

SAGICOR FINANCIAL CORPORATION FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2003



CHAIRMAN'S REPORT

I am pleased to present the consolidated financial results for Sagicor Financial Corporation for the year ended December 31, 2003. These results represent the financial position of Sagicor Financial Corporation and its various subsidiaries and associated companies as at the end of the year and the results of its operations for the year then ended.

I wish to apologize to our shareholders for the late release of this year's financial results. The delay was caused by integration issues with one of our recently acquired subsidiaries. The integration process is now substantially completed.

INCOME STATEMENT

Net operating income for Sagicor Financial Corporation for the year 2003 amounted to \$80 million compared to \$37 million for financial year 2002, an increase of 117%. Net Income for the year attributable to shareholders amounted to \$56.9 million, compared to \$13.5 million for financial year 2002. Earnings Per Share (EPS) exceeded expectations reaching 22 cents per share compared to 21 cents projected in our IPO prospectus. The Board was therefore pleased to declare total dividends of 6 cents per share, improving on the dividends projected of 4.47 cents per share.

Total revenue for the year was \$723 million compared to \$628 million for 2002 or an increase of 15%. Policy benefits and provisions for insurance liabilities amounted to \$382 million as against \$336 million for the previous year, an increase of 14%; while administrative and other expenses totalled \$261 million for the year, (\$255 million for 2002). This represented an increase of 2%.

NON-RECURRENT INCOME/EXPENSES

During the year, the Group sold its 73% interest in the Mutual Bank of the Caribbean Inc. to the Bank of NT Butterfield for a net gain of \$12.5 million. In addition, the Group incurred re-organizational costs of \$14.2 million in relation to a voluntary separation program and a rebranding campaign as the Group restructured its various operations for the future. These transactions had a negative impact on the 2003 financial results of \$1.7 million.

BALANCE SHEET

Total assets of Sagicor Financial Corporation amounted to \$2.7 billion, level with the total assets of 2002. This is after accounting for the divestment of The Mutual Bank which removed assets of over \$200 million from the Group's balance sheet.

Equity stood at \$575 million compared to \$468 million as at the end of 2002. Our Return On Equity (ROE) was 11 % compared to 3.5% the previous year and our MCCR (Minimum Continuing Capital and Surplus Requirement) ratio was 211% compared to 174% for the previous year. Our debt to equity ratio declined to 4.7% compared to 7.8% at the end of 2002.

Having overcome the challenges of integration and having established strong fundamentals, we expect that 2004 will be another good year for Sagicor.

On behalf of the Board of Directors

Colin G. Goddard, Chairman

CONSOLIDATED BALANCE SHEET

As of December 31, 2003 (with 2002 comparative amounts for Sagicor Life Inc)
Amounts expressed in thousands of Barbados dollars

	2003	2002
ASSETS		
Investments		
Investment property	151,523	139,931
Investment securities, loans and deposits	2,045,926	2,084,284
	2,197,449	2,224,215
Property, plant and equipment	127,148	130,254
Associated companies	21,278	16,150
Goodwill	109,259	129,764
Accrued investment income	45,524	40,392
Premiums in the course of collection	27,221	24,731
Miscellaneous assets and receivables	130,590	89,701
Cash resources	90,615	128,697
TOTAL ASSETS	2,749,084	2,783,904
LIABILITIES		
Policy liabilities		
Actuarial liabilities	1,377,708	1,360,173
Deposit administration liabilities	313,901	293,592
Policy funds on deposit	152,316	119,596
Policy benefits in the course of settlement	57,126	52,281
Provision for unearned premiums	16,539	17,356
	1,917,590	1,842,998
Other liabilities		
Loans payable	26,953	36,570
Deposit liabilities	58,736	269,175
Miscellaneous liabilities	28,497	36,826
Accounts payable and accrued liabilities	85,662	74,063
TOTAL LIABILITIES	2,117,438	2,259,632
Minority interest in subsidiaries	56,289	55,446
EQUITY		
Share capital	432,495	432,495
Reserves	98,323	36,331
Retained earnings	43,317	—
Participating accounts	1,222	—
TOTAL EQUITY	575,357	468,826
Total equity and liabilities	2,749,084	2,783,904

These financial statements have been approved for issue by the Board of Directors on May 5, 2004.

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2003 (with 2002 comparative amounts for Sagicor Life Inc)
Amounts expressed in thousands of Barbados dollars

