

CHAIRMAN'S STATEMENT

OPERATING RESULTS: The financial year 2010 was a disappointing one for the Sagicor Group. Strong financial results from our core Caribbean operations were offset by losses in our global property and casualty (P&C) business written through our Lloyds Syndicate Sagicor at Lloyds, increased financing costs, and lower future investment yields which had a negative impact on actuarial liabilities. Group Net income for the year amounted to US \$41.6 million, down from a restated US \$87.6 million for 2009. Consequently, Net Income attributable to shareholders was US \$16.6 million, compared to a restated US \$66.8 million for 2009. Group total comprehensive income amounted to US \$80.6 million, of which US \$38.2 million was attributable to shareholders. The comparable restated 2009 figures were US\$100.8 million and US\$83.1 million respectively.

Earnings per Share amounted to 5.7 US cents, down from the restated 2009 earnings of 24.0 US cents. The average Return on Shareholders' Equity in 2010 was 3.0%, compared to the 2009 restated percentage of 14.5%.

FINANCIAL CONDITION: The Group's financial condition remains strong with Total Assets increasing 9.1% from US \$4.5 billion to US \$4.9 billion. Shareholders' Equity grew 5.1% from US \$538.1 million to US\$565.6 million, whilst Book Value per Share moved up 5.4% from US\$1.86 to US\$1.96. The Group's Debt to Equity Ratio was 24.6% at the end of the year compared to 29.5% one year earlier.

ANALYSIS: The primary source of the disappointing operating results was the very poor returns from our global P&C business, operated through our UK subsidiary Sagicor at Lloyds. Presented by principal operating segments and summary analysis, the Group net income attributable to shareholders for 2010 and 2009 was as follows:

Income attributable to Shareholders (in US\$000)	2010	2009 (restated)
Operating Segments		
Sagicor Life Inc	30,236	40,437
Sagicor Life Jamaica	31,960	34,155
Sagicor Europe (Sagicor at Lloyd's)	(13,124)	13,693
Sagicor USA	3,144	5,461
Other Operating Companies	2,130	4,257
Group financing costs	(18,835)	(15,105)
	35,511	82,898
Head office function and adjustments	(18,951)	(16,052)
Total net income attributable to shareholders	16,560	66,846

Sagicor at Lloyds, like other Lloyds Syndicates, had an extremely difficult year incurring a significant increase in claims from both global catastrophes and UK motor liability. I have already made mention in previous quarters of the significant impact of the February 2010 Chilean and September 2010 New Zealand earthquakes. In addition it also became necessary to increase substantially the claims provision for the UK direct motor insurance class, due to the worsening claims experience in that market, as a result of unfavourable winter conditions. These adverse claims experiences combined to produce a net loss for the year at Sagicor at Lloyds of US \$13.1 million, compared to a net profit for 2009 of US \$13.7 million.

On the other hand, Sagicor Life Jamaica and its subsidiaries Sagicor Life Cayman and Pan Caribbean Financial Services had a very good year despite a lower interest rate environment. After the Jamaica Government implemented the debt exchange programme in early 2010 (wherein higher yielding government debt securities were exchanged for lower yielding securities), interest rates and inflation have declined, and the Jamaica dollar has maintained its exchange rate with the US dollar. Net income (before allocation to shareholders) in 2010 was US \$56.3 million compared to US \$55.6 million in 2009. However, since the Group reduced its effective holding in Pan Caribbean Financial Services in the segment, from 64% to 51% in late 2009, the resulting net income attributable to shareholders fell to US \$32.0 million from US \$34.2 million in 2009.

The Sagicor Life Inc segment, which comprises the Barbados, Trinidad, Eastern Caribbean, Dutch Antilles and Belize life

insurance operations, also had a good year earning net income of US \$30.2 million, compared to US \$40.4 million for 2009. The decline in net income from 2009 is mainly as a result of the impact of changes in actuarial assumptions, which had a less beneficial impact on income in 2010. In particular, because of the general weak economic conditions, future investment yields were anticipated to decline in most territories comprising the segment and gave rise to an increase in the actuarial liabilities and a corresponding reduction in net income for 2010.

The Sagicor USA operations continue to make progress in the US writing annuity, single premium life and periodic life business in that market. During financial year 2010, the company wrote settled annualised premium totalling US \$115.5 million, comprising 64% annuity products and 36% life products. Sagicor US contributed US \$3.1 million, compared to a restated US \$5.5 million for the previous year.

