

SAGICOR FINANCIAL COMPANY LTD.

(formerly Sagicor Financial Corporation Limited)

Condensed Consolidated Financial Statements

Three-months ended March 31, 2020

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

ACRONYMS

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

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


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

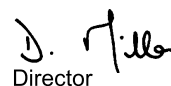
SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>Amounts in US \$000</u>	As of March 31, 2020 (unaudited)	As of December 31, 2019 (audited)
ASSETS		
Investment property	95,177	95,577
Property, plant and equipment	286,436	289,870
Associates and joint ventures	223,000	230,558
Intangible assets	102,112	106,864
Financial investments (note 7)	5,857,658	6,080,758
Financial investments repledged (note 7)	578,661	604,886
Reinsurance assets	652,948	724,237
Income tax assets	36,981	26,594
Miscellaneous assets and receivables	225,386	208,059
Cash	307,256	273,072
Restricted cash	91,515	88,396
Total assets	8,457,130	8,728,871
LIABILITIES		
Actuarial liabilities	3,405,413	3,604,653
Other insurance liabilities	288,248	286,960
Investment contract liabilities (note 8)	429,973	424,340
Total policy liabilities	4,123,634	4,315,953
Notes and loans payable (note 9)	509,107	517,732
Lease liabilities (note 14)	34,496	35,700
Deposits and security liabilities (note 10)	1,830,709	1,752,689
Other liabilities / retirement benefit liabilities	62,712	59,795
Income tax liabilities	39,419	56,889
Accounts payable and accrued liabilities	240,594	240,333
Total liabilities	6,840,671	6,979,091
EQUITY		
Share capital	1,484	1,477
Share premium	765,252	762,015
Reserves	(78,739)	(9,023)
Retained earnings	361,546	399,582
Total shareholders' equity	1,049,543	1,154,051
Participating accounts	1,453	1,223
Non-controlling interests in subsidiaries	565,463	594,506
Total equity	1,616,459	1,749,780
Total liabilities and equity	8,457,130	8,728,871

These financial statements have been approved for issue by the Board of Directors on June 5, 2020


Director


Director

The accompanying notes form an integral part of these financial statements

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

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Three months to March 31, 2020	Three months to March 31, 2019
	(unaudited)	(unaudited)
<hr/>		
<u>Amounts in US \$000</u>		
REVENUE		
Premium revenue (note 4)	342,296	383,057
Reinsurance premium expense (note 4)	(24,615)	(17,998)
	<hr/>	<hr/>
Net premium revenue	317,681	365,059
Gain on derecognition of amortised cost investments	1,240	1,382
Gain / (loss) on derecognition of assets carried at FVOCI	9,480	(1,430)
Interest income earned from financial assets measured at amortised cost and FVOCI (note 5)	80,096	73,875
Other investment (expense) / income (note 5)	(93,987)	35,858
Credit impairment losses	(15,612)	(48)
Fees and other revenue	44,279	41,053
	<hr/>	<hr/>
Total revenue, net	343,177	515,749
	<hr/>	<hr/>
BENEFITS		
Policy benefits and change in actuarial liabilities (note 6)	143,309	375,938
Policy benefits and change in actuarial liabilities reinsured (note 6)	49,274	(41,483)
	<hr/>	<hr/>
Net policy benefits and change in actuarial liabilities	192,583	334,455
Interest costs	10,412	13,380
	<hr/>	<hr/>
Total benefits	202,995	347,835
	<hr/>	<hr/>
EXPENSES		
Administrative expenses	91,335	74,885
Commissions and related compensation	30,632	30,600
Premium and asset taxes	7,565	7,343
Finance costs	11,624	9,976
Depreciation and amortisation	11,716	8,112
	<hr/>	<hr/>
Total expenses	152,872	130,916
	<hr/>	<hr/>
Share of operating (loss) / income of associates and joint ventures	(5,630)	7,722
(LOSS) / INCOME BEFORE TAXES	(18,320)	44,720
Income taxes	(6,800)	(12,370)
	<hr/>	<hr/>
NET (LOSS) / INCOME FROM CONTINUING OPERATIONS	(25,120)	32,350

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

CONDENSED CONSOLIDATED STATEMENT OF INCOME

<u>Amounts in US \$000</u>	Three months to March 31, 2020 <hr/> (unaudited)	Three months to March 31, 2019 <hr/> (unaudited)
Net (loss) / income from continuing operations	(25,120)	32,350
Net income from discontinued operation	-	517
NET (LOSS) / INCOME FOR THE PERIOD	(25,120)	32,867
 Net (loss) / income is attributable to:		
Common shareholders:		
From continuing operations	(29,325)	15,099
From discontinued operation	-	517
	<hr/> (29,325)	<hr/> 15,616
Participating policyholders	199	248
Non-controlling interests	4,006	17,003
	<hr/> (25,120)	<hr/> 32,867
 Basic earnings per common share (note 15):		
From continuing operations	(19.7) cents	21.3 cents
From discontinued operation	0.0 cents	0.7 cents
	<hr/> (19.7) cents	<hr/> 22.0 cents
 Fully diluted earnings per common share (note 15):		
From continuing operations	(19.7) cents	21.0 cents
From discontinued operation	0.0 cents	0.7 cents
	<hr/> (19.7) cents	<hr/> 21.7 cents

The accompanying notes form an integral part of these financial statements

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<u>Amounts in US \$000</u>	Three months to March 31, 2020 (unaudited)	Three months to March 31, 2019 (unaudited)
NET (LOSS) / INCOME FOR THE PERIOD	(25,120)	32,867
OTHER COMPREHENSIVE INCOME:		
Items net of tax that may be reclassified subsequently to income:		
Financial assets measured at FVOCI:		
(Losses) / gains on revaluation	(191,105)	65,935
(Gains) / losses transferred to income	(6,671)	429
Net change in actuarial liabilities	112,410	(34,150)
Retranslation of foreign currency operations	(10,000)	4,460
Other reserves	(2,328)	-
	(97,694)	36,674
Items net of tax that will not be reclassified subsequently to income:		
Gains / (losses) arising on revaluation of owner- occupied property and owner-managed property	347	(3,023)
Gains on equity securities designated at FVOCI	-	17
Losses on defined benefit plans	(2,289)	-
	(1,942)	(3,006)
Other comprehensive (loss) / income from continuing operations	(99,636)	33,668
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(124,756)	66,535
Total comprehensive (loss) / income is attributable to:		
Common shareholders:		
From continuing operations	(96,427)	38,248
From discontinued operation	-	517
	(96,427)	38,765
Participating policyholders	278	644
Non-controlling interests	(28,607)	27,126
	(124,756)	66,535

SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Reserves	Retained earnings	Total Shareholders' Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Three months to March 31, 2020					
Balance as of December 31, 2019	1,477	762,015	(9,023)	399,582	1,154,051
Total comprehensive (loss) / income:					
From continuing operations	-	-	(66,018)	(30,409)	(96,427)
Transactions with holders of equity instruments:					
Allotments of common shares	7	3,237	-	-	3,244
Changes in reserve for equity compensation benefits	-	-	(2,763)	(317)	(3,080)
Dividends declared	-	-	-	(8,353)	(8,353)
Transfers and other movements	-	-	(935)	1,043	108
Balance as of March 31, 2020	1,484	765,252	(78,739)	361,546	1,049,543

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SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<u>Amounts in US \$000</u>	Total Shareholders' Equity (unaudited)	Participating Accounts (unaudited)	Non-controlling interests (unaudited)	Total Equity (unaudited)
Three months to March 31, 2020				
Balance as of December 31, 2019	1,154,051	1,223	594,506	1,749,780
Total comprehensive income:				
From continuing operations	(96,427)	278	(28,607)	(124,756)
Transactions with holders of equity instruments:				
Allotments of common shares	3,244	-	-	3,244
Changes in reserve for equity compensation benefits	(3,080)	-	-	(3,080)
Dividends declared	(8,353)	-	(587)	(8,940)
Transfers and other movements	108	(48)	151	211
Balance as of March 31, 2020	1,049,543	1,453	565,463	1,616,459

