

# **SAGICOR FINANCIAL COMPANY LTD.**

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

For the three-month period ended March 31, 2022 and March 31, 2021

## About Sagicor

Established in 1840 as The Barbados Mutual Life Assurance Society, Sagicor is one of the oldest providers of insurance in the Americas. Sagicor offers a wide range of products and services including life and health insurance, annuities, pension administration, property and casualty insurance, asset management, investment and merchant banking, securities brokerage, mutual funds, real estate development, and commercial banking. Sagicor's principal markets are Barbados, Jamaica, Trinidad and Tobago, and the United States of America

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**ACRONYMS**

Certain acronyms have been used throughout the management discussion and analysis to substitute phrases. The more frequent acronyms and associated phrases are set out below.

<b>Acronym</b>	<b>Phrase</b>
AA	Appointed Actuary
AC	Amortised Cost
ECL	Expected Credit Losses
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit and Loss
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRS 9	International Financial Reporting Standard No.9 – Financial Instruments
MCCSR	Minimum Continuing Capital and Surplus Requirement
OCI	Other Comprehensive Income

**1. HIGHLIGHTS**

The Group recorded net income of US \$55.9 million for the three-month period ended March 31, 2022, compared to US \$41.6 million for the corresponding period in 2021. Net income attributable to common shareholders was US \$41.8 million compared to US \$31.5 million, for the same period in the prior year an increase of US \$10.3 million. The Group's performance was fuelled by very strong net premium production in our USA segment despite being impacted by market-to-market declines on financial assets due mainly to increasing interest rates. Reported Return on Equity<sup>1</sup> was 15.1% (annualised), compared to 11.6% (annualised) for the first quarter of 2021, reflecting higher net income for the period.

The Group's net income for the quarter ended March 31, 2021, included net gains of US \$25.0 million from our investment in Playa Hotels and Resorts ("Playa"), compared to a net gain of US \$7.2 million during the current period.

Total assets grew to US \$10,513.4 million at March 31, 2022, up 14% (US \$1,294.7 million), from the US \$9,218.7 million reported at March 31, 2021, resulting from strong sales performance reported during the 2021 financial year. The Group's book value per share<sup>1</sup> moved similarly, closing at US \$7.88 per share at March 31, 2022, compared to US \$7.52 per share at March 31, 2021.

Group capital remains strong, with the Group closing the first quarter of 2022 with a Minimum Continuing Capital and Surplus Requirement (MCCSR)<sup>1</sup> of 244%, well above our target capital standards.

The Group's financial results for the three-month period ended March 31, 2022, continued to be affected by the COVID-19 pandemic's impact on the economic environment. During the period, countries across the world continued to relax restrictions implemented earlier in the pandemic, however some countries continue to experience increasing levels of infections rates due to new variants.

Sagicor's geographic diversification has helped to mitigate the impact from disruptions to any one country's economy. During the pandemic, Sagicor, like other companies has focused on supporting our staff, customers and suppliers, while developing responses to the business disruption. Despite the challenging environment, the Group continued to grow revenues while remaining focused on customer service.

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<sup>1</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

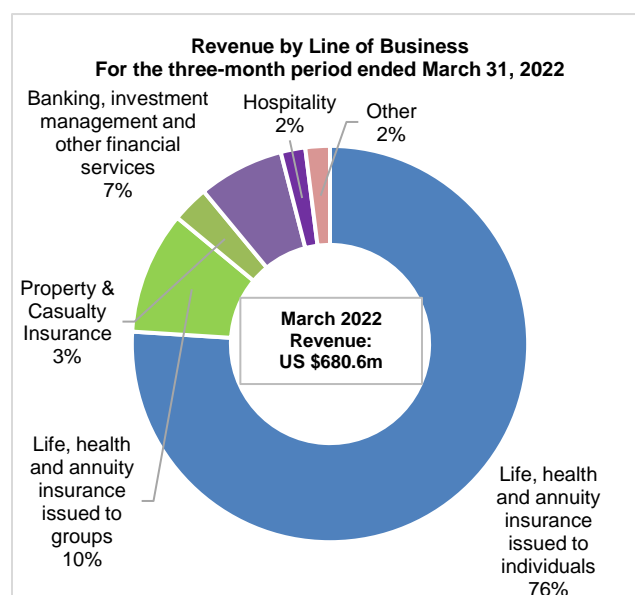
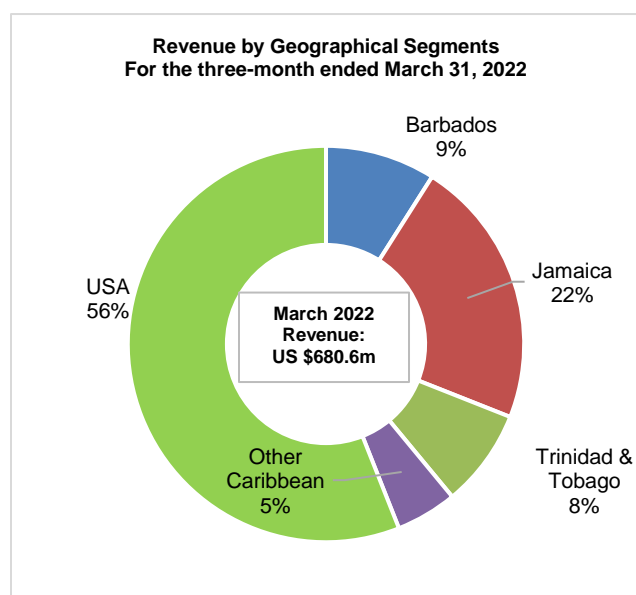
**2. FINANCIAL SUMMARY**

	Three months ended March 31		
	2022	2021	Change
<i>(in millions of US \$, unless otherwise noted)</i>			
<b>Profitability</b>			
Group net income	55.9	41.6	34%
Net income attributable to common shareholders	41.8	31.5	33%
Earnings per share:			
Basic earnings	29.2¢	21.5¢	36%
Fully diluted	28.9¢	21.3¢	36%
Return on shareholders' equity (annualised) <sup>2</sup>	15.1%	11.6%	3.5 pts
<b>Revenue</b>			
Individual life, health and annuity	516.3	264.6	95%
Group life, health and annuity	70.1	74.2	(6%)
Property and casualty insurance	18.3	19.0	(4%)
Banking and investment management	44.6	43.3	3%
Hospitality	11.4	7.2	58%
Farming and unallocated revenues	19.9	23.2	(14%)
Total revenue	680.6	431.5	58%
<b>Net Premium Revenue</b>			
Life insurance	118.3	117.1	1%
Annuity	385.2	106.6	261%
Health insurance	40.9	39.8	3%
Property and casualty insurance	12.0	12.6	(5%)
Total net premium revenue	556.4	276.1	102%

<sup>2</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

**2. FINANCIAL SUMMARY, continued**

	Three months ended March 31		
	2022	2021	Change
<i>(in millions of US \$, unless otherwise noted)</i>			
<b>Financial Position</b>			
Total assets	10,513.4	9,218.7	14%
Operating liabilities	8,175.9	7,137.9	15%
Notes and loans payable	684.7	458.4	49%
Book value per common share <sup>3</sup>	\$7.88	\$7.52	5%
<b>Financial strength</b>			
Debt to capital ratio <sup>3</sup>	29.3%	22.0%	7.3 pts
Dividends declared per common share	\$0.05625	\$0.05625	-
Total capital <sup>3</sup>	2,337.6	2,079.5	12%
Average common shares outstanding (000's)	143,143	146,454	(2%)
Outstanding shares, at end of period (000's)	142,923	146,429	(2%)
MCCSR <sup>3</sup> , at end of period	244%	246%	(2.0 pts)



<sup>3</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

### 3. GENERAL INFORMATION

#### A. Introduction and Notice

This Management's Discussion and Analysis ("MD&A") contains important information about Sagicor's business and its performance for the three-month period ended March 31, 2022 with comparative analysis for the corresponding periods ended March 31, 2021. This MD&A should be read in conjunction with the Company's quarterly financial statements, prepared in compliance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, in effect on the date of such information.

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

#### B. General Information

Sagicor Financial Company Ltd. ("Sagicor") ("the Company") (TSX: SFC) is a leading financial services provider with over 180 years of history which operates across the Caribbean and in the United State of America (USA). Sagicor's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda, with its principal office located at Cecil F De Caires Building, Wildey, St. Michael, Barbados. Details of Sagicor's holdings and operations are set out in note 4 to the 2021 consolidated financial statements.

Sagicor demutualised in November 2002 and listed its shares on the Barbados Stock Exchange (BSE: SFC), with subsequent listings on the Trinidad and Tobago Stock Exchange (TTSE: SFC) and the London Stock Exchange (LSE: SFI). Sagicor Financial Corporation moved its corporate domicile from Barbados to Bermuda and continued as Sagicor Financial Corporation Limited (SFCL), an exempted company, on July 20, 2016.

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

The Company now trades on the Toronto Stock Exchange under the symbols "SFC" (shares) and "SFC.WT" (warrants). With a listing on the Toronto Stock Exchange, Sagicor Financial Corporation Limited's common shares, formerly listed on the London and Trinidad and Tobago Stock Exchanges, have ceased trading and have been delisted from the London and the Trinidad and Tobago Stock Exchanges. The former listing on the Barbados Stock Exchange has ceased trading.

Sagicor currently operates in 19 countries and maintains a strong market position in most of the markets where it operates. Sagicor has three reporting operating segments, namely Sagicor Life, Sagicor Jamaica, and Sagicor Life USA.

The principal activities of the Sagicor Group are as follows:

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

and its principal operating companies are as follows:

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

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

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

### C. Results of Operations

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

### D. Non-IFRS Financial Information

Sagicor reports its financial results and statements in accordance with IFRS. It also publishes certain financial measures that are not based on IFRS (non-IFRS). A financial measure is considered a non-IFRS measure if it is presented other than in accordance with the generally accepted accounting principles used for the Group's audited financial statements. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. The Group believes that these non-IFRS financial measures provide additional information to better understand the Group's financial results and assess its growth and earnings potential. Sagicor believes these non-IFRS financial measures assist in understanding its ongoing operating results and provide readers with a better understanding of management's perspective on the Group's performance. These measures enhance the comparability of the Group's financial performance from period to period, as well as measure relative contribution to shareholder value.

Since non-IFRS financial measures do not have standardised definitions and meanings, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Group strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not to rely on any single financial measure. Additional information concerning non-IFRS financial measures can be found in section 10 non-IFRS financial measures.

