

# SAGICOR FINANCIAL CORPORATION INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

## CHAIRMAN'S REVIEW

We are pleased to present this review of the financial statements of the Sagicor Group of Companies for the nine months ended September 30, 2003.

## ECONOMIC OVERVIEW

The Group's operations are conducted across the Caribbean with significant levels of business carried out in Barbados, Jamaica, Trinidad and Tobago and the OECS countries.

In Barbados, economic output recovered from the recessionary period of 2001 and 2002, with real GDP expected to grow by around 2% for 2003. Excess liquidity has continued in the banking sector and has led to further reductions in interest rates on government securities.

The Jamaica dollar held its value during the third quarter and the Jamaican government was able to reduce gradually the interest rates on government instruments, though interest rates remained high as at September 30. This is in contrast with the trend earlier in the year when the currency depreciated and government was forced to increase interest rates on its borrowings dramatically. Real GDP growth in Jamaica is forecast at around 3% for 2003.

The Trinidad and Tobago economy continues its pattern of growth. Real GDP growth for 2003 is expected at around 4%, influenced by increased activity in the energy sector. Interest rates on government instruments have continued to decline during the year.

Real GDP growth for 2003 in the OECS countries is forecast from 1% to 2%. Interest rates have been relatively stable during this period.

## FINANCIAL HIGHLIGHTS

The Sagicor Group of Companies has recorded a net profit of Bds\$ 30.2 million for the nine month period. The table below shows a summary comparison of the nine month results with the financial forecast for the full year and with the actual results for 2002.

Premium income for the period was Bds\$ 371 million. Within this category of income, annuity contributions exceeded our expectations whilst health insurance premiums were significantly below our projections. Investment and other income for the period was Bds\$ 173 million. Though we have exceeded our overall projection of this income, we have been affected in some markets by the declining trend in interest rates.

	Actual 2003 (nine months) Bds\$ 000	Forecast 2003 (full year) Bds\$ 000	Actual 2002 (full year) Bds\$ 000
Net premium income	370,771	517,432	459,094
Net investment and other income	173,178	227,543	210,527
Policy benefits and reserve increases	(312,082)	(464,313)	(377,481)
Expenses and other costs	(178,861)	(198,546)	(219,327)
Corporation and premium taxes	(13,346)	(21,259)	(13,523)
Profit before undernoted items:	39,660	60,857	59,290
Goodwill write-off	---	---	(29,482)
Minority interest	(9,474)	(11,533)	(16,304)
Net profit for the period	30,186	49,324	13,504
Total assets	2,911,959	2,678,762	2,795,640
Total liabilities	2,329,044	2,181,128	2,271,368
Total equity	524,057	444,989	468,826
Weighted average number of common shares	260,025,307	235,000,000	175,237,527
Earnings per common share	12 cents	21 cents	8 cents
Annualised return on equity	8.4%	12.3%	3.5%

Policyholder benefits, including amounts set aside for future benefits, were Bds\$ 312 million. This total is consistent with trends in premium income. Expenses and other costs totalled Bds\$ 179 million. As we continue the process of re-branding and rationalisation of Group operations, non-recurring costs of Bds\$ 13.7 million were recorded during the period under review. For the remainder of the year, we expect that these exceptional costs will be less than Bds\$ 1 million.

Net profit for the nine month period totalled Bds\$ 30.2 million. This represents earnings of 12 cents per common share. At September 30, 2003, assets totalled Bds\$ 2,912 million, an increase of Bds\$ 116 million for the nine months. Total equity increased also, from Bds\$ 469 million to Bds\$ 524 million.

With the on-going initiatives to re-organise Group operations and to improve the capital and surplus ratios, we remain confident of achieving 2003 forecast results.



Colin G. Goddard, Chairman  
November 28, 2003

## EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS

Sagicor Financial Corporation was incorporated on December 6, 2002 under the Companies Act of Barbados as a public limited liability holding company. On December 6, 2002, Sagicor Life Inc. was formed following its conversion from The Barbados Mutual Life Assurance Society. On December 30, 2002, Sagicor Financial Corporation allotted 175,004,651 Series A Common Shares to the eligible policyholders of The Barbados Mutual Life Assurance Society following its conversion from a mutual company to a company with share capital. As a result of this issue, Sagicor Financial Corporation became the holding company of Sagicor Life Inc. and its subsidiaries (the Sagicor Group).