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SAGICOR FINANCIAL COMPANY LTD. (FORMERLY SAGICOR FINANCIAL CORPORATION LIMITED)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Reserves	Retained earnings	Total Shareholders' Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Three months to March 31, 2019					
Balance as of December 31, 2018	3,061	300,665	(76,995)	374,138	600,869
Total comprehensive income:					
From continuing operations	-	-	23,149	15,099	38,248
From discontinued operation	-	-	-	517	517
Transactions with holders of equity instruments:					
Movements in treasury shares	2	180	-	-	182
Changes in reserve for equity compensation benefits	-	-	440	-	440
Transfers and other movements	-	-	1,046	(855)	191
Balance as of March 31, 2019	3,063	300,845	(52,360)	388,899	640,447

The accompanying notes form an integral part of these financial statements

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total Shareholders' Equity	Participating Accounts	Non-controlling interests	Total Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Three months to March 31, 2019				
Balance as of December 31, 2018	600,869	4,078	530,514	1,135,461
Total comprehensive income:				
From continuing operations	38,248	644	27,126	66,018
From discontinued operation	517	-	-	517
Transactions with holders of equity instruments:				
Movements in treasury shares	182	-	-	182
Changes in reserve for equity compensation benefits	440	-	-	440
Transfers and other movements	191	(50)	(38)	103
Balance as of March 31, 2019	640,447	4,672	557,602	1,202,721

The accompanying notes form an integral part of these financial statements

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<u>Amounts in US \$000</u>	Three months to March 31, 2020 <u>(unaudited)</u>	Three months to March 31, 2019 <u>(unaudited)</u>
OPERATING ACTIVITIES		
(Loss) / Income before taxes from continuing operations	(18,320)	44,720
Adjustments for non-cash items, interest and dividends (note 13)	79,004	114,261
Interest and dividends received	89,147	78,081
Interest paid	(27,543)	(28,132)
Income taxes paid	(14,878)	(23,102)
Net change in investments and operating assets (note 13)	(451,294)	(127,967)
Net change in operating liabilities (note 13)	107,770	(15,481)
Net cash flows - operating activities	<u>(236,114)</u>	<u>42,380</u>
INVESTING ACTIVITIES		
Property, plant and equipment, net (note 13)	(3,445)	(2,161)
Dividends received from associates and joint ventures	308	160
Purchase of intangible assets	(1,116)	(339)
Net cash flows - investing activities	<u>(4,253)</u>	<u>(2,340)</u>
FINANCING ACTIVITIES		
Repurchase of common shares	(168)	-
Shares issued to / (purchased from) non-controlling interests	80	(216)
Notes and loans payable, net (note 13)	(2,544)	(629)
Lease liability principal paid (note 13)	(2,171)	(915)
Dividends paid to common shareholders	(8,377)	(830)
Dividends paid to non-controlling interests	(587)	-
Net cash flows - financing activities	<u>(13,767)</u>	<u>(2,590)</u>
Effect of exchange rate changes	<u>(1,397)</u>	<u>1,171</u>
Net change in cash and cash equivalents - continuing operations	(255,531)	38,621
Net change in cash and cash equivalents – discontinued operation	-	17,756
Cash and cash equivalents, beginning of period	775,344	321,561
Cash and cash equivalents, end of period (note 13)	<u>519,813</u>	<u>377,938</u>

The accompanying notes form an integral part of these financial statements

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. ACCOUNTING POLICIES

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

2.1 Exchange rates

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

	Closing rates as of March 31, 2020	Closing rates as of December 31, 2019	Average rates for the three months to March 31, 2020	Average rates for the three months to March 31, 2019
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	135.3318	132.5324	136.4424	130.0996
Trinidad & Tobago dollar	6.7300	6.7624	6.7558	6.7704
Pound sterling	0.8063	0.75700	0.76616	0.76510

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS

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

- Sagicor Life: Engages in life and health insurance, annuities and pension administration in Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas, Belize, Panama and Trinidad and Tobago.
- Sagicor Jamaica: Engages in life, health, annuity, property and casualty insurance business, pension administration services, banking and financial services, hospitality and real estate investment services in Jamaica, Cayman Islands and Costa Rica.
- Sagicor Life USA: Engages in life insurance and annuities in certain states of the USA.

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

3.1 Statement of income from continuing operations by reportable operating segment

<u>Amounts in US \$000</u>	Sagicor	Sagicor	Sagicor Life	Head office	Adjust-	Total
Three months to March 31, 2020	Life	Jamaica	USA	and other	ments	
Net premium revenue	93,598	94,193	120,446	9,444	-	317,681
Net gain on derecognition of amortised cost investments	328	912	-	-	-	1,240
Net gain on derecognition of assets carried at FVOCI	1,578	7,694	208	-	-	9,480
Interest income earned on amortised cost and FVOCI investments	17,910	40,688	19,237	2,261	-	80,096
Other investment expense	(2,363)	(44,482)	(41,959)	(4,890)	(293)	(93,987)
Credit impairment losses	(3,843)	(5,325)	(6,164)	(280)	-	(15,612)
Fees and other revenue	613	38,675	(1,016)	5,103	904	44,279
Inter-segment revenues	5,349	-	-	1,791	(7,140)	-
Total revenue, net	113,170	132,355	90,752	13,429	(6,529)	343,177
Net policy benefits	55,547	65,561	47,445	3,998	-	172,551
Net change in actuarial liabilities	16,016	(39,887)	43,903	-	-	20,032
Interest costs	1,034	7,066	2,198	114	-	10,412
Administrative expenses	22,137	45,770	7,759	14,596	1,073	91,335
Commissions and premium and asset taxes	11,800	17,878	6,169	2,350	-	38,197
Finance costs	11	2,243	114	9,256	-	11,624
Depreciation and amortisation	1,730	5,323	876	3,787	-	11,716
Inter-segment expenses	1,598	441	368	5,178	(7,585)	-
Total benefits and expenses	109,873	104,395	108,832	39,279	(6,512)	355,867
Share of operating income / (loss) of associates and joint ventures	742	(6,372)	-	-	-	(5,630)
Segment income / (loss) before taxes	4,039	21,588	(18,080)	(25,850)	(17)	(18,320)
Income taxes	(1,893)	(8,488)	3,797	(309)	93	(6,800)
Net income / (loss) - continuing operations	2,146	13,100	(14,283)	(26,159)	76	(25,120)
Net income attributable to non-controlling interests	-	3,996	-	10	-	4,006
Net income / (loss) attributable to shareholders from continuing operations	1,947	9,104	(14,283)	(26,169)	76	(29,325)
Total comprehensive income / (loss) attributable to shareholders from continuing operations	(12,888)	(21,114)	(34,953)	(27,872)	400	(96,427)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

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

<u>Amounts in US \$000</u>	Sagicor	Sagicor	Sagicor	Head office	Adjust-	Total
Three months to March 31, 2019	Life	Jamaica	Life USA	and other	ments	
Net premium revenue	106,874	79,623	169,413	9,149	-	365,059
Net gain/(loss) on derecognition of amortised cost investments	42	1,348	(8)	-	-	1,382
Net gain/(loss) on derecognition of assets carried at FVOCI	442	(2,318)	446	-	-	(1,430)
Interest income earned on amortised cost and FVOCI investments	17,671	38,615	16,666	923	-	73,875
Other investment income	1,845	12,748	21,042	269	(46)	35,858
Credit impairment losses	362	(486)	80	(4)	-	(48)
Fees and other revenue	2,696	34,435	822	3,727	(627)	41,053
Inter-segment revenues	4,748	-	-	1,050	(5,798)	-
Total revenue, net	134,680	163,965	208,461	15,114	(6,471)	515,749
Net policy benefits	54,746	49,897	26,728	4,384	-	135,755
Net change in actuarial liabilities	32,846	14,286	151,568	-	-	198,700
Interest costs	2,999	7,911	2,350	120	-	13,380
Administrative expenses	16,794	40,303	9,437	7,241	1,110	74,885
Commissions and premium and asset taxes	10,725	16,185	8,589	2,444	-	37,943
Finance costs	38	1,397	141	8,400	-	9,976
Depreciation and amortisation	1,763	4,635	1,178	536	-	8,112
Inter-segment expenses	1,510	482	(296)	4,582	(6,278)	-
Total benefits and expenses	121,421	135,096	199,695	27,707	(5,168)	478,751
Share of operating income of associates and joint ventures	1,100	6,622	-	-	-	7,722
Segment income / (loss) before taxes	14,359	35,491	8,766	(12,593)	(1,303)	44,720
Income taxes	(2,322)	(8,065)	(1,869)	(120)	6	(12,370)
Net income / (loss) - continuing operations	12,037	27,426	6,897	(12,713)	(1,297)	32,350
Net income attributable to non-controlling interests	-	16,994	-	9	-	17,003
Net income / (loss) attributable to shareholders from continuing operations	11,789	10,433	6,897	(21,099)	7,079	15,099
Total comprehensive income attributable to shareholders from continuing operations	16,331	23,495	12,772	(21,326)	6,976	38,248