### E. Cautionary Statement Regarding Forward-looking Information

This MD&A includes "forward-looking information" and "forward-looking statements" (collectively "forward-looking information") and assumptions about, among other things, Sagicor's business, operations, and financial performance and condition, approved by the board of directors of Sagicor on the date of this MD&A. This forward-looking information and these assumptions include, but are not limited to, statements about Group's objectives and strategies to achieve those objectives, and about its beliefs, plans, expectations, anticipations, estimates, or intentions. Additional information concerning forward-looking information as well as potential risk factors can be found in section 11 Cautionary Statement Regarding Forward-Looking Information

### F. Additional Information

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

The Management's Discussion and Analysis is dated May 12, 2022.



## 4. CONSOLIDATED GROUP RESULTS

### A. Profitability

<b>Group net income/(loss)</b> <i>(in millions of US \$)</i>	<b>Three months ended March 31</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Net income/(loss) is attributable to:</b>			
Common shareholders	<b>41.8</b>	31.5	33%
Participating policyholders	<b>(0.2)</b>	(0.1)	(100%)
Non-controlling interest	<b>14.3</b>	10.2	40%
Group net income/(loss)	<b>55.9</b>	41.6	34%

Group net income was very strong and closed the three-month period ended March 31, 2022, at US \$55.9 million compared to US \$41.6 million in the comparative period of the prior year, an improvement of US \$14.3 million.

<b>Net income/(loss) attributable to Common shareholders</b> <i>(in millions of US \$, unless otherwise noted)</i>	<b>Three months ended March 31</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
Sagicor Life	<b>7.0</b>	8.3	(16%)
Sagicor Jamaica	<b>12.6</b>	9.9	27%
Sagicor Life USA	<b>25.8</b>	1.1	2,245%
Head office, Other and adjustments	<b>(3.6)</b>	12.2	(130%)
Net income/(loss)	<b>41.8</b>	31.5	33%
Earnings per common share (EPS):			
Basic	<b>29.2¢</b>	21.5¢	36%
Diluted	<b>28.9¢</b>	21.3¢	36%
Return on shareholders' equity (ROE) <sup>4</sup>	<b>15.1%</b>	11.6%	3.5pts

Net income attributable to common shareholders, for the first quarter of 2022 totalled US \$41.8 million compared to US \$31.5 million for the three-month period ended March 31, 2021, an increase of US \$10.3 million. The Return on Shareholders' equity<sup>4</sup> (annualised) for the three-month period ended March 31, 2022 was 15.1%, compared to 11.6% for the same period in 2021. Net income benefitted from strong premium production in our USA segment. The Group was also impacted by mark-to-market declines on financial assets due mainly to increasing interest rates.

The March 2021 results included net gains of US \$25.0 million emanating from a transaction associated with our investment in Playa Hotels and Resorts ("Playa"). The current period includes mark-to-market gains in Playa of US \$7.2 million.

The Earnings per Share's (EPS - basic) improvement over the prior year is consistent with our results, closing the March 2022 quarter at US \$0.292 per share, compared to US \$0.215 per share for the quarter ended March 31, 2021.

Refer to the Non-IFRS Financial Information section of this Management's Discussion and Analysis for additional information on the Company's profitability for the three-month period ended March 31, 2022.

<sup>4</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

## B. Business Growth

<b>Total Revenue</b> <i>(in millions of US \$)</i>	Three months ended		
	March 31		
	2022	2021	Change
Life and annuity	503.5	223.7	125%
Health	40.9	39.8	3%
Property and casualty	12.0	12.6	(5%)
<b>Net insurance premium</b>	<b>556.4</b>	<b>276.1</b>	<b>102%</b>
Net investment income	84.7	111.1	(24%)
Gain on derecognition of amortised cost investments	1.0	1.8	(44%)
Gain on derecognition of assets carried at FVOCI	1.0	4.7	(79%)
Credit impairment losses	(0.4)	0.5	(180%)
Fees and other revenue	37.9	37.3	2%
<b>Total revenue</b>	<b>680.6</b>	<b>431.5</b>	<b>58%</b>
<b>Total Revenue by Operating Segment</b>			
Sagikor Life	124.2	130.1	(5%)
Sagikor Jamaica	161.7	165.5	(2%)
Sagikor Life USA	372.3	110.8	236%
Head office, Other and Adjustments	22.4	25.1	(11%)
<b>Total revenue</b>	<b>680.6</b>	<b>431.5</b>	<b>58%</b>

**Quarterly (three-month period) results**

Total revenue reached US \$680.6 million for the first quarter of 2022, an increase of US \$249.1 million (58%) from US \$431.5 million reported for the same period in 2021.

Net insurance premium revenue represented 82% (March quarter 2021 – 64%) of total revenue and closed the period at US \$556.4 million, US \$280.3 million (102%) above the US \$276.1 million reported for the same period in 2021. Net premium revenue from the life and annuity insurance business totalled US \$503.5 million for the three-month period ended March 31, 2022, compared to US \$223.7 million for the same period in 2021, an increase of US \$279.8 million, with significant net premium growth observed in our USA segment (US \$283.5 million year over year).

Net investment income declined by US \$26.4 million and totalled US \$84.7 million for three-month period ended March 31, 2022, compared to US \$111.1 million, for the corresponding period in 2021. Net investment income includes realised and unrealised losses on financial assets categorised as FVTPL of US \$18.7 million. The Group was also impacted by mark-to-market declines on financial assets, due mainly to increasing interest rates.

For the first quarter of 2021, net investment income included realised and unrealised gains on financial assets categorised as FVTPL of US \$23.7 million (inclusive of a gain of US \$14.3 million associated with the mark-to-market movements on our investment in Playa Hotels and Resorts).

The Group also generated fees and other revenues of US \$37.9 million for the period under review, which was on par with that reported for the same period in 2021. Hotel revenues increased by US \$6.2 million to close at US \$11.1 million for the three-month period ended March 31, 2022, as worldwide travel increased with the lessening of travel restrictions associated with the COVID-19 pandemic. During the first quarter of 2021, the Group benefited from foreign exchange gains of US \$5.5 million (March quarter 2022 – loss of US\$0.7 million).

**C. Benefits**

<b>Benefits</b> <i>(in millions of US \$)</i>	<b>Three months ended March 31</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
Life and annuity	400.9	210.3	(91%)
Health	33.6	29.6	(14%)
Property and casualty	6.6	4.5	(47%)
<b>Net insurance benefits</b>	441.1	244.4	(80%)
Interest cost	12.4	11.0	(13%)
<b>Total benefits</b>	453.5	255.4	(78%)

**Quarterly (three-month period) results**

Benefits totalled US \$453.5 million for the three-month period ended March 31, 2022, a US \$198.1 million or 78% increase from US \$255.4 million reported for the corresponding period in 2021.

Life and annuity benefits totalled US \$400.9 million for the quarter under review of which US \$140.8 million related to current benefits and US \$260.1 million related to future benefits. The amounts for the corresponding period in 2021 were a total of US \$210.3 million, of which US \$127.1 million related to current benefits and US \$83.2 million related to future benefits. Current benefits increased across all business segments by US \$13.7 million when compared to that reported in the March 2021 quarter, mainly due to higher mortality experience in our Sagicor Life segment and growth in annuity business in force in our USA segment. The change in provision for future benefits from 2021 to 2022 represented an increase of US \$176.9 million and was driven by significant new annuity business written by our USA segment.

Total health insurance benefits were US \$33.6 million representing an overall claim to premium ratio (health claims ratio)<sup>5</sup> of 82.2%. In 2021, the Group experienced health insurance benefits of US \$29.6 million and an overall claim to premium ratio<sup>5</sup> of 74.4%. The increase in the health claims ratio was driven by higher claims reported by our Sagicor Life and Jamaica Segments.

<sup>5</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

Property and casualty claims amounted to US \$6.6 million in 2022, a US \$2.1 million increase from the US \$4.5 million incurred in 2021, as a result of higher motor claims.

Interest expense totalled US \$12.4 million for the three-month period ended March 31, 2022, slightly above the US \$11.0 million reported for the March 2021 quarter.

#### D. Expenses and Taxes

<b>Expenses and taxes</b> <i>(in millions of US \$)</i>	<b>Three months ended March 31</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
Administrative expenses	90.7	82.8	(10%)
Commissions and related compensation	37.3	26.7	(40%)
Finance costs, depreciation and amortisation	17.8	19.0	6%
Premium, asset and income taxes	27.7	19.0	(46%)
<b>Total expenses and taxes</b>	<b>173.5</b>	<b>147.5</b>	<b>(18%)</b>

#### Quarterly (three-month period) results

Expenses and taxes totalled US \$173.5 million for the three-month period ended March 31, 2022, up US \$26.0 million from the amount reported for the same period in 2021.

Administrative expenses totalled US \$90.7 million for the period under review compared to US \$82.8 million for the same period in 2021. The gradual re-opening of the tourism sector and consequent increases in occupancy levels drove a US \$3.5 million increase in hotel expenses. Other operating expenses were higher than the comparative period due to the rise in cost of imported information technology services.

Commissions and related compensation totalled US \$37.3 million for the three-month period under review, closing US \$10.6 million above the US \$26.7 million reported for the same period in 2021. This increase was primarily observed in our USA segment (US \$8.7 million) and was driven by the increased annuity business reported by that segment during the period under review.

Finance costs, depreciation and amortisation totalled US \$17.8 million, for the period under review, and was US \$1.2 million below that reported for the first quarter of 2021.

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

Premium, asset and income taxes were US \$27.7 million for the three-month period ended March 31, 2022, compared to US \$19.0 million in the same period in 2021, an increase of US \$8.7 million. Of the total taxes, income taxes were US \$19.1 million, compared to US \$10.8 million reported for March quarter 2021, an increase of US \$8.3 million, and was largely related to higher net income levels reported during the March 2022 quarter, when compared to the corresponding period in the prior year, primarily in our USA segment.

Earnings from other sources totalled US \$2.3 million for the three-month period ended March 31, 2022, compared to US \$13.1 million for the same period in 2021. For the first quarter of 2022, the Group's share of income from associates and joint ventures totalled US \$2.3 million and was slightly below that reported for the same period in the prior year. For the first quarter of 2021, earnings from other sources included a net gain of US \$10.7 million relating to the partial disposal of our investment in Playa Hotels & Resorts N.V (Playa).

