



SAGICOR FINANCIAL CORPORATION – FINANCIAL REPORT

NINE MONTH PERIOD ENDED SEPTEMBER 30, 2006

REPORT

For the nine month period January to September 2006, the Sagicor Group recorded net income totalling Bds \$114.2m. Income attributable to shareholders was Bds \$80.6m and basic earnings per common share were Bds 30.2 cents. If the gains arising from business combinations and acquisitions are excluded from the 2005 comparative amounts, the income attributable to shareholders for 2005 was Bds \$74.6m, and earnings per share were Bds 28.4 cents for 2005. On these bases, income attributable to shareholders from recurrent operations increased by 8%, and recurrent earnings per share increased also by 6%.

The business environment for the financial services sector continues to be a challenging one. Equity markets across the region remain stagnant and interest rates in Jamaica continue to decline. An ongoing challenge is the sourcing of new investment instruments which are suited to our long-term insurance business.

For the nine month period, revenue totalled Bds \$949.0m in 2006 and Bds \$858.0m for the comparative period in 2005. Premium revenue rose by 21% to Bds \$556.4m. Net investment and other income amounted to Bds \$392.6m, an increase of 9%.

For the nine month period benefits totalled Bds \$503.4m as compared to Bds \$443.6 in 2005. This represents an increase of 13%. Benefits comprise insurance benefits, changes in reserves for insurance benefits and interest on customer and other funds. Expenses amounted to Bds \$310.7m for the nine month period, an increase of Bds \$64.4m over 2005. Expenses include selling and administrative expenses, amortisation of intangible assets, premium taxes and finance costs.

The acquisitions completed between April and November 2005 have contributed to the growth in the respective amounts for revenue, benefits and expenses recorded in the nine month period January to September 2006 over the comparative period in 2005.

As of September 30, 2006, total assets were Bds \$6.8 billion and total liabilities were Bds \$5.7 billion. Total equity had surpassed Bds \$1.0 billion for the first time in the Group's history. Shareholders' equity amounted to Bds \$768.1m at September 30, 2006 as compared to Bds \$747.5m at December 31, 2005. Equity balances in respect of participating accounts and minority interests totalled Bds \$274.3m as of September 30, 2006, an increase of Bds \$28.2m for the nine month period.

The Group results for the quarter and for the nine month period are very encouraging. We believe that these are a reflection of the strength of our Group, and of the quality of the strategies executed to manage the Group. The continuing support of our customers and the contribution of our staff and sales agents are integral to the development and success of the Sagicor Group. We look forward with optimism to current trends continuing for the remainder of the year.

J. Arthur Bethell
Chairman
November 7, 2006

CONSOLIDATED BALANCE SHEET

<i>Amounts expressed in thousands of Barbados dollars</i>	September 30 2006 <i>(unaudited)</i>	December 31 2005 <i>(audited)</i>
ASSETS		
Financial investments	5,058,480	4,732,425
Other investments and assets	1,692,507	1,684,768
Total assets	6,750,987	6,417,193
LIABILITIES		
Policy liabilities	3,473,555	3,487,791
Other liabilities	2,235,078	1,935,795
Total liabilities	5,708,633	5,423,586
EQUITY		
Shareholders' equity	768,086	747,549
Participating accounts	41,667	34,647
Minority interest	232,601	211,411
Total equity	1,042,354	993,607
Total liabilities and equity	6,750,987	6,417,193

