

SAGICOR FINANCIAL COMPANY LTD.

(formerly Sagicor Financial Corporation Limited)

Condensed Consolidated Financial Statements

Nine-months ended September 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>	As of September 30, 2020 (unaudited)	As of December 31, 2019 (audited)
ASSETS		
Investment property	79,922	95,577
Property, plant and equipment	267,545	289,870
Associates and joint ventures (note 16)	199,850	230,558
Intangible assets	97,330	106,864
Financial investments (note 7)	6,156,207	6,080,758
Financial investments repledged (note 7)	651,529	604,886
Reinsurance assets	708,948	724,237
Income tax assets	29,516	26,594
Miscellaneous assets and receivables	220,657	208,059
Cash	384,217	273,072
Restricted cash	98,589	88,396
Total assets	8,894,310	8,728,871
LIABILITIES		
Actuarial liabilities (note 14)	3,819,917	3,604,653
Other insurance liabilities	292,101	286,960
Investment contract liabilities (note 8)	424,696	424,340
Total policy liabilities	4,536,714	4,315,953
Notes and loans payable (note 9)	473,688	517,732
Lease liabilities (note 15)	37,637	35,700
Deposits and security liabilities (note 10)	1,845,298	1,752,689
Other liabilities / retirement benefit liabilities	57,793	59,795
Income tax liabilities	51,309	56,889
Accounts payable and accrued liabilities	270,048	240,333
Total liabilities	7,272,487	6,979,091
EQUITY		
Share capital	1,466	1,477
Share premium	760,182	762,015
Reserves	(40,371)	(9,023)
Retained earnings	341,059	399,582
Total shareholders' equity	1,062,336	1,154,051
Participating accounts	1,029	1,223
Non-controlling interests in subsidiaries	558,458	594,506
Total equity	1,621,823	1,749,780
Total liabilities and equity	8,894,310	8,728,871

These financial statements have been approved for issue by the Board of Directors on November 11, 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

	Nine months to September 30, 2020	Nine months to September 30, 2019	Three months to September 30, 2020	Three months to September 30, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<u>Amounts in US \$000</u>				
REVENUE				
Premium revenue (note 4)	966,541	997,486	288,432	282,073
Reinsurance premium expense (note 4)	(74,022)	(56,397)	(23,493)	(18,754)
Net premium revenue	892,519	941,089	264,939	263,319
Gain on derecognition of amortised cost investments	5,337	2,894	2,363	1,231
Gain / (loss) on derecognition of assets carried at FVOCI	13,368	10,472	(1,825)	6,942
Interest income earned from financial assets measured at amortised cost and FVOCI (note 5)	234,585	228,074	75,236	76,005
Other investment (expense) / income (note 5)	(24,044)	84,005	28,214	19,226
Credit impairment losses	(25,563)	5,529	1,653	5,510
Fees and other revenue	107,668	123,644	31,585	39,328
Total revenue, net	1,203,870	1,395,707	402,165	411,561
BENEFITS				
Policy benefits and change in actuarial liabilities (note 6)	783,638	936,089	263,071	249,364
Policy benefits and change in actuarial liabilities reinsured (note 6)	(48,617)	(89,528)	(25,592)	(13,501)
Net policy benefits and change in actuarial liabilities	735,021	846,561	237,479	235,863
Interest costs	31,716	41,434	12,470	12,432
Total benefits	766,737	887,995	249,949	248,295
EXPENSES				
Administrative expenses	243,229	242,149	76,073	81,129
Commissions and related compensation	83,969	87,739	25,945	27,443
Premium and asset taxes	12,412	12,335	2,160	2,550
Finance costs	34,178	31,280	10,996	11,287
Depreciation and amortisation	29,454	25,833	8,447	8,588
Total expenses	403,242	399,336	123,621	130,997
Loss arising on business combinations, acquisitions and divestitures	(1,260)	(478)	(6)	(131)
Share of operating (loss) / income of associates and joint ventures	(33,327)	8,796	(9,229)	100
(LOSS) / INCOME BEFORE TAXES	(696)	116,694	19,360	32,238
Income taxes	(28,838)	(37,670)	(12,723)	(11,096)
NET (LOSS) / INCOME FROM CONTINUING OPERATIONS	(29,534)	79,024	6,637	21,142

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>	Nine months to September 30, 2020 (unaudited)	Nine months to September 30, 2019 (unaudited)	Three months to September 30, 2020 (unaudited)	Three months to September 30, 2019 (unaudited)
Net (loss) / income from continuing operations	(29,534)	79,024	6,637	21,142
Net income from discontinued operation	-	517	-	-
NET (LOSS) / INCOME FOR THE PERIOD	(29,534)	79,541	6,637	21,142
Net (loss) / income is attributable to:				
Common shareholders:				
From continuing operations	(32,635)	32,506	(3,029)	6,312
From discontinued operation	-	517	-	-
	(32,635)	33,023	(3,029)	6,312
Participating policyholders	399	(804)	263	(1,509)
Non-controlling interests	2,702	47,322	9,403	16,339
	(29,534)	79,541	6,637	21,142
Basic earnings per common share (note 17):				
From continuing operations	(22.0) cents	45.9 cents	(2.0) cents	8.9 cents
From discontinued operation	0.0 cents	0.7 cents	0.0 cents	0.0 cents
	(22.0) cents	46.6 cents	(2.0) cents	8.9 cents
Fully diluted earnings per common share (note 17):				
From continuing operations	(22.0) cents	42.0 cents	(2.0) cents	8.2 cents
From discontinued operation	0.0 cents	0.7 cents	0.0 cents	0.0 cents
	(22.0) cents	42.7 cents	(2.0) cents	8.2 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

	Nine months to September 30, 2020 (unaudited)	Nine months to September 30, 2019 (unaudited)	Three months to September 30, 2020 (unaudited)	Three months to September 30, 2019 (unaudited)
<u>Amounts in US \$000</u>				
NET (LOSS) / INCOME FOR THE PERIOD	(29,534)	79,541	6,637	21,142
OTHER COMPREHENSIVE INCOME:				
Items net of tax that may be reclassified subsequently to income:				
Financial assets measured at FVOCI:				
Gains on revaluation	16,501	151,001	49,031	31,550
Gains transferred to income	(9,536)	(6,683)	(512)	(5,578)
Net change in actuarial liabilities	(9,804)	(84,294)	(29,698)	(20,188)
Other reserves	(1,203)	-	498	-
Retranslation of foreign currency operations	(33,796)	(21,267)	(6,930)	(13,614)
	(37,838)	38,757	12,389	(7,830)
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	(15,921)	(2,423)	(15,757)	541
Gains on equity securities designated at FVOCI	-	18	-	-
(Losses) / gains on defined benefit plans	(199)	13	3	13
	(16,120)	(2,392)	(15,754)	554
Other comprehensive (loss) / income from continuing operations	(53,958)	36,365	(3,365)	(7,276)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(83,492)	115,906	3,272	13,866
Total comprehensive (loss) / income is attributable to:				
Common shareholders:				
From continuing operations	(55,979)	62,429	3,350	4,976
From discontinued operation	-	517	-	-
	(55,979)	62,946	3,350	4,976
Participating policyholders	(49)	(505)	55	(1,830)
Non-controlling interests	(27,464)	53,465	(133)	10,720
	(83,492)	115,906	3,272	13,866

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)
Nine months to September 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	-	-	(23,285)	(32,694)	(55,979)
Transactions with holders of equity instruments:					
Allotment of common shares	15	6,615	-	-	6,630
Repurchase of shares (note 18)	(26)	(8,436)	-	(2,807)	(11,269)
Movements in treasury shares (note 18)	-	(12)	-	-	(12)
Changes in reserve for equity compensation benefits	-	-	(7,161)	307	(6,854)
Dividends declared	-	-	-	(25,002)	(25,002)
Acquisition of interests in subsidiaries	-	-	-	(67)	(67)
Transfers and other movements	-	-	(902)	1,740	838
Balance as of September 30, 2020	1,466	760,182	(40,371)	341,059	1,062,336

	Total Shareholders' Equity	Participating Accounts	Non-controlling interests	Total Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Nine months to September 30, 2020				
Balance as of December 31, 2019	1,154,051	1,223	594,506	1,749,780
Total comprehensive loss:				
From continuing operations	(55,979)	(49)	(27,464)	(83,492)
Transactions with holders of equity instruments:				
Allotment of common shares	6,630	-	-	6,630
Repurchase of shares (note 18)	(11,269)	-	-	(11,269)
Movements in treasury shares (note 18)	(12)	-	-	(12)
Changes in reserve for equity compensation benefits	(6,854)	-	-	(6,854)
Dividends declared	(25,002)	-	(6,897)	(31,899)
Acquisition of interests in subsidiaries	(67)	-	(360)	(427)
Transfers and other movements	838	(145)	(1,327)	(634)
Balance as of September 30, 2020	1,062,336	1,029	558,458	1,621,823

