Sagicor

Wise Financial Thinking for Life

Sagicor Financial Corporation
Financial results for the year ended December 31, 2008

CHAIRMAN'S STATEMENT

I am pleased to report that, despite a very challenging year, the Sagicor Group of Companies recorded a very commendable performance for the year ended December 31, 2008. Net income for the year amounted to US $124.6 million for the Group and US $95.3 million attributable to shareholders. This compares to US $108.7 million (US $86.3 to shareholders) for the same period last year.

2008 was a very difficult year for the financial markets. The collapse of major international institutions and the need for extensive government support for others signaled to the global markets that the financial world had changed dramatically. In the US, reduced or non-existent access to credit, widening credit spreads produced historic mark to market losses, which threatened to disrupt the operations of many otherwise viable institutions, as their capital came under strain. In the UK, the Government made significant capital injections into its major financial institutions in order to ensure that they had the capital to withstand the ravages of the crisis. Similar approaches were adopted throughout Europe.

These events negatively impacted consumer confidence and despite many efforts by world governments to shore up the already weak economies, the weight of the financial crisis was too much for most of them. Late in the year, it was confirmed that the US and UK economies were in recession. The Caribbean economies have shown evidence of slow down and may already be in recession.

The financial markets for debt securities, mortgage-backed securities, mortgage loans and equity securities in many places are experiencing adverse conditions. Internationally, many debt securities and mortgage-backed securities are trading at prices well below where they were on January 1, 2008. Internationally, many mortgage loans are impaired with the holders having to record impairment charges through the income statement. Internationally, the equity security markets have declined appreciably. In 2008, the Dow Jones Industrial Index declined by 34% and the Nasdaq Composite Index declined by 41%. In the currency market, the UK pound sterling declined by 28% against the US dollar in 2008.

In the Caribbean region, we have also experienced significant declines in the equity markets. In 2008, the Barbados Stock Exchange Local Index declined by 12%, the Jamaica Stock Exchange Market Index declined by 35% and the Trinidad and Tobago Stock Exchange Composite Index declined by 14%. In Jamaica, interest and inflation rates have continued to rise. The Jamaica dollar has declined by 13% against the US dollar.

Sagicor, like most other financial institutions, has been impacted by these unusual financial and currency market developments. The impact manifests itself in two ways. The declines in asset values and foreign currency rates have reduced our equity reserves. However, the decline in asset values has been offset in part by a consequential reduction in long-term policy liabilities. Had the reduction in asset values been reflected through the income statement, the impact would have been to reduce shareholders' net income by US $64.5 million. However, the quality of these assets is sound and we fully expect the values to return as some order returns to the financial markets. Overall, we have weathered these developments reasonably well. The Group's equity position remains strong at US $574.4 million. Sagicor continues to enjoy strong credit ratings of A (Excellent) from A.M. Best and BBB+ from Standard & Poor's.

Our operating businesses have continued to perform profitably during 2008. Net premium income grew by a considerable 65% to US $711.9 million. The UK operations, which are now included for a full year, and the Jamaica operations each accounted for just under half of the growth in premium revenue.

Net investment and other income remained steady and grew by 4% to US $327.3 million. Through favourably priced acquisitions for Barbados Farms Limited and for an insurance intermediary to our UK operations, we have recorded gains on acquisition totaling some US $14.1 million.

Net benefits have increased by 49% to US $575.0 million and expenses have also increased by 26% to US $326.9 million, both being a result of the increase in inforce business.

The earnings per share for the year are US 34.5 cents, up from US 32.3 cents in 2007.

With the world economies now firmly in recession, 2009 is rapidly shaping to be as challenging a year as was 2008. The Caribbean has already begun to feel the impact of both the global financial crisis and the global recession. We have recently been forcefully reminded of this fact with the intervention of the Trinidad & Tobago Government into the affairs of one of its major financial institutions. We at Sagicor continue to be vigilant and to manage our affairs with prudence. We have increased our emphasis on governance and risk management, and capital, liquidity and cost management are being given increased focus. As a well capitalized, diversified financial services Group, Sagicor is well placed to withstand the current difficult environment. As 2009 unfolds, the Group will continue to monitor developments closely and to take prompt action whenever necessary.

Terrence A. Martins
Chairman

February 16, 2009

FINANCIAL HIGHLIGHTS	December 31 2008 (unaudited)	December 31 2007 (audited)
Group net income	US $124.6m	US $108.7m
Net income attributable to shareholders	US $95.3m	US $86.3m
Annualised return on shareholders' equity	23.8%	22.1%
Shareholders' equity	US $440.6m	US $455.2m
Revenue	US $1,053.4m	US $772.9m

CONSOLIDATED BALANCE SHEET

Amounts expressed in US $000

	December 31 2008 (unaudited)	December 31 2007 (audited)
ASSETS		
Financial investments	2,835,876	2,683,007
Other investments and assets	1,111,868	966,694
Total assets	**3,947,744**	**3,649,701**
LIABILITIES		
Policy liabilities	2,107,005	1,920,595
Other liabilities	1,266,335	1,142,399
Total liabilities	3,373,340	3,062,994
EQUITY		
Shareholders' equity	440,621	455,174
Participating accounts	12,567	9,396
Minority interest	121,216	122,137
Total equity	574,404	586,707
Total liabilities and equity	**3,947,744**	**3,649,701**

These financial statements have been approved for issue by the Board of Directors on February 16, 2009.