### E. Comprehensive Income

<b>Other comprehensive (loss)/income</b> <i>(in millions of US \$)</i>	<b>Three months ended March 31</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Items net of tax that may be reclassified subsequently to income:</b>			
Financial assets measured at fair value through other comprehensive income:			
Losses on revaluation	(173.9)	(67.8)	(156%)
Gains transferred to income	(0.8)	(4.6)	83%
Net change in actuarial liabilities	113.7	35.0	225%
Cash flow hedges	-	3.5	(100%)
Retranslation of foreign currency operations	3.0	(33.6)	109%
	<b>(58.0)</b>	<b>(67.5)</b>	<b>14%</b>
<b>Items net of tax that will not be reclassified subsequently to income:</b>			
Gains on revaluation of owner-occupied property and owner-managed property	-	1.8	(100%)
	-	1.8	(100%)
Other comprehensive loss	<b>(58.0)</b>	<b>(65.7)</b>	<b>12%</b>

<b>Total comprehensive income</b> <i>(in millions of US \$)</i>	<b>Three months ended March 31</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
Group net income	55.9	41.6	34%
Other comprehensive loss	(58.0)	(65.7)	12%
Total comprehensive loss for the period	<b>(2.1)</b>	<b>(24.1)</b>	<b>91%</b>
<b>Total comprehensive loss attributable to:</b>			
Common shareholders	(0.5)	(1.6)	69%
Participating policyholders	(0.5)	(0.2)	(150%)
Non-controlling interests	(1.1)	(22.3)	95%
	<b>(2.1)</b>	<b>(24.1)</b>	<b>91%</b>

Items recorded within other comprehensive income arise generally from fair value changes of certain asset classes, from the related movements in actuarial liabilities and from the retranslation of foreign currency operations.

#### Quarterly (three-month period) results

During the three-month period ended March 31, 2022, the Group reported net losses on financial assets totalling US \$173.9 million compared to losses of US \$67.8 million for the same period in the prior year and was impacted by mark-to-market declines on financial assets due mainly to increasing interest rates. This loss was offset by a gain in the net change in actuarial liabilities reserve of US \$113.7 million (Quarter 1, 2021 – US \$35.0 million). Other comprehensive income for the period also included retranslation gains of US \$3.0 million, largely related to the impact of the appreciation of the Jamaican dollar against the United States dollar. The Group recorded losses of US \$33.6 million associated with the translation of foreign currency operations for the period ended March 31, 2021. These translation losses included the impact of gains of US \$17.8 million related to our investment in Playa Hotels and Resorts N.V which were recycled to the income statement on disposal.

## 5. RESULTS BY SEGMENT

Sagicor operates its business primarily through three reporting operating segments. These segments are: Sagicor Life, Sagicor Jamaica and Sagicor Life USA. A summary analysis of revenue and net income by operating segment are presented on a three-month quarterly basis for 2022 and 2021 as follows:

### First Quarter (three-month period) – March 31

<i>(in millions of US \$)</i>	Sagicor Life		Sagicor Jamaica		Sagicor Life USA		Head office & other		Adjustments		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	124.2	130.1	161.7	165.5	372.3	110.8	31.1	33.9	(8.7)	(8.8)	680.6	431.5
Benefits and expenses	(116.3)	(120.6)	(126.2)	(137.3)	(339.6)	(109.4)	(34.7)	(32.7)	8.9	7.8	(607.9)	(392.2)
(Loss)/gain arising on business combinations, acquisitions and divestitures	-	-	-	(1.6)	-	-	-	12.3	-	-	-	10.7
Share of operating income of associates and joint ventures	0.9	0.9	1.4	1.5	-	-	-	-	-	-	2.3	2.4
Segment income/(loss) before tax	8.8	10.4	36.9	28.1	32.7	1.4	(3.6)	13.5	0.2	(1.0)	75.0	52.4
Income taxes	(2.0)	(2.1)	(9.9)	(7.9)	(6.9)	(0.3)	(0.3)	(0.5)	-	-	(19.1)	(10.8)
Segment net income/(loss)	6.8	8.3	27.0	20.2	25.8	1.1	(3.9)	13.0	0.2	(1.0)	55.9	41.6
Net income/(loss) attributable to shareholders	7.0	8.3	12.6	9.9	25.8	1.1	(3.8)	13.1	0.2	(0.9)	41.8	31.5

The performance of these reporting segments for the three-month period ended March 31, 2022 compared to the same period in 2021, is discussed in the following sections.

## A. Sagicor Life

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

<i>(in millions of US \$)</i>	Three months ended March 31		
	2022	2021	Change
Net premium revenue	92.2	94.9	(3%)
Gains on derecognition of assets carried at FVOCI	-	1.4	(100%)
Interest income earned from financial assets measured at amortised costs and FVOCI	21.1	20.7	2%
Other investment income	2.1	3.5	(40%)
Credit impairment gains	1.0	0.6	67%
Fees and other revenue	1.8	2.7	(33%)
Inter-segment revenues	6.0	6.3	(5%)
<b>Total revenue</b>	<b>124.2</b>	<b>130.1</b>	<b>(5%)</b>
Benefits	(84.6)	(86.6)	2%
Expenses and taxes	(30.3)	(27.8)	(9%)
Depreciation and amortisation	(1.7)	(2.4)	29%
Inter-segment expenses	0.3	(3.8)	108%
Share of operating income of associates and joint ventures	0.9	0.9	-
Segment income before taxes	8.8	10.4	(15%)
Income taxes	(2.0)	(2.1)	5%
Net segment income	6.8	8.3	(18%)
Income attributable to shareholders	7.0	8.3	(16%)
Return on Investments (annualised) <sup>6</sup>	5.7%	6.3%	(0.6 pts)
Return on Equity (annualised) <sup>6</sup>	4.3%	5.6%	(1.3 pts)
Return on Shareholder's Equity (annualised) <sup>6</sup>	4.4%	5.7%	(1.3 pts)

### Quarterly (three-month period) results

The Sagicor Life segment for the three-month period ended March 31, 2022, generated net income attributable to shareholders of US \$7.0 million, compared to US \$8.3 million in the prior year. The segment continued to operate in a challenging economic environment as jurisdictions recover from the effects of the pandemic.

The Sagicor Life segment generated total revenue of US \$124.2 million for the three-month period, which was US \$5.9 million below the US \$130.1 million reported for the first quarter in 2021. Despite, moderate growth in net life and health insurance premium revenue for the first quarter of 2022, net premium revenue from annuity business declined by US \$5.3 million due to lower new single premium annuity business. Combined, this gave rise to the overall decline in net premium revenue. Net investment income remained flat, period on period, with the impact of increased interest income being partially reduced by lower unrealised gains on FVTPL financial assets.

Benefits incurred for the Sagicor Life segment totalled US \$84.6 million for the three-month period ended March 31, 2022, compared to benefits incurred of US \$86.6 million reported for the corresponding period in 2021. Net policy benefits excluding the changes in actuarial reserves increased by US \$6.1 million to close at US \$70.0 million, mainly due to a higher mortality experience. Changes in actuarial reserves for the three-month period ended March 31, 2022, was an increase of US \$11.2 million, compared to an increase of US \$18.4 million for the same quarter in 2021, a decline of US \$7.2 million due to lower new single premium annuity business. Interest expense decreased marginally by US \$1.0 million resulting from lower unrealised gains on FVTPL assets accruing to policyholders.

Total expenses and taxes for the Sagicor Life segment totalled US \$33.7 million for the three-month period ended March 31, 2022, US \$2.4 million below the US \$36.1 million reported for the same period in 2021. Total expenses decreased by US \$2.3 million to close at US \$31.7 million (March quarter 2021 – US \$34.0 million) and reflected reduced intersegment expenses.

<sup>6</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

Statement of Financial Position	As of		
	March 31, 2022	December 31, 2021	Change
<i>(in millions of US \$)</i>			
Financial investments	1,634.0	1,623.5	1%
Other assets	360.2	348.8	3%
Inter-segment assets	415.7	416.8	-
Total assets	2,409.9	2,389.1	1%
Policy liabilities	1,578.1	1,560.6	1%
Other liabilities	92.1	84.6	9%
Inter-segment liabilities	85.4	115.8	(26%)
Total liabilities	1,755.6	1,761.0	-
Net assets	654.3	628.1	4%

Financial investments totalled US \$1,634.0 million (December 31, 2021 - US \$1,623.5 million) and comprised 68% (December 31, 2021 - 68%) of the segment's total assets, and policy liabilities totalled US \$1,578.1 million (December 31, 2021 - US \$1,560.6 million) and comprised 90% (December 31, 2021 - 89%) of the segment's total liabilities at the end of December 2021. Overall, net assets increased by 4% or US \$26.2 million due to retention of segment earnings, dividends from non-segment subsidiaries not yet up streamed to the parent company and capital injected into the segment of US \$11.0 million during the quarter.

### **New initiatives and developments**

All territories continued to operate in a challenging economic environment as jurisdictions begin to reopen their economies and seek to recover from the effects of the pandemic. The digitalization of our company continues as we seek to introduce several initiatives in 2022 focused on improving the ability of clients to interact with the organization more easily and efficiently.

The recent announced realignment of key executives now focused on Individual Life, Employee Benefits & Pensions and Investment and Wealth Management across all markets has already had a positive impact and we expect this realignment to further demonstrate value this calendar year and beyond. We continue to be guided by our vision and remain committed to supporting the communities in which we operate as they continue to navigate the challenging economic environment.



## B. Sagicor Jamaica

The Sagicor Jamaica segment offers life, health, annuity, property and casualty insurance, pension administration services, commercial banking, investment banking, hospitality and real estate investment services in the markets of Jamaica, Cayman Islands, Costa Rica and the United States of America. Sagicor Jamaica's strong brand, together with its wide range of products and highly skilled work force, has allowed it to maintain a leading position in market segments in which it operates. Its commercial banking services are offered through a network of sixteen (16) branches.

<i>(in millions of US \$)</i>	Three months ended March 31		
	2022	2021	Change
Net premium revenue	84.7	85.1	-
Gains on derecognition of amortised cost investments	1.0	1.9	(47%)
Gains on derecognition of assets carried at FVOCI	0.5	3.1	(84%)
Interest income earned from financial assets measured at amortised costs and FVOCI	40.6	38.8	5%
Other investment income /(expenses)	(1.1)	4.2	(126%)
Credit impairment losses	(1.3)	(0.4)	(225%)
Fees and other revenue	37.3	32.8	14%
Total revenue	161.7	165.5	(2%)
Benefits	(53.1)	(71.5)	26%
Expenses and taxes	(68.4)	(60.8)	(13%)
Depreciation, amortisation and impairments	(4.4)	(4.5)	2%
Inter-segment expenses	(0.3)	(0.5)	40%
Loss arising on business combination, acquisitions and divestitures	-	(1.6)	100%
Share of operating income from associates and joint ventures	1.4	1.5	(7%)
Segment income before taxes	36.9	28.1	31%
Income taxes	(9.9)	(7.9)	(25%)
Net segment income	27.0	20.2	34%
Income attributable to shareholders	12.6	9.9	27%
Return on Investments (annualised) <sup>7</sup>	5.7%	6.4%	(0.7 pts)
Return on Total Equity (annualised) <sup>7</sup>	12.1%	9.0%	3.1 Pts
Return on Shareholder's Equity <sup>7</sup>	13.1%	10.3%	2.8 pts

### Quarterly (three-month period) results

The Sagicor Jamaica segment reported net income of US \$27.0 million for the three-month period ended March 31, 2022, compared to US \$20.2 million in the prior year, an improvement of US \$6.8 million.