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)
Nine months to September 30, 2019					
Balance as of December 31, 2018	3,061	300,665	(76,995)	374,138	600,869
Total comprehensive income:					
From continuing operations	-	-	29,913	32,516	62,429
From discontinued operation	-	-	-	517	517
Transactions with holders of equity instruments:					
Movements in treasury shares	3	194	-	-	197
Changes in reserve for equity compensation benefits	-	-	5,303	-	5,303
Dividends declared	-	-	-	(7,658)	(7,658)
Transfers and other movements	-	-	502	(1,789)	(1,287)
Balance as of September 30, 2019	3,064	300,859	(41,277)	397,724	660,370

	Total Shareholders' Equity	Participating Accounts	Non- controlling interests	Total Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Nine months to September 30, 2019				
Balance as of December 31, 2018	600,869	4,078	530,514	1,135,461
Total comprehensive income / (loss):				
From continuing operations	62,429	(505)	53,465	115,389
From discontinued operation	517	-	-	517
Transactions with holders of equity instruments:				
Movements in treasury shares	197	-	-	197
Changes in reserve for equity compensation benefits	5,303	-	-	5,303
Dividends declared	(7,658)	-	(11,915)	(19,573)
Acquisition/disposal of subsidiary and insurance business	-	-	14,911	14,911
Transfers and other movements	(1,287)	(150)	(1,962)	(3,399)
Balance as of September 30, 2019	660,370	3,423	585,013	1,248,806

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>	Nine months to September 30, 2020 (unaudited)	Nine months to September 30, 2019 (unaudited)
OPERATING ACTIVITIES		
(Loss) / Income before taxes	(696)	116,694
Adjustments for non-cash items, interest and dividends (note 13)	154,554	179,051
Interest and dividends received	256,155	244,997
Interest paid	(69,506)	(77,620)
Income taxes paid	(30,762)	(43,513)
Net change in investments and operating assets (note 13)	(590,494)	(465,327)
Net change in operating liabilities (note 13)	171,480	61,181
Net cash flows - operating activities	(109,269)	15,463
INVESTING ACTIVITIES		
Property, plant and equipment, net (note 13)	(10,199)	(6,746)
Associates and joint ventures, net	(5,951)	-
Acquisition of subsidiaries, net of cash and cash equivalents	(317)	(30,020)
Dividends received from associates and joint ventures	468	480
Purchase of intangible assets	(2,822)	(2,574)
Net cash flows - investing activities	(18,821)	(38,860)
FINANCING ACTIVITIES		
Repurchase of common shares	(11,437)	-
Shares purchased from non-controlling interests	(735)	(2,676)
Movement in treasury shares (note 18)	(12)	(371)
Redemption of preference shares	(6)	-
Notes and loans payable, net (note 13)	(33,930)	33,241
Principal elements of lease payments (note 13)	(5,416)	(5,478)
Dividends paid to common shareholders	(25,038)	(7,519)
Dividends paid to preference shareholders	(1)	-
Dividends paid to non-controlling interests	(3,210)	(11,915)
Net cash flows - financing activities	(79,785)	5,282
Effect of exchange rate changes	(4,842)	(7,411)
Net change in cash and cash equivalents - continuing operations	(212,717)	(25,526)
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	562,627	313,791

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 ended June 30, 2020, 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 21). 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 September 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 September 30, 2020	Closing rates as of December 31, 2019	Average rates for the nine months to September 30, 2020	Average rates for the three months to September 30, 2020	Average rates for the nine months to September 30, 2019	Average rates for the three months to September 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	141.6738	132.5324	140.6882	145.3882	131.7810	134.4420
Trinidad & Tobago dollar	6.7626	6.7624	6.7388	6.7368	6.7526	6.7424
Pound sterling	0.77380	0.75700	0.78080	0.77370	0.78294	0.80770

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	Adjust- ments	Total
Nine months to September 30, 2020						
Net premium revenue	258,148	264,801	341,669	27,901	-	892,519
Net gain / (loss) on derecognition of amortised cost investments	51	5,291	(5)	-	-	5,337
Net gains / (losses) on derecognition of assets carried at FVOCI	1,118	18,064	(5,631)	(183)	-	13,368
Interest income earned on amortised cost and FVOCI investments	54,890	121,115	54,926	3,654	-	234,585
Other investment income / (expense)	1,674	(28,241)	(939)	3,764	(302)	(24,044)
Credit impairment losses	(8,310)	(12,724)	(4,056)	(473)	-	(25,563)
Fees and other revenue	8,290	86,525	(2,013)	14,958	(92)	107,668
Inter-segment revenues	16,866	-	-	5,704	(22,570)	-
Total revenue, net	332,727	454,831	383,951	55,325	(22,964)	1,203,870
Net policy benefits	156,566	173,502	136,512	11,164	-	477,744
Net change in actuarial liabilities	53,161	(35,681)	239,797	-	-	257,277
Interest costs	7,849	20,511	2,978	378	-	31,716
Administrative expenses	58,630	122,759	25,045	35,942	853	243,229
Commissions and premium and asset taxes	31,735	38,374	18,939	7,333	-	96,381
Finance costs	76	6,435	267	27,400	-	34,178
Depreciation and amortisation	5,508	15,574	3,052	5,320	-	29,454
Inter-segment expenses	3,474	1,234	2,760	16,329	(23,797)	-
Total benefits and expenses	316,999	342,708	429,350	103,866	(22,944)	1,169,979
(Losses) / gains arising on business combinations, acquisitions and divestitures	-	(2,759)	-	1,499	-	(1,260)
Share of operating income / (loss) of associates and joint ventures	2,929	(35,513)	-	(743)	-	(33,327)
Segment income / (loss) before taxes	18,657	73,851	(45,399)	(47,785)	(20)	(696)
Income taxes	(5,764)	(31,295)	9,534	(1,390)	77	(28,838)
Net income / (loss) - continuing operations	12,893	42,556	(35,865)	(49,175)	57	(29,534)
Net income / (loss) attributable to non-controlling interests	-	3,063	-	(361)	-	2,702
Net income / (loss) attributable to shareholders from continuing operations	12,494	39,493	(35,865)	(48,814)	57	(32,635)
Total comprehensive income / (loss) attributable to shareholders from continuing operations	10,451	20,235	(37,648)	(49,528)	511	(55,979)

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
Nine months to September 30, 2019						
Net premium revenue	283,195	256,446	373,755	27,693	-	941,089
Net (loss) / gain on derecognition of amortised cost investments	(23)	2,947	(30)	-	-	2,894
Net gains on derecognition of assets carried at FVOCI	3,262	6,160	1,043	-	7	10,472
Interest income earned on amortised cost and FVOCI investments	54,067	119,413	52,080	2,514	-	228,074
Other investment income / (expense)	7,812	43,516	33,112	(190)	(245)	84,005
Credit impairment losses	1,804	3,388	137	200	-	5,529
Fees and other revenue	6,087	109,183	(1,484)	11,345	(1,487)	123,644
Inter-segment revenues	14,830	-	-	23,175	(38,005)	-
Total revenue, net	371,034	541,053	458,613	64,737	(39,730)	1,395,707
Net policy benefits	165,311	160,711	82,890	18,617	-	427,529
Net change in actuarial liabilities	59,559	59,332	295,591	-	4,550	419,032
Interest costs	11,888	23,845	5,322	379	-	41,434
Administrative expenses	57,203	127,614	25,232	30,296	1,804	242,149
Commissions and premium and asset taxes	34,508	37,036	20,886	7,644	-	100,074
Finance costs	58	5,090	380	25,752	-	31,280
Depreciation and amortisation	5,273	14,864	3,466	2,230	-	25,833
Inter-segment expenses	3,663	1,552	893	14,316	(20,424)	-
Total benefits and expenses	337,463	430,044	434,660	99,234	(14,070)	1,287,331
Loss arising on business combinations, acquisitions and divestitures	(478)	-	-	-	-	(478)
Share of operating income of associates and joint ventures	3,701	5,095	-	-	-	8,796
Segment income / (loss) before taxes	36,794	116,104	23,953	(34,497)	(25,660)	116,694
Income taxes	(6,098)	(24,899)	(5,030)	(1,698)	55	(37,670)
Net income / (loss) - continuing operations	30,696	91,205	18,923	(36,195)	(25,605)	79,024
Net income / (loss) attributable to non- controlling interests	-	48,052	-	(730)	-	47,322
Net income / (loss) attributable to shareholders from continuing operations	31,500	43,153	18,923	(61,253)	183	32,506
Total comprehensive income / (loss) attributable to shareholders from continuing operations	40,454	49,443	31,549	(59,592)	(575)	62,429