Director

Director

CONSOLIDATED INCOME STATEMENT

Amounts expressed in US $000

	Year ended December 31		Three months ended December 31	
	2008 (unaudited)	2007 (audited)	2008 (unaudited)	2007 (unaudited)
REVENUE				
Net premium revenue	711,928	430,386	257,703	129,447
Net investment and other income	327,346	316,170	81,569	87,370
Gain arising on acquisitions	14,085	26,398	9,440	26,398
Total revenue	**1,053,359**	**772,954**	**348,712**	**243,215**
BENEFITS AND EXPENSES				
Net benefits	574,986	384,636	200,429	112,438
Expenses	326,883	259,768	84,975	82,460
Total benefits and expenses	**901,869**	**644,404**	**285,404**	**194,898**
INCOME FROM ORDINARY ACTIVITIES	**151,490**	**128,550**	**63,308**	**48,317**
Income taxes	(26,926)	(19,824)	(12,804)	(7,961)
NET INCOME FOR THE PERIOD	**124,564**	**108,726**	**50,504**	**40,356**
NET INCOME ATTRIBUTABLE TO:				
Shareholders	95,277	86,289	40,504	36,092
Participating policyholders	3,634	(226)	2,856	(1,783)
Minority interest	25,653	22,663	7,144	6,047
	124,564	**108,726**	**50,504**	**40,356**
Net income attributed to shareholders - EPS				
Basic earnings per common share	34.5 cents	32.3 cents	14.6 cents	13.5 cents
Fully diluted earnings per common share	34.3 cents	32.3 cents	14.5 cents	13.5 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts expressed in US $000

Year ended December 31, 2008 (unaudited)

	Share Capital	Reserves	Retained Earnings	Participating Accounts	Minority Interest	Total
Balance, beginning of year	231,695	21,735	201,744	9,396	122,137	586,707
Net income	-	-	95,277	3,634	25,653	124,564
Net unrealised losses on available for sale investments	-	(64,473)	-	(200)	(11,798)	(76,471)
Other gains / (losses) recognised directly in equity	-	(54,203)	(198)	-	(17,607)	(72,008)
Total recognised income / (loss)	-	(118,676)	95,079	3,434	(3,752)	(23,915)
Issue of shares	27,625	-	-	-	(334)	27,291
Minority interest acquired	-	-	-	-	14,342	14,342
Value of employee services rendered (net)	-	1,628	-	-	112	1,740
Purchase of treasury shares	(1,167)	-	-	-	-	(1,167)
Dividends declared	-	-	(19,416)	-	(10,946)	(30,362)
Other movements	-	3,435	(3,061)	(263)	(343)	(232)
	26,458	(113,613)	72,602	3,171	(921)	(12,303)
Balance, end of year	**258,153**	**(91,878)**	**274,346**	**12,567**	**121,216**	**574,404**

Year ended December 31, 2007 (audited)

	Share Capital	Reserves	Retained Earnings	Participating Accounts	Minority Interest	Total
Balance, beginning of year	230,235	48,106	135,509	9,902	118,553	542,305
Net income	-	-	86,289	(226)	22,663	108,726
Net unrealised losses on available for sale investments	-	(10,847)	-	(20)	(2,341)	(13,208)
Other gains / (losses) recognised directly in equity	-	(19,930)	(78)	-	(7,830)	(27,838)
Total recognised income / (loss)	-	(30,777)	86,211	(246)	12,492	67,680
Issue of shares	484	-	-	-	2,675	3,159
Value of employee services rendered (net)	-	1,705	-	-	87	1,792
Disposal of treasury shares	976	-	-	-	-	976
Disposal of equity interest	-	-	-	-	(3,593)	(3,593)
Dividends declared	-	-	(17,321)	-	(8,167)	(25,488)
Other movements	-	2,701	(2,655)	(260)	90	(124)
	1,460	(26,371)	66,235	(506)	3,584	44,402
Balance, end of year	**231,695**	**21,735**	**201,744**	**9,396**	**122,137**	**586,707**

CONSOLIDATED CASH FLOW STATEMENT

Amounts expressed in US $000

	Year ended December 31 2008 (unaudited)	Year ended December 31 2007 (audited)
CASH FLOWS		
Cash flows from operating activities	179,976	(71,756)
Cash flows used in investing activities	(46,439)	(18,256)
Cash flows used in financing activities	(16,261)	(29,973)
Effects of exchange rate changes	(16,391)	8,803
Net increase in cash and cash equivalents	100,885	(111,182)
Cash and cash equivalents at beginning of year	113,492	224,674
Cash and cash equivalents at end of year	**214,377**	**113,492**

NOTE TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These condensed preliminary financial statements have been prepared in accordance with the accounting policies set out in note 2 of the December 31, 2007 audited financial statements except as follows.

In October 2008, amendments in respect of the Reclassification of Financial Assets were issued to IAS 39 – Financial Instruments: Recognition and Measurement and to IFRS 7 Financial Instruments: Disclosures. The amendments allow reclassification of certain financial assets carried in the balance sheet from July 1, 2008 or thereafter. The Group has applied the amendment which allows certain available for sale financial investments to be reclassified as loans and receivables.