

Sagicor Financial Corporation (SFC)

All figures are quoted in Barbados Dollars unless otherwise stated