Net income attributable to shareholders was US \$12.6 million for the three-month period ended March 31, 2022 compared to US \$9.9 million for the corresponding period in 2021.

The segment generated total revenue of US \$161.7 million for the first quarter of 2022, compared to US \$165.5 million for the same period in the prior year, representing a decrease of US \$3.8 million or 2%. Net premium decreased marginally to close at US \$84.7 million. The annuities and property and casualty insurance businesses observed declines in net premium revenue, which were partially offset by improvements in the life and health insurance businesses.

Interest income was US \$40.6 million for the period under review compared to US \$38.8 million in the corresponding prior period. Other investment income which includes investment gains and losses was a loss of US \$1.1 million, for the period under review, compared to gains of US \$4.2 million for the same period in the prior year. Unrealised losses on FVTPL financial assets totalled US \$4.0 million for the period under review and were lower than the mark-to-market gains of US \$3.2 million reported in the corresponding period in the prior year, as the segment was impacted by mark-to-market declines on financial assets due mainly to increasing interest rates.

<sup>7</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

Credit impairment losses for the three-month period ended March 31, 2022, totalled \$1.3 million, compared to impairment losses of US \$0.4 million for the prior year.

Fees and other revenue closed at US \$37.3 million for the first quarter of 2022, compared to US \$32.8 million for the same period of 2021, an increase of US \$4.5 million or 14%. During the quarter, the segment benefited from higher hotel revenues (US \$6.2 million) as worldwide travel continued to increase following the lifting of travel restrictions associated with the COVID-19 pandemic experienced in 2021. In addition, the segment benefitted from increased fee income on its banking business as economic activity in Jamaica improved.

Benefits totalled US \$53.1 million compared to US \$71.5 million reported for the same period in 2021, a decrease of US \$18.4 million. Net policy benefits excluding changes in actuarial liabilities totalled US \$58.6 million, compared to the US \$53.7 million reported for the same period in 2021, an increase of US \$4.9 million which was driven by higher health and life benefits. The segment's net change in actuarial liabilities was a release of US \$12.7 million for the three-month period ended March 31, 2022, compared to an increase of US \$11.0 million in 2021, a decline of US \$23.7 million and was primarily as a result of increasing market interest rates.

Expenses and taxes incurred (including segment expenses and income taxes) increased by US \$9.3 million, to close at US \$83.0 million. Hotel expenses increased by US \$3.5 million, stemming from higher occupancy levels associated with increasing worldwide travel. Other operating expenses were higher than the comparative period due to the rise in cost of imported Information Technology services and costs associated with increased in consumer spending activities. Income taxes increased by US \$2.0 million to close at US \$9.9 million, due to improved performance over the prior year.

Earnings from other sources was a gain of US \$1.4 million for the three-month period ended March 31, 2022, compared to a loss of US \$0.1 million for the same period in 2021. During the first quarter of 2021, the segment disposed of its 14.9% equity interest in Playa Hotels and Resorts which gave rise to a loss on the disposal of US \$1.6 million. The impact of this disposal was negated by our share of income earned on the joint venture in Costa Rica totaling US \$1.5 million. For the March 2022 quarter, the segment's share of income earned on the joint venture totalled US \$1.4 million, which was on par with that reported in the corresponding period in 2021.

Statement of Financial Position <i>(in millions of US \$)</i>	As of		
	March 31, 2022	December 31, 2021	Change
Financial investments	2,781.3	2,776.3	-
Other assets	645.7	654.3	(1%)
Inter-segment assets	12.3	12.1	2%
Total assets	3,439.3	3,442.7	-
Policy liabilities	817.4	830.2	(2%)
Other liabilities	1,710.9	1,695.9	1%
Inter-segment liabilities	7.0	1.8	289%
Total liabilities	2,535.3	2,527.9	-
Net assets	904.0	914.8	(1%)

Overall net assets decreased by 1% (US \$10.8 million) moving from US \$914.8 million as at December 31, 2021 to US \$904.0 million at the end of March 2022. The impact of improved operating results was negated by the impact of market-to-market losses on FVOCI financial assets as well as dividends declared to shareholders, giving rise to the overall decrease in net assets.

### **New initiatives and developments**

On February 9, 2022, Sagicor announced that Sagicor Group Jamaica Limited ("SGJ") entered a definitive agreement for the purchase of 100% of the shares of Alliance Financial Services Limited ("AFSL"). Effective April 1, 2022, the purchase of 100% of the shares of AFSL by SGJ was finalised. On April 4, 2022, AFSL resumed its operations, following the successful completion of due diligence procedures and receipt of regulatory approval. The acquisition represents a move into a new business segment and affords the Group an opportunity to expand its product offerings to our customers.

During the first quarter of 2022, the corporate social responsibility initiatives of Sagicor Group Jamaica, through its charitable arm – Sagicor Foundation Jamaica were heavily focused on the planning and execution of the 24th staging of its charity event – the Sagicor Sigma Corporate Run. The Sagicor Foundation set an original fundraising target of Jamaican dollars \$50 million for this year's Sigma Run beneficiary – a local hospital, and surpassed its target, raising Jamaican dollars \$52 million. The funds raised will be used to procure medical equipment for the hospital's surgery department, as well as equipment to treat cancer patients. For the 2022 school year, the Sagicor Foundation adopted three new early childhood institutions under its Adopt-A-School programme managed by the Sagicor Foundation. The Adopt-A-School programme focuses on improving the physical infrastructure of schools to provide a more comfortable and safer environment for teachers and students. Throughout the period, several donations were also made to various groups, charities, and institutions – most notably in the areas of health and education.

### C. Sagicor Life USA

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

Sagicor USA's current product offerings can be broadly placed in three categories:

- **Annuities** - Annuity offerings are single premium products, which include traditional deferred, multi-year guaranteed (MYGA) and immediate annuities. Sagicor Life Insurance Company's annuities allow customers to accumulate assets at fixed interest rates, with no negative market risk.
- **Periodic premium** - This includes products such as non-participating whole life and indexed universal life. Premiums can be paid on a monthly, quarterly, semi-annual, or annual basis, and products are differentiated based on protection and/or accumulation potential.
- **Single premium life** - This includes an indexed universal life product developed for a retiree demographic to transfer wealth and leave a legacy to the next generation, while having access to funds to assist with a chronic illness, if needed.

<i>(in millions of US \$)</i>	Three months ended March 31		
	2022	2021	Change
Net premium revenue	370.3	86.8	327%
Gains on derecognition of assets carried at FVOCI	0.5	0.2	150%
Interest income earned from financial assets measured at amortised cost and FVOCI	28.1	20.0	41%
Other investment income/(expenses)	(21.8)	6.4	(441%)
Credit impairment (losses)/gains	(0.1)	0.2	(150%)
Fees and other revenue	(4.7)	(2.8)	(68%)
Total revenue	372.3	110.8	236%
Benefits	(310.7)	(94.3)	(229%)
Expenses and taxes	(24.9)	(15.2)	(64%)
Depreciation and amortisation	(1.0)	(1.2)	17%
Inter-segment expenses	(3.0)	1.3	(331%)
Segment income before taxes	32.7	1.4	2,236%
Income taxes	(6.9)	(0.3)	(2,200%)
Net segment income	25.8	1.1	2,245%
Income attributable to shareholders	25.8	1.1	2,245%
Return on Investments (annualised) <sup>8</sup>	0.7%	4.1%	(3.4 pts)
Return on Equity (annualised) <sup>8</sup>	23.3%	1.6%	21.7 pts
Return on Shareholder's Equity (annualised) <sup>8</sup>	23.3%	1.6%	21.7 pts

#### Quarterly (three-month period) results

The Sagicor Life USA segment experienced a very strong performance and reported net income of US \$25.8 million, for the three-month period ended March 31, 2022 compared to US \$1.1 million reported in the prior year, for a significant period on period improvement. Reported Return on Equity<sup>8</sup> was 23.3% (annualised) compared to 1.6% for the quarter ended March 31, 2021, reflecting higher net income for the period under review.

The segment generated revenue of US \$372.3 million for the three-month period ended March 31, 2022, compared to US \$110.8 million reported for the same period in 2021, and which was fuelled by growth in MYGA sales. Net Premium revenue grew during the first quarter of 2022 to close at US \$370.3 million (first quarter 2021 – US \$86.8 million), an increase of US \$283.5 million. This reflects our strategy of focusing on accumulation type products. Interest income

<sup>8</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

increased by 41% year over year to close at US \$28.1 million, primarily due to the continued strong growth of the investment portfolio resulting from strong sales performance reported during the 2021 financial year.

Other investment income showed a loss of US \$21.8 million, (Q1 2021 – gain of US \$6.4 million), a decrease of US \$28.2 million year over year, and was due to losses on the change in value of FVTPL financial assets totalling US \$31.6 million, broken out as: US \$2.1 million on debt securities, US \$16.9 million on equity securities, and US \$12.6 million on derivative financial instruments.

The losses on debt securities held at FVTPL are primarily due to rising interest rates, and the losses on equity securities are due to declines in the equity markets and rising interest rates. Equity securities primarily consist of preferred stocks which are all held at FVTPL. The losses on derivative financial instruments are due to declines in equity markets. Losses on the portion of debt and equity securities backing the actuarial liabilities are offset in the change in actuarial liabilities on the income statement.

Benefits, which reflect net policy benefits (surrenders, deaths, lapses, etc.), interest expense and changes in actuarial liabilities, totalled US \$310.7 million compared to US \$94.3 million reported for the same period in 2021, an increase of US \$216.4 million. Net policy benefits totalled US \$50.3 million, compared to the US \$42.9 million reported for the same period in 2021, an increase of US \$7.4 million, primarily due to growth in annuity business in-force. The segment reported a net change in actuarial liabilities of US \$259.4 million for the three-month period ended March 31, 2022, compared to US \$51.9 million, for the same quarter in 2021, an increase of US \$207.5 million, and was driven by the significant increase in new annuity business acquired during the quarter.

Total expenses and taxes (including inter-segment expenses and income taxes) totaled US \$35.8 million compared to US \$15.4 million reported for the same period in 2021, an increase of US \$20.4 million, (driven by commissions and income tax). Total expenses for the period were up by US \$13.8 million when compared to the same period in 2021 and was mainly driven by higher sales commissions, associated with the new business growth reported. Income taxes increased by US \$6.6 million, year over year, closing at US \$6.9 million for the first quarter of 2022. This increase was due to the significant improvement in the segment's performance compared to the prior period.