Where necessary certain comparative numbers have been adjusted to conform with the presentation in the current period as outlined in note 20. Finance costs of \$25,788 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 September 30, 2020						
Net premium revenue	88,910	81,469	85,416	9,144	-	264,939
Net gain / (loss) on derecognition of amortised cost investments	(232)	2,600	(5)	-	-	2,363
Net gains / (losses) on derecognition of assets carried at FVOCI	218	2,659	(4,702)	-	-	(1,825)
Interest income earned on amortised cost and FVOCI investments	17,603	39,504	17,223	906	-	75,236
Other investment income	3,967	4,791	15,522	3,894	40	28,214
Credit impairment losses	741	(828)	2,017	(277)	-	1,653
Fees and other revenue	4,554	25,358	(2,193)	4,200	(334)	31,585
Inter-segment revenues	6,596	-	-	2,066	(8,662)	-
Total revenue, net	122,357	155,553	113,278	19,933	(8,956)	402,165
Net policy benefits	59,189	57,796	49,530	4,629	-	171,144
Net change in actuarial liabilities	17,445	(20,534)	69,424	-	-	66,335
Interest costs	5,214	6,449	663	144	-	12,470
Administrative expenses	18,574	38,611	9,363	9,180	345	76,073
Commissions and premium and asset taxes	10,122	9,770	5,692	2,521	-	28,105
Finance costs	54	1,847	66	9,029	-	10,996
Depreciation and amortisation	1,825	4,772	1,089	761	-	8,447
Inter-segment expenses	1,155	380	1,089	6,415	(9,039)	-
Total benefits and expenses	113,578	99,091	136,916	32,679	(8,694)	373,570
Loss arising on business combinations, acquisitions and divestitures	-	(6)	-	-	-	(6)
Share of operating income / (loss) of associates and joint ventures	1,260	(9,746)	-	(743)	-	(9,229)
Segment income / (loss) before taxes	10,039	46,710	(23,638)	(13,489)	(262)	19,360
Income taxes	(1,404)	(15,800)	4,964	(460)	(23)	(12,723)
Net income / (loss) - continuing operations	8,635	30,910	(18,674)	(13,949)	(285)	6,637
Net income / (loss) attributable to non- controlling interests	-	9,594	-	(191)	-	9,403
Net income / (loss) attributable to shareholders from continuing operations	8,372	21,316	(18,674)	(13,758)	(285)	(3,029)
Total comprehensive income / (loss) attributable to shareholders from continuing operations	10,056	21,308	(14,264)	(13,693)	(57)	3,350

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 September 30, 2019	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Net premium revenue	94,190	94,912	65,036	9,181	-	263,319
Net gain / (loss) on derecognition of amortised cost investments	(65)	1,311	(15)	-	-	1,231
Net gains / (losses) on derecognition of assets carried at FVOCI	2,763	3,912	268	-	(1)	6,942
Interest income earned on amortised cost and FVOCI investments	17,749	40,087	17,512	657	-	76,005
Other investment income	1,661	15,131	3,609	(1,005)	(170)	19,226
Credit impairment losses	735	4,226	426	123	-	5,510
Fees and other revenue	2,671	35,531	(433)	3,000	(1,441)	39,328
Inter-segment revenues	5,176	-	-	1,688	(6,864)	-
Total revenue, net	124,880	195,110	86,403	13,644	(8,476)	411,561
Net policy benefits	57,046	60,066	26,904	8,215	-	152,231
Net change in actuarial liabilities	19,175	22,397	37,510	-	4,550	83,632
Interest costs	4,007	7,004	1,292	129	-	12,432
Administrative expenses	19,626	42,721	7,780	10,477	525	81,129
Commissions and premium and asset taxes	12,827	10,093	4,800	2,273	-	29,993
Finance costs	36	2,322	112	8,817	-	11,287
Depreciation and amortisation	1,720	5,005	1,125	738	-	8,588
Inter-segment expenses	2,615	494	(753)	4,940	(7,296)	-
Total benefits and expenses	117,052	150,102	78,770	35,589	(2,221)	379,292
Loss arising on business combinations, acquisitions and divestitures	(131)	-	-	-	-	(131)
Share of operating income / (loss) of associates and joint ventures	1,887	(1,787)	-	-	-	100
Segment income / (loss) before taxes	9,584	43,221	7,633	(21,945)	(6,255)	32,238
Income taxes	(893)	(8,070)	(1,603)	(579)	49	(11,096)
Net income / (loss) - continuing operations	8,691	35,151	6,030	(22,524)	(6,206)	21,142
Net income / (loss) attributable to non- controlling interests	-	16,734	-	(395)	-	16,339
Net income / (loss) attributable to shareholders from continuing operations	10,200	18,416	6,030	(30,977)	2,643	6,312
Total comprehensive income / (loss) attributable to shareholders from continuing operations	12,600	12,863	6,339	(29,731)	2,905	4,976

Where necessary certain comparative numbers have been adjusted to conform with the presentation in the current period as outlined in note 20. Finance costs of \$8,847 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 September 30, 2020						
Financial investments	1,434,659	2,646,640	2,297,700	428,737	-	6,807,736
Other external assets	403,336	757,746	741,865	183,627	-	2,086,574
Inter-segment assets	367,176	10,849	60,984	163,658	(602,667)	-
Total assets	2,205,171	3,415,235	3,100,549	776,022	(602,667)	8,894,310
Policy liabilities	1,422,478	810,951	2,228,482	74,803	-	4,536,714
Other external liabilities	108,941	1,680,914	481,219	464,699	-	2,735,773
Inter-segment liabilities	130,813	3,290	131,823	336,741	(602,667)	-
Total liabilities	1,662,232	2,495,155	2,841,524	876,243	(602,667)	7,272,487
Net assets	542,939	920,080	259,025	(100,221)	-	1,621,823
Net assets attributable to non-controlling interests	-	542,126	-	16,332	-	558,458

<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>	Nine months to September 30, 2020	Nine months to September 30, 2019	Three months to September 30, 2020	Three months to September 30, 2019
Life, health and annuity insurance contracts issued to individuals	758,141	926,228	261,106	247,628
Life, health and annuity insurance and pension administration contracts issued to groups	223,208	239,211	69,525	90,366
Property and casualty insurance	64,009	38,449	19,901	11,783
Banking, investment management and other financial services	126,146	137,305	44,297	46,938
Hospitality services	9,824	30,383	(1,050)	8,326
Unallocated revenues	22,542	24,131	8,386	6,520
Total revenue	1,203,870	1,395,707	402,165	411,561

3.4 Revenues by geographical area

<u>Amounts in US \$000</u>	Nine months to September 30, 2020	Nine months to September 30, 2019	Three months to September 30, 2020	Three months to September 30, 2019
Barbados	136,201	128,047	47,638	42,100
Jamaica	422,158	489,847	150,461	176,031
Trinidad and Tobago	138,100	149,113	50,456	55,047
Other Caribbean	110,606	146,090	37,941	42,397
USA	396,805	482,610	115,669	95,986
Total revenue	1,203,870	1,395,707	402,165	411,561

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
Nine months to September 30, 2020						
Revenue from contracts with customers:						
Products transferred at a point in time	-	29,462	111	-	-	29,573
Products and services transferred over time	5,121	33,560	-	-	-	38,681
Total included in fees and other revenue	5,121	63,022	111	-	-	68,254
Nine months to September 30, 2019						
Revenue from contracts with customers:						
Products transferred at a point in time	-	44,415	162	-	-	44,577
Products and services transferred over time	5,894	52,820	-	-	-	58,714
Total included in fees and other revenue	5,894	97,235	162	-	-	103,291

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 September 30, 2020						
Revenue from contracts with customers:						
Products transferred at a point in time	-	9,299	36	-	-	9,335
Products and services transferred over time	1,144	4,617	-	-	-	5,761
Total included in fees and other revenue	1,144	13,916	36	-	-	15,096
Three months to September 30, 2019						
Revenue from contracts with customers:						
Products transferred at a point in time	-	16,320	51	-	-	16,371
Products and services transferred over time	1,849	16,296	-	-	-	18,145
Total included in fees and other revenue	1,849	32,616	51	-	-	34,516

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
Nine months to September 30,				
Life insurance	342,674	340,926	20,880	22,084
Annuity	399,209	466,773	117	182
Health insurance	133,072	132,671	3,852	4,697
Property and casualty insurance	91,586	57,116	49,173	29,434
Total premium revenue	966,541	997,486	74,022	56,397

<u>Amounts in US \$000</u>	Gross premium		Ceded to reinsurers	
	2020	2019	2020	2019
Three months to September 30,				
Life insurance	117,318	116,645	5,851	7,231
Annuity	101,001	103,004	104	119
Health insurance	40,949	43,242	1,305	1,393
Property and casualty insurance	29,164	19,182	16,233	10,011
Total premium revenue	288,432	282,073	23,493	18,754

