



# SAGICOR FINANCIAL CORPORATION

## FINANCIAL RESULTS

### FOR THE YEAR ENDED DECEMBER 31, 2011

#### CHAIRMAN'S REVIEW

On behalf of the Board of Directors of Sagicor Financial Corporation, I am pleased to report to you on the 2011 performance of the Sagicor Group.

A strong performance from Sagicor Life Jamaica, together with solid performances from the rest of Sagicor Caribbean and Sagicor USA, allowed the Sagicor Group to counter the impact of exceptional catastrophe losses at Sagicor at Lloyds to post Group net income of US \$31.8 million for the financial year 2011. Group net income for 2010 was US \$41.6 million. Net income attributable to shareholders for 2011 was US \$1.0 million, compared to US \$16.6 million.

As reported in previous quarters, 2011 was a record year for catastrophes. As a result, Sagicor at Lloyd's incurred significant underwriting losses on its international property reinsurance assumed business during the year. In addition, the segment also incurred losses in its UK motor direct business. Together, these combined to produce losses at Sagicor at Lloyds of US \$33.4 million for 2011. These losses dampened an otherwise solid performance for the remainder of the Sagicor Group. The overall impact of the results of Sagicor at Lloyd's on net income is illustrated in the table below.

<i>in US \$ millions</i>	Group		Shareholder	
	2011	2010	2011	2010
Net income excluding Sagicor at Lloyd's	65.2	54.7	34.4	29.7
Net loss of Sagicor at Lloyd's	(33.4)	(13.1)	(33.4)	(13.1)
Net income for the year	31.8	41.6	1.0	16.6

The net income of US \$65.2 million from other Group operations (US \$34.4 million to shareholders) represents the creditable performance of our other business lines. This result is net of Group finance costs, which arise from funds utilised mainly to support our expansion in the USA and UK.

In reviewing the consolidated statement of income, the Group continues to record growth in business.

Group revenue for 2011 totalled US \$1,350.6 million and increased by US \$94.5 million over that for 2010. Premium revenue reached \$1,000.4 million, increasing by 11.5%. Life, annuity, property and casualty insurance premiums recorded growth. Net investment income registered a marginal decline of 2.8%, totalling US \$285.0 million in 2011. This decline is a reflection of declining interest rates in Jamaica and of the need to increase provisions for the impairment of certain financial investments, particularly within the Caribbean region.

Total insurance benefits recorded were US \$757.6 million, increasing by 9.5% over 2010. All principal lines of insurance recorded increases, particularly the international property insurance lines as identified in a foregoing paragraph. Interest expense on funds deposited with Sagicor by customers and corporate institutions registered a decline of 9.1% as rates were adjusted to match the investment climate.

Total expenses increased by 11.0% to US \$476.7 million. Commission expenses accounted for some US \$33.0 million of the increase which is consistent with the growth in premium income.

In the consolidated statement of financial position, total assets surpassed the 5 billion dollar threshold in 2011. Financial investments continue to be the principal asset type and totalled US \$4.1 billion at the end of the year. Policy liabilities totalled US \$3.0 billion, while deposit and security liabilities totalled US 1.1 billion.

At December 31, 2011, total equity reached US \$797.5 million, with shareholders' equity totalling \$607.1 million. Shareholders' equity increased during the year with the successful offering of common and preference shares (the latter being partly classified as equity). The book value per common share was US \$1.92 per share (2010 – US \$1.96). The Group's debt is represented by notes and loans payable in the statement of financial position. Debt totalled US \$232.5 million and the debt to equity ratio was 29.2% at the end of the year. Debt increased during 2011 with the successful offering of preference shares in July.

For Sagicor, 2011 was a year in which the natural catastrophes in the international property reinsurance market over shadowed the overall performance of the Group. The Group has now exited the international property reinsurance market and UK direct motor market with only run-off exposure in 2012. We expect that with the experience of 2011 behind us, the Group will record substantially improved returns to our shareholders in 2012.

The global economy continues to show signs of improvement. Improvements in the US economy and a resolution to the Greek debt crisis augurs well for a return to modest growth. However, the Caribbean economies have continued to experience difficulty in 2011 as Governments struggle with rising fiscal deficits and high debt to GDP ratios. We therefore expect a period of continued weakness in the region with a challenging business environment. At Sagicor, we continue to make adjustments to our operations as we navigate through these challenging times.

The Board has decided to maintain a final dividend of US 2 cents for 2011, making a total dividend of US 4 cents for the year. The Board has also declared a dividend of US 3.25 cents on the Company's preference shares. Both dividends will be paid on May 15.

On behalf of the Board, I wish to sincerely thank our policyholders, clients, staff, insurance advisors and business partners for their continued and valued support to Sagicor throughout 2011.

Stephen McNamara  
Chairman  
March 30, 2012.