Statement of Financial Position	As of		
	March 31, 2022	December 31, 2021	Change
<i>(in millions of US \$)</i>			
Financial investments	3,681.9	3,569.3	3%
Other assets	688.4	664.9	4%
Inter-segment assets	45.9	50.1	(8%)
Total assets	4,416.2	4,284.3	3%
Policy liabilities	3,249.2	3,137.4	4%
Other liabilities	538.0	532.6	1%
Inter-segment liabilities	164.5	168.2	(2%)
Total liabilities	3,951.7	3,838.2	3%
Net assets	464.5	446.1	4%

Overall, the increase in net assets from December 31, 2021 to March 31, 2022 of US \$18.4 million (4%) was primarily the result of the significant improvement in profitability for the period under review.

Consistent with prior reporting periods, Sagicor Life USA's financial position is dominated by the liabilities it recognizes on its in force life and annuity policy obligations; 82% of total liabilities as of March 31, 2022 (December 31, 2021 – 82%) and the financial investments that support those liabilities (83% of total assets as of March 31, 2022 and 83% of total assets as of December 31, 2021).

Policy liabilities and the supporting financial investments grew by 4% and 3%, respectively for the three-month period, as the impact of new business partially offset the drop in market values of the financial investments due to slightly improving market yields.

**New initiatives and developments**

In 2022 and beyond, Sagicor USA will concentrate its focus on providing accumulation and living benefit-focused products throughout a consumer's life cycle, while utilizing technology to create an ease of doing business for new and existing distribution partners. These include an emphasis on no-fee, guaranteed annuity products - specifically our MYGA suite - offering consumers a measure of certainty in an unsettling economic environment. As part of this focus, Sagicor USA made the strategic decision to withdraw its Sage Term Life Insurance product (10/15/20 years) for sale in independent and SagicorNow (direct-to-consumer) distribution channels in Q1 2022.

Sagicor USA will continue to optimize its investment portfolio, including expanding the breadth of asset classes utilized to increase risk-adjusted returns and improve the asset and liability matching of its insurance portfolio.

## 6. FINANCIAL POSITION

### A. Capital Adequacy

	March 31, 2022	December 31, 2021
Sagicor Consolidated MCCR <sup>9</sup>	244%	269%
Sagicor Life Jamaica Limited MCCR <sup>9</sup>	164%	162%
Sagicor Investments capital base to risk weighted assets <sup>9</sup>	16%	18%
Sagicor Bank capital base to risk weighted assets <sup>9</sup>	14%	14%

#### **Sagicor Consolidated Capital Adequacy**

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

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

Sagicor's consolidated MCCR is the principal standard of capital adequacy used to assess Sagicor's overall strength. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should be regarded as applicable to the life insurers of the Sagicor Group as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

#### **Sagicor Life Jamaica Limited**

Sagicor Life Jamaica is governed by the Jamaican MCCR regime (based on Canadian standards in effect in 2001), which requires an insurer to maintain a minimum ratio of 150%.

#### **Sagicor Life Insurance Company (USA)**

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

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The least severe regulatory action is the "Company Action Level" (as defined by the NAIC) which requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount. Sagicor Life USA has maintained all minimum regulatory capital level ratios as of March 31, 2022 and December 31, 2021, respectively.

<sup>9</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

**Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited**

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

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account, any eligible collateral or guarantees. A similar treatment is adopted for off financial statements exposure, with some adjustments to reflect the more contingent nature of the potential losses. The required capital base to risk weighted assets for both Sagicor Investments and Sagicor Bank is 10% and has been maintained as at March 31, 2022 and December 31, 2021.

**B. Capital**

<i>(in millions of US \$)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>Change</b>
<b>Total Capital<sup>10</sup></b>			
Shareholders' equity	<b>1,125.7</b>	1,134.0	(1%)
Non-controlling interest	<b>527.2</b>	531.7	(1%)
Notes and loans payable	<b>684.7</b>	683.4	-
<b>Total capital<sup>10</sup></b>	<b>2,337.6</b>	2,349.1	-

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

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

At March 31, 2022, the Company's capital<sup>10</sup> totalled US \$2,337.6 million, US \$11.5 million below the December 31, 2021 position (US \$2,349.1 million). The company experienced a decrease in Shareholder's equity during the period, largely due mark-to-market declines on our FVOCI financial assets due to market fluctuations. Dividends declared to shareholders also impacted capital<sup>10</sup> resources during the period. Notes and loans payable reported a marginal increase, while non-controlling interest at March 31, 2022 was US \$4.5 million below that reported at December 31, 2021.

<sup>10</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.



### C. Financial Leverage

	March 31, 2022	December 31, 2021	Change
Debt / capital <sup>11</sup>	29.3%	29.1%	(0.2 pts)
Debt / equity <sup>11</sup>	41.4%	41.0%	(0.4 Pts)

The Debt to Capital ratio<sup>11</sup> was 29.3% at March 31, 2022, compared to 29.1% as of December 31, 2021. As of March 31, 2022, Sagicor had a debt-to-equity ratio<sup>11</sup> of 41.4%, compared to 41.0% as of December 31, 2021, respectively.

### D. Ratings

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

	AM Best Rating	S&P Rating	Fitch Rating
<b>Sagicor Life Inc<sup>(a)</sup></b> Financial Strength Issuer Credit Rating	A - Stable a - Stable		
<b>Sagicor Life Jamaica Limited<sup>(a)</sup></b> Financial Strength Issuer Credit Rating	B++ Stable bbb+ Stable		
<b>Sagicor Life Insurance Company (USA)<sup>(a)</sup></b> Financial Strength Issuer Credit Rating	A - Stable a - Stable		
<b>Sagicor Financial Company Ltd</b> Issuer Credit Rating Senior Unsecured	bbb- Stable <sup>(a)</sup> bbb Stable <sup>(a)</sup>	BB+ (Stable) <sup>(b)</sup> BB+ (Stable) <sup>(c)</sup>	BB (Stable) <sup>(d)</sup> BB- (Stable) <sup>(e)</sup>
<b>Sagicor General Insurance Inc<sup>(a)</sup></b> Financial Strength Issuer Credit Rating	A - Stable a - Stable		
<b>Sagicor Reinsurance `Bermuda Ltd<sup>(a)</sup></b> Financial Strength Issuer Credit Rating	A - Stable a - Stable		

*(a) Updated November 4, 2021; (b) Updated November 24, 2021; (c) Updated May 3, 2021; (d) Long-term Issuer Default Rating updated December 6, 2021; (e) Updated December 6, 2021.*

Sagicor's credit ratings constitute the rating agencies' assessment of Sagicor's ability to meet its payment obligations as they become due. The credit ratings, which may be revised or withdrawn at any time, do not represent a recommendation to buy, sell or hold Sagicor's Common Shares. Each rating agency's credit rating should be evaluated independently of credit ratings issued by other rating agencies.

<sup>11</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

**E. Common Shares, Book Value and Market Capitalization**

	March 31, 2022	December 31, 2021	Change
Number of common shares outstanding (million)	142.9	143.2	-
Share price	US \$5.24	US \$4.91	7%
Market Capitalization (million) <sup>12</sup>	US \$748.9	US \$703.0	7%
Book value per common share <sup>12</sup>	US \$7.88	US \$7.92	(1%)

**Outstanding Common Shares**

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

The number of issued and outstanding common shares at March 31, 2022 was 142,922,585. During the period ended March 31, 2022, the Company repurchased 284,400 (March quarter 2021 – 266,600) shares, at a total cost of US \$1.4 million (March quarter 2021 - US \$1.3 million), which were subsequently cancelled. The cost of shares totalling US \$0.07 million (March quarter 2021 - US \$0.01 million), which were repurchased at the quarter-end date but not cancelled, has been reflected in treasury shares.

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

The number of issued and outstanding options at March 31, 2022 was 1,172,457.

The number of issued and outstanding warrants at March 31, 2022 was 34,774,993.

**Dividends**

	March 31, 2022	March 31, 2021	Change
Dividends declared during the period, per common share	US \$0.05625	US \$0.05625	-

The Group declared one dividend to common shareholders during the three-month period ended March 31, 2022.

On March 18, 2022, the Board of Directors declared a dividend of US \$0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on April 4, 2022. This dividend was paid on April 25, 2022.

<sup>12</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

## F. Notes and Loans Payable

As of March 31, 2022, Sagicor had US \$684.7 million in notes and loans payable compared to US \$683.4 million as of December 31, 2021.

Summary details of carrying values and fair values of notes and loans payable as of March 31, 2022 and December 31, 2021, respectively are set out in the following table.

<i>(in millions of US \$)</i>	March 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
<b>Notes and loans payable</b>				
5.30% senior notes due 2028 <sup>(a)</sup>	532.8	558.3	532.2	570.3
5.50% unsecured bond due 2022	32.1	31.8	32.1	32.4
6.25% unsecured bond due 2022	25.3	27.8	25.1	28.7
6.75% notes due 2024	14.3	14.9	14.3	14.9
Bank loans & other funding instruments	34.5	34.5	33.7	33.7
Mortgage loans	45.7	48.8	46.0	48.9
<b>Total</b>	<b>684.7</b>	<b>716.1</b>	<b>683.4</b>	<b>728.9</b>

### (a) [Senior notes due 2028](#)

On May 13, 2021, Sagicor Financial Company Ltd. issued US \$400 million of senior notes due 2028 (the "New Notes"). The Company used partial proceeds of the transaction to repurchase the US \$318 million principal amount of the 8.875% Notes due 2022 which were issued by its subsidiary, Sagicor Finance 2015 Limited. The New Notes are due May 13, 2028 and bear interest at an annual rate of 5.30%.

On December 15, 2021, the Group issued an additional US\$150 million principal amount of the New Notes. These New Notes are also due May 13, 2028 and bear interest at an annual rate of 5.30%.

As at March 31, 2022 The Group had, in total, US \$550 million principal amount of the New Notes outstanding.

Pursuant to the terms of the New Notes, the Group may redeem the New Notes under the scenario as summarised below:

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

The Group has estimated the fair value of the optional redemption embedded derivative at US \$18.2 million as at March 31, 2022 (US \$11.3 million as at December 31, 2021).

For more details on notes and loans payable, refer to note 9 of the Group's March 31, 2022 Interim financial statements.

## G. Liquidity and Capital Resources

The following discussion is qualified by reference to the consolidated statement of cash flows and note 36 of the 2021 audited financial statements.

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

### Cash Flows

The following table summarise the Group's cash flows for the three-month periods ended March 31, 2022 and March 31, 2021, respectively.