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>	Nine months to September 30, 2020	Nine months to September 30, 2019	Three months to September 30, 2020	Three months to September 30, 2019
Investment income				
Interest income (amortised cost assets):				
Debt securities	62,436	61,063	20,303	20,691
Mortgage loans	15,426	15,335	4,842	5,456
Policy loans	8,173	7,853	2,671	2,668
Finance loans and finance leases	45,982	45,754	14,139	15,090
Securities purchased for resale	503	169	54	60
Deposits	547	1,026	250	219
	133,067	131,200	42,259	44,184
Interest Income (FVOCI assets):				
Debt securities and money funds	101,518	96,874	32,977	31,821
Interest income earned from financial assets measured at amortised cost and FVOCI	234,585	228,074	75,236	76,005
Fair value changes and interest income (FVTPL assets):				
Debt securities	9,284	18,843	9,206	6,046
Equity securities	(25,780)	42,471	9,658	13,263
Mortgage loans	338	1,996	1,825	491
Derivative financial instruments	(5,506)	21,239	9,554	580
Other items	1	6	(9)	1
	(21,663)	84,555	30,234	20,381
Investment income:				
Other income on financial investments	376	502	113	(445)
Investment property income – rental income	4,386	8,496	366	2,699
Investment property – realised losses	(2,864)	-	(2,761)	-
Investment property – unrealised gains / (losses)	601	(1,910)	505	(1,319)
Other investment income	824	618	1,083	576
	3,323	7,706	(694)	1,511
Investment expenses:				
Direct operating expenses of investment property that generated rental income	3,530	6,841	371	2,244
Other direct investment expenses	2,174	1,415	955	422
	5,704	8,256	1,326	2,666
Other investment (expense) / income	(24,044)	84,005	28,214	19,226
Net investment income	210,541	312,079	103,450	95,231

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
Nine months to September 30,				
Life insurance benefits	191,340	176,169	13,208	8,794
Annuity benefits	244,844	200,636	61,356	61,333
Health insurance claims	97,393	105,011	2,988	2,777
Property and casualty claims	24,457	21,503	2,738	2,886
Total policy benefits	558,034	503,319	80,290	75,790
Change in actuarial liabilities (note 14)	225,604	432,770	(31,673)	13,738
Total policy benefits and change in actuarial liabilities	783,638	936,089	48,617	89,528
<u>Amounts in US \$000</u>	Gross benefit		Ceded to reinsurers	
	2020	2019	2020	2019
Three months to September 30,				
Life insurance benefits	70,238	58,248	3,914	(632)
Annuity benefits	81,559	69,332	18,574	19,179
Health insurance claims	34,376	36,094	1,034	1,110
Property and casualty claims	9,942	8,399	1,449	185
Total policy benefits	196,115	172,073	24,971	19,842
Change in actuarial liabilities	66,956	77,291	621	(6,341)
Total policy benefits and change in actuarial liabilities	263,071	249,364	25,592	13,501

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>	September 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	3,485,595	3,485,595	3,673,421	3,673,421
Equity securities	987	987	1,291	1,291
	3,486,582	3,486,582	3,674,712	3,674,712
Financial assets at fair value through profit and loss				
Debt securities	242,529	242,529	243,107	243,107
Equity securities ⁽¹⁾	636,473	636,473	370,173	370,173
Derivative financial instruments	28,157	28,157	36,891	36,891
Mortgage loans	27,899	27,899	28,933	28,933
	935,058	935,058	679,104	679,104
Investments at amortised cost				
Debt securities	1,172,597	1,354,980	1,148,739	1,361,973
Mortgage loans	383,131	380,464	362,547	362,341
Policy loans	149,773	171,028	151,533	181,902
Finance loans and finance leases	567,125	572,677	595,307	602,512
Securities purchased for re-sale	32,954	32,954	10,904	10,904
Deposits	80,516	80,516	62,798	62,798
	2,386,096	2,592,619	2,331,828	2,582,430
Total financial investments	6,807,736	7,014,259	6,685,644	6,936,246

⁽¹⁾ Included in equity securities are exchange-traded funds of \$288,593 as at September 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>			
September 30, 2020			
Equity securities	556,785	79,688	636,473
Debt securities	129,658	112,871	242,529
Mortgage loans	38	27,861	27,899
	686,481	220,420	906,901
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>	September 30, 2020	December 31, 2019
Financial investments repledged	651,529	604,886

Balance sheet presentation

Financial investments	6,156,207	6,080,758
Financial investments repledged	651,529	604,886
	6,807,736	6,685,644

<u>Amounts in US \$000</u>	September 30, 2020	December 31, 2019
	Pledged value	Pledged value
Investments at FVOCI:		
Debt securities and money market funds	650,480	602,288

Investments at amortised cost:

Debt securities	635	2,188
Securities purchased for re-sale	37	37
Deposits	377	373
	1,049	2,598
Financial investments repledged	651,529	604,886

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>	September 30, 2020		December 31, 2019	
	Carrying value	Fair Value	Carrying value	Fair value
At amortised cost:				
Deposit administration liabilities	117,891	117,891	113,767	113,767
Other investment contracts	156,069	158,781	148,188	149,928
	273,960	276,672	261,955	263,695
At fair value through profit and loss:				
Unit linked deposit administration liabilities	150,736	150,736	162,385	162,385
Total investment contract liabilities	424,696	427,408	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>	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair Value
Liabilities at amortised cost:				
8.875% senior notes due 2022 (a)	310,864	335,674	318,227	330,197
5.10% unsecured bond due 2020	33,987	34,022	33,700	34,256
5.95% unsecured bond due 2020	40,482	42,511	42,904	44,826
5.00% notes due 2020 (b)	-	-	16,857	17,257
6.75% notes due 2024	15,518	16,753	16,589	15,845
Mortgage loans (c)	59,804	61,641	75,019	77,034
Bank loans and other funding instruments	13,033	13,033	14,436	14,436
	473,688	503,634	517,732	533,851

(a) Valuation of Call Option Embedded Derivative

As at September 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 the scenario as summarised 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 \$3.1 million as at September 30, 2020 (US \$2.8 million as at December 31, 2019).

(b) On August 16, 2019, Sagicor Investments Jamaica Limited issued a JM \$2.22 billion note carrying an annual rate of 5.00%. The note matured September 16, 2020.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(c) Mortgage Loans

<u>Amounts in US \$000</u>	<u>Issuer / mortgagor</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
4.90% USD mortgage notes due 2025	X Fund Properties LLC	45,794	45,741
4.75% USD mortgage notes due 2021	Sagicor X-Fund Real Estate Limited	2,040	2,112
5.00% USD mortgage notes due 2020	X Fund Property Limited	-	4,255
8.75% JMD mortgage notes due 2020	X Fund Property Limited	-	10,136
9.00% JMD mortgage notes due 2048	X Fund Property Limited	3,348	3,598
8.00% JMD mortgage notes due 2021	X Fund Property Limited	3,264	3,548
10.00% JMD mortgage notes due 2026	X Fund Property Limited	3,253	3,511
3.26%/3.61% mortgage notes due 2026	X Fund Property Limited	934	996
Development loan ⁽¹⁾	X Fund Property Limited	1,171	1,122
		59,804	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). Tranches A and B have matured while tranche C, which attracts interest of 4.75%, has a maturity date of May 2021 with an option for further extension. This loan was originally secured by a debenture over units in the Sigma Real Estate Portfolio. This 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.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(c) Mortgage Loans (continued)

Financial Covenants

As at September 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	<p>The mortgage note contains a minimum debt service coverage ratio of 1.25 and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender.</p> <p>The company was not in compliance at September 30, 2020. The lender has not enforced the covenant.</p>

(ii) 4.75% USD mortgage notes due 2021

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(c) Mortgage Loans (continued)

Financial Covenants

(iii) 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 September 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 September 30, 2020.</p>

Movement for the nine months to September 30,	2020	2019
<u>Amounts in US \$000</u>		
Balance, beginning of period	517,732	490,275
Valuation of call option embedded derivative	(307)	-
Additions:		
Gross Principal	-	121,389
Less Expenses	-	(967)
	-	120,422
Repayments:		
Principal	(33,930)	(87,181)
Interest	(36,356)	(34,611)
	(70,286)	(121,792)
Finance leases reclassified to lease liabilities	-	(4,255)
Amortisation during the period	2,781	1,931
Accrued interest	29,530	27,927
Effects of exchange rate changes	(5,762)	(2,078)
Balance, end of the period	473,688	512,430

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. DEPOSIT AND SECURITY LIABILITIES

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

<u>Amounts in US \$000</u>	September 30, 2020		December 31, 2019	
	Carrying value	Fair Value	Carrying value	Fair value
At amortised cost:				
Other funding instruments	427,976	428,243	418,047	418,932
Customer deposits	850,127	851,528	808,119	811,715
Securities sold for repurchase	565,446	565,446	512,857	512,857
Bank overdrafts	1,749	1,749	6,646	6,646
	1,845,298	1,846,966	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	1,845,298	1,846,966	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.