Where necessary certain comparative numbers have been adjusted to conform with the presentation in the current year as outlined in note 17. Fees and other revenue of \$627 and administrative expenses of \$31 previously eliminated in the Sagicor Life segment are now reflected in Adjustments. Finance costs of \$8,376 were also reclassified from Adjustments to Head office and other.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.2 Statement of financial position by reportable operating segment

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
As of March 31, 2020						
Financial investments	1,422,537	2,532,602	1,985,827	495,353	-	6,436,319
Other external assets	340,473	855,448	657,349	167,541	-	2,020,811
Inter-segment assets	346,114	15,688	65,414	148,358	(575,574)	-
Total assets	2,109,124	3,403,738	2,708,590	811,252	(575,574)	8,457,130
Policy liabilities	1,386,022	806,301	1,859,361	71,950	-	4,123,634
Other external liabilities	72,475	1,704,515	468,500	471,547	-	2,717,037
Inter-segment liabilities	126,493	6,362	119,735	322,984	(575,574)	-
Total liabilities	1,584,990	2,517,178	2,447,596	866,481	(575,574)	6,840,671
Net assets	524,134	886,560	260,994	(55,229)	-	1,616,459
Net assets attributable to non-controlling interests	-	548,367	-	17,096	-	565,463

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.3 Revenues by products and services

<u>Amounts in US \$000</u>	Three months to March 31, 2020	Three months to March 31, 2019
Life, health and annuity insurance contracts issued to individuals	187,870	365,395
Life, health and annuity insurance and pension administration contracts issued to groups	77,945	71,015
Property and casualty insurance	21,521	11,824
Banking, investment management and other financial services	41,122	41,790
Hospitality services	9,449	11,250
Unallocated revenues	5,270	14,475
Total revenue	343,177	515,749

3.4 Revenues by geographical area

<u>Amounts in US \$000</u>	Three months to March 31, 2020	Three months to March 31, 2019
Barbados	39,870	43,114
Jamaica	116,471	150,605
Trinidad and Tobago	51,311	46,735
Other Caribbean	35,150	62,167
USA	100,375	213,128
Total revenue	343,177	515,749

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.5 Revenues from service contracts with customers

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

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Three months to March 31, 2020						
Revenue from contracts with customers:						
Products transferred at a point in time	-	13,117	38	-	-	13,155
Products and services transferred over time	1,929	18,622	-	-	-	20,551
Total included in fees and other revenue	1,929	31,739	38	-	-	33,706
Three months to March 31, 2019						
Revenue from contracts with customers:						
Products transferred at a point in time	-	15,779	68	-	-	15,847
Products and services transferred over time	1,863	18,066	-	-	-	19,929
Total included in fees and other revenue	1,863	33,845	68	-	-	35,776

4. PREMIUM REVENUE

<u>Amounts in US \$000</u>	Gross premium		Ceded to reinsurers	
	2020	2019	2020	2019
Three months to March 31,				
Life insurance	117,714	109,884	6,825	7,181
Annuity	144,472	209,991	8	48
Health insurance	48,041	44,591	1,238	1,277
Property and casualty insurance	32,069	18,591	16,544	9,492
Total premium revenue	342,296	383,057	24,615	17,998

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. NET INVESTMENT INCOME

<u>Amounts in US \$000</u>	<u>Three months to March 31, 2020</u>	<u>Three months to March 31, 2019</u>
Investment income		
Interest income (amortised cost assets):		
Debt securities	20,558	19,636
Mortgage loans	5,094	4,814
Policy loans	2,839	2,567
Finance loans and finance leases	15,865	14,591
Securities purchased for resale	135	20
Deposits	66	312
	<hr/> 44,557	<hr/> 41,940
Interest Income (FVOCI assets):		
Debt Securities and money market funds	35,539	31,935
	<hr/>	<hr/>
Interest income earned from financial assets measured at amortised cost and FVOCI	80,096	73,875
Fair value changes and interest income (FVTPL assets):		
Debt securities	(12,355)	7,248
Equity securities	(52,375)	13,155
Mortgage loans	(244)	546
Derivative financial instruments	(29,148)	15,173
Other items	1	4
	<hr/> (94,121)	<hr/> 36,126
Investment income:		
Other income on financial investments	101	389
Investment property – rental income	2,479	2,865
Investment property – unrealised losses	-	(593)
Other investment income	(251)	214
	<hr/> 2,329	<hr/> 2,875
Investment expenses:		
Direct operating expenses of investment property that generated rental income	1,594	2,337
Other direct investment expenses	601	806
	<hr/> 2,195	<hr/> 3,143
Other investment (expense) / income	(93,987)	35,858
Net investment income	(13,891)	109,733

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

<u>Amounts in US \$000</u>	Gross benefit		Ceded to reinsurers	
	2020	2019	2020	2019
Three months to March 31,				
Life insurance benefits	70,137	56,812	4,516	4,970
Annuity benefits	83,516	66,613	20,840	20,854
Health insurance claims	36,795	34,802	1,098	1,033
Property and casualty claims	9,343	6,369	786	1,984
Total policy benefits	199,791	164,596	27,240	28,841
Change in actuarial liabilities	(56,482)	211,342	(76,514)	12,642
Total policy benefits and change in actuarial liabilities	143,309	375,938	(49,274)	41,483

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS

Analysis of financial investments

Amounts in US \$000

	March 31, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at fair value through other comprehensive income				
Debt securities and money market funds	3,157,556	3,157,556	3,673,421	3,673,421
Equity securities	958	958	1,291	1,291
	3,158,514	3,158,514	3,674,712	3,674,712
Financial assets at fair value through profit and loss				
Debt securities	251,851	251,851	243,107	243,107
Equity securities ⁽¹⁾	584,208	584,208	370,173	370,173
Derivative financial instruments	7,169	7,169	36,891	36,891
Mortgage loans	27,418	27,418	28,933	28,933
	870,646	870,646	679,104	679,104
Investments at amortised cost				
Debt securities	1,181,373	1,326,835	1,148,739	1,361,973
Mortgage loans	367,475	367,126	362,547	362,341
Policy loans	152,743	163,775	151,533	181,902
Finance loans and finance leases	617,454	624,233	595,307	602,512
Securities purchased for re-sale	22,108	22,108	10,904	10,904
Deposits	66,006	66,006	62,798	62,798
	2,407,159	2,570,083	2,331,828	2,582,430
Total financial investments	6,436,319	6,599,243	6,685,644	6,936,246

⁽¹⁾ Included in equity securities are exchange-traded funds of \$282,129 as at March 31, 2020 (\$23,290 as at December 31, 2019).

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7. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments (continued)

Non-derivative investments at FVTPL	FVTPL mandatory designation	FVTPL designation by election	Total
<u>Amounts in US \$000</u>			
March 31, 2020			
Equity securities	511,087	73,121	584,208
Debt securities	110,815	141,036	251,851
Mortgage loans	-	27,418	27,418
	621,902	241,575	863,477
December 31, 2019			
Equity securities	286,764	83,409	370,173
Debt securities	115,104	128,003	243,107
Mortgage loans	-	28,933	28,933
	401,868	240,345	642,213

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments repledged

Financial investments repledged

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

<u>Amounts in US \$000</u>	March 31, 2020	December 31, 2019
Financial investments repledged	578,661	604,886

Balance sheet presentation

Financial investments	5,857,658	6,080,758
Financial investments repledged	578,661	604,886
	6,436,319	6,685,644

<u>Amounts in US \$000</u>	March 31, 2020	December 31, 2019
	Pledged value	Pledged value
Investments at FVOCI:		
Debt securities and money market funds	576,108	602,288

Investments at amortised cost:

Debt securities	2,143	2,188
Securities purchased for re-sale	37	37
Deposits	373	373
	2,553	2,598
Financial investments repledged	578,661	604,886

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENT CONTRACT LIABILITIES

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

<u>Amounts in US \$000</u>	March 31, 2020		December 31, 2019	
	Carrying value	Fair Value	Carrying value	Fair value
At amortised cost:				
Deposit administration liabilities	115,153	115,153	113,767	113,767
Other investment contracts	150,891	153,649	148,188	149,928
	266,044	268,802	261,955	263,695
At fair value profit or loss:				
Unit linked deposit administration liabilities	163,929	163,929	162,385	162,385
Total investment contract liabilities	429,973	432,731	424,340	426,080