<i>(in millions of US \$)</i>	Three months ended March 31		
	2022	2021	Change
Net cash flows:			
Operating activities	(267.6)	(23.1)	(1,058%)
Investing activities	(3.1)	49.2	(106%)
Financing activities	7.6	(10.7)	171%
Effect of exchange rate changes	-	(3.0)	100%
	(263.1)	12.4	(2,222%)
Cash and cash equivalents:			
Beginning of period	836.8	547.2	53%
End of period	573.7	559.6	3%

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

For the first quarter of 2022, Sagicor's net cash outflows associated with operating activities was US \$267.6 million compared to outflows of US \$23.1 million for the same period in 2021, the net impact of higher purchases of financial instruments being made in 2022, as the funds obtained from the significant annuity sales in our USA segment were invested in securities.

Sagicor's net cash outflows for investing activities was US \$3.1 million for the three-month period ended March 31, 2022, compared to inflows of US \$49.2 million for the same period in 2021, a decrease in inflows of US \$52.3 million. On January 15, 2021, the Group partially disposed of its investment in Playa. This transaction gave rise to net inflows to the Group of US \$55.2 million.

Sagicor's net cash inflows from financing activities totalled US \$7.6 million for the three-month period ended March 31, 2022, compared to outflows of US \$10.7 million for the same period in 2021, a decrease in outflows of US \$18.3 million. On March 24, 2022, SGJ disposed of 191,913,423 shares of Sagicor Real Estate X-Fund Limited ("X-Fund Limited") representing 4.2% of SFCL's shareholding in the company, for proceeds of US \$10.3 million. During the prior year, the Group experienced higher outflows on dividends paid to non-controlling interest and payments on notes and loans and loans payable.

For the three-month period ended March 31, 2022, the effect of exchange rate changes was nil compared to a loss of US \$3.0 million for the corresponding period in 2021.

## 7. FINANCIAL INVESTMENTS

As of March 31, 2022, the Sagicor Group held US \$8,598.9 million of diversified financial assets, compared to US \$8,498.1 million at December 31, 2021, an increase of US \$100.8 million. The Group recorded net investment income of US \$84.7 million for the three-month period ended March 31, 2022, compared to US \$111.1 million for the same period in 2021. The annualized return on investments<sup>13</sup> was 4.0% compared to 6.1% for the same period in 2021. During the first quarter of 2022 the Group was impacted by mark-to-market declines on financial assets due mainly to increasing interest rates. Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance. As at March 31, 2022, Sagicor held US \$6,265.4 million in debt securities and money market funds (73% of the total financial investments on hand). A summary of net investment income for the three-month period ended March 31, 2022 and 2021, is shown below.

<i>Investment Income Summary</i>	<b>Three months ended March 31</b>		
<i>(in millions of US \$, unless otherwise noted)</i>	<b>2022</b>	<b>2021</b>	<b>Change</b>
Interest income (AC)	47.7	45.8	4%
Interest income (FVOCI)	44.2	34.5	28%
Income from FVTPL investments	(8.1)	30.4	(127%)
Other investment income	2.2	1.2	83%
Investment expenses	(1.3)	(0.8)	(63%)
	<b>84.7</b>	<b>111.1</b>	<b>(24%)</b>

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

<sup>13</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

## A. Carrying Values

The table below shows the carrying value of Sagicor's investment portfolio as of March 31, 2022 and December 31, 2021.

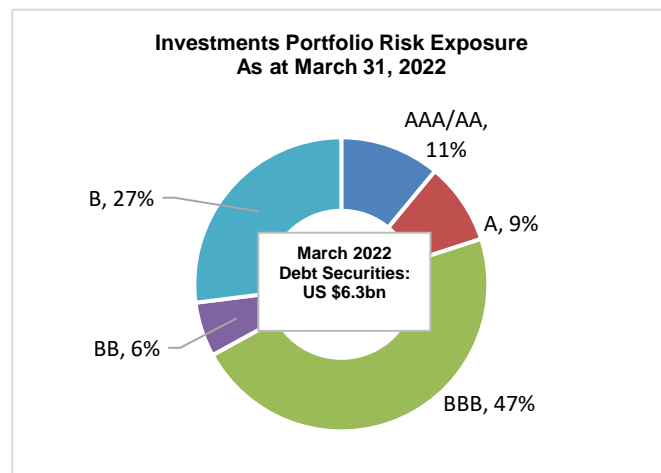
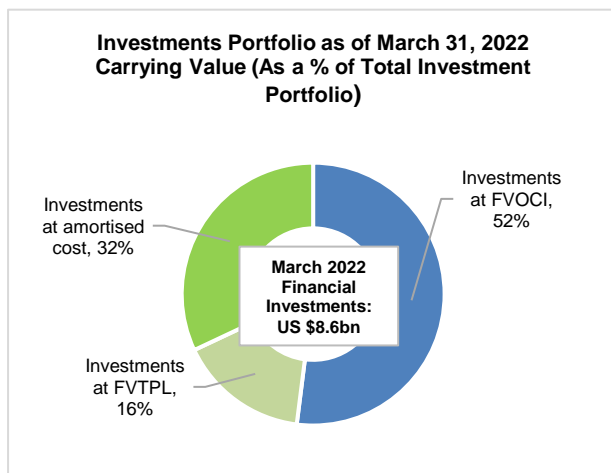
<i>(in millions of US \$, except percentages)</i>	As of		As of	
	March 31, 2022		December 31, 2021	
	Carrying value	% of Total	Carrying value	% of Total
<b>Investments at FVOCI:</b>				
Debt securities and money market funds	4,482.7	52%	4,481.3	53%
Equity securities	0.5	-	0.5	-
	<b>4,483.2</b>	<b>52%</b>	<b>4,481.8</b>	<b>53%</b>
<b>Investments at FVTPL:</b>				
Debt securities	338.0	4%	283.6	3%
Equity securities <sup>(1)</sup>	972.1	12%	889.6	11%
Derivative financial instruments	19.2	-	26.2	-
Mortgage loans	23.4	-	24.4	-
	<b>1,352.7</b>	<b>16%</b>	<b>1,223.8</b>	<b>14%</b>
<b>Investments at amortised cost:</b>				
Debt securities	1,444.7	17%	1,399.7	17%
Mortgage loans	433.3	5%	425.5	5%
Policy loans	155.0	2%	153.9	2%
Finance loans	557.8	6%	533.5	6%
Securities purchased for re-sale	64.2	1%	68.0	1%
Deposits	108.0	1%	211.9	2%
	<b>2,763.0</b>	<b>32%</b>	<b>2,792.5</b>	<b>33%</b>
<b>Total financial investments</b>	<b>8,598.9</b>	<b>100%</b>	<b>8,498.1</b>	<b>100%</b>

<sup>(1)</sup> Included in equity securities are exchange-traded funds of US \$453.3 million as at March 31, 2022 (US \$446.3 million as at December 31, 2021).

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

<i>(in millions of US \$)</i>	As of		
	March 31, 2022	December 31, 2021	Change
<b>Debt securities and money market funds</b>			
Measured at fair value through other comprehensive income (FVOCI)	4,482.7	4,481.3	-
Measured at amortised cost (AC)	1,444.7	1,399.7	3%
Measured at fair value through income (FVTPL)	338.0	283.6	19%
<b>Total</b>	<b>6,265.4</b>	<b>6,164.6</b>	<b>2%</b>
Represented by:			
Government and government-guaranteed debt securities	2,272.9	2,219.0	2%
Collateralised mortgage obligations	736.4	692.6	6%
Corporate debt securities	3,051.4	2,859.5	7%
Money market funds	75.1	264.0	(72%)
Other securities	129.6	129.5	-
<b>Total</b>	<b>6,265.4</b>	<b>6,164.6</b>	<b>2%</b>

FVOCI debt securities are held to collect contractual cash flows and to sell periodically to collect gains. These securities primarily support our business in the USA and in Jamaica, where there is reasonable opportunity to realise investment gains. Amortised cost debt securities are held to collect contractual cash flows and are sold infrequently. These securities primarily support our business in the Southern and Eastern Caribbean. FVTPL debt securities are classified as such when the Group insurance or investment contract-holder is credited with the full return on the underlying asset. Debt securities held for trading are also classified as FVTPL. The pie charts below represent a breakdown of the carrying value and risk exposure of Sagicor's consolidated investments portfolio as of March 31, 2022.



**B. NET INVESTMENT INCOME**

<i>(in millions of US \$)</i>	Three months ended March 31		
	2022	2021	Change
<b>Investment income</b>			
Interest income (amortised cost assets):			
Debt securities	24.3	23.0	6%
Mortgage loans	6.1	5.8	5%
Policy loans	2.8	2.7	4%
Finance loans	13.4	13.7	(2%)
Securities purchased for resale	0.6	0.4	50%
Deposits, cash and other items	0.5	0.2	150%
	47.7	45.8	4%
Interest income (FVOCI assets):			
Debt securities and money market funds	44.2	34.5	28%
<b>Interest income earned from financial assets measured at amortised cost and FVOCI</b>	<b>91.9</b>	<b>80.3</b>	<b>14%</b>
<b>Fair value changes, dividend income and interest income (FVTPL assets):</b>			
Debt securities	(3.7)	0.3	(1,333%)
Equity securities <sup>(a)</sup>	(6.7)	20.5	(133%)
Mortgage loans	0.5	0.4	25%
Derivative financial instruments	1.8	9.2	(80%)
	(8.1)	30.4	(127%)
Investment income:			
Other income on financial investments	0.1	0.1	-
Investment property rental income and fair value (losses)/gains	0.9	1.0	(10%)
Other investment income	1.2	0.1	1,100%
	2.2	1.2	83%
<b>Investment expenses:</b>			
Direct operating expenses of investment property that generated rental income	0.6	0.5	(20%)
Other direct investment expenses	0.7	0.3	(133%)
	1.3	0.8	(63%)
<b>Other investment (loss)/ income</b>	<b>(7.2)</b>	<b>30.8</b>	<b>(123%)</b>
<b>Net investment income</b>	<b>84.7</b>	<b>111.1</b>	<b>(24%)</b>
<b>Return on Investments (annualised)<sup>14</sup></b>	<b>4.0%</b>	<b>6.1%</b>	<b>(2.1 pts)</b>

(a) Included in fair value changes on equity securities is a gain of US \$7.2 million (US \$14.3 million for the three-month period ended March 31, 2021) on the interest held in Playa Hotel & Resorts N.V. ("Playa") as a FVTPL investment (see note 19 of the Group's interim financial statements).

<sup>14</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.