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)

11.1 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
	September 30, 2020	December 31, 2019
	Level 3	Level 3
Investment property	79,922	95,577
Owner-occupied properties	110,108	110,172
Owner-managed hotel properties	75,623	96,608
Total properties	265,653	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>	Nine months to September 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	268	124	136	528	1,133
Additions arising from acquisition	-	-	-	-	12,941
Other transfers	-	-	-	-	1,375
Fair value changes recorded in net investment income	601	-	-	601	(566)
Fair value changes recorded in other comprehensive income	-	1,766	(20,308)	(18,542)	4,125
Depreciation charge	-	(748)	(1,876)	(2,624)	(3,515)
Disposals and divestitures	(14,984)	-	-	(14,984)	(8,418)
Effect of exchange rate changes	(1,540)	(1,206)	1,063	(1,683)	(1,815)
Balance, end of period	79,922	110,108	75,623	265,653	302,357

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value

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

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

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

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

A financial instrument is classified as Level 2 if:

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

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

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

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

A financial instrument is classified as Level 3 if:

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

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.

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)

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 September 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income:				
Debt securities and money market funds	493,688	2,991,907	-	3,485,595
Equity securities	493	451	43	987
	494,181	2,992,358	43	3,486,582
Financial assets at fair value through profit and loss:				
Debt securities	19,447	117,965	105,117	242,529
Equity securities	346,189	254,904	35,380	636,473
Derivative financial instruments	-	-	28,157	28,157
Mortgage loans	-	-	27,899	27,899
	365,636	372,869	196,553	935,058
Total assets	859,817	3,365,227	196,596	4,421,640
Total assets by percentage	19%	76%	5%	100%
Investment contracts:				
Unit linked deposit administration liabilities	-	-	150,736	150,736
Total liabilities	-	-	150,736	150,736
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%

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)

Movements in Level 3 Instruments

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

<u>Amounts in US \$000</u>	Nine months to September 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	-	26,832	18,389	45,221	87,418
Transfers into Level 3 classification	-	(9)	-	(9)	
Fair value changes recorded in net investment income	-	(3,371)	(5,812)	(9,183)	35,633
Disposals and divestitures	-	(27,889)	(21,047)	(48,936)	(53,424)
Transfers out of Level 3 classification	-	-	-	-	-
Effect of exchange rate changes	(3)	195	-	192	(749)
Balance, end of period	43	168,396	28,157	196,596	209,311
Fair value changes recorded in net investment income for instruments held at the end of the period	-	(3,162)	3,950	788	15,627

<u>Amounts in US \$000</u>	Nine months to September 30, 2020			Twelve months to December 31, 2019
	Investment contracts	Structured products	Total liabilities	Total liabilities
Balance, beginning of period	162,385	6,756	169,141	213,792
Issues	14,657	-	14,657	21,255
Settlements	(23,518)	(6,936)	(30,454)	(68,192)
(Losses) / gains recorded in interest costs	(3,760)	158	(3,602)	4,806
Effect of exchange rate changes	972	22	994	(2,520)
Balance, end of period	150,736	-	150,736	169,141
Fair value changes recorded in interest expense for instruments held at the end of the period	(2,873)	157	(2,716)	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.

<u>Amounts in US \$000</u>	September 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	265,317	-	-	406	265,723	236,049
Non-investment	717,413	5,537	-	155,985	878,935	907,049
Watch	712	23,522	9	5,155	29,398	7,554
Default	-	-	3,852	-	3,852	-
Unrated	568	-	-	17	585	595
Gross carrying amount	984,010	29,059	3,861	161,563	1,178,493	1,151,247
Loss allowance	(2,320)	(1,772)	(1,379)	(425)	(5,896)	(2,508)
Carrying amount	981,690	27,287	2,482	161,138	1,172,597	1,148,739

<u>Amounts in US \$000</u>	September 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	149,723	92,296	890	-	242,909	230,969
Non-investment	101,738	11,087	885	-	113,710	110,179
Watch	117	2,901	16,803	-	19,821	13,616
Default	-	-	12,523	-	12,523	9,675
Unrated	-	-	-	-	-	-
Gross carrying amount	251,578	106,284	31,101	-	388,963	364,439
Loss allowance	(1,092)	(745)	(3,995)	-	(5,832)	(1,892)
Carrying amount	250,486	105,539	27,106	-	383,131	362,547

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

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>	September 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	305	-	-	-	305	1,444
Non-investment	523,267	41,200	-	-	564,467	589,339
Watch	-	2,068	-	-	2,068	2,048
Default	-	-	14,861	-	14,861	12,716
Gross carrying amount	523,572	43,268	14,861	-	581,701	605,547
Loss allowance	(4,881)	(1,734)	(7,961)	-	(14,576)	(10,240)
Carrying amount	518,691	41,534	6,900	-	567,125	595,307

<u>Amounts in US \$000</u>	September 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	32,954	-	-	-	32,954	10,904
Gross carrying amount	32,954	-	-	-	32,954	10,904
Loss allowance	-	-	-	-	-	-
Carrying amount	32,954	-	-	-	32,954	10,904

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

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>	September 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	142,911	-	-	-	142,911	144,556
Non-investment	7,133	-	-	-	7,133	7,174
Gross carrying amount	150,044	-	-	-	150,044	151,730
Loss allowance	(271)	-	-	-	(271)	(197)
Carrying amount	149,773	-	-	-	149,773	151,533

<u>Amounts in US \$000</u>	September 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	35,654	-	-	-	35,654	35,977
Non-investment	33,068	8,677	-	-	41,745	25,613
Watch	987	2,899	-	-	3,886	1,087
Unrated	437	-	-	-	437	433
Gross carrying amount	70,146	11,576	-	-	81,722	63,110
Loss allowance	(393)	(813)	-	-	(1,206)	(312)
Carrying amount	69,753	10,763	-	-	80,516	62,798

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

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>	September 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	2,394,623	5,475	-	-	2,400,098	2,784,088
Non-investment	785,085	154,045	4,089	30,736	973,955	774,714
Watch	2,505	-	604	7	3,116	189
Default	-	-	2,961	-	2,961	-
Gross carrying amount	3,182,213	159,520	7,654	30,743	3,380,130	3,558,991
Loss allowance	(3,705)	(8,212)	(4,350)	-	(16,267)	(8,217)
Carrying amount	3,178,508	151,308	3,304	30,743	3,363,863	3,550,774

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

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 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2020					
Loss Allowance as at January 1, 2020	2,484	5,733	-	-	8,217
Transfers:				-	-
Transfer from Stage 1 to Stage 2	(732)	732	-	-	-
Transfer from Stage 2 to Stage 3		(1,532)	1,532	-	-
New financial assets originated or purchased	2,057	-	-	-	2,057
Financial assets fully derecognised during the period	(442)	(2,569)	-	-	(3,011)
Changes in ECL inputs, models and / or assumptions	436	5,840	2,838	-	9,114
Effect of exchange rate changes	(98)	8	(20)	-	(110)
Loss Allowance as at September 30, 2020	3,705	8,212	4,350	-	16,267
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					<u>(10,555)</u>
Credit impairment loss reduction recorded in income					
– Three months ended September 30, 2020					<u>2,249</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)

DEBT SECURITIES AND MONEY MARKET

FUNDS - FVOCI

Loss Allowances

Amounts in US \$000

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2019					
Loss Allowance as at January 1, 2019	1,646	8,011	19,555	-	29,212
Transfers:					
Transfer from Stage 1 to Stage 2	(92)	92	-	-	-
Transfer from Stage 2 to Stage 1	38	(38)	-	-	-
Transfer from Stage 2 to Stage 3	-	(368)	368	-	-
New financial assets originated or purchased	958	-	-	-	958
Financial assets fully derecognised during the period	(549)	(2,278)	(6,569)	-	(9,396)
Changes in ECL inputs, models and / or assumptions	(94)	93	441	-	440
Effect of exchange rate changes	(39)	(56)	(207)	-	(302)
Loss Allowance as at September 30, 2019	1,868	5,456	13,588	-	20,912
Credit impairment loss reduction recorded in income					
– Nine months ended September 30, 2019					<u>7,846</u>
– Three months ended September 30, 2019					<u>7,054</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)