Other operating companies comprise other subsidiaries not managed as part of the principal operating segments and in particular include Sagicor General Insurance Inc and Barbados Farms Limited. These entities contributed net income of US \$2.1 million in 2010, compared to US \$4.3 million in 2009. The reduced contribution reflects the lower earnings of Sagicor General as a result of reduced investment gains and increased claims resulting from hurricane Tomas.

The Group financing expense comprises the cost of the Sagicor 7.5% senior notes, and of banking and reinsurance financing facilities. These principally finance our UK and USA operations. The increase for the year arises primarily from interest on a new bank loan taken out in late 2009 and from the cost of additional reinsurance financing.

In the statement of income, total revenue for the year was US \$1,256.1 million (2009 - US \$1,205.3 million) and was distributed 59% (2009 - 63%) across the Caribbean region, 28% (2009 - 21%) in the UK and 13% (2009 - 16%) in the USA. Property and casualty premium increased to US \$350.2 million from US \$249.5 million in 2009, while annuity premium fell to US \$127.7 million from US \$172.4 million in 2009. These amounts reflect the increased business in the UK and a reduction in annuity business written in the USA.

Net policy benefits totalled US \$691.7 million for the year, up from US \$606.3 million in 2009. Property and casualty claims increased significantly to US \$243.3 million from US \$135.8 million. However interest expense declined to US \$78.0 million from US \$101.9 million in 2009. This is largely a consequence of the reduction in interest rates in Jamaica.

Total expenses recorded were US \$429.4 million (2009 - US \$390.2 million). Increased commission and administrative expenses arose directly as a consequence of the shift in premium to the UK operations in 2010.

Other comprehensive income consists of net gains or losses resulting from movements in fair value of assets, and currency translation gains or losses from holding foreign currency subsidiaries. The Group recorded net gains of US \$33.3 million resulting from movements in the fair value of assets and net gains of US \$6.0 million in respect of currency translation. Other comprehensive income totalled US \$39.0 million for

the period, of which US \$21.6 million was attributable to shareholders.

OUTLOOK: 2010 was the seventh most expensive year for catastrophes for the P&C insurance industry since 1970, according to the latest sigma study by Swiss Re. Insurance losses were up 60% over 2009 which was a relatively benign year. The Sagicor at Lloyd's business as a part of the Lloyds environment has exposures to global insurance catastrophes. 2011 is also shaping up to be an active year for catastrophes. Events have occurred in 2011 to date include the Queensland Australia floods and cyclone, and the earth quake in Christchurch New Zealand, and the earthquake and tsunami across parts of Japan. We anticipate that Sagicor will incur insurance claims arising out of these events. Though we have significant reinsurance coverage in place, the magnitude and number of these events within a space of three months will have an adverse effect on our first quarter 2011 results. Notwithstanding this, Sagicor at Lloyd's has more than adequate resources and capital to meet these anticipated obligations. Management have reviewed the current risk profile of the Syndicate and are in the process of taking corrective actions to reduce the level of exposure to global catastrophes. We expect that these changes will take effect from the second half of the year.

The global economy continues to show signs of improvement. Despite civil unrest in several areas and increasing oil prices we remain optimistic that 2011 will be a year of moderate growth for the global economy. Caribbean economies continued to experience difficulty during 2010 as the benefits from the global up turn are yet to be felt in our region. Going forward, we expect that the region will gradually emerge from the global economic down turn and return to a period of modest growth.

For the Sagicor Group, our traditional operations performed well during 2010 despite challenging economic circumstances. We are confident of a similar performance in 2011. Once the corrective action at Sagicor at Lloyds begins to impact our Group, we expect our results to return to the strong levels of previous years.

DIVIDEND: Despite the reduced operating results in 2010, and the challenging prospects arising from the property and casualty experience in the first quarter of 2011, the Group remains in strong financial condition. Accordingly, the Board has decided to declare a final dividend of US 2 cents for 2010 which taken with the interim dividend paid in October 2010 maintains a total dividend of US 4 cents for the year.

On behalf of the Board, I sincerely thank our policyholders, clients, staff, insurance advisors and business partners for their continued and valued support to Sagicor in 2010.



Stephen McNamara
 Chairman
 March 31, 2011.