**C. INSURANCE AND INVESTMENT CONTRACT LIABILITIES**

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

<i>(in millions of US \$)</i>	March 31, 2022	December 31, 2021	Change
<b>Principal insurance and investment contract liabilities</b>			
Actuarial liabilities	4,885.1	4,792.6	2%
Investment contract liabilities	472.6	468.1	1%
Customer deposits	880.4	881.4	-
Securities sold for repurchase	600.6	598.3	-
Other funding instruments	486.8	511.5	(5%)
Structured product contracts	4.4	4.3	2%
<b>Total</b>	<b>7,329.9</b>	<b>7,256.2</b>	<b>1%</b>

## 8. RISK MANAGEMENT

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

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

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

Details of the Group's ERM Process, and Roles and Responsibilities are disclosed in the 2021 Annual Report. Updated disclosures of the risks associated with credit losses are included in note 12 to the March 31, 2022, interim financial statements.

## 9. ADDITIONAL INFORMATION

### A. Outlook

The Group's financial results in Q1 2022 continue to reflect stable emergence from our in-force life insurance portfolios and robust growth in our U.S. segment. We are still operating below full potential in our Caribbean markets due to the continued effects on our policyholders of reduced economic activity in the last two years due to the pandemic. In 2022, the economies in which we operate are seeing positive signs of returns to normal economic activity, including an improving forward outlook for tourism. However, increasing global rates of inflation and geopolitical instability are contributing to uncertainty around the resumption of full economic recovery in our markets. We anticipate resuming specific guidance with respect to earnings targets when the timing of economic recovery becomes more certain.

### B. Economic Environment

The ongoing events in Ukraine at the time of writing, has sparked many cascading economic and geopolitical effects during the first quarter of 2022. Supply chain bottlenecks were created, and the West Texas Intermediate (WTI) crude oil prices soared to approximately USD 100 per barrel at the end of the quarter. The WTI crude oil price stood at approximately USD 59 per barrel at the end of March 2021 and approximately USD 75 per barrel at the end of December 2021. On a brighter note, de-escalation negotiations have commenced between Russia and Ukraine, however, the viability of a ceasefire remains uncertain at the time of writing. The most recent information from the International Monetary Fund (IMF) estimated global growth for 2022 at 4.4% in its January 2022 World Economic Outlook Update. The Bureau of Economic Analysis' third estimate indicated economic activity in the USA grew by an annual rate of 5.7% in the year 2021. In addition, the US Labor Department reported a decline in the unemployment rate to 3.6% as at March 31, 2022, down from 3.9% as at December 31, 2021. As anticipated by many analysts, in March 2022 the Federal Open Market Committee announced its first rate hike since 2018. After the 25-basis points rate hike in March 2022, the target range for the federal funds rate stood at 0.25% to 0.5%. By the end of the first quarter of 2022, the US equity market experienced a modest tapering towards the end of the quarter as the S&P 500 Index was down 4.60% for the quarter. Additionally, the MSCI Emerging Market Index was down 6.97% for the quarter. At the end of the first quarter of 2022, the 10-year Treasury yield spiked to 2.35%, up from 1.52% as of December 31st, 2021.

At the Communiqué of the 101st Meeting of the Monetary Council of the Eastern Caribbean Central Bank, the Council was informed the 2021 growth estimate was revised to 3.9% from 1.0% after economic activity displayed

signs of recovery during the latter half of 2021. Additionally, economic growth in the Eastern Caribbean Currency Union (ECCU) for 2022 is forecasted at 6.7% based on the current economic path. The most recent data from the Central Bank of Barbados at the time of writing estimated Barbados' economy grew by 1.4% during 2021. However, during the first half of 2022, the Barbadian economy is expected to be positively impacted by revenues generated from the highly anticipated England T20 International Tour and the 2<sup>nd</sup> Test Match between West Indies and England held at Kensington Oval, Barbados in the first quarter of 2022. In Trinidad, preliminary data indicates that the Central Bank's Quarterly Index of Real Economic Activity declined by 3% in the third quarter of 2021, compared to the same period in 2020. Trinidad and Tobago's headline inflation stood at 3.8% (year-on-year) in January 2022, compared to 3.9% in October 2021. The Statistical Institute of Jamaica estimated the Jamaican economy grew by 6.7% in the fourth quarter of 2021 compared to the similar period in 2020. Additionally, preliminary estimates indicate the Jamaican economy grew by 4.6% for the calendar year 2021. Jamaica's point-to-point inflation rate for the twelve months ending February 2022 stood at 10.7%. During the first quarter of 2022, the Monetary Policy Committee implemented two consecutive increases of the Bank of Jamaica's policy rate. In February 2022, the Monetary Policy Committee raised the policy rate by 150 basis points to 4.00%. Effective March 30, 2022, the Bank of Jamaica announced its 50 basis points increase in its policy interest rates to 4.50%.

### C. Impact of COVID-19 Coronavirus

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

Two years on from the initial outbreak, the virus remains prevalent across the world, with various mutations extending the uncertainties surrounding economic recoveries. Continued travel restrictions and lockdown measures have prolonged the downturn in demand for tourism, entertainment and related services. However, the introduction and administration of vaccines have aided recovery efforts.

COVID-19 continues to cause major disruptions in economies within which the Sagicor Group operates. In response to the changing, uncertain economic environment, the Sagicor Group has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. Changes in the economic outlook data have been reported in note 12 of the March 2022 interim financial statements on credit risk and impairment. As part of this process, goodwill was reviewed and stress testing was performed on assessment assumptions. In addition, during the period ended March 31, 2021, there was a disposal of shares held in Playa which resulted in redesignation of the interest from an investment in associate to a FVTPL investment (see note 19 to the March 2022 interim financial statements). Management has also considered the potential impact of the pandemic on actuarial reserves but has concluded that it has not had a significant impact on actuarial assumptions and the valuation of actuarial liabilities of the Group.

The Group continues to monitor the health crisis and the economic impact on its investments, actuarial reserves, customer and trading partners, and the effect on the industries in which it operates. The pandemic may continue to negatively impact levels of new business and the level of policyholder lapses and surrenders, as well as loan and credit card delinquencies.

### D. Quarterly Financial Disclosures

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

<i>(in millions of US \$, unless otherwise noted)</i>	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Net premium revenue	<b>556.4</b>	448.7	623.5	364.9	276.1	510.9	264.9	310.0
Net investment and other income	<b>124.2</b>	180.8	158.4	151.4	155.4	163.6	137.3	148.5
Total revenue	<b>680.6</b>	629.5	781.9	516.3	431.5	674.5	402.2	458.5
Benefits and expenses	<b>(607.9)</b>	(550.5)	(682.0)	(487.9)	(392.2)	(612.8)	(373.7)	(440.6)
Other	<b>2.3</b>	(0.5)	2.1	3.4	13.1	(33.4)	(9.2)	(19.7)
Income/(loss) before tax	<b>75.0</b>	78.5	102.0	31.8	52.4	28.3	19.3	(1.8)
Income tax	<b>(19.1)</b>	(22.1)	(23.0)	(12.3)	(10.8)	(13.9)	(12.7)	(9.3)
Net income/(loss)	<b>55.9</b>	56.4	79.0	19.5	41.6	14.4	6.6	(11.1)
Income/(loss) attributable to shareholders	<b>41.8</b>	41.9	50.4	9.3	31.5	29.0	(3.0)	(0.3)
Basic EPS	<b>29.2 ¢</b>	29.3 ¢	34.9 ¢	6.4 ¢	21.5 ¢	19.8 ¢	(2.0) ¢	(0.2) ¢
Diluted EPS	<b>28.9 ¢</b>	28.9 ¢	34.5 ¢	6.3 ¢	21.3 ¢	19.6 ¢	(2.0) ¢	(0.2) ¢
Return on shareholders' equity (annualised) <sup>15</sup>	<b>15.1%</b>	15.1%	18.5%	3.4%	11.6%	10.8%	(1.1%)	(0.1%)
Dividends paid per share	<b>5.6 ¢</b>	5.6 ¢	5.6 ¢	11.2 ¢	-	5.6 ¢	5.6 ¢	5.6 ¢
Total assets	<b>10,513.4</b>	10,377.9	10,135.3	9,891.4	9,218.7	9,266.3	8,894.3	8,734.2
Total equity attributable to shareholders	<b>1,125.7</b>	1,134.0	1,134.7	1,102.0	1,100.5	1,109.8	1,062.3	1,072.5
Income/(loss) attributable to shareholders by operating segment:								
Sagicor Life	<b>7.0</b>	21.8	7.0	6.8	8.3	35.2	8.4	2.2
Sagicor Jamaica	<b>12.6</b>	16.4	27.1	7.0	9.9	11.0	21.3	9.1
Sagicor Life USA	<b>25.8</b>	17.4	23.1	16.0	1.1	8.8	(18.7)	(2.9)
Head office, other & inter-segment eliminations	<b>(3.6)</b>	(13.7)	(6.8)	(20.5)	12.2	(26.0)	(14.0)	(8.7)
Total	<b>41.8</b>	41.9	50.4	9.3	31.5	29.0	(3.0)	(0.3)

<sup>15</sup> Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

Fourth Quarter 2021

Net income attributable to common shareholders, closed the period at US \$41.9 million compared to US \$29.0 million for the three-month period ended December 31, 2020, an increase of US \$12.9 million. The quarter observed increased fee income from the banking business as commercial activity increased. The results for the fourth quarter of 2020 included restructuring expenses related to the retirement of a senior executive.

Third Quarter 2021

Net income attributable to common shareholders, closed the quarter at US \$50.4 million compared to a loss of US \$3.0 million for the three-month period ended September 30, 2020. Net income benefitted from strong premium production in our USA segment as well as positive net experience through the annual review of actuarial assumptions.

Net income for the period includes gains of US \$8.6 million from our investment in Playa.

During the third quarter of 2020 both group net income and income attributable to shareholders from continuing operations, were adversely affected by the impact of the COVID-19 pandemic on the business. The main contributing factors to the net loss in the prior year were impacted by the strengthening of our actuarial liabilities and our share of net loss related to our associated company investment in Playa Hotels & Resorts, all due to the economic environment occasioned by the pandemic.

Second Quarter 2021

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

First Quarter 2021

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

Fourth Quarter 2020

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

Third Quarter 2020

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

Against this backdrop the Sagicor Group recorded a net loss from continuing operations attributable to common shareholders of US \$3.0 million compared to net income US \$6.3 million, for the same period in the prior year. The

net loss was primarily related to significant strengthening of reserves in our U.S. operation associated with forward-looking assumptions.