FINANCIAL HIGHLIGHTS <i>(in US currency except percentages)</i>	Year ended December 31	
	2011	2010
Group net income	\$31.8m	\$41.6m
Total Group comprehensive income	\$33.5m	\$80.6m
Net income attributable to shareholders	\$1.0m	\$16.6m
Total comprehensive income attributable to shareholders	\$3.7m	\$38.2m
Annualised income return on shareholders' equity	0.2%	3.0%
Annualised comprehensive income return on shareholders' equity	0.6%	7.0%
Dividends per common share	4.0 ¢	4.0 ¢
Book value per common share	\$1.92	\$1.96
Revenue	\$1,350.6m	\$1,256.1m
Total equity	\$797.5m	\$738.8m

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As of December 31, 2011

Amounts expressed in US \$000

	2011	2010
<b>ASSETS</b>		
Investment property	122,185	119,169
Property, plant and equipment	137,017	131,407
Investment in associated companies	33,683	32,929
Intangible assets	120,787	123,379
Financial investments	4,092,166	3,636,832
Reinsurance assets	331,309	281,848
Income tax assets	41,706	27,764
Miscellaneous assets and receivables	300,558	295,867
Cash resources	184,662	218,635
<b>Total assets</b>	<b>5,364,073</b>	<b>4,867,830</b>
<b>LIABILITIES</b>		
Actuarial liabilities	1,876,477	1,753,712
Other insurance liabilities	788,680	665,634
Investment contract liabilities	315,559	294,338
Total policy liabilities	2,980,716	2,713,684
Notes and loans payable	232,530	181,885
Deposit and security liabilities	1,083,565	983,551
Provisions	44,172	38,834
Income tax liabilities	31,170	23,800
Accounts payable and accrued liabilities	194,387	187,235
<b>Total liabilities</b>	<b>4,566,540</b>	<b>4,128,989</b>
<b>EQUITY</b>		
Share capital	296,048	277,172
Reserves	20,865	(14,406)
Retained earnings	290,222	302,786
Total shareholders' equity	607,135	565,552
Participating accounts	2,201	4,347
Minority interest in subsidiaries	188,197	168,942
<b>Total equity</b>	<b>797,533</b>	<b>738,841</b>
<b>Total equity and liabilities</b>	<b>5,364,073</b>	<b>4,867,830</b>

These financial statements have been approved for issue by the Board of Directors on March 30, 2012.



Director



Director

**CONSOLIDATED STATEMENT OF INCOME**

Year ended December 31, 2011

Amounts expressed in US \$000

	2011	2010
<b>REVENUE</b>		
Premium revenue	1,165,679	1,047,021
Reinsurance premium expense	(161,352)	(146,071)
Net premium revenue	1,004,327	900,950
Net investment income	284,967	293,280
Fees and other revenue	61,322	61,867
<b>Total revenue</b>	<b>1,350,616</b>	<b>1,256,097</b>
<b>BENEFITS</b>		
Policy benefits and change in actuarial liabilities	871,285	745,079
Policy benefits and change in actuarial liabilities reinsured	(113,660)	(53,370)
Net policy benefits and change in actuarial liabilities	757,625	691,709
Interest expense	70,995	77,997
<b>Total benefits</b>	<b>828,620</b>	<b>769,706</b>
<b>EXPENSES</b>		
Administrative expenses	223,681	212,092
Commissions and related compensation	207,154	174,116
Premium taxes	9,448	8,600
Finance costs	17,077	16,369
Depreciation and amortisation	19,307	18,269
<b>Total expenses</b>	<b>476,667</b>	<b>429,446</b>
<b>INCOME BEFORE TAXES</b>	<b>45,329</b>	<b>56,945</b>
Income taxes	(13,486)	(15,310)
<b>NET INCOME FOR THE YEAR</b>	<b>31,843</b>	<b>41,635</b>
<b>Net income is attributable to:</b>		
Common shareholders	973	16,560
Participating policyholders	(1,878)	(1,265)
Minority interests	32,748	26,340
	31,843	41,635
<b>Earnings per common share:</b>		
Basic earnings per common share	0.2 cents	5.7 cents
Fully diluted earnings per common share	0.2 cents	5.7 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Year ended December 31, 2011

Amounts expressed in US \$000

	2011	2010		2011	2010
<b>OTHER COMPREHENSIVE INCOME</b>			<b>TOTAL COMPREHENSIVE INCOME</b>		
<b>Items net of tax that may be reclassified subsequently to income:</b>			<b>Net income</b>	31,843	41,635
Available for sale assets:			<b>Other comprehensive income</b>	1,695	38,989
Unrealised gains / (losses) arising on revaluation	17,286	47,542	<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>33,538</b>	<b>80,624</b>
(Gains) / losses transferred to income	(5,338)	(4,445)	<b>Total comprehensive income is attributable to:</b>		
Net change in actuarial liabilities	(11,459)	(10,576)	Common shareholders	3,685	38,208
Retranslation of foreign currency operations	(1,803)	6,007	Participating policyholders	(1,893)	(1,247)
Other items	-	(309)	Minority interests	31,746	43,663
	(1,314)	38,219		33,538	80,624
<b>Items net of tax that will not be reclassified subsequently to income:</b>			<b>Total comprehensive earnings per common shares:</b>		
Unrealised gains / (losses) arising on revaluation of owner occupied property	3,009	770	Basic total comprehensive earnings per common share	1.1 cents	13.2 cents
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,695</b>	<b>38,989</b>			