FINANCIAL HIGHLIGHTS (in US currency except percentage amounts)	Year ended December 31	
	2010	2009 (restated)
Group net income	\$41.6m	\$87.6m
Total Group comprehensive income	\$80.6m	\$100.8m
Net income attributable to shareholders	\$16.6m	\$66.8m
Total comprehensive income attributable to shareholders	\$38.2m	\$83.1m
Annualised income return on shareholders' equity	3.0%	14.5 %
Annualised comprehensive income return on shareholders' equity	7.0%	18.4%
Dividends per share	4.0 ¢	4.0 ¢
Shareholders' equity	\$565.6m	\$538.1m
Book value per share	\$1.96	\$1.86
Revenue	\$1,256.1m	\$1,205.3m

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2010	2010	2009 (restated)
<i>Amounts expressed in US \$000</i>		
ASSETS		
Investment property	119,169	116,845
Property, plant and equipment	131,407	128,883
Investment in associated companies	32,929	32,674
Intangible assets	123,379	129,428
Financial investments	3,636,832	3,274,442
Reinsurance assets	281,848	294,879
Income tax assets	27,764	31,790
Miscellaneous assets and receivables	295,288	255,011
Cash resources	218,635	196,020
Total assets	4,867,251	4,459,972
LIABILITIES		
Actuarial liabilities	1,753,712	1,612,531
Other insurance liabilities	664,881	501,769
Investment contract liabilities	294,338	304,397
Total policy liabilities	2,712,931	2,418,697
Notes and loans payable	181,885	200,844
Deposit and security liabilities	983,551	907,487
Provisions	38,834	39,359
Income tax liabilities	23,800	16,490
Accounts payable and accrued liabilities	187,409	195,667
Total liabilities	4,128,410	3,778,544
EQUITY		
Share capital	277,172	278,252
Reserves	(14,406)	(42,609)
Retained earnings	302,786	302,431
Total shareholders' equity	565,552	538,074
Participating accounts	4,347	5,851
Minority interest in subsidiaries	168,942	137,503
Total equity	738,841	681,428
Total equity and liabilities	4,867,251	4,459,972

These financial statements have been approved for issue by the Board of Directors on March 31, 2011



Director



Director



Wise Financial Thinking for Life

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 2010	2010	2009 (restated)
<i>Amounts expressed in US \$000</i>		
REVENUE		
Premium revenue	1,047,021	1,007,526
Reinsurance premium expense	(146,071)	(164,584)
Net premium revenue	900,950	842,942
Net investment income	293,280	294,216
Fees and other revenue	61,867	68,176
Total revenue	1,256,097	1,205,334
BENEFITS		
Policy benefits and change in actuarial liabilities	745,079	657,731
Policy benefits and change in actuarial liabilities reinsured	(53,370)	(51,389)
Net policy benefits and change in actuarial liabilities	691,709	606,342
Interest expense	77,997	101,899
Total benefits	769,706	708,241
EXPENSES		
Administrative expenses	212,092	198,362
Commissions and related compensation	174,116	149,685
Premium taxes	8,600	8,123
Finance costs	16,369	15,375
Depreciation and amortisation	18,269	18,659
Total expenses	429,446	390,204
INCOME BEFORE TAXES	56,945	106,889
Income taxes	(15,310)	(19,332)
NET INCOME FOR THE YEAR	41,635	87,557
NET INCOME ATTRIBUTABLE TO:		
Shareholders	16,560	66,846
Participating policyholders	(1,265)	(4,351)
Minority interest	26,340	25,062
	41,635	87,557
Net income attributable to shareholders - EPS		
Basic earnings per common share	5.7 cents	24.0 cents
Fully diluted earnings per common share	5.7 cents	23.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2010	2010	2009 (restated)
<i>Amounts expressed in US \$000</i>		
NET INCOME FOR THE YEAR	41,635	87,557
OTHER COMPREHENSIVE INCOME		
Changes in fair value reserves:		
Owner occupied property	770	1,331
Available for sale financial assets	43,097	43,890
Actuarial liabilities	(10,576)	(17,106)
Cash flow hedges	-	(1,701)
	33,291	26,414
Retranslation of foreign currency operations	6,007	(12,996)
Other items	(309)	(129)
Other comprehensive income for the year, net of tax	38,989	13,289
TOTAL COMPREHENSIVE INCOME, NET OF TAX	80,624	100,846
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders	38,208	83,053
Participating policyholders	(1,247)	(4,533)
Minority interest	43,663	22,326
	80,624	100,846
Total comprehensive income attributable to shareholders:		
Total comprehensive income per common share	13.2 cents	29.8 cents
Total comprehensive income per common share on a fully diluted basis	13.1 cents	29.7 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2010