#### Second Quarter 2020

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

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

#### First Quarter 2020

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

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

## E. Key Factors Affecting Results

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

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

### Sales of core products and services

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

### Lapse experience

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

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

### Insurance claims experience

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

### Investment yields

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

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



### Asset default

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

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

### Country inflation and taxes

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

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

### Sensitivity arising from the valuation of actuarial liabilities

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

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

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

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

### Expansion into new markets and company acquisitions

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

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

### Reinsurance treaties

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



## F. Critical Accounting Estimates and Judgments

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

Our critical accounting estimates and judgements are described in note 3 to our 2021 audited financial statements. The critical accounting policies and the estimation process include:

- Impairment of financial assets
- The fair value of securities not quoted in an active market,
- Recognition and measurement of intangible assets
- Impairment of intangible assets
- Valuation of actuarial liabilities
- Investment in associate

## G. Changes to Accounting Policies in 2022

There were no new significant accounting standards adopted during the three-month period ended March 31, 2022. Refer to note 2 of the Group's 2021 audited financial statements for more details

## H. Litigation or Other Matters

The Group is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated. In respect to claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended, cannot be reasonably estimated or will result in exposure to the Group which is immaterial to both the financial position and the results of operations. Details of significant matters have been disclosed in the Group's 2021 audited financial statements.

## I. Share Buyback Programme

During the three-month period ended March 31, 2022, the Company repurchased 284,400 (March quarter 2021 – 266,600) shares, at a total cost of US \$1.4 million (March quarter 2021 - US \$1.3 million), which were subsequently cancelled. Share capital and share premium in equity have been reduced by the cost of the shares repurchased and commission paid on the transactions. The premium or discount paid on the repurchase of shares has been recorded directly in retained earnings. The cost of shares totalling US \$0.07 million (March quarter 2021 - US \$0.01 million), which were repurchased at the quarter-end date but not cancelled, has been reflected in treasury shares.

## J. Related Party Transactions

Note 46 of the 2021 audited financial statements provides additional information on related party transactions.

## K. Board of Directors

The composition of the Board of Directors has been disclosed in the Annual Report for the year ended December 31, 2021. Mr. Timothy Hodgson retired as a director of the Company effective December 31, 2021, bringing the total number of directors to fourteen.

## L. Interest in Playa Hotel & Resorts N.V

During the period ended March 31, 2021, certain transactions took place which resulted in the Group's interest in Playa Hotel & Resorts N.V. ("Playa"), as an associate, being reduced and redesignated as a FVTPL investment.

On January 15, 2021, Playa issued 25,000,000 new ordinary shares for US \$125 million in an underwritten public offering. Concurrent to this transaction, Sagicor Group Jamaica (SGJ) disposed of its shareholding of 20,000,000 ordinary shares of Playa for net cash consideration of US \$96 million. In a public offering held by the Group, 11,499,000 shares of Playa were sold by SGJ at a price of US \$5.00 per share net of commission expenses associated with the public offering. In addition, Sagicor Financial Corporation (SFCL), the intermediate parent company of SGJ, acquired 8,501,000 of Playa's shares from SGJ at a price which was equal to the price offered through the public offering, net of commission expenses.

The Group's shareholding in Playa was reduced from 16% to 6% based on the total of 10,001,000 shares held by SFCL in Playa following these transactions. The transactions gave rise to a net loss of US \$1.6 million on the disposal of 20,000,000 shares by SGJ and a gain by SFCL of US \$12.3 million on remeasurement of the investment in Playa to FVTPL as at March 31, 2021, representing a net gain on the transactions of US \$10.7 million in the three-month period ended March 31, 2021. Subsequent to these transactions, SFCL purchased an additional 744,251 shares in Playa which has increased its interest to 10,745,251 shares representing a 7% shareholding in Playa

## M. Commitments

Effective June 25, 2020, the Group entered into a letter of credit arrangement with a facility 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. The letter of credit facility is guaranteed by Sagicor Financial Corporation Limited and SRBL.

Details of the Group's commitments are included in note 20 to the March 2022 interim financial statements.

## N. Reinsurance Agreement

Effective January 1, 2022, Sagicor Life Inc executed a reinsurance arrangement with Sagicor Reinsurance Bermuda Limited ("SRBL"), the Bermuda reinsurance subsidiary of Sagicor Financial Corporation Limited, through a segregated account established and managed by SRBL, and owned by Sagicor Financial Company Ltd. Through this arrangement, SLI has transferred the insurance risks associated with certain life and annuity products relating to its Trinidad & Tobago business to SRBL for a ceding commission. Inter-entity balances have been appropriately eliminated in the interim financial statements.

## O. Acquisition/Disposal of Interests in Subsidiaries

### Alliance Financial Services Limited

On February 9, 2022, Sagicor announced that Sagicor Group Jamaica Limited ("SGJ") entered a definitive agreement for the purchase of 100% of the shares of Alliance Financial Services Limited ("AFSL"). The arrangement was subject to due diligence and regulatory approval and SGJ applied for relevant licenses from the Bank of Jamaica. See note 23 of the Group's March 2022 interim financial statements.

### Sagicor Real Estate X-Fund Limited

On March 24, 2022, SGJ sold 191,913,423 shares of Sagicor Real Estate X-Fund Limited ("X-Fund Limited") to related parties, Sagicor Sigma Global Unit Trust and Sagicor Pooled Investment Fund Limited, at market value. Net proceeds were US \$10.3 million, resulting in a gain of US \$0.8 million.

The disposal of shares represented 4.2% of SFCL's shareholding in X-Fund Limited and SFCL now holds 10.2% of the outstanding shares of X-Fund Limited.

## P. Subsequent Events

- i. Effective April 1, 2022, the purchase of 100% of the shares of AFSL by SGJ was finalised. On April 4, 2022, AFSL resumed its operations, following the successful completion of due diligence procedures and receipt of regulatory approval. See note 21 of the Group's March 2022 interim financial statements.
- ii. On April 25, 2022, SGJ announced that its subsidiary Sagicor Investments Jamaica Limited entered into a definitive agreement for the purchase of the securities dealer book of business of Alliance Investment Management Limited.
- iii. Sagicor Financial Corporation Limited exercised the option to extend the facilities for its dual currency (Jamaican and US\$) bond issue at the maturity date of April 26, 2022 (see note 9 (c) of the Group's March 2022 interim financial statements). Principal amounts of Jamaican dollars \$842,000,000 and US \$5,407,000 were paid and applied to Tranches A and B facilities respectively. On April 27, 2022, the facilities were extended with bond issues in two Tranches, Tranche A up to Jamaican dollar \$4,895,140,000 and Tranche B up to US \$26,400,000, carrying annual interest rates of 6.50% and 5.75% respectively. Interest is payable quarterly commencing July 27, 2022. The Tranches mature on May 26, 2023.
- iv. Effective May 3, 2022, the Group entered into a letter of credit arrangement up to the amount of US \$10 million, whereby an irrevocable and unconditional standby letter of credit, except for any stated condition therein, was issued on behalf of Sagicor Reinsurance Bermuda Ltd. (SRBL). The letter of credit expires on May 4, 2023. A condition of the letter of credit is that it will be automatically extended for periods of one year, without amendment, from the relevant expiration date, unless notice is sent in writing at least six months prior to the relevant expiration date.
- v. On May 12, 2022, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of US \$0.05625 per common share payable on June 15, 2022, to the shareholders of record at the close of business on May 25, 2022.

## 10. NON-IFRS FINANCIAL MEASURES

**Return on Shareholders' Equity:** IFRS does not prescribe the calculation of return on shareholders' equity and therefore a comparable measure under IFRS is not available. To determine this measure, reported net income/(loss) attributable to shareholders is divided by the total weighted average common shareholders' equity for the period. The quarterly return on shareholders' equity is annualised. This measure provides an indication of overall profitability of the company.

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

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

**Book value per share:** To determine the book value per share, shareholders' equity is divided by the number of shares outstanding at the period end, net of any treasury shares. All components of this measure are IFRS measures.

**Minimum Continuing Capital and Surplus Requirements (MCCSR):** The MCCSR is a capital adequacy measure for life insurance companies that was established by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). It was used to monitor that insurers maintain adequate capital to meet their financial obligations with 150% being the minimum standard that was recommended by Canadian regulators when it was in effect; companies were expected to establish and meet an internal target greater than 150%. Refer to note 45.2 to the 2021 audited financial statements, for details. IFRS does not prescribe the calculation for the MCCSR, therefore a comparable measure under IFRS is not available.

**Debt-to-capital ratio:** The debt-to-capital ratio is the ratio of notes and loans payable (refer to note 16 to the 2021 audited annual financial statements) to total capital (excluding Participating accounts), where capital is defined as the sum of notes and loans payable and total equity excluding Participating accounts. This ratio measures the proportion of debt a company uses to finance its operations as compared with its capital.

**Debt-to-equity ratio:** The debt-to-equity ratio is the ratio of notes and loans payable (refer to note 16 to the 2021 audited annual financial statements) to total equity (excluding Participating accounts). This ratio measures the proportion of debt a company uses to finance its operations as compared with its equity. IFRS does not prescribe the calculation of debt-to-equity ratio, therefore a comparable measure under IFRS is not available.

**Dividend pay-out ratio:** This is the ratio of dividends paid per share to basic earnings per common share. IFRS does not prescribe the calculation of dividend pay-out ratio, therefore a comparable measure under IFRS is not available.

**Health claims ratio:** This is the ratio of net health claims including the provision for incurred but not reported claims, divided by net health premiums revenue earned for the period under review. The ratio seeks to measure health claims as a percentage of premium income. IFRS does not prescribe the calculation of health claims ratio, therefore a comparable measure under IFRS is not available.

**Total capital:** This measure provides an indicator for evaluating the Company's performance. Total capital is the sum of shareholder's equity, notes and loans payable and non-controlling interest. This measure is the sum of several IFRS measures.

**Market capitalisation:** Market capitalisation is the value a company is traded on the stock market. It is calculated by multiplying the total number of shares by the present share price, at a given date. IFRS does not prescribe the calculation of market capitalization, therefore a comparable measure under IFRS is not available.

**Capital base to risk-weighted assets:** This capital adequacy measure is based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals. The BOJ and the FSC require each regulated entity to hold the minimum level of regulatory capital, and to maintain a minimum ratio of total regulatory capital to the risk-weighted assets. The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. IFRS does not prescribe the calculation for Capital base to risk-weighted assets, therefore a comparable measure under IFRS is not available.

## 11. CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

catastrophic events such as natural disasters; Sagicor's credit ratings may be reduced, which may adversely affect Sagicor; Sagicor may be subject to Bermuda tax; Bermuda's compliance with the Organization for Economic Cooperation and Development international tax standards could subject Sagicor to additional taxes; legislation enacted in Bermuda in response to the European Union's review of harmful tax competition could adversely affect Sagicor's operations and financial condition; any additional taxes resulting from changes to tax regulations or the interpretation thereof in countries in which it does business could negatively impact Sagicor's financial condition; Sagicor Financial Company Ltd. is a holding company and is dependent upon distributions from subsidiaries to pay taxes and other expenses.

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