DEBT SECURITIES – AMORTISED COST

Loss Allowances

Amounts in US \$000

Nine months ended September 30, 2020

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2020	1,378	759	-	371	2,508
Transfers:					
Transfer from Stage 1 to Stage 2	(199)	199	-	-	-
Transfer from Stage 2 to Stage 3	-	(663)	663	-	-
New financial assets originated or purchased	337	-	-	1	338
Financial assets fully derecognised during the period	(151)	(2)	-	(4)	(157)
Changes in ECL inputs, models and / or assumptions	976	1,479	716	57	3,228
Effect of exchange rate changes	(21)	-	-	-	(21)
Loss Allowance as at September 30, 2020	2,320	1,772	1,379	425	5,896
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					<u>(3,442)</u>
Credit impairment loss reduction recorded in income					
– Three months ended September 30, 2020					<u>686</u>
Loss Allowance as at January 1, 2019	1,855	1,228	161	612	3,856
New financial assets originated or purchased	672	-	-	9	681
Financial assets fully derecognised during the period	(316)	-	(111)	(1)	(428)
Changes in ECL inputs, models and / or assumptions	(6)	(342)	(50)	(160)	(558)
Effect of exchange rate changes	(39)	-	-	-	(39)
Loss Allowance as at September 30, 2019	2,166	886	-	460	3,512
Credit impairment loss reduction recorded in income					
– Nine months ended September 30, 2019					<u>797</u>
– Three months ended September 30, 2019					<u>1</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)

MORTGAGE LOANS - AMORTISED COST

Loss Allowances

Amounts in US \$000

Nine months ended September 30, 2020

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2020	611	339	942	-	1,892
Transfers:					
Transfer from Stage 1 to Stage 2	(129)	129	-	-	-
Transfer from Stage 1 to Stage 3	(7)	-	7	-	-
Transfer from Stage 2 to Stage 1	126	(126)	-	-	-
Transfer from Stage 2 to Stage 3	-	(122)	122	-	-
Transfer from Stage 3 to Stage 2	-	857	(857)	-	-
Transfer from Stage 3 to Stage 1	3	-	(3)	-	-
New financial assets originated or purchased	145	-	-	-	145
Financial assets fully derecognised during the period	(18)	(7)	(163)	-	(188)
Changes in ECL inputs, models and / or assumptions	364	(323)	3,959	-	4,000
Effect of exchange rate changes	(3)	(2)	(12)	-	(17)
Loss Allowance as at September 30, 2020	1,092	745	3,995	-	5,832
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					<u>(2,606)</u>
Credit impairment loss reduction recorded in income					
– Three months ended September 30, 2020					<u>178</u>

Nine months ended September 30, 2019

Loss Allowance as at January 1, 2019	625	283	1,472	-	2,380
Transfers:					
Transfer from Stage 1 to Stage 2	(63)	63	-	-	-
Transfer from Stage 1 to Stage 3	(236)	-	236	-	-
Transfer from Stage 2 to Stage 1	83	(83)	-	-	-
Transfer from Stage 2 to Stage 3	-	(44)	44	-	-
Transfer from Stage 3 to Stage 2	-	121	(121)	-	-
Transfer from Stage 3 to Stage 1	76	-	(76)	-	-
New financial assets originated or purchased	391	-	-	-	391
Financial assets fully derecognised during the period	(30)	(39)	(560)	-	(629)
Changes in ECL inputs, models and / or assumptions	(174)	(30)	577	-	373
Effect of exchange rate changes	(5)	(3)	(40)	-	(48)
Loss Allowance as at September 30, 2019	667	268	1,532	-	2,467
Credit impairment loss recorded in income					
– Nine months ended September 30, 2019					<u>(185)</u>
– Three months ended September 30, 2019					<u>(365)</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 Amounts in US \$000	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2020					
Loss Allowance as at January 1, 2020	3,757	729	5,754	-	10,240
Transfers:					
Transfer from Stage 1 to Stage 2	(1,100)	1,100	-	-	-
Transfer from Stage 1 to Stage 3	(318)	-	318	-	-
Transfer from Stage 2 to Stage 1	148	(148)	-	-	-
Transfer from Stage 2 to Stage 3	-	(118)	118	-	-
Transfer from Stage 3 to Stage 1	74	-	(74)	-	-
New financial assets originated or purchased	2,072	-	-	-	2,072
Financial assets fully derecognised during the period	(480)	(195)	(1,340)	-	(2,015)
Changes in inputs, models and / or assumptions	895	346	3,388	-	4,629
Effect of exchange rate changes	(167)	20	(203)	-	(350)
Loss Allowance as at September 30, 2020	4,881	1,734	7,961	-	14,576
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(7,979)
– Three months ended September 30, 2020					(1,407)
Nine months ended September 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	(436)	447	-	-	11
Transfer from Stage 1 to Stage 3	(407)	-	407	-	-
Transfer from Stage 2 to Stage 1	339	(339)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 1	2,095	-	(1,690)	-	405
New financial assets originated or purchased	1,442	-	-	-	1,442
Financial assets fully derecognised during the period	(667)	(343)	(2,472)	-	(3,482)
Changes in inputs, models and / or assumptions	(2,822)	80	2,035	-	(707)
Effect of exchange rate changes	(192)	(36)	(332)	-	(560)
Loss Allowance as at September 30, 2019	3,793	1,005	5,679	-	10,477
Credit impairment loss recorded in income					
– Nine months ended September 30, 2019					(2,979)
– Three months ended September 30, 2019					(1,112)

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	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Amounts in US \$000					
Nine months ended September 30, 2020					
Loss Allowance as at January 1, 2020	261	51	-	-	312
Transfers:					
Transfer from Stage 1 to Stage 2	(1)	1	-	-	
New financial assets originated or purchased	172	-	-	-	172
Financial assets fully derecognised during the period	(113)	-	-	-	(113)
Changes in ECL inputs, models and / or assumptions	74	761	-	-	835
Effect of exchange rate changes	-	-	-	-	-
Loss Allowance as at September 30, 2020	393	813	-	-	1,206
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(893)
– Three months ended September 30, 2020					(33)
Nine months ended September 30, 2019					
Loss Allowance as at January 1, 2019	355	64	-	-	419
New financial assets originated or purchased	186	-	-	-	186
Financial assets fully derecognised during the period	(127)	-	-	-	(127)
Changes in ECL inputs, models and / or assumptions	(166)	(13)	-	-	(179)
Loss Allowance as at September 30, 2019	248	51	-	-	299
Credit impairment loss reduction recorded in income					
– Nine months ended September 30, 2019					123
Credit impairment loss recorded in income					
– Three months ended September 30, 2019					(42)

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	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Amounts in US \$000					
Nine months ended September 30, 2020					
Loss Allowance as at January 1, 2020	197	-	-	-	197
Changes in ECL inputs, models, and / or assumptions	87	-	-	-	87
Effect of exchange rate changes	(13)	-	-	-	(13)
Loss Allowance as at September 30, 2020	271	-	-	-	271
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(87)
– Three months ended September 30, 2020					(19)
Nine months ended September 30, 2019					
Loss Allowance as at January 1, 2019	110	-	-	-	110
Changes in ECL inputs, models and / or assumptions	73	-	-	-	73
Effect of exchange rate changes	(7)	-	-	-	(7)
Loss Allowance as at September 30, 2019	176	-	-	-	176
Credit impairment loss recorded in income					
– Nine months ended September 30, 2019					(73)
– Three months ended September 30, 2019					(26)

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 September 30, 2020		
		2021	2022	2023
GDP Growth (USA)	Base	-2.9%	3.4%	5.0%
	Upside	-0.5%	4.4%	3.6%
	Downside	-4.6%	1.6%	3.3%
World GDP	Base	2.7%	5.4%	5.4%
	Upside	4.0%	8.0%	8.0%
	Downside	2.1%	4.1%	4.1%
WTI Oil Prices/10	Base	\$4.06	\$4.25	\$4.35
	Upside	\$9.43	\$9.43	\$9.43
	Downside	\$2.49	\$2.61	\$2.67
DOW Jones Industrial Average Index - EPS	Base	\$1,395.52	\$1,652.98	\$1,711.67
	Upside	\$2,167.09	\$2,556.91	\$2,658.05
	Downside	\$848.01	\$1,004.47	\$1,040.13
S&P 500 Financial Index – EPS	Base	\$29.61	\$36.22	\$37.83
	Upside	\$45.76	\$55.97	\$58.46
	Downside	\$19.61	\$23.99	\$25.06
GBP/USD	Base	\$1.29	\$1.30	\$1.30
	Upside	\$1.44	\$1.51	\$1.56
	Downside	\$1.15	\$1.09	\$1.04
NZD/USD	Base	\$0.67	\$0.67	\$0.67
	Upside	\$0.74	\$0.77	\$0.80
	Downside	\$0.60	\$0.57	\$0.54

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 September 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 September, 2020

Amounts in US \$000

SICR criteria	Actual threshold applied	Change in threshold	ECL impact of
			Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	\$4,658

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	53%	(- /+ 5) %	\$1,536	(\$1,536)
Sovereign (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	\$474	(\$474)
Sovereign (Government of Barbados - BAICO Bonds)	17%	(- /+ 5) %	\$44	(44)
Sovereign (Government of Jamaica)	15%	(- /+ 5) %	\$465	(\$465)