CONSOLIDATED INCOME STATEMENT

<i>Amounts expressed in thousands of Barbados dollars</i>	Nine months ended September 30 <i>(unaudited)</i>		Three months ended September 30 <i>(unaudited)</i>	
	2006	2005	2006	2005
	<i>(unaudited)</i>	<i>(restated)</i>	<i>(unaudited)</i>	<i>(restated)</i>
REVENUE				
Net premium revenue	556,399	458,616	195,002	155,240
Net investment and other income	392,634	360,399	131,947	85,067
Gains arising on business combinations and acquisitions	-	39,014	-	-
Total revenue	949,033	858,029	326,949	240,307
BENEFITS AND EXPENSES				
Benefits	503,424	443,591	170,980	126,788
Expenses	310,738	246,325	107,126	81,273
Total policy benefits and expenses	814,162	689,916	278,106	208,061
INCOME FROM ORDINARY ACTIVITIES	134,871	168,113	48,843	32,246
Income taxes	(20,648)	(14,586)	(7,343)	(3,807)
NET INCOME FOR THE PERIOD	114,223	153,527	41,500	28,439
Net income attributed to shareholders	80,571	113,616	30,199	21,120
Net income attributed to participating policyholders	7,582	15,282	3,248	2,420
Net income attributed to minority interest	26,070	24,629	8,053	4,899
	114,223	153,527	41,500	28,439
Net income attributed to shareholders - EPS				
Basic earnings per common share	30.2 cents	43.2 cents	11.3 cents	7.9 cents
Fully diluted earnings per common share	29.5 cents	43.2 cents	10.7 cents	7.9 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts expressed in thousands of Barbados dollars

	Nine months ended September 30, 2006					Total
	Share Capital	Reserves	Retained Earnings	Participating Accounts	Minority Interest	
Balance, beginning of period	458,451	100,794	188,304	34,647	211,411	993,607
Net losses recognised directly in equity	-	(30,614)	-	(179)	(1,260)	(32,053)
Net income for the period	-	-	80,571	7,582	26,070	114,223
Total recognised gains / (losses)	-	(30,614)	80,571	7,403	24,810	82,170
Issue of shares	5,652	-	-	-	2,385	8,037
Value of employee services rendered	525	-	-	-	-	525
Purchase of treasury shares	(4,000)	-	-	-	-	(4,000)
Dividends declared	-	-	(31,980)	-	(6,005)	(37,985)
Transfers	-	(1,249)	1,632	(383)	-	-
	2,177	(31,863)	50,223	7,020	21,190	48,747
Balance, end of period	460,628	68,931	238,527	41,667	232,601	1,042,354

	Nine months ended September 30, 2005					Total
	Share Capital	Reserves	Retained Earnings	Participating Accounts	Minority Interest	
Balance, beginning of period	432,495	167,694	93,079	1,388	65,131	759,787
Net losses recognised directly in equity	-	(59,797)	-	-	(6,778)	(66,575)
Net income for the period	-	-	113,616	15,282	24,629	153,527
Total recognised gains / (losses)	-	(59,797)	113,616	15,282	17,851	86,952
Issue of shares	25,354	-	-	-	88,355	113,709
Dividends declared	-	-	(31,600)	-	(8,131)	(39,731)
Acquisition of subsidiary and insurance business	-	-	-	-	23,644	23,644
Transfers	-	695	4,805	(5,500)	-	-
	25,354	(59,102)	86,821	9,782	121,719	184,574
Balance, end of period	457,849	108,592	179,900	11,170	186,850	944,361

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts expressed in thousands of Barbados dollars

	Nine months ended September 30	
	2006 (unaudited)	2005 (restated)
CASH FLOWS		
Cash flows from operating activities	30,487	80,484
Cash flows used in investing activities	(14,500)	(206,718)
Cash flows from financing activities	141,886	130,355
Effects of exchange rate changes	(8,881)	1,365
Net increase in cash and cash equivalents	148,992	5,486
Cash and cash equivalents at beginning of period	274,342	135,608
Cash and cash equivalents at end of period	423,334	141,094

NOTE TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These interim financial statements have been prepared in condensed form under the accounting policies adopted by the company at the close of its last financial year (December 31, 2005).

Comparative amounts for the period ended September 30, 2005 have been restated for the following.

- (a) A gain of \$12,001,000 arising on the acquisition of a 37% interest in Pan Caribbean Financial Services Limited. This gain, which is fully attributable to shareholders, was recognised in the annual 2005 accounts but not in the issued September 2005 interim financial statements.
- (b) Charges of \$6,447,000 in respect of the amortisation of the cost of intangible assets arising from business combinations in the period. \$3,496,000 is attributable to shareholders and \$2,951,000 is attributable to minority interests. Amortisation charges were recognised in the annual 2005 accounts, but not in the issued September 2005 interim financial statements.