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2011

Amounts expressed in US \$000

	Share Capital	Reserves	Retained Earnings	Total Shareholders Equity	Participating Accounts	Minority Interests	Total Equity
<b>Year ended December 31, 2011</b>							
Balance, beginning of year	277,172	(14,406)	302,786	565,552	4,347	168,942	738,841
Total comprehensive income	-	2,712	973	3,685	(1,893)	31,746	33,538
Transactions with holders of equity instruments:							
Allotments of common shares	19,799	-	-	19,799	-	-	19,799
Movements in treasury shares	(923)	-	-	(923)	-	-	(923)
Net allocation to preference share reserve	-	31,309	-	31,309	-	-	31,309
Changes in reserve for equity compensation benefits	-	2,047	-	2,047	-	(50)	1,997
Dividends declared	-	-	(14,328)	(14,328)	-	(13,489)	(27,817)
Transfers and other movements	-	(797)	791	(6)	(253)	1,048	789
Balance, end of year	296,048	20,865	290,222	607,135	2,201	188,197	797,533

**Year ended December 31, 2010**

Balance, beginning of year	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
Transactions with holders of equity instruments:							
Allotments of common shares	659	-	-	659	-	264	923
Movements in treasury shares	(1,739)	-	-	(1,739)	-	-	(1,739)
Changes in reserve for equity compensation benefits	-	2,321	-	2,321	-	-	2,321
Dividends declared	-	-	(11,591)	(11,591)	-	(8,988)	(20,579)
Disposal of interest in subsidiary	-	64	-	64	-	(3,722)	(3,658)
Transfers and other movements	-	4,170	(4,614)	(444)	(257)	222	(479)
Balance, end of year	277,172	(14,406)	302,786	565,552	4,347	168,942	738,841

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2011

Amounts expressed in US \$000

### OPERATING ACTIVITIES

	2011	2010
Income before taxes	45,329	56,945
Adjustments for non-cash items, interest and dividends	(63,616)	6,538
Interest and dividends received	249,266	244,219
Interest paid	(83,487)	(95,283)
Income taxes paid	(19,823)	(17,506)
Net increase in investments and operating assets	(459,032)	(377,234)
Net increase in operating liabilities	269,107	170,042
<b>Net cash flows - operating activities</b>	<b>(62,256)</b>	<b>(12,279)</b>

### INVESTING ACTIVITIES

Property, plant and equipment, net	(12,792)	(10,252)
Investment in associated companies, net	1,655	1,357
Intangible assets, net	(6,226)	(5,066)
Divestiture and acquisition of subsidiaries and insurance businesses, net of cash and cash equivalents	-	11,543
<b>Net cash flows - investing activities</b>	<b>(17,363)</b>	<b>(2,418)</b>

### FINANCING ACTIVITIES

Allotment of common shares	19,799	-
Movement in treasury shares	(1,358)	(1,739)
Allotment of preference shares	115,906	-
Shares issued to minority interests	197	114
Other notes and loans payable, net	(36,808)	(14,452)
Dividends paid to common shareholders	(11,589)	(11,441)
Dividends paid to preference shareholders	(2,544)	-
Dividends paid to minority interests	(13,489)	(8,988)
<b>Net cash flows - financing activities</b>	<b>70,114</b>	<b>(36,506)</b>

### Effects of exchange rate changes

	(4,904)	653
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### NET CHANGE IN CASH AND CASH EQUIVALENTS

Cash and cash equivalents, beginning of year	279,068	329,618
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>264,659</b>	<b>279,068</b>

## 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, 2011.

## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of  
Sagikor Financial Corporation

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as of December 31, 2011, the summary consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and related notes are derived from the audited consolidated financial statements of Sagikor Financial Corporation for the year ended December 31, 2011. We expressed an unqualified audit opinion on those consolidated financial statements in our report dated March 30, 2012.

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

### Management's Responsibility for the Summary Financial Statements

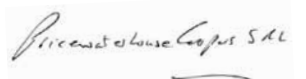
Management is responsible for the preparation of the summary of the audited consolidated financial statements.

### Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated 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 consolidated financial statements derived from the audited consolidated financial statements of Sagikor Financial Corporation for the year ended December 31, 2011, are consistent, in all material respects, with those consolidated financial statements.

  
PricewaterhouseCoopers SRL  
Bridgetown, Barbados  
March 30, 2012