 (at December 31, 2019 - \$166,282).

An impairment assessment of the investment in Playa was performed at the period end. As a result, the investment was further written down by US \$13 million as at June 30, 2020.

Management has determined that significant influence still exists given the Group's participation in policy-making decisions, significant involvement in, and influence over the decision-making of Playa. Therefore, Playa will continue to be treated as an investment in associate and accounted for on an equity basis.

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. EARNINGS PER COMMON SHARE

- i. Effective December 5, 2019, the date of completion of a transaction between Alignvest Acquisition II Corporation (a special purpose acquisition company) and Sagicor Financial Corporation Limited (SFCL), common shares not purchased for cash were exchanged for common shares in Sagicor Financial Company Ltd. using an exchange ratio of one Sagicor common share for 4.328 of SFCL common shares. As a result, the comparative earnings per common share for the three-month and six-month periods ended June 30, 2019 have been restated using the exchange ratio.
- ii. Basic earnings per share and fully diluted earnings per share computed on the loss for the three-month and six-month periods are equal, as certain instruments, primarily options and warrants, which are considered to be antidilutive in the current environment, have been excluded from the computation of fully diluted earnings per share. This treatment is in accordance with IAS 33 – Earnings Per Share.

17. REPURCHASE OF SHARES

During the period, the Company repurchased 329,600 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 totalling US \$2.5 million, which were repurchased at the period end date but not cancelled, has been reflected in treasury shares.

18. DEVELOPMENTS DURING THE PERIOD

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. Most Caribbean countries have largely 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 both in the U.S. and around the world and has fuelled concerns that it will lead to a global recession.

In response to the changing economic environment, Sagicor has considered the impact of this environment and has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. Changes in the economic outlook data are reported in Note 12 on credit risk and impairment. As part of this process, goodwill was reviewed and stress testing was performed on assessment assumptions. As a result of this exercise, goodwill of US \$3.0 million was impaired relating to the subsidiary, Sagicor General Insurance Inc. Additional impairment related to the investment in Playa is detailed in Note 15.

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. RECLASSIFICATION OF COMPARATIVE FIGURES

Where necessary certain comparative figures have been adjusted to conform with the changes in presentation in the current period. These adjustments had no effect on the reported results of operations.

Condensed Consolidated Statement of Income

Amounts in US \$000

Net investment income disclosed in the Condensed Consolidated Statement of Income for the six-month period ended June 30, 2019 of \$225,544 has been restated to separately disclose interest income earned from financial assets measured at amortised cost and FVOCI of \$152,069, other investment income of \$64,779 and share of operating income of associates and joint ventures of \$8,696. A credit impairment reduction in loss of \$19 in the Condensed Consolidated Statement of Income for the period ended June 30, 2019 has been reclassified from Expenses to Revenue. Where applicable, comparative figures in the notes to the consolidated financial statements have been adjusted to conform with this reclassification.

Net investment income disclosed in the Condensed Consolidated Statement of Income for the three-month period ended June 30, 2019 of \$108,089 has been restated to separately disclose interest income earned from financial assets measured at amortised cost and FVOCI of \$78,194, other investment income of \$28,921 and share of operating income of associates and joint ventures of \$974. A credit impairment reduction in loss of \$67 in the Condensed Consolidated Statement of Income for the period ended June 30, 2019 has been reclassified from Expenses to Revenue. Where applicable, comparative figures in the notes to the consolidated financial statements have been adjusted to conform with this reclassification.

Condensed Consolidated Statement of Cash Flows

Amounts in US \$000

Lease liability principal paid has been increased by \$1,787 to reflect a payment which was reclassified from the net cash outflow for notes and loans payable in the Condensed Statement of Cash Flows for the period ended June 30, 2019. Where applicable, comparative figures in the notes to the consolidated financial statements have been adjusted to conform with this reclassification.

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. COMMITMENTS

Effective June 25, 2020, the Group entered into a letter of credit arrangement with a facility up to the amount of US \$40 million, whereby an irrevocable standby letter of credit, guaranteed by Sagicor Reinsurance Bermuda Ltd., was issued in favour of Sagicor Life Insurance Company, USA, in support of a coinsurance agreement between the two parties (note 1).

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

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

21. SUBSEQUENT EVENTS

- i. In November 2018, Sagicor Financial Company Ltd. announced its intention to acquire Scotialife Trinidad & Tobago Limited. On July 2, 2020, Sagicor further announced that Sagicor and Scotiabank Trinidad and Tobago Limited have mutually agreed not to proceed with the 20-year distribution agreement for insurance products and solutions in Trinidad & Tobago. As a result, Sagicor will not proceed with the acquisition of Scotialife Trinidad & Tobago Limited.
- ii. Subsequent to the period end, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of US \$0.05625 per common share payable on September 18, 2020, to the shareholders of record at the close of business on August 28, 2020.