9. NOTES AND LOANS PAYABLE

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

<u>Amounts in US \$000</u>	March 31, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair Value
Liabilities at amortised cost:				
8.875% senior notes due 2022 (a)	311,719	333,609	318,227	330,197
5.10% unsecured bond due 2020	33,802	33,891	33,700	34,256
5.95% unsecured bond due 2020	42,146	43,319	42,904	44,826
5.00% notes due 2020	16,506	16,506	16,857	17,257
6.75% notes due 2024	16,243	16,243	16,589	15,845
Mortgage loans (b)	74,586	76,279	75,019	77,034
Bank loans and other funding instruments	14,105	14,105	14,436	14,436
	509,107	533,952	517,732	533,851

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(a) Valuation of Call Option Embedded Derivative

As at March 31, 2020, the Group had US\$320 million principal amount of senior unsecured notes (the "Notes"). The Notes are due August 11, 2022 and bear interest at an annual rate of 8.875%. Pursuant to the terms of the Notes, the Group may redeem the Notes under various scenarios as summarized below and described in more detail herein:

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

The Group has estimated the fair value of this embedded derivative at US \$1.1 million as at March 31, 2020 (US \$2.8 million as at December 31, 2019).

(b) Mortgage Loans

<u>Amounts in US \$000</u>	<u>Issuer / mortgagor</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
4.90% USD mortgage notes due 2025	X Fund Properties LLC	45,634	45,741
4.75% USD mortgage notes due 2021	Sagicor X-Fund Real Estate Limited	2,129	2,112
5.00% USD mortgage notes due 2020	X Fund Property Limited	4,264	4,255
8.75% JMD mortgage notes due 2020	X Fund Property Limited	9,961	10,136
9.00% JMD mortgage notes due 2048	X Fund Property Limited	3,609	3,598
8.00% JMD mortgage notes due 2021	X Fund Property Limited	3,453	3,548
10.00% JMD mortgage notes due 2026	X Fund Property Limited	3,425	3,511
3.61% mortgage notes due 2026	X Fund Property Limited	976	996
Development loan ⁽¹⁾	X Fund Property Limited	1,135	1,122
		74,586	75,019

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

X Fund Properties LLC

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

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(b) Mortgage Loans (continued)

X Fund Properties Limited

These mortgage notes are secured by:

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

Financial Covenants

As at March 31, 2020, the subsidiary group, X Fund, was not in compliance with certain financial covenants related to mortgage loans, which are outlined below:

(i) 4.90% USD mortgage notes due 2025

COVENANT	DESCRIPTION
Debt service coverage ratio	The mortgage note contains a minimum debt service coverage ratio of 1.25 and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender. The company was compliant at March 31, 2020.

(ii) 4.75% USD mortgage notes due 2021

COVENANT	DESCRIPTION
Interest coverage ratio, Debt to EBIDTA ratio and a maximum loan to security value ratio.	The company must maintain a minimum interest coverage of 1.35. The company was not in compliance at March 31, 2020. There were no penalties incurred for this breach. The company must maintain a maximum ratio of 4.75 for total debt to EBITDA. The company was in breach at March 31, 2020. As a result, the non-current portion of the loans have been reclassified to current. There were no penalties incurred for this breach. The company must maintain a maximum loan to security value ratio of 75%. The company was not in compliance with this covenant at March 31, 2020. There were no penalties incurred for this breach.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(b) Mortgage Loans (continued)

Financial Covenants (continued)

(iii) 5.00% USD mortgage notes due 2020

8.75% JMD mortgage notes due 2020

9.00% JMD mortgage notes due 2048

8.00% JMD mortgage notes due 2021

10.00% JMD mortgage notes due 2026

3.61% mortgage notes due 2026

COVENANT	DESCRIPTION
Interest coverage ratio and maximum debt to equity ratio	<p>The mortgage notes contain a minimum interest coverage of 1.5 which is EBITDA divided by interest charges. The company was not in compliance with the covenant at March 31, 2020. There were no penalties incurred for this breach.</p> <p>A maximum debt to equity ratio of 1.8 is to be maintained. The company was compliant at March 31, 2020.</p>

Movement for the three months to March 31,	2020	2019
<u>Amounts in US \$000</u>		
Balance, beginning of period	517,732	490,275
Valuation of call option embedded derivative	1,739	-
Repayments:		
Principal	(2,544)	(629)
Interest	(16,853)	(15,477)
	<u>(19,397)</u>	<u>(16,106)</u>
Finance leases reclassified to lease liabilities	-	(4,255)
Amortisation during the period	949	589
Accrued Interest	10,238	9,300
Effects of exchange rate changes	(2,154)	521
Balance, end of the period	<u>509,107</u>	<u>480,324</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. DEPOSIT AND SECURITY LIABILITIES

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

<u>Amounts in US \$000</u>	March 31, 2020		December 31, 2019	
	Carrying value	Fair Value	Carrying value	Fair value
Liabilities at amortised cost:				
Other funding instruments	447,085	447,249	418,047	418,932
Customer deposits	867,116	871,156	808,119	811,715
Securities sold for re-purchase	508,094	508,094	512,857	512,857
Bank overdrafts	1,496	1,496	6,646	6,646
	1,823,791	1,827,995	1,745,669	1,750,150
Liabilities at FVTPL:				
Structured products	6,797	6,797	6,756	6,756
Derivative financial instruments	121	121	264	264
	6,918	6,918	7,020	7,020
Total deposit and security liabilities	1,830,709	1,834,913	1,752,689	1,757,170

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

11.1 Property

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.1 Property (continued)

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

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

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

<u>Amounts in US \$000</u>	As of March 31, 2020	As of December 31, 2019
	Level 3	Level 3
Investment property	95,177	95,577
Owner-occupied properties	109,658	110,172
Owner-managed hotel properties	96,111	96,608
Total properties	300,946	302,357

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.1 Property (continued)

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

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

<u>Amounts in US \$000</u>	Three months to March 31, 2020			Twelve months to December 31, 2019	
	Investment property	Owner-occupied properties	Owner-managed properties	Total	Total
Balance, beginning of period	95,577	110,172	96,608	302,357	297,097
Additions at cost	60	56	121	237	1,133
Additions arising on acquisition	-	-	-	-	12,941
Other transfers	-	-	-	-	1,375
Fair value changes recorded in net investment income	-	-	-	-	(566)
Fair value changes recorded in other comprehensive income	-	-	-	-	4,125
Depreciation charge	-	(249)	(625)	(874)	(3,515)
Disposals and divestitures	-	-	-	-	(8,418)
Effect of exchange rate changes	(460)	(321)	7	(774)	(1,815)
Balance, end of period	95,177	109,658	96,111	300,946	302,357

11.2 Financial instruments carried at fair value

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

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

A financial instrument is classified as Level 2 if:

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

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

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

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

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

A financial instrument is classified as Level 3 if:

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

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

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

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

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

<u>Amounts in US \$000</u>	As of March 31, 2020			
	Level 1	Level 2	Level 3	Total
FVOCI securities:				
Debt securities and money market funds	424,924	2,732,632	-	3,157,556
Equity securities	450	463	45	958
	425,374	2,733,095	45	3,158,514
FVTPL investments:				
Debt securities	15,745	105,324	130,782	251,851
Equity securities	330,018	230,963	23,227	584,208
Derivative financial instruments	-	121	7,048	7,169
Mortgage loans	-	-	27,418	27,418
	345,763	336,408	188,475	870,646
Total assets	771,137	3,069,503	188,520	4,029,160
Total assets by percentage	19%	76%	5%	100%
FVTPL investment contracts:				
Unit linked deposit administration liabilities	-	-	163,929	163,929
FVTPL deposit and security liabilities:				
Structured products	-	-	6,797	6,797
Derivative financial instruments	-	121	-	121
	-	121	6,797	6,918
Total liabilities	-	121	170,726	170,847
Total liabilities by percentage	0%	0%	100%	100%

