

**CHAIRMAN'S STATEMENT**

The financial year 2009 was challenging for the financial services industry worldwide, as it was for Sagicor. Despite a slowly easing financial environment, the lingering strains of the global economic recession made the task of doing business in any sector quite demanding, even for strong companies like Sagicor. Within this context, I am pleased to report another solid performance from the Sagicor Group of Companies, as a result of which your Board is recommending a final dividend of US 2 cents per share, bringing the total dividend for the year to US 4 cents per share, compared to US 5 cents for 2008. This represents a dividend payout ratio of 22.1% of 2009 earnings, compared to 14.4% for 2008.

Net income for the year includes a foreign exchange unwinding loss of US \$9.3 million. In 2008 there was a foreign exchange gain of US \$10.9 million, as well as acquisition gains of US \$18.8 million. The exclusion of these one-off items produces core net income of US \$79.7 million for 2009, and US \$95.5 million for 2008. On this basis, core net income attributable to shareholders for 2009 is US \$59.8 million (US 21.5 cents per share) and US \$66.2 million (US 23.9 cents per share) for 2008, which is a fairly comparable result achieved in a difficult environment.

<b>Comprehensive Income (US \$ Millions)</b>	<b>2009</b>	<b>2008</b>
Net income for the year	70.4	125.2
Other comprehensive income:		
Changes in fair value reserves	43.7	(89.5)
Retranslation of foreign currency operations	(13.3)	(51.1)
Total comprehensive income	100.8	(15.4)
Comprehensive income to shareholders	83.8	(16.2)

Comprehensive income for the year which reflects the total impact from operations amounted to US \$100.8 million compared to a loss of US \$15.4 million for financial year 2008. Comprehensive income to shareholders amounted to US \$83.8 million compared to a loss of US \$16.2 million for 2008. The significant improvement in comprehensive income during 2009 underscores the solid performance of the Sagicor Group for the year, and is a strong indication of the enhancement to shareholders' value.

Total assets grew from US \$4.0 billion to US \$4.5 billion, whilst financial investments increased from US \$2.9 billion to US \$3.3 billion. Shareholders' equity improved from US \$447.8 million to US \$536.9 million, reflecting, in part, the reversal of the mark-to-market losses of 2008. Return on Shareholders' Equity (ROE) was 10.8% for 2009, compared to 23.8% for 2008 on a reported basis. After adjusting for the impact of one-off items, ROE was 12.8% for 2009 and 15.8% for 2008. These returns reflect the historically low interest rates and investment yields that resulted from the response of global policymakers to the financial and economic crisis.

Total revenue for the year climbed to US \$1.2 billion from US \$1.1 billion for the previous year. Premium revenue, net of reinsurance, grew by US \$130.9 million or 18.4% to reach US \$842.9 million. Combined, the US and UK recorded net premium growth of US \$213.9 million, while the Caribbean operations posted a decline in net premiums of US \$69.0 million. The 2008 net premiums for the Caribbean were influenced by a large single premium annuity transaction in Jamaica. Adjusting for this transaction, the Caribbean net premium performance for 2009 was level with that of 2008. Investment and other income grew by 7.6% to reach US \$362.4 million, up from US \$336.8 million for 2008.

Benefits paid to policyholders, net of reinsurance recovered, amounted to US \$442.6 million compared to US \$370.7 for 2008, an increase of US \$71.9 million. This increase reflects the significant growth in business at Sagicor at Lloyd's, and the impact of a full year of the Blue Cross business acquired by Sagicor Life Jamaica (SLJ) at the end of 2008. The net increase in actuarial liabilities of US \$188.0 million reflects the significant growth in annuity business during the year in our Sagicor US operations. There was also an increase in actuarial liabilities in Jamaica, resulting from the structural changes associated with the Jamaica Debt Exchange (JDX) program. Administrative expenses and commissions and related selling expenses increased in line with the growth in business and as a result of the full year impact of acquisitions made during 2008. Operating expenses expressed as a percentage of revenues improved marginally from 31.4% in 2008 to 31.1% in 2009 as management maintained control over expenses. During the year, the Group took the opportunity to re-align its ownership in certain subsidiaries within the Group. Sagicor Financial Corporation sold its 33.3% equity interest in Pan Caribbean Financial Services Limited (PCFS) to SLJ, bringing SLJ's ownership in that entity up to 86%. PCFS remains a subsidiary of the Group, whose effective ownership is now 51% of the company. In addition, at the year end, SLJ entered into an agreement with Bahamas First General Insurance Company Limited to dispose of its 75% equity interest in Sagicor General Insurance (Cayman) Limited. These strategic changes allow the Group properly to align its management focus to deliver enhanced results to all of its stakeholders.