Scenario design

The weightings assigned to each economic scenario as at September 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% Upside – 5% Downside – 15%	Base – 80% Upside – 15% Downside – 5%
	Increase in ECL	Decrease in ECL
Debt securities	\$546	(\$546)
Lending products	\$305	(\$305)

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	
Nine months ended September 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	(106,150)	106,150	-	-	-
Transfer from Stage 1 to Stage 3	(26)	-	26	-	-
Transfer from Stage 2 to Stage 3	-	(7,043)	7,043	-	-
New financial assets originated or purchased	1,165,015	-	-	43	1,165,058
Financial assets fully derecognised during the period	(1,172,292)	(16,691)	-	-	(1,188,983)
Changes in principal and interest	(117,008)	6,327	613	650	(109,418)
Effect of exchange rate changes	(45,478)	82	(28)	(94)	(45,518)
Gross carrying amount as at September 30, 2020	3,182,213	159,520	7,654	30,743	3,380,130
Nine months ended September 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	(7,790)	7,790	-	-	-
Transfer from Stage 2 to Stage 1	377	(377)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,260)	1,260	-	-
New financial assets originated or purchased	1,073,144	-	-	-	1,073,144
Financial assets fully derecognised during the period	(645,427)	(23,396)	(18,246)	-	(687,069)
Changes in principal and interest	(41,474)	(3,061)	1,749	-	(42,786)
Effect of exchange rate changes	(38,222)	(575)	(587)	-	(39,384)
Gross carrying amount as at September 30, 2019	2,906,784	76,354	38,455	-	3,021,593

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	
Nine months ended September 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	(26,578)	26,578	-	-	-
Transfer from Stage 1 to Stage 3	(10)	-	10	-	-
Transfer from Stage 2 to Stage 3	-	(3,874)	3,874	-	-
New financial assets originated or purchased	163,748	-	-	267	164,015
Financial assets fully derecognised during the period	(115,118)	-	-	(59)	(115,177)
Changes in principal and interest	(7,245)	1,800	(23)	2,987	(2,481)
Effect of exchange rate changes	(19,111)	-	-	-	(19,111)
Gross carrying amount as at September 30, 2020	984,010	29,059	3,861	161,563	1,178,493
Nine months ended September 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	254,039	-	-	111	254,150
Financial assets fully derecognised during the period	(173,304)	(5,629)	(560)	(83)	(179,576)
Changes in principal and interest	(10,323)	(619)	11	1,255	(9,676)
Effect of exchange rate changes	(19,907)	-	-	-	(19,907)
Gross carrying amount as at September 30, 2019	982,353	5,904	249	157,382	1,145,888

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	
Nine months ended September 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	(79,550)	79,550	-	-	-
Transfer from Stage 1 to Stage 3	(3,434)	-	3,434	-	-
Transfer from Stage 2 to Stage 1	12,217	(12,217)	-	-	-
Transfer from Stage 2 to Stage 3	-	(7,279)	7,279	-	-
Transfer from Stage 3 to Stage 2	-	1,480	(1,480)	-	-
Transfer from Stage 3 to Stage 1	2,427	-	(2,427)	-	-
New financial assets originated or purchased	32,749	-	-	-	32,749
Financial assets fully derecognised during the period	(6,151)	(271)	(939)	-	(7,361)
Changes in principal and interest	(2,634)	6,691	376	-	4,433
Effect of exchange rate changes	(4,693)	(436)	(168)	-	(5,297)
Gross carrying amount as at September 30, 2020	251,578	106,284	31,101	-	388,963
Nine months ended September 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	(18,694)	18,694	-	-	-
Transfer from Stage 1 to Stage 3	(4,381)	-	4,381	-	-
Transfer from Stage 2 to Stage 1	5,677	(5,677)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4,135)	4,135	-	-
Transfer from Stage 3 to Stage 2	-	1,000	(1,000)	-	-
Transfer from Stage 3 to Stage 1	1,280	-	(1,280)	-	-
New financial assets originated or purchased	50,299	-	-	-	50,299
Financial assets fully derecognised during the period	(13,188)	(1,217)	(3,738)	-	(18,143)
Changes in principal and interest	(11,662)	(137)	(1,450)	-	(13,249)
Effect of exchange rate changes	(3,160)	(114)	(372)	-	(3,646)
Gross carrying amount as at September 30, 2019	303,817	25,493	25,351	-	354,661

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	
Nine months ended September 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	(39,488)	39,488	-	-	-
Transfer from Stage 1 to Stage 3	(4,217)	-	4,217	-	-
Transfer from Stage 2 to Stage 1	2,899	(2,899)	-	-	-
Transfer from Stage 2 to Stage 3	-	(2,021)	2,021	-	-
Transfer from Stage 3 to Stage 1	156	-	(156)	-	-
New financial assets originated or purchased	109,082	-	-	-	109,082
Financial assets fully derecognised during the period	(73,477)	(3,147)	(2,816)	-	(79,440)
Write-offs	(3)	(132)	-	-	(135)
Changes in principal and interest	(23,550)	(1,082)	(587)	-	(25,219)
Effect of exchange rate changes	(27,686)	86	(534)	-	(28,134)
Gross carrying amount as at September 30, 2020	523,572	43,268	14,861	-	581,701
Nine months ended September 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	(21,916)	21,916	-	-	-
Transfer from Stage 1 to Stage 3	(1,195)	-	1,195	-	-
Transfer from Stage 2 to Stage 1	4,540	(4,540)	-	-	-
Transfer from Stage 2 to Stage 3	-	(111)	111	-	-
Transfer from Stage 3 to Stage 1	3,101	-	(3,101)	-	-
New financial assets originated or purchased	166,795	-	-	-	166,795
Financial assets fully derecognised during the period	(75,826)	(3,868)	(4,581)	-	(84,275)
Write-offs	(76)	(6)	(34)	-	(116)
Changes in principal and interest	(16,306)	(2,342)	3,941	-	(14,707)
Effect of exchange rate changes	(21,198)	(411)	(608)	-	(22,217)
Gross carrying amount as at September 30, 2019	535,018	25,871	12,445	-	573,334

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	
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	10,904	-	-	-	10,904
New financial assets originated or purchased	1,443,549	-	-	-	1,443,549
Financial assets fully derecognised during the period	(1,419,543)	-	-	-	(1,419,543)
Changes in principal and interest	51	-	-	-	51
Effect of exchange rate changes	(2,007)	-	-	-	(2,007)
Gross carrying amount as at September 30, 2020	32,954	-	-	-	32,954
Nine months ended September 30, 2019					
Gross carrying amount as at January 1, 2019	7,170	-	-	-	7,170
New financial assets originated or purchased	1,127,078	-	-	-	1,127,078
Financial assets fully derecognised during the period	(1,109,361)	-	-	-	(1,109,361)
Changes in principal and interest	(155)	-	-	-	(155)
Effect of exchange rate changes	(626)	-	-	-	(626)
Gross carrying amount as at September 30, 2019	24,106	-	-	-	24,106

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	
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	62,493	617	-	-	63,110
Transfers:					
Transfer from Stage 1 to Stage 2	(8,821)	8,821	-	-	-
New financial assets originated or purchased	52,945	-	-	-	52,945
Financial assets fully derecognised during the period	(32,914)	(245)	-	-	(33,159)
Changes in principal and interest	(3,274)	2,383	-	-	(891)
Effect of exchange rate changes	(283)	-	-	-	(283)
Gross carrying amount as at September 30, 2020	70,146	11,576	-	-	81,722
Nine months ended September 30, 2019					
Gross carrying amount as at January 1, 2019	107,156	371	-	-	107,527
Transfers:					
Transfer from Stage 1 to Stage 2	(244)	244	-	-	-
New financial assets originated or purchased	39,823	-	-	-	39,823
Financial assets fully derecognised during the period	(68,085)	-	-	-	(68,085)
Changes in principal and interest	(1,399)	-	-	-	(1,399)
Effect of exchange rate changes	(413)	-	-	-	(413)
Gross carrying amount as at September 30, 2019	76,838	615	-	-	77,453

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	
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	151,730	-	-	-	151,730
New financial assets originated or purchased	2,098	-	-	-	2,098
Financial assets fully derecognised during the period	(4,162)	-	-	-	(4,162)
Changes in principal and interest	773	-	-	-	773
Effect of exchange rate changes	(395)	-	-	-	(395)
Gross carrying amount as at September 30, 2020	150,044	-	-	-	150,044
Nine months ended September 30, 2019					
Gross carrying amount as at January 1, 2019	147,156	-	-	-	147,156
New financial assets originated or purchased	2,589	-	-	-	2,589
New financial assets fully derecognised during the period	(1,071)	-	-	-	(1,071)
Changes in principal and interest	1,935	-	-	-	1,935
Effect of exchange rate changes	(97)	-	-	-	(97)
Gross carrying amount as at September 30, 2019	150,512	-	-	-	150,512