Amounts expressed in US \$000

	Share Capital	Reserves	Retained Earnings	Total shareholders equity	Participating Accounts	Minority Interest	Total equity
Year ended December 31, 2010							
Balance, beginning of year, as restated	278,252	(42,609)	302,431	538,074	5,851	137,503	681,428
Total comprehensive income	-	21,648	16,560	38,208	(1,247)	43,663	80,624
Issue of shares	659	-	-	659	-	264	923
Dividends declared	-	-	(11,591)	(11,591)	-	(8,988)	(20,579)
Disposal of interest in subsidiary	-	64	-	64	-	(3,722)	(3,658)
Other movements	(1,739)	6,491	(4,614)	138	(257)	222	103
Balance, end of year	277,172	(14,406)	302,786	565,552	4,347	168,942	738,841
Year ended December 31, 2009 (restated)							
Balance, beginning of year	258,153	(72,577)	264,030	449,606	10,644	121,397	581,647
Total comprehensive income	-	16,336	66,717	83,053	(4,533)	22,326	100,846
Issue of shares	20,981	-	-	20,981	-	630	21,611
Dividends declared	-	-	(11,117)	(11,117)	-	(11,333)	(22,450)
Changes in the ownership interest of subsidiaries	-	6,756	(11,363)	(4,607)	-	4,332	(275)
Other movements	(882)	6,876	(5,836)	158	(260)	151	49
Balance, end of year	278,252	(42,609)	302,431	538,074	5,851	137,503	681,428

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2010

Amounts expressed in US \$000

	2010	2009 (restated)
OPERATING ACTIVITIES		
Income before taxes	56,945	106,889
Adjustments for non-cash items, interest and dividends	(13,736)	38,576
Interest and dividends received	244,164	246,714
Interest paid	(95,283)	(113,345)
Income taxes paid	(17,506)	(16,436)
Changes in operating assets	(355,140)	(347,772)
Changes in operating liabilities	168,348	164,081
Net cash flows (used in) / from operating activities	(12,208)	78,707
INVESTING ACTIVITIES		
Property, plant and equipment, net	(10,252)	(9,634)
Investment in associated companies, net	1,357	(337)
Intangible assets, net	(5,066)	(2,684)
Divestiture and acquisition of subsidiaries and insurance businesses, net of cash and cash equivalents	11,543	(442)
Net cash flows used in investing activities	(2,418)	(13,097)
FINANCING ACTIVITIES		
Common shares issued	-	19,562
Net purchase of treasury shares	(1,739)	(882)
Dividends paid to shareholders	(11,441)	(10,606)
Shares issued to minority interest	114	762
Dividends paid to minority interest	(8,988)	(11,248)
Notes and loans payable, net	(14,452)	36,833
Net cash flows (used in) / from financing activities	(36,506)	34,421
Effects of exchange rate changes	582	2,735
NET CHANGE IN CASH AND CASH EQUIVALENTS	(50,550)	102,766
Cash and cash equivalents, beginning of year	329,618	226,852
CASH AND CASH EQUIVALENTS, END OF YEAR	279,068	329,618

NOTE TO THE FINANCIAL STATEMENTS

These summary financial statements have been extracted from the Company's audited financial statements for the year ended December 31, 2010.

AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the Shareholders of
Sagicor Financial Corporation

The accompanying summary consolidated financial statements, which comprise the consolidated statement of financial position as of December 31, 2010, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended are derived from the audited financial statements of Sagicor Financial Corporation for the year ended December 31, 2010. We expressed an unqualified audit opinion on those consolidated financial statements in our report dated March 31, 2011. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Sagicor Financial Corporation.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary of the audited financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary financial statements derived from the audited consolidated financial statements of Sagicor Financial Corporation for the year ended December 31, 2010, are consistent, in all material respects, with those financial statements.

PricewaterhouseCoopers,

PricewaterhouseCoopers
Chartered Accountants
Bridgetown, Barbados
April 5, 2011