The economic environment in the Caribbean during 2009 became increasingly challenging, and many regional Governments entered into discussions with the International Monetary Fund (IMF) to explore various levels of Balance of Payments support. In addition, both the Government of Barbados and the Government of Jamaica (GOJ) had their international debt ratings downgraded by Standard & Poor's (S&P). As part of a comprehensive IMF supported program, in January 2010 the GOJ announced the JDX which exchanged high yielding local currency denominated debt of the GOJ for new lower coupon, longer term Government bonds. As a large holder of these long-term GOJ bonds, Sagicor recorded the negative impact arising from the JDX on actuarial reserves in 2009, therefore impacting operating profits. Fortunately, through operating efficiencies instituted during the year, and conservative asset yield assumptions, SLJ was able to soften the impact considerably. Notwithstanding this impact on our earnings, Sagicor fully supports the JDX and the accompanying suite of fiscal programs and reforms, designed to guide the economy out of the debt trap and create a real opportunity for meaningful future economic growth.

As a consequence of the downgrades on Jamaica and Barbados, Sagicor also had its S&P rating adjusted downwards from BBB+ to BBB in line with the Barbados Sovereign rating. Our A.M. Best rating was however reaffirmed at A Excellent. During the year, we realigned our business plans in accordance with available capital, and explored strategic options to raise new capital. On December 29, 2009, Sagicor completed a private placement of new equity shares with the National Insurance Board of Barbados (NIB) that raised US \$20

million in new capital. Under this transaction, which was consummated in Barbados, Sagicor issued 11.8 million new shares to the NIB at a price of US \$1.663 per share, representing a discount of 5% from the price on the Barbados Stock Exchange on the date of issue. We believe that this issue of shares, which served to strengthen the capital base of the Group, is in the best long-term interest of all shareholders. This capital transaction, together with the reversal of the mark-to-market losses and the solid net income for the year, contributed to the progression of Shareholders' Equity from US \$447.8 million as at December 31, 2008 to US \$536.9 million at year end. Our Minimum Continuing Capital and Surplus Ratio (MCCSR), a measure of the Group's capital strength, increased from 244% at the start of the year to end the period at 273%.

The financial year 2009 can be characterised by the slow easing of the pressure in the financial services industry, and the gradual improvement of the global economy. In the Caribbean, any improvements were delayed and are not likely to be felt until the middle of 2010 at best. The environment can be further characterised by a lower global tolerance for risk, and enhanced regulatory surveillance across all markets. A new financial milieu is emerging and it is yet unclear what this will mean for capital levels and financial returns. Despite these changes and the challenging business background within which we operate, the Sagicor Group of Companies returned a very solid performance for the year, while continuing to reorganise and create a flexible and robust platform for future growth and profitability.

At our Sixth Annual Meeting held on June 18, 2009, Dr Oscar Jordan, GCM, retired from the Board of Directors of Sagicor Financial Corporation, having attained the age of mandatory retirement. I wish to echo the sentiments of my predecessor in thanking Dr Jordan for his 19 years of valuable service to the Group, and I wish him well in his retirement. Mr Richard Kellman was elected by shareholders to fill the vacancy created by Dr Jordan's retirement, and on November 1, 2009, he also assumed the position of Group Chief Operating Officer. Mr Kellman is an Actuary by profession, with wide knowledge and experience in the regional financial services industry. I welcome him to the Group and look forward to his contribution.

As at December 31, 2009, Mr Terrence Martins retired as Chairman and a Director of the Sagicor Group. Mr Martins presided over the Sagicor Group during a period of significant growth and expansion. He brought a vast wealth of knowledge and experience to Sagicor and made a significant contribution, especially in the areas of corporate governance and enterprise risk management. On behalf of all of us at Sagicor, I wish to thank Mr Martins for his sterling contribution, and wish him a long and healthy retirement.