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

<u>Amounts in US \$000</u>	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
FVOCI securities:				
Debt securities and money market funds	488,832	3,184,589	-	3,673,421
Equity securities	754	491	46	1,291
	489,586	3,185,080	46	3,674,712
FVTPL investments:				
Debt securities	17,719	104,123	121,265	243,107
Equity securities	85,389	262,344	22,440	370,173
Derivative financial instruments	-	264	36,627	36,891
Mortgage loans	-	-	28,933	28,933
	103,108	366,731	209,265	679,104
Total assets	592,694	3,551,811	209,311	4,353,816
Total assets by percentage	14%	81%	5%	100%
FVTPL investment contracts:				
Unit linked deposit administration liabilities	-	-	162,385	162,385
FVTPL deposit and security liabilities:				
Structured products	-	-	6,756	6,756
Derivative financial instruments	-	264	-	264
	-	264	6,756	7,020
Total liabilities	-	264	169,141	169,405
Total liabilities by percentage	0%	0%	100%	100%

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

Movements in Level 3 Instruments

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

<u>Amounts in US \$000</u>	Three months to March 31, 2020				Twelve months to December 31, 2019
	Investments at FVOCI	Investments at FVTPL	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	46	172,638	36,627	209,311	140,433
Additions	-	11,594	5,136	16,730	87,418
Fair value changes recorded in net investment income	-	(2,432)	(27,409)	(29,841)	35,633
Disposals and divestitures	-	(360)	(7,306)	(7,666)	(53,424)
Effect of exchange rate changes	(1)	(13)	-	(14)	(749)
Balance, end of period	45	181,427	7,048	188,520	209,311
Fair value changes recorded in net investment income for instruments held at the end of the period	-	(2,331)	(25,657)	(27,988)	15,627

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

<u>Amounts in US \$000</u>	Three months to March 31, 2020			Twelve months to December 31, 2019
	Investment contracts	Structured products	Total liabilities	Total liabilities
Balance, beginning of period	162,385	6,756	169,141	213,792
Issues	4,625	-	4,625	21,255
Settlements	(2,021)	-	(2,021)	(68,192)
Gains / (losses) recorded in interest costs	(1,822)	324	(1,498)	4,806
Effect of exchange rate changes	762	(283)	479	(2,520)
Balance, end of period	163,929	6,797	170,726	169,141
Fair value changes recorded in interest expense for instruments held at the end of the period	(1,822)	324	(1,498)	2,488

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK

12.1 Credit risk exposure – financial investments subject to impairment

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

<u>Amounts in US \$000</u>	March 31, 2020				December 31, 2019	
	ECL Staging			Purchased credit-impaired	Total	Total
Debt securities – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	269,115	-	-	-	269,115	236,049
Non-investment	746,624	5,429	-	153,905	905,958	907,049
Watch	693	4,206	-	5,683	10,582	7,554
Unrated	568	-	-	24	592	595
Gross carrying amount	1,017,000	9,635	-	159,612	1,186,247	1,151,247
Loss allowance	(3,602)	(864)	-	(408)	(4,874)	(2,508)
Carrying amount	1,013,398	8,771	-	159,204	1,181,373	1,148,739

<u>Amounts in US \$000</u>	March 31, 2020				December 31, 2019	
	ECL Staging			Purchased credit-impaired	Total	Total
Mortgage loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	213,308	20,478	354	-	234,140	230,969
Non-investment	103,052	6,178	2,018	-	111,248	110,179
Watch	-	1,100	12,566	-	13,666	13,616
Default	-	-	12,645	-	12,645	9,675
Gross carrying amount	316,360	27,756	27,583	-	371,699	364,439
Loss allowance	(809)	(447)	(2,968)	-	(4,224)	(1,892)
Carrying amount	315,551	27,309	24,615	-	367,475	362,547

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

<u>Amounts in US \$000</u>	March 31, 2020				December 31, 2019	
	ECL Staging			Purchased credit-impaired	Total	Total
Finance loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	1,444	-	-	-	1,444	1,444
Non-investment	578,221	35,680	-	-	613,901	589,339
Watch	-	1,643	-	-	1,643	2,048
Default	-	-	12,527	-	12,527	12,716
Gross carrying amount	579,665	37,323	12,527	-	629,515	605,547
Loss allowance	(4,519)	(1,102)	(6,440)	-	(12,061)	(10,240)
Carrying amount	575,146	36,221	6,087	-	617,454	595,307

<u>Amounts in US \$000</u>	March 31, 2020				December 31, 2019	
	ECL Staging			Purchased credit-impaired	Total	Total
Securities purchased for resale – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Non-investment	22,108	-	-	-	22,108	10,904
Gross carrying amount	22,108	-	-	-	22,108	10,904
Loss allowance	-	-	-	-	-	-
Carrying amount	22,108	-	-	-	22,108	10,904

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

<u>Amounts in US \$000</u>	March 31, 2020				December 31, 2019	
	ECL Staging			Purchased credit-impaired	Total	Total
Policy loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	145,864	-	-	-	145,864	144,556
Non-investment	7,109	-	-	-	7,109	7,174
Gross carrying amount	152,973	-	-	-	152,973	151,730
Loss allowance	(230)	-	-	-	(230)	(197)
Carrying amount	152,743	-	-	-	152,743	151,533

<u>Amounts in US \$000</u>	March 31, 2020				December 31, 2019	
	ECL Staging			Purchased credit-impaired	Total	Total
Deposits – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	38,205	-	-	-	38,205	35,977
Non-investment	26,053	247	-	-	26,300	25,613
Watch	979	370	-	-	1,349	1,087
Unrated	435	-	-	-	435	433
Gross carrying amount	65,672	617	-	-	66,289	63,110
Loss allowance	(227)	(56)	-	-	(283)	(312)
Carrying amount	65,445	561	-	-	66,006	62,798

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

<u>Amounts in US \$000</u>	March 31, 2020				December 31, 2019	
	ECL Staging			Purchased credit- impaired	Total	Total
Debt securities and money market funds – FVOCI	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	2,459,250	3,849	-	-	2,463,099	2,784,088
Non-investment	663,275	128,725	-	30,691	822,691	774,714
Watch	-	193	-	-	193	189
Gross carrying amount	3,122,525	132,767	-	30,691	3,285,983	3,558,991
Loss allowance	(3,610)	(12,992)	-	-	(16,602)	(8,217)
Carrying amount	3,118,915	119,775	-	30,691	3,269,381	3,550,774

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment

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

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

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

DEBT SECURITIES AND MONEY MARKET FUNDS - FVOCI

Loss Allowances Amounts in US \$000	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2020					
Loss Allowance as at January 1, 2020	2,484	5,733	-	-	8,217
Transfers:					
Transfer from Stage 1 to Stage 2	(661)	661	-	-	-
New financial assets originated or purchased	1,456	-	-	-	1,456
Financial assets fully derecognised during the period	(231)	(475)	-	-	(706)
Changes in ECL inputs, models and / or assumptions	590	7,063	-	-	7,653
Effect of exchange rate changes	(28)	10	-	-	(18)
Loss Allowance as at March 31, 2020	3,610	12,992	-	-	16,602
Credit impairment loss recorded in income					(8,610)
Three months ended March 31, 2019					
Loss Allowance as at January 1, 2019	1,646	8,011	19,555	-	29,212
New financial assets originated or purchased	496	-	-	-	496
Financial assets fully derecognised during the period	(272)	(1,460)	-	-	(1,732)
Changes in ECL inputs, models and / or assumptions	(228)	30	170	-	(28)
Effect of exchange rate changes	8	(35)	(24)	-	(51)
Loss Allowance as at March 31, 2019	1,650	6,546	19,701	-	27,897
Credit impairment loss recorded in income					(1,397)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEBT SECURITIES – AMORTISED COST

Loss Allowances <u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2020					
Loss Allowance as at January 1, 2020	1,378	759	-	371	2,508
Transfers:					
Transfer from Stage 1 to Stage 2	(2)	2	-	-	-
New financial assets originated or purchased	1,232	-	-	-	1,232
Financial assets fully derecognised during the period	(100)	(1)	-	-	(101)
Changes in ECL inputs, models and / or assumptions	1,103	104	-	37	1,244
Effect of exchange rate changes	(9)	-	-	-	(9)
Loss Allowance as at March 31, 2020	3,602	864	-	408	4,874
Credit impairment loss recorded in income					<u>(2,378)</u>
Three months ended March 31, 2019					
Loss Allowance as at January 1, 2019	1,855	1,228	161	612	3,856
Transfers:					
Transfer from Stage 1 to Stage 3	(17)	-	17	-	-
New financial assets originated or purchased	215	-	-	-	215
Financial assets fully derecognised during the period	(133)	-	-	-	(133)
Changes in ECL inputs, models and / or assumptions	45	(206)	74	43	(44)
Effect of exchange rate changes	8	-	-	-	8
Loss Allowance as at March 31, 2019	1,973	1,022	252	655	3,902
Credit impairment loss recorded in income					<u>(394)</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