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS

<u>Amounts in US \$000</u>	Nine months to September 30, 2020	Nine months to September 30, 2019
Adjustments for non-cash items, interest and dividends:		
Income from financial investments	(232,003)	(326,497)
Loss arising on business combinations, acquisitions and divestitures	1,260	478
Net increase in actuarial liabilities	257,277	419,032
Interest costs and finance costs	65,894	72,714
Credit impairment losses / (reduction in loss)	25,563	(5,529)
Depreciation and amortisation	29,454	25,833
Increase in provision for unearned premiums	(2,161)	(4,518)
Other items	9,270	(2,462)
	154,554	179,051
Net change in investments and operating assets:		
Investment property	11,852	(59)
Debt securities	(230,896)	(324,951)
Equity securities	(309,197)	(39,149)
Mortgage loans	(26,606)	(3,893)
Policy loans	1,898	(3,317)
Finance loans and finance leases	(3,081)	(82,067)
Securities purchased for re-sale	(625)	6,838
Deposits	(3,583)	11,487
Other assets and receivables	(30,256)	(30,216)
	(590,494)	(465,327)

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>Nine months to September 30, 2020</u>	<u>Nine months to September 30, 2019</u>
Investment property:		
Purchases	(268)	(59)
Disposal proceeds	12,120	-
	<u>11,852</u>	<u>(59)</u>
Debt securities:		
Purchases	(1,671,371)	(2,052,779)
Disposal proceeds	1,440,475	1,727,828
	<u>(230,896)</u>	<u>(324,951)</u>
Equity securities:		
Purchases	(413,353)	(145,483)
Disposal proceeds	104,156	106,334
	<u>(309,197)</u>	<u>(39,149)</u>
Net change in operating liabilities:		
Insurance liabilities	11,833	3,544
Investment contract liabilities	3,384	32,785
Other funding instruments	11,267	(94,802)
Deposits	61,794	22,253
Securities sold for repurchase	61,579	162,872
Other liabilities and payables	21,623	(65,471)
	<u>171,480</u>	<u>61,181</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

<u>Amounts in US \$000</u>	Nine months to September 30, 2020	Nine months to September 30, 2019
Investing activities		
Property, plant and equipment:		
Purchases	(11,317)	(7,307)
Disposal proceeds	1,118	561
	<u>(10,199)</u>	<u>(6,746)</u>
Financing activities		
Notes and loans payable:		
Proceeds	-	120,422
Repayments	(33,930)	(87,181)
	<u>(33,930)</u>	<u>33,241</u>
Lease liability payments are allocated as follows:		
Principal paid	(5,416)	(5,478)
Interest paid	(1,717)	(850)
	<u>(7,133)</u>	<u>(6,328)</u>
Cash and cash equivalents		
Cash	384,217	244,102
Call deposits and other liquid balances	180,159	75,005
Bank overdrafts	(1,749)	(5,316)
	<u>562,627</u>	<u>313,791</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. MOVEMENT IN ACTUARIAL LIABILITIES

<u>Amounts in US \$000</u>	Gross liability		Reinsurers' share	
	Nine months to September 30,	Twelve months to December 31,	Nine months to September 30,	Twelve months to December 31,
	2020	2019	2020	2019
Balance, beginning of period	3,604,653	3,024,464	661,811	653,722
Changes in actuarial liabilities:				
Recorded in income (note 6)	225,604	492,875	(31,673)	8,092
Recorded in OCI	14,566	110,409	-	-
De-recognised on divestiture	-	(8,292)	-	(2)
Other movements	26	163	5	-
Effect of exchange rate changes	(24,932)	(14,966)	7	(1)
Balance, end of period	3,819,917	3,604,653	630,150	661,811

Analysis of changes in actuarial liabilities

Arising from increments and decrements of inforce policies and from the issuance of new policies	208,994	453,393	(70,020)	2,719
Arising from changes in assumptions for mortality, lapse, expenses, investment yields and asset default	12,315	104,094	31,133	1,093
Other changes:				
Actuarial modelling refinements and improvements	16,715	(1,560)	5,423	-
Changes in margins for adverse deviations	5,636	2,715	1,791	-
Other items	(3,490)	44,642	-	4,280
Total	240,170	603,284	(31,673)	8,092

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. LEASE LIABILITIES

The lease liabilities recognised are as follows:

<u>Amounts in US \$000</u>	September 30, 2020	December 31, 2019
Current lease liabilities	9,242	7,748
Non-current lease liabilities	28,395	27,952
	<u>37,637</u>	<u>35,700</u>

The lease liabilities relate to right-of-use assets of \$32,629 as at September 30, 2020 (\$29,369 as at December 31, 2019).

16. 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).

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 the 15.4% shareholding of Sagicor Group Jamaica Limited (SGJ), 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%.

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.

<u>Amounts in US \$000</u>	
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)
	<u>(3,112)</u>
Net unrealised gains recycled to income	359
Loss on deemed disposal of 0.6% holding in associate	<u>(2,753)</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. INTEREST IN ASSOCIATE (continued)

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	<u>(5,966)</u>
Negative goodwill arising on acquisition	<u>1,499</u>

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.

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.

Assessments of the carrying value of this investment have been performed at each subsequent quarter end. 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 amortization (EBITDA), terminal growth rates and a discount factor. Value-in-use calculations are very sensitive to changes in these estimates. In arriving at its estimates for EBITDA, management also considered the impact of the uncertainty surrounding the COVID-19 coronavirus and its impact on the tourism sector going forward. As a result of this exercise, the investment was written down by US \$12.8 million year-to-date.

As part of its impairment assessment, management performed the following sensitivity analyses, using reasonably possible changes in EBITDA, terminal growth rates and discount factors. The sensitivity analyses were done individually, while holding all other variables constant. In practice, this is unlikely to occur as changes in one variable can impact the others.

Variable	Change in Estimate	Indicator of additional Impairment	Estimate of additional Impairment
EBITDA	5% reduction	Yes	US \$11.8 million
EBITDA	15 – 20% reduction	Yes	US \$55.6 million – US \$77.5 million
Terminal Growth Rates	0.5% reduction	Yes	US \$4.8 million
Terminal Growth Rates	0.5% increase	No	N/A
Discount factor	0.25% percentage point reduction	No	N/A
Discount factor	0.25% percentage point increase	Yes	US \$1.4 million

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. INTEREST IN ASSOCIATE (continued)

As at September 30, 2020, the book value of Playa Hotels and Resorts was \$151,379 (\$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 \$90,085 (at December 31, 2019 - \$166,282).

17. 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 nine-month periods ended September 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 nine-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.

18. REPURCHASE OF SHARES

During the period, the Company repurchased 2,588,000 shares, at a total cost of US \$11.3 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 \$0.01 million, which were repurchased at the period end date but not cancelled, has been reflected in treasury shares.

19. 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 has led 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 has been impaired relating to the subsidiary, Sagicor General Insurance Inc. Additional impairment related to the investment in Playa is detailed in Note 16.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. 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 nine-month period ended September 30, 2019 of \$320,875 has been restated to separately disclose interest income earned from financial assets measured at amortised cost and FVOCI of \$228,074, other investment income of \$84,005 and share of operating income of associates and joint ventures of \$8,796. A credit impairment reduction in loss of \$5,529 in the Condensed Consolidated Statement of Income for the period ended September 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 September 30, 2019 of \$95,331 has been restated to separately disclose interest income earned from financial assets measured at amortised cost and FVOCI of \$76,005, other investment income of \$19,226 and share of operating income of associates and joint ventures of \$100. A credit impairment reduction in loss of \$5,510 in the Condensed Consolidated Statement of Income for the period ended September 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.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. COMMITMENTS

Effective June 25, 2020, the Group entered into a letter of credit arrangement with a facility up to the amount of US \$40 million, whereby an irrevocable standby letter of credit was issued on behalf of Sagicor Reinsurance Bermuda Ltd. (SRBL) in favour of Sagicor Life Insurance Company, USA, in support of a coinsurance agreement between the two parties (note 1). The letter of credit facility is guaranteed by Sagicor Financial Corporation Limited and SRBL. It is due to expire on June 26, 2021 and is deemed to be automatically extended for one-year periods, subject to notice of the intention to terminate the facility being given sixty days prior to an expiration date.

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

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

22. RELATED PARTY TRANSACTION

On September 22, 2020, Sagicor Real Estate X-Fund Group sold an investment property, Jewel Grande Montego Bay Resort and Spa, to Sagicor Pooled Investment Funds Limited, a fund managed by Sagicor Life Jamaica Limited. The terms of sale were established by independent valuation of the property and the transaction resulted in a loss to the Group of US \$2.8 million.

23. SUBSEQUENT EVENT

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 December 16, 2020, to the shareholders of record at the close of business on November 25, 2020.