On behalf of your board and management, I wish to thank our staff, advisors agents, customers and you, our shareholders, for your continued support during a challenging year.



Stephen McNamara

Chairman

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**SAGICOR FINANCIAL CORPORATION**
*Amounts expressed in US \$000*

	2009	2008
<b>ASSETS</b>		
Investment property	116,845	107,390
Property, plant and equipment	128,883	148,279
Investment in associated companies	32,674	31,893
Intangible assets	129,428	134,922
Financial investments	3,274,442	2,880,206
Reinsurance assets	294,879	307,713
Income tax assets	31,790	31,757
Miscellaneous assets and receivables	255,011	214,914
Cash resources	196,020	122,242
<b>Total assets</b>	<b>4,459,972</b>	<b>3,979,316</b>
<b>LIABILITIES</b>		
Actuarial liabilities	1,612,531	1,450,219
Other insurance liabilities	501,769	385,554
Investment contract liabilities	304,397	267,474
Total policy liabilities	2,418,697	2,103,247
Notes and loans payable	200,844	164,306
Deposit and security liabilities	907,487	917,143
Provisions	32,892	28,038
Income tax liabilities	16,490	16,674
Accounts payable and accrued liabilities	202,134	168,261
<b>Total liabilities</b>	<b>3,778,544</b>	<b>3,397,669</b>
<b>EQUITY</b>		
Share capital	278,252	258,153
Reserves	(38,238)	(85,272)
Retained earnings	296,927	274,870
Total shareholders' equity	536,941	447,751
Participating accounts	6,984	12,499
Minority interest in subsidiaries	137,503	121,397
<b>Total equity</b>	<b>681,428</b>	<b>581,647</b>
<b>Total equity and liabilities</b>	<b>4,459,972</b>	<b>3,979,316</b>

These financial statements have been approved for issue by the Board of Directors on March 30, 2010.



Director



Director

**CONSOLIDATED STATEMENT OF INCOME**
**SAGICOR FINANCIAL CORPORATION**
*Amounts expressed in US \$000*

	2009	2008
<b>REVENUE</b>		
Premium revenue	1,007,526	849,756
Reinsurance premium expense	(164,584)	(137,710)
Net premium revenue	842,942	712,046
Net investment income	294,216	242,033
Fees and other revenue	68,176	94,744
Gains arising on acquisitions	–	18,786
<b>Total revenue</b>	<b>1,205,334</b>	<b>1,067,609</b>
<b>BENEFITS</b>		
Policy benefits and change in actuarial liabilities	681,985	542,022
Policy benefits and change in actuarial liabilities reinsured	(51,389)	(61,353)
Net policy benefits and change in actuarial liabilities	630,596	480,669
Interest expense	101,899	92,711
<b>Total benefits</b>	<b>732,495</b>	<b>573,380</b>
<b>EXPENSES</b>		
Administrative expenses	198,362	180,322
Commissions and related compensation	149,685	124,661
Premium taxes	8,123	7,652
Finance costs	15,375	14,418
Depreciation and amortisation	18,659	16,298
<b>Total expenses</b>	<b>390,204</b>	<b>343,351</b>
<b>INCOME BEFORE TAXES</b>	<b>82,635</b>	<b>150,878</b>
Income taxes	(12,184)	(25,635)
<b>NET INCOME FOR THE YEAR</b>	<b>70,451</b>	<b>125,243</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Shareholders	50,502	96,111
Participating policyholders	(5,113)	3,565
Minority interest	25,062	25,567
	<b>70,451</b>	<b>125,243</b>
<b>Net income attributable to shareholders – EPS</b>		
Basic earnings per common share	18.1 cents	34.7 cents
Fully diluted earnings per common share	18.1 cents	34.6 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**SAGICOR FINANCIAL CORPORATION**
*Amounts expressed in US \$000*

