SAGICOR FINANCIAL CORPORATION – FINANCIAL REPORT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

CHAIRMAN'S REVIEW

2005 is emerging as the most profitable year for the Sagicor Group in its history. Group net earnings of Bds$148.0 million was recorded for the nine months ended September 30, 2005, an increase of Bds$102.3 million when compared to the corresponding period in 2004. For the three months comprising the third quarter, Group net income was Bds$30.8 million, an increase of Bds$22.3 million over the same three month period in 2004.

The overall Group net income of Bds$148.0 is allocated $105.1 million to shareholders, Bds$15.3 million to participating policyholders and Bds$27.6 million to the minority interests.

For shareholders, this represents an increase of 134% over 2004's result. Earnings per share was Bds 39.8 cents and the return on shareholders' equity was 19.1% on an annualised basis.

Our current business strategy of streamlining operations, expanding into new geographic markets and expanding into new product markets is contributing to this exceptional growth in returns.

On September 30, 2005, we completed the acquisition of American Founders Life Insurance Company (AFL), an insurance company operating in the United States of America. With its insurance licenses in forty-one states and in the District of Columbia, AFL will be the platform for the growth and development of Sagicor's operations in the USA.

You will also recall our acquisition earlier in 2005 of a majority interest in Pan Caribbean Financial Services Limited and of the insurance portfolio of First Life Insurance Company Limited. These acquisitions are already providing adequate returns.

Total revenues for the nine months are up 27% over the same period in 2004. Revenue growth has however slowed in the third quarter, with an increase of 6% over 2004. Contributing to this is firstly, the timing of gains realised in the equity portfolio where most of the gains occurred in the second quarter, and secondly, Sagicor has made a significant provision against the carrying value of its holdings in bonds issued by regional governments. The Government of Grenada has restructured its debt obligations. In addition, as we reported in the second quarter review, the Group benefited from an exceptional gain of Bds$27.1 million arising from the reduction in interest in Life of Jamaica Limited.

Policy benefits and expenses have increased by 9% over 2004's figures. You will recall in 2004 that Sagicor was adversely affected by policy claims as a result of hurricanes. Fortunately, the adverse effects of weather conditions have not impacted the Group in 2005.

The balance sheet at September 30 includes our most recent acquisition AFL and its immediate parent, Laurel Life Insurance Company. Total Group assets now exceed Bds$6.1 billion and total Group liabilities now total Bds$5.2 billion.

We are pleased with the very significant progress of the Group during the period under review and look forward to concluding this year on a highly positive note.

J. Arthur Bethell
Chairman
November 23, 2005

CONSOLIDATED BALANCE SHEET

Amounts expressed in thousands of Barbados dollars	**September 30 2005** (unaudited)	**December 31 2004** (restated)
ASSETS		
Investments	4,812,690	2,450,405
Other assets	1,335,458	676,927
Total assets	**6,148,148**	**3,127,332**
LIABILITIES		
Policy liabilities	3,461,133	2,130,968
Other liabilities	1,748,210	236,579
Total liabilities	5,209,343	2,367,547
EQUITY		
Shareholders' equity	737,834	693,266
Participating accounts	11,170	1,388
Minority interest	189,801	65,131
Total equity	938,805	759,785
Total liabilities and equity	**6,148,148**	**3,127,332**

CONSOLIDATED INCOME STATEMENT

Amounts expressed in thousands of Barbados dollars	**Nine months ended**		**Three months ended**	
	September 30 2005 (unaudited)	**September 30 2004** (unaudited)	**September 30 2005** (unaudited)	**September 30 2004** (unaudited)
REVENUE				
Net premiums and contributions	458,616	394,471	155,240	127,903
Net investment and other income	283,919	190,781	53,123	68,846
Total revenue	**742,535**	**585,252**	**208,363**	**196,749**
POLICY BENEFITS AND EXPENSES				
Net policy benefits	340,098	343,072	94,844	122,785
Expenses	239,878	187,739	78,945	63,629
Total policy benefits and expenses	**579,976**	**530,811**	**173,789**	**186,414**
INCOME FROM ORDINARY ACTIVITIES	**162,559**	**54,441**	**34,574**	**10,335**
Corporation taxes	(14,586)	(8,800)	(3,807)	(1,905)
NET INCOME FOR THE PERIOD	**147,973**	**45,641**	**30,767**	**8,430**
Net income attributed to shareholders	**105,111**	**44,847**	**22,604**	**15,080**
Net income attributed to participating policyholders	15,282	856	2,420	(195)
Net income attributed to minority interest	27,580	(62)	5,743	(6,455)
	147,973	**45,641**	**30,767**	**8,430**
Basic and diluted earnings per share	**39.8 cents**	**17.2 cents**	**8.5 cents**	**5.8 cents**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts expressed in thousands of Barbados dollars

Nine months ended September 30, 2005 (unaudited)

	Share Capital	Reserves	Retained Earnings	Participating Accounts	Minority Interest	Total
Balance at beginning of period:						
As previously reported	432,495	181,513	89,049	1,388	67,858	772,303
Prior year adjustments	–	(9,791)	–	–	(2,727)	(12,518)
As restated	432,495	171,722	89,049	1,388	65,131	759,785
Net losses recognised directly in equity	–	(59,797)	–	–	(6,778)	(66,575)
Net income for the period	–	–	105,111	15,282	27,580	147,973
Total recognised gains / (losses)	–	(59,797)	105,111	15,282	20,802	81,398
Issue of shares	25,354	–	–	–	88,355	113,709
Dividends declared	–	–	(31,600)	–	(8,131)	(39,731)
Acquisition of a subsidiary	–	–	–	–	23,644	23,644
Transfers	–	695	4,805	(5,500)	–	–
	25,354	(59,102)	78,316	9,782	124,670	179,020
Balance at end of period	**457,849**	**112,620**	**167,365**	**11,170**	**189,801**	**938,805**