MORTGAGE LOANS - AMORTISED COST

Loss Allowances	ECL staging				Total
	Stage 1	Stage 2	Stage 3	Purchased	
<u>Amounts in US \$000</u>	12-month	Lifetime	Lifetime	credit-	
	ECL	ECL	ECL	impaired	
Three months ended March 31, 2020					
Loss Allowance as at January 1, 2020	611	339	942	-	1,892
Transfers:					
Transfer from Stage 1 to Stage 2	(36)	36	-	-	-
Transfer from Stage 2 to Stage 1	60	(60)	-	-	-
Transfer from Stage 2 to Stage 3	-	(49)	49	-	-
Transfer from Stage 3 to Stage 2	-	111	(111)	-	-
Transfer from Stage 3 to Stage 1	3	-	(3)	-	-
New financial assets originated or purchased	37	-	-	-	37
Financial assets fully derecognised during the period	(11)	(6)	(15)	-	(32)
Changes in ECL inputs, models and / or assumptions	144	77	2,115	-	2,336
Effect of exchange rate changes	1	(1)	(9)	-	(9)
Loss Allowance as at March 31, 2020	809	447	2,968	-	4,224
Credit impairment loss recorded in income					<u>(1,929)</u>
Three months ended March 31, 2019					
Loss Allowance as at January 1, 2019	625	283	1,472	-	2,380
Transfers:					
Transfer from Stage 1 to Stage 2	(22)	22	-	-	-
Transfer from Stage 1 to Stage 3	(34)	-	34	-	-
Transfer from Stage 2 to Stage 1	67	(67)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4)	4	-	-
Transfer from Stage 3 to Stage 2	-	90	(90)	-	-
Transfer from Stage 3 to Stage 1	2	-	(2)	-	-
New financial assets originated or purchased	81	-	-	-	81
Financial assets fully derecognised during the period	(12)	(12)	(105)	-	(129)
Changes in ECL inputs, models and / or assumptions	(26)	(24)	(216)	-	(266)
Effect of exchange rate changes	1	(1)	8	-	8
Loss Allowance as at March 31, 2019	682	287	1,105	-	2,074
Credit impairment reduction in loss recorded in income					<u>235</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

FINANCE LOANS AND FINANCE LEASES - AMORTISED COST

Loss Allowances <u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month	Lifetime	Lifetime	credit-	
Three months ended March 31, 2020	ECL	ECL	ECL	impaired	
Loss Allowance as at January 1, 2020	3,757	729	5,754	-	10,240
Transfers:					
Transfer from Stage 1 to Stage 2	(262)	262	-	-	-
Transfer from Stage 1 to Stage 3	(11)	-	11	-	-
Transfer from Stage 2 to Stage 1	83	(83)	-	-	-
Transfer from Stage 2 to Stage 3	-	(68)	68	-	-
Transfer from Stage 3 to Stage 1	3	-	(3)	-	-
New financial assets originated or purchased	504	-	-	-	504
Financial assets fully derecognised during the period	(145)	(29)	(400)	-	(574)
Changes in ECL inputs, models and / or assumptions	661	301	1,123	-	2,085
Effect of exchange rate changes	(71)	(10)	(113)	-	(194)
Loss Allowance as at March 31, 2020	4,519	1,102	6,440	-	12,061
Credit impairment loss recorded in income					(2,688)
Three months ended March 31, 2019					
Loss Allowance as at January 1, 2019	4,441	1,196	7,731	-	13,368
Transfers:					
Transfer from Stage 1 to Stage 2	(113)	113	-	-	-
Transfer from Stage 1 to Stage 3	(90)	-	90	-	-
Transfer from Stage 2 to Stage 1	660	(660)	-	-	-
Transfer from Stage 2 to Stage 3	-	(71)	71	-	-
Transfer from Stage 3 to Stage 1	3	-	(3)	-	-
New financial assets originated or purchased	248	-	-	-	248
Financial assets fully derecognised during the period	(153)	(26)	(628)	-	(807)
Changes in ECL inputs, models and / or assumptions	(28)	66	998	-	1,036
Effect of exchange rate changes	21	(37)	79	-	63
Loss Allowance as at March 31, 2019	4,989	581	8,338	-	13,908
Credit impairment reduction in loss recorded in income					1,708

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEPOSITS - AMORTISED COST

Loss Allowances	ECL staging				Total
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit- impaired	
Amounts in US \$000					
Three months ended March 31, 2020					
Loss Allowance as at January 1, 2020	261	51	-	-	312
New financial assets originated or purchased	58	-	-	-	58
Financial assets fully derecognised during the period	(87)	-	-	-	(87)
Changes in ECL inputs, models and / or assumptions	(5)	5	-	-	-
Loss Allowance as at March 31, 2020	227	56	-	-	283
Credit impairment reduction in loss recorded in income					30
Three months ended March 31, 2019					
Loss Allowance as at January 1, 2019	355	64	-	-	419
New financial assets originated or purchased	4	-	-	-	4
Financial assets fully derecognised during the period	(2)	-	-	-	(2)
Changes in ECL inputs, models and / or assumptions	(139)	-	-	-	(139)
Loss Allowance as at March 31, 2019	218	64	-	-	282
Credit impairment loss recorded in income					(131)

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

POLICY LOANS - AMORTISED COST

Loss Allowances

Amounts in US \$000

Three months ended March 31, 2020

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2020	197	-	-	-	197
Changes in ECL inputs, models, and / or assumptions	37	-	-	-	37
Effect of exchange rate changes	(4)	-	-	-	(4)
Loss Allowance as at March 31, 2020	230	-	-	-	230
Credit impairment loss recorded in income					(37)

Three months ended March 31, 2019

Loss Allowance as at January 1, 2019	110	-	-	-	110
Changes in ECL inputs, models and / or assumptions	27	-	-	-	27
Effect of exchange rate changes	1	-	-	-	1
Loss Allowance as at March 31, 2019	138	-	-	-	138
Credit impairment reduction in loss recorded in income					27

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

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

Economic variable assumptions

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

		As of March 31, 2020		
		2020	2021	2022
GDP Growth (USA)	Base	-5.6%	4.1%	6.5%
	Upside	-5.6%	4.1%	6.5%
	Downside	-8.5%	1.0%	4.6%
World GDP	Base	3.3%	3.4%	3.4%
	Upside	4.9%	5.0%	5.0%
	Downside	2.5%	2.6%	2.6%
WTI Oil Prices/10	Base	\$3.37	\$3.73	\$3.99
	Upside	\$9.43	\$9.43	\$9.43
	Downside	\$2.07	\$2.29	\$2.45
DOW Jones Industrial Average Index - EPS	Base	\$1,465.93	\$1,714.03	\$1,854.48
	Upside	\$2,276.44	\$2,661.71	\$2,879.82
	Downside	\$890.80	\$1,041.56	\$1,126.91
S&P 500 Financial Index – EPS	Base	\$36.49	\$39.59	\$41.31
	Upside	\$56.39	\$61.18	\$63.84
	Downside	\$24.17	\$26.23	\$27.36
GBP/USD	Base	\$1.25	\$1.25	\$1.25
	Upside	\$1.39	\$1.46	\$1.51
	Downside	\$1.10	\$1.03	\$0.98
NZD/USD	Base	\$0.59	\$0.59	\$0.59
	Upside	\$0.68	\$0.71	\$0.73
	Downside	\$0.51	\$0.48	\$0.45

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Economic variable assumptions (continued)

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

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Economic variable assumptions (continued)

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

As of March 31, 2020		
Barbados	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Trinidad	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Jamaica	Expected state for the next 12 months	
Interest rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Economic variable assumptions (continued)

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

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Significant increase in credit risk (SICR)

As of March 31, 2020

Amounts in US \$000

SICR criteria	Actual threshold applied	Change in threshold	ECL impact of
			Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	\$351

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

Loss Given Default	Actual value applied	Change in value	ECL impact of	
			Increase in value	Decrease in value
Corporate	52%	(- /+ 5) %	\$1,599	(\$1,508)
Sovereign (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	\$269	(\$269)
Sovereign (Government of Barbados - BAICO Bonds)	17%	(- /+ 5) %	\$42	(42)
Sovereign (Government of Jamaica)	15%	(- /+ 5) %	\$238	(\$238)

Scenario design

The weightings assigned to each economic scenario as at March 31, 2020 are set out in the following table.