	2009	2008
<b>NET INCOME FOR THE YEAR</b>	<b>70,451</b>	<b>125,243</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Changes in fair value reserves:		
Owner occupied property	1,331	4,312
Available for sale financial assets	44,107	(96,540)
Cash flow hedges	(1,701)	2,760
	43,737	(89,468)
Retranslation of foreign currency operations	(12,996)	(51,681)
Other items	(346)	504
<b>Other comprehensive income / (loss) for the year, net of tax</b>	<b>30,395</b>	<b>(140,645)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS), NET OF TAX</b>	<b>100,846</b>	<b>(15,402)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:</b>		
Shareholders	83,775	(16,208)
Participating policyholders	(5,255)	3,365
Minority interest	22,326	(2,559)
	<b>100,846</b>	<b>(15,402)</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**SAGICOR FINANCIAL CORPORATION**

*Amounts expressed in US \$000*

	Share Capital	Reserves	Retained Earnings	Participating Accounts	Minority Interest	Total
<b>Year ended December 31, 2009</b>						
Balance, beginning of year	258,153	(85,272)	274,870	12,499	121,397	581,647
Total comprehensive income	–	33,402	50,373	(5,255)	22,326	100,846
Issue of shares	20,981	–	–	–	630	21,611
Dividends declared	–	–	(11,117)	–	(11,333)	(22,450)
Changes in the ownership interest of subsidiaries	–	6,756	(11,363)	–	4,332	(275)
Other movements	(882)	6,876	(5,836)	(260)	151	49
Balance, end of year	278,252	(38,238)	296,927	6,984	137,503	681,428
<b>Year ended December 31, 2008</b>						
Balance, beginning of year	231,695	21,735	201,744	9,396	122,137	586,707
Total comprehensive income	–	(112,121)	95,913	3,365	(2,559)	(15,402)
Issue of shares	27,625	–	–	–	(334)	27,291
Dividends declared	–	–	(19,416)	–	(10,946)	(30,362)
Acquisition of subsidiaries and insurance businesses	–	–	–	–	12,859	12,859
Other movements	(1,167)	5,114	(3,371)	(262)	240	554
Balance, end of year	258,153	(85,272)	274,870	12,499	121,397	581,647

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**SAGICOR FINANCIAL CORPORATION**

*Amounts expressed in US \$000*

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before taxes	82,635	150,878
Adjustments for non-cash items, interest and dividends	62,393	45,335
Interest and dividends received	246,714	228,702
Interest paid	(112,908)	(106,280)
Income taxes paid	(16,436)	(18,022)
Changes in operating assets	(352,485)	(347,576)
Changes in operating liabilities	164,081	249,076
<b>Net cash from operating activities</b>	<b>73,994</b>	<b>202,113</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment, net	(9,634)	(13,018)
Investment in associated companies, net	(337)	1,139
Intangible assets, net	(2,684)	(4,264)
Acquisition of subsidiaries and insurance businesses, net of cash and cash equivalents	(442)	(31,902)
<b>Net cash used in investing activities</b>	<b>(13,097)</b>	<b>(48,045)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common shares issued	19,562	357
Net purchase of treasury shares	(882)	(1,167)
Dividends paid to shareholders	(10,606)	(19,234)
Shares issued to minority interest	762	1,654
Dividends paid to minority interest	(11,248)	(10,889)
Notes and loans payable, net	36,833	12,776
<b>Net cash from / (used in) financing activities</b>	<b>34,421</b>	<b>(16,503)</b>
<b>Effects of exchange rate changes</b>	<b>2,815</b>	<b>(24,205)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>98,133</b>	<b>113,360</b>
Cash and cash equivalents, beginning of year	226,852	113,492
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>324,985</b>	<b>226,852</b>

**AUDITORS' REPORT**

**To the Shareholders of Sagicor Financial Corporation**

The accompanying summarised financial statements have been derived from the consolidated financial statements of Sagicor Financial Corporation and its subsidiaries (the Group) for the year ended December 31, 2009. These summarised financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on whether these summarised financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

We have audited the consolidated financial statements of the Group for the year ended December 31, 2009, from which these summarised financial statements were derived in accordance with International Standards on Auditing. In our report dated April 6, 2010, we express an unqualified opinion on the consolidated financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the Group's financial position and the results of its operations for the year, and of the scope of our audit, the summarised financial statements should be read in conjunction with the consolidated financial statements from which the summarised financial statements were derived and our audit report thereon.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**  
**Chartered Accountants**  
**April 6, 2010**