	2003	2002
Cash flows from operating activities		
Income from ordinary activities	80,218	36,943
Adjustments for non-cash items, interest and dividends	(83,227)	(25,962)
	(3,009)	10,981
Interest and dividends received	163,926	158,379
Interest paid	(36,426)	(42,264)
Corporation taxes paid	(11,357)	(9,100)
	113,134	117,996
Changes in operating assets and liabilities:		
Investment property	(3,665)	(3,026)
Equities	959	(1,498)
Bonds and treasury bills	(124,202)	(85,401)
Mortgage loans	(13,435)	(597)
Policy loans	(158)	2,800
Finance loans and leases	8,845	(9,422)
Convertible loans	814	(7,054)
Deposit investments	7,210	14,164
Repurchase agreements	(16,628)	14,715
Receivables and miscellaneous assets	(55,823)	(30,811)
Deposit liabilities	(13,347)	28,764
Payables and miscellaneous liabilities	110,179	54,774
Net cash from operating activities	13,883	95,404
Cash flows from investing activities		
Property, plant and equipment	(22,471)	(11,098)
Associated companies	(3,224)	(915)
Proceeds from divestitures, net of cash	(13,976)	23,530
Subsidiaries acquired, net of cash	—	(135,313)
Net cash used in investing activities	(39,671)	(123,796)
Cash flows from financing activities		
Common shares issued	—	142,904
Dividends paid to shareholders	(7,801)	—
Shares issued to minority interest	1,612	—
Dividends paid to minority interest	(3,375)	—
Loans payable	(9,617)	(6,942)
Net cash (used in) / from financing activities	(19,181)	135,962
Effects of exchange rate changes	796	132
Net (decrease) / increase in cash and cash equivalents	(44,173)	107,702
Cash and cash equivalents, beginning of year	205,969	98,267
Cash and cash equivalents, end of year	161,796	205,969

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(with 2002 comparative amounts for Sagicor Life Inc)
Amounts expressed in thousands of Barbados dollars

	Year ended December 31, 2003				
	SHARE CAPITAL	RESERVES	RETAINED EARNINGS	PARTICIPATING ACCOUNTS	TOTAL
Balance as of January 1, 2003	432,495	36,331	—	—	468,826
Net gains realised on available for sale investments	—	(3,082)	—	—	(3,082)
Net unrealised gains on available for sale investments	—	74,969	—	—	74,969
Net unrealised gains on revaluation of owner-occupied property	—	1,889	—	—	1,889
Currency re-translation	—	(14,719)	—	—	(14,719)
Net gains not recognised in income	—	59,057	—	—	59,057
Net income for the year	—	—	56,901	(1,278)	55,623
Transfers	—	2,935	(5,435)	2,500	—
Dividends on common shares - 3 cents per share	—	—	(7,801)	—	(7,801)
Dividends on preference shares of a subsidiary	—	—	(348)	—	(348)
Balance as of December 31, 2003	432,495	98,323	43,317	1,222	575,357

	Year ended December 31, 2002			
	SHARE CAPITAL	RESERVES	POLICYHOLDERS' SURPLUS / RETAINED EARNINGS	TOTAL
Balance as of January 1, 2002	—	(7,133)	310,888	303,755
Net gains realised on available for sale investments	—	(4,412)	—	(4,412)
Net unrealised gains on available for sale investments	—	16,181	—	16,181
Net unrealised gains on revaluation of owner-occupied property	—	2,499	—	2,499
Currency re-translation	—	(6,997)	—	(6,997)
Net gains not recognised in income	—	7,271	—	7,271
Net income for the year	—	—	13,504	13,504
Transfers to statutory reserves	—	1,151	(1,151)	—
Dividends on preference shares of a subsidiary	—	—	(380)	(380)
Adjustments to surplus and reserves	—	35,042	(33,270)	1,772
Transfer of surplus to share capital	289,591	—	(289,591)	—
Issue of share capital	142,904	—	—	142,904
Balance as of December 31, 2002	432,495	36,331	—	468,826

CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2003 (with 2002 comparative amounts for Sagicor Life Inc)
Amounts expressed in thousands of Barbados dollars

	2003	2002
REVENUE		
Net premiums and contributions	470,236	436,914
Net investment income	184,454	139,647
Share of income from associates	3,074	6,180
Fees and other revenue	47,665	38,508
Gains on divestitures	17,094	6,576
TOTAL REVENUE	722,523	627,825
POLICY BENEFITS		
Policy benefits	297,596	261,076
Increase in actuarial liabilities	84,137	74,609
TOTAL POLICY BENEFITS	381,733	335,685
EXPENSES		
Administrative expenses	163,012	137,715
Commissions and related compensation	64,857	57,768
Premium taxes	7,797	6,388
Demutualisation and rebranding expenses	2,462	7,411
Reorganisation costs	11,725	8,995
Finance costs	1,724	4,977
Amortisation of goodwill	8,995	2,461
Write-off of goodwill	—	29,482
TOTAL EXPENSES	260,572	255,197
INCOME FROM ORDINARY ACTIVITIES	80,218	36,943
Corporation taxes	(6,842)	(7,135)
NET INCOME BEFORE MINORITY INTEREST	73,376	29,808
Minority interest	(17,753)	(16,304)
NET INCOME FOR THE YEAR	55,623	13,504
Net loss attributed to participating policyholders	(1,278)	—
Net income attributed to shareholders	56,901	13,504
	55,623	13,504
Earnings per common share	22 cents	8 cents

AUDITORS' REPORT

To the Shareholders of Sagicor Financial Corporation

We have audited the accompanying consolidated balance sheet of Sagicor Financial Corporation (the Company) as of December 31, 2003 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
May 5, 2004