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

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

	Base – 80% Upside – 5% Downside – 15%	Base – 80% Upside – 15% Downside – 5%
	Increase in ECL	Decrease in ECL
Debt securities	\$692	(\$692)
Lending products	\$214	(\$273)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Significant increase in credit risk (SICR)

As of December 31, 2019

Amounts in US \$000

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

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

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

Scenario design

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

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross Carrying Values – financial investments subject to impairment

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

DEBT SECURITIES AND MONEY MARKET FUNDS - FVOCI

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	3,458,152	70,695	-	30,144	3,558,991
Transfers:					
Transfer from Stage 1 to Stage 2	(74,129)	74,129	-	-	-
New financial assets originated or purchased	439,376	-	-	44	439,420
Financial assets fully derecognised during the period	(612,401)	(9,680)	-	-	(622,081)
Changes in principal and interest	(74,687)	(2,464)	-	533	(76,618)
Effect of exchange rate changes	(13,786)	87	-	(30)	(13,729)
Gross carrying amount as at March 31, 2020	3,122,525	132,767	-	30,691	3,285,983
Three months ended March 31, 2019					
Gross carrying amount as at January 1, 2019	2,566,176	97,233	54,279	-	2,717,688
Transfers:					
Transfer from Stage 1 to Stage 2	(411)	411	-	-	-
New financial assets originated or purchased	350,050	-	-	-	350,050
Financial assets fully derecognised during the period	(206,896)	(7,949)	-	-	(214,845)
Changes in principal and interest	(31,452)	575	624	-	(30,253)
Effect of exchange rate changes	2,339	(292)	(66)	-	1,981
Gross carrying amount as at March 31, 2019	2,679,806	89,978	54,837	-	2,824,621

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEBT SECURITIES - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	988,324	4,555	-	158,368	1,151,247
Transfers:					
Transfer from Stage 1 to Stage 2	(5,169)	5,169	-	-	-
New financial assets originated or purchased	100,782	-	-	-	100,782
Financial assets fully derecognised during the period	(59,019)	-	-	-	(59,019)
Write-offs	(167)	-	-	-	(167)
Changes in principal and interest	3,177	(89)	-	1,244	4,332
Effect of exchange rate changes	(10,928)	-	-	-	(10,928)
Gross carrying amount as at March 31, 2020	1,017,000	9,635	-	159,612	1,186,247
Three months ended March 31, 2019					
Gross carrying amount as at January 1, 2019	931,848	12,152	798	156,099	1,100,897
Transfers:					
Transfer from Stage 1 to Stage 3	(437)	-	437	-	-
New financial assets originated or purchased	64,675	-	-	-	64,675
Financial assets fully derecognised during the period	(25,594)	-	(11)	-	(25,605)
Changes in principal and interest	(25,113)	(388)	1	535	(24,965)
Effect of exchange rate changes	3,121	-	-	-	3,121
Gross carrying amount as at March 31, 2019	948,500	11,764	1,225	156,634	1,118,123

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

MORTGAGE LOANS - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	300,647	38,766	25,026	-	364,439
Transfers:					
Transfer from Stage 1 to Stage 2	(5,560)	5,560	-	-	-
Transfer from Stage 1 to Stage 3	(39)	-	39	-	-
Transfer from Stage 2 to Stage 1	12,351	(12,351)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4,620)	4,620	-	-
Transfer from Stage 3 to Stage 2	-	2,127	(2,127)	-	-
Transfer from Stage 3 to Stage 1	237	-	(237)	-	-
New financial assets originated or purchased	13,367	-	-	-	13,367
Financial assets fully derecognised during the period	(1,338)	(150)	(102)	-	(1,590)
Changes in principal and interest	(2,385)	(1,490)	405	-	(3,470)
Effect of exchange rate changes	(920)	(86)	(41)	-	(1,047)
Gross carrying amount as at March 31, 2020	316,360	27,756	27,583	-	371,699
Three months ended March 31, 2019					
Gross carrying amount as at January 1, 2019	297,646	17,079	24,675	-	339,400
Transfers:					
Transfer from Stage 1 to Stage 2	(4,882)	4,882	-	-	-
Transfer from Stage 1 to Stage 3	(107)	-	107	-	-
Transfer from Stage 2 to Stage 1	4,722	(4,722)	-	-	-
Transfer from Stage 2 to Stage 3	-	(396)	396	-	-
Transfer from Stage 3 to Stage 2	-	2,539	(2,539)	-	-
Transfer from Stage 3 to Stage 1	421	-	(421)	-	-
New financial assets originated or purchased	15,566	-	-	-	15,566
Financial assets fully derecognised during the period	(4,929)	(438)	(1,559)	-	(6,926)
Changes in principal and interest	(2,161)	(1,000)	(460)	-	(3,621)
Effect of exchange rate changes	1,150	1	32	-	1,183
Gross carrying amount as at March 31, 2019	307,426	17,945	20,231	-	345,602

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

FINANCE LOANS AND FINANCE LEASES - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	579,856	12,975	12,716	-	605,547
Transfers:					
Transfer from Stage 1 to Stage 2	(27,822)	27,822	-	-	-
Transfer from Stage 1 to Stage 3	(311)	-	311	-	-
Transfer from Stage 2 to Stage 1	1,950	(1,950)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,168)	1,168	-	-
Transfer from Stage 3 to Stage 2	-	57	(57)	-	-
Transfer from Stage 3 to Stage 1	6	-	(6)	-	-
New financial assets originated or purchased	53,915	-	-	-	53,915
Financial assets fully derecognised during the period	(22,358)	(415)	(1,015)	-	(23,788)
Changes in principal and interest	3,367	(325)	(377)	-	2,665
Effect of exchange rate changes	(8,938)	327	(213)	-	(8,824)
Gross carrying amount as at March 31, 2020	579,665	37,323	12,527	-	629,515
Three months ended March 31, 2019					
Gross carrying amount as at January 1, 2019	497,099	15,233	15,522	-	527,854
Transfers:					
Transfer from Stage 1 to Stage 2	(12,641)	12,641	-	-	-
Transfer from Stage 1 to Stage 3	(501)	-	501	-	-
Transfer from Stage 2 to Stage 1	8,464	(8,464)	-	-	-
Transfer from Stage 2 to Stage 3	-	(781)	781	-	-
Transfer from Stage 3 to Stage 1	6	-	(6)	-	-
New financial assets originated or purchased	43,539	-	-	-	43,539
Financial assets fully derecognised during the period	(17,303)	(318)	(1,185)	-	(18,806)
Changes in principal and interest	(2,360)	(1,074)	(836)	-	(4,270)
Effect of exchange rate changes	3,829	81	106	-	4,016
Gross carrying amount as at March 31, 2019	520,132	17,318	14,883	-	552,333

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

SECURITIES PURCHASED FOR RESALE - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	10,904	-	-	-	10,904
New financial assets originated or purchased	301,221	-	-	-	301,221
Financial assets fully derecognised during the period	(289,479)	-	-	-	(289,479)
Changes in principal and interest	50	-	-	-	50
Effect of exchange rate changes	(588)	-	-	-	(588)
Gross carrying amount as at March 31, 2020	22,108	-	-	-	22,108
Three months ended March 31, 2019					
Gross carrying amount as at January 1, 2019	7,170	-	-	-	7,170
New financial assets originated or purchased	114,960	-	-	-	114,960
Financial assets fully derecognised during the period	(100,279)	-	-	-	(100,279)
Changes in principal and interest	34	-	-	-	34
Effect of exchange rate changes	540	-	-	-	540
Gross carrying amount as at March 31, 2019	22,425	-	-	-	22,425

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEPOSITS - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	62,493	617	-	-	63,110
Transfers:					
Transfer from Stage 1 to Stage 2	(246)	246	-	-	-
New financial assets originated or purchased	21,731	-	-	-	21,731
Financial assets fully derecognised during the period	(19,460)	(246)	-	-	(19,706)
Changes in principal and interest	1,209	1	-	-	1,210
Effect of exchange rate changes	(55)	(1)	-	-	(56)
Gross carrying amount as at March 31, 2020	65,672	617	-	-	66,289
Three months ended March 31, 2019					
Gross carrying amount as at January 1, 2019	107,156	371	-	-	107,527
New financial assets originated or purchased	5,012	-	-	-	5,012
Financial assets fully derecognised during the period	(39,354)	-	-	-	(39,354)
Changes in principal and interest	(3,972)	-	-	-	(3,972)
Effect of exchange rate changes	(186)	-	-	-	(186)
Gross carrying amount as at March 31, 2019	68,656	371	-	-	69,027