Following an initial public offering of Series A Common Shares, Sagicor Financial Corporation allotted a further 85,000,000 shares to the public on December 31, 2002. On February 13, 2003, a further 25,097 shares were allotted to eligible policyholders of the Society in respect of the demutualisation, such shares representing adjustments and corrections to policyholder entitlements.

These interim financial statements have been prepared in condensed form under the accounting policies adopted by Sagicor Life Inc. at the close of its last financial year (December 31, 2002). The comparative amounts in the Statement of Cash Flows have been restated to conform to the interim presentation.

## CONSOLIDATED BALANCE SHEET

Amounts expressed in thousands of Barbados dollars

	Sept. 30, 2003 (unaudited)	Dec. 31, 2002 (audited)
<b>ASSETS</b>		
Investments	2,341,430	2,229,848
Other assets	570,529	565,792
<b>TOTAL ASSETS</b>	<b>2,911,959</b>	<b>2,795,640</b>
<b>LIABILITIES &amp; EQUITY</b>		
Actuarial liabilities and deposit administration funds	1,700,618	1,649,893
Other liabilities	628,426	621,475
Total liabilities	2,329,044	2,271,368
Minority interest in subsidiaries	58,858	55,446
Equity	524,057	468,826
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,911,959</b>	<b>2,795,640</b>

## CONSOLIDATED INCOME STATEMENT

Amounts expressed in thousands of Barbados dollars

	Nine months ended Sept. 30, 2003 (unaudited)	Year ended Dec. 31, 2002 (audited)
<b>REVENUE</b>		
Net premiums, annuities and pension contributions	370,771	459,094
Net investment income	141,908	157,261
Fees and other income	31,270	53,266
<b>TOTAL REVENUE</b>	<b>543,949</b>	<b>669,621</b>
<b>DISPOSITION OF REVENUE</b>		
Policy benefits	236,483	279,740
Increase in actuarial liabilities and deposit administration funds	75,599	97,741
Operating expenses and commissions	177,673	218,277
Amortisation and finance costs	7,919	7,438
Goodwill write-off	---	29,482
<b>TOTAL DISPOSITION OF REVENUE</b>	<b>497,674</b>	<b>632,678</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b>	<b>46,275</b>	<b>36,943</b>
Corporation taxes	(6,615)	(7,135)
Minority interest	(9,474)	(16,304)
<b>NET PROFIT FOR THE PERIOD</b>	<b>30,186</b>	<b>13,504</b>
Weighted average number of common shares	260,025,307	175,237,527
<b>Basic and diluted earnings per share (expressed in Barbados cents)</b>	<b>12 cents</b>	<b>8 cents</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts expressed in thousands of Barbados dollars

	— Nine months ended Sept. 30, 2003 — (unaudited)			Year ended Dec. 31, 2002 (audited)	
	SHARE CAPITAL	RESERVES	RETAINED EARNINGS	TOTAL	TOTAL
Balance at beginning of period	432,495	36,331	---	468,826	303,755
Transfers to income statement	---	(230)	---	(230)	(4,412)
Currency translation adjustments	---	(6,729)	---	(6,729)	(6,823)
Fair value adjustments	---	32,289	---	32,289	20,278
Net profit for the period	---	---	30,186	30,186	13,504
Transfers from retained earnings	---	813	(813)	---	---
Preference share dividends	---	---	(285)	(285)	(380)
Issue of share capital	---	---	---	---	142,904
Balance at end of period	<b>432,495</b>	<b>62,474</b>	<b>29,088</b>	<b>524,057</b>	<b>468,826</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts expressed in thousands of Barbados dollars

	Nine months ended Sept. 30, 2003 (unaudited)	Year ended Dec. 31, 2002 (audited)
<b>CASH FLOWS</b>		
Cash flows from operating activities	106,977	168,092
Cash flows from investing activities	(146,781)	(197,111)
Cash flows from financing activities	(7,159)	135,961
Effects of exchange rate changes on cash and cash equivalents	1,468	133
Net (decrease) increase in cash and cash equivalents	(45,495)	107,075
Cash and cash equivalents at beginning of period	205,342	98,267
Cash and cash equivalents at end of period	<b>159,847</b>	<b>205,342</b>



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