Nine months ended September 30, 2004 (unaudited)

	Share Capital	Reserves	Retained Earnings	Participating Accounts	Minority Interest	Total
Balance at beginning of period:						
As previously reported	432,495	98,323	43,317	1,222	56,289	631,646
Prior year adjustments	–	(16,713)	–	–	(4,654)	(21,367)
As restated	432,495	81,610	43,317	1,222	51,635	610,279
Net gains recognised directly in equity	–	51,739	–	–	4,321	56,060
Net income for the period	–	–	44,847	856	(62)	45,641
Total recognised gains	–	51,739	44,847	856	4,259	101,701
Issue of shares	–	–	–	–	1,397	1,397
Dividends declared	–	–	(18,202)	–	(6,595)	(24,797)
Transfers	–	957	(957)	–	–	–
	–	52,696	25,688	856	(939)	78,301
Balance at end of period	**432,495**	**134,306**	**69,005**	**2,078**	**50,696**	**688,580**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts expressed in thousands of Barbados dollars	Nine months ended September 30 2005 (unaudited)	Nine months ended September 30 2004 (unaudited)
CASH FLOWS		
Cash flows from operating activities	82,042	21,953
Cash flows used in investing activities	(206,718)	(14,918)
Cash flows from (used in) financing activities	130,355	(26,938)
Effects of exchange rate changes	1,365	(354)
Net increase (decrease) in cash and cash equivalents	7,044	(20,257)
Cash and cash equivalents at beginning of period	135,608	161,796
Cash and cash equivalents at end of period	**142,652**	**141,539**

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Basis of preparation

These interim consolidated financial statements have been prepared in condensed form. The Group has adopted the new and revised International Financial Reporting Standards which are effective for accounting periods beginning on or after January 1, 2005. Compared to the accounting policies adopted by the Group at the close of its last financial year, the more significant changes are indicated in paragraphs b) and c) below.

b) Investment securities, loans and deposits

The Group classifies its investment securities, loans and deposit assets as held to maturity investments, available for sale investments, at fair value through income or as loans.

Investment securities with fixed maturity and for which management has both the intent and ability to hold to maturity are classified as held to maturity. These investments are carried at amortised cost.

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. These investments are carried at amortised cost.

Financial assets at fair value through income consist of held for trading securities. A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking or if so designated by management. These investments are measured initially at cost and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as investment income.

Other investment securities, loans and deposits are classified as available for sale investments. These investments are measured initially at cost and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Unrealised gains and losses are recorded in fair value reserves. Either on the disposal of the asset or if the asset is determined to be impaired, the previously recorded unrealised gain or loss is transferred to investment income.

In response to the changes in these classifications, the Group has reclassified debt securities that are quoted in an active market to the available for sale category. These assets were formerly carried at amortised cost. The reclassification has been applied retroactively.

c) Intangible assets

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the acquisition date. Goodwill is included in intangible assets, is tested annually for impairment and is carried at cost less accumulated impairment.

In response to the change in accounting for goodwill, (in prior years goodwill was amortised over its estimated useful life and only tested for impairment when there was evidence of impairment), the net carrying value of goodwill at the beginning of the period is now deemed to be the cost which will be subject to annual testing for impairment.

Intangible assets arising on acquisitions occurring on or after January 1, 2005 are recognised only if it is probable that future economic benefits attributable to the asset will flow to the Group and if the cost of the asset can be measured reliably.

2. BUSINESS COMBINATIONS

a) Pan Caribbean Financial Services (PCFS) and Employee Benefits Administrators (EBA)

In January 2005, a Group subsidiary, Life of Jamaica Limited acquired a further 43% interest in PCFS. Combined with its previous 8% interest in PCFS, Life of Jamaica increased its interest to 51%.

Effective April 1, 2005, the Group acquired a further 33% interest in PCFS and the remaining 50% interest in the EBA, a joint venture which manages group insurance, annuities and pensions in Jamaica.

PCFS is a publicly listed company on the Jamaica Stock Exchange and is engaged in Jamaica in securities dealing, merchant banking, foreign exchange dealing, corporate trust services, mutual fund management and the provision of debit cards for corporate fleet management.

These acquisitions have contributed BDS$86 million to revenues and BDS$28 million to Group net income for the nine months ended September 2005.

In addition to the above, the Group balance sheet includes the following in respect of these acquisitions:

		BDS$ 000
Intangible assets		102,700
Financing:	Share capital	25,354
	Minority interest	86,395
	Other liabilities	35,646

b) Laurel Life Insurance Company

On September 30, 2005, the Group acquired a 100% interest in Laurel Life Insurance Company and its wholly owned subsidiary American Founders Life Insurance Company. Both acquired companies are life insurance entities domiciled and operating in the USA.

These financial statements include the following assets and liabilites from the consolidated balance sheet of Laurel Life Insurance Company.

	BDS$ 000
Investments	1,108,054
Other assets	548,542
Policy liabilities	1,270,550
Other liabilities	267,096

The acquisition was financed by a bank loan of BDS$115 million.