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

POLICY LOANS – AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	151,730	-	-	-	151,730
New financial assets originated or purchased	1,514	-	-	-	1,514
Financial assets fully derecognised during the period	(1,069)	-	-	-	(1,069)
Changes in principal and interest	924	-	-	-	924
Effect of exchange rate changes	(126)	-	-	-	(126)
Gross carrying amount as at March 31, 2020	152,973	-	-	-	152,973
Three months ended March 31, 2019					
Gross carrying amount as at January 1, 2019	147,156	-	-	-	147,156
New financial assets originated or purchased	561	-	-	-	561
New financial assets fully derecognised during the period	(51)	-	-	-	(51)
Changes in principal and interest	977	-	-	-	977
Effect of exchange rate changes	9	-	-	-	9
Gross carrying amount as at March 31, 2019	148,652	-	-	-	148,652

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS

<u>Amounts in US \$000</u>	March 31, 2020	March 31, 2019
Adjustments for non-cash items, interest and dividends:		
Income from financial investments	3,204	(110,342)
Net increase in actuarial liabilities	20,032	198,700
Interest cost and finance cost	22,036	23,356
Credit impairment losses	15,612	48
Depreciation and amortisation	11,716	8,112
Increase in provision for unearned premiums	549	(1,868)
Other items	5,855	(3,745)
	79,004	114,261
Net change in investments and operating assets:		
Investment property	(60)	-
Debt securities	(112,214)	(98,284)
Equity securities	(273,489)	(11,450)
Mortgage loans	(6,677)	(1,677)
Policy loans	(1,608)	(4,276)
Finance loans and finance leases	(32,848)	(20,315)
Securities purchased for re-sale	6	5,381
Deposits	(6,647)	19,293
Other assets and receivables	(17,757)	(16,639)
	(451,294)	(127,967)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

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

<u>Amounts in US \$000</u>	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Investment property:		
Purchases	60	-
Disposal proceeds	-	-
	<u>60</u>	<u>-</u>
Debt securities:		
Purchases	(716,591)	(729,059)
Disposal proceeds	604,377	630,775
	<u>112,214</u>	<u>(98,284)</u>
Equity securities:		
Purchases	(291,281)	(87,983)
Disposal proceeds	17,792	76,533
	<u>(273,489)</u>	<u>(11,450)</u>
Net change in operating liabilities:		
Insurance liabilities	2,777	(3,109)
Investment contract liabilities	5,191	8,829
Other funding instruments	30,413	(32,072)
Deposits	68,308	20,570
Securities sold for re-purchase	(1,627)	49,758
Other liabilities and payables	2,708	(59,457)
	<u>107,770</u>	<u>(15,481)</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

<u>Amounts in US \$000</u>	March 31, 2020	March 31, 2019
Investing activities		
Property, plant and equipment:		
Purchases	(3,463)	(2,338)
Disposal proceeds	18	177
	<u>(3,445)</u>	<u>(2,161)</u>
Financing activities		
Notes and loans payable:		
Repayments	(2,544)	(629)
Lease liability payments are allocated as follows:		
Principal paid	(2,171)	(915)
Interest paid	(591)	(179)
	<u>(2,762)</u>	<u>(1,094)</u>
Cash and cash equivalents		
Cash	307,256	299,436
Call deposits and other liquid balances	214,053	83,728
Bank overdrafts	(1,496)	(5,226)
	<u>519,813</u>	<u>377,938</u>

14. LEASE LIABILITIES

The lease liabilities recognised are as follows:

<u>Amounts in US \$000</u>	March 31, 2020	December 31, 2019
Current lease liabilities	8,467	7,748
Non-current lease liabilities	26,029	27,952
	<u>34,496</u>	<u>35,700</u>

The lease liabilities relate to right-of-use assets of \$28,923 as at March 31, 2020 (\$29,369 as at December 31, 2019).

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. RESTATEMENT OF COMPARATIVE EARNINGS PER COMMON SHARE

Effective December 5, 2019, the date of completion of a transaction between Alignvest Acquisition II Corporation (a special purpose acquisition company) and Sagicor Financial Corporation Limited (SFCL), common shares not purchased for cash were exchanged for common shares in Sagicor Financial Company Ltd. using an exchange ratio of one Sagicor common share for 4.328 of SFCL common shares. As a result, the comparative earnings per common share for the period ended March 31, 2019 have been restated using the exchange ratio.

16. DEVELOPMENTS DURING THE REPORTING PERIOD

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

In response to the changing economic environment, Sagicor has considered the impact of this environment and has reviewed and updated its assumptions, where necessary.

During the quarter, a review was performed and asset impairment assumptions were updated. The changes in the economic outlook data are reported in Note 12 on credit risk and impairment. As part of this process, goodwill was reviewed and stress testing was performed on assessment assumptions. As a result of this exercise, goodwill of US \$3.0 million was impaired relating to the subsidiary, Sagicor General Insurance Inc. The Group also evaluated the impact of changes in financial asset values on its pension plans. As a result, an increase in retirement benefit liabilities of US \$2.8 million has been recognised in the financial statements.

The Group holds an investment in Playa Hotels and Resorts; travel restrictions, the impact on tour and holiday bookings and cancellations may result in a downturn in revenues and profits which could negatively impact the carrying value of this asset. The Group performed an assessment of the carrying value of this investment during the period. A recoverable value was determined using the value-in-use method which is a discounted cash flow technique that utilises a significant amount of judgement in estimating key variables such as earnings before interest, taxes, depreciation and amortization and a discount factor. Value-in-use calculations are very sensitive to changes in these estimates. As a result of this exercise, the investment has been written down by US \$3.4 million.

As at March 31, 2020, the book value of Playa Hotels and Resorts was \$178,521 (\$184,929 as at December 31, 2019). At this date, the proportionate share of market value, calculated based on the quoted prices on the National Association of Securities Dealers Automated Quotation (NASDAQ), was \$35,000 (\$166,282 as at December 31, 2019).

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. DEVELOPMENTS DURING THE REPORTING PERIOD (continued)

Playa Hotels and Resorts have disclosed that while they have taken measures to improve their liquidity position, it is still unlikely that they will be in compliance with their financial maintenance covenants for periods after June 30, 2020, due to the effects of COVID-19. The company further indicated that it is currently in negotiations with its lenders, to amend existing debt agreements and waive the covenants for at least four full fiscal quarters. As the amendments may not be granted and are at the sole discretion of its lenders, there is substantial doubt about the company's ability to continue as a going concern. However, it is anticipated that amended terms with lenders will be agreed. Playa Hotels and Resorts believe that their plans to improve the liquidity situation and amend their existing debt agreements will be effectively implemented over a twelve-month period and that those plans, if implemented, will mitigate the conditions that raise substantial doubt about their ability to continue as a going concern.

17. RECLASSIFICATION OF COMPARATIVE FIGURES

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

Condensed Consolidated Statement of Income

Net investment income disclosed in the Condensed Consolidated Statement of Income for the period ended March 31, 2019 of \$117,455 has been restated to separately disclose interest income earned from financial assets measured at amortised cost and FVOCI of \$73,875, other investment income of \$35,858 and share of operating income of associates and joint ventures of \$7,722. Credit impairment losses of \$48 in the Condensed Consolidated Statement of Income for the period ended March 31, 2019 have been reclassified from Expenses to Revenue. Where applicable, comparative figures in the notes to the consolidated financial statements have been adjusted to conform with this reclassification.

Condensed Consolidated Statement of Cash Flows

Lease liability principal paid has been increased by \$887 to reflect a payment which was reclassified from the net cash outflow for notes and loans payable in the Condensed Statement of Cash Flows for the period ended March 31, 2019. Where applicable, comparative figures in the notes to the consolidated financial statements have been adjusted to conform with this reclassification.

18. SUBSEQUENT EVENTS

Subsequent to March 31, 2020, a dividend of US 5.625 cents per common share was declared on the issued and outstanding shares of the Company held by the common shareholders of record on May 5, 2020. The dividend is payable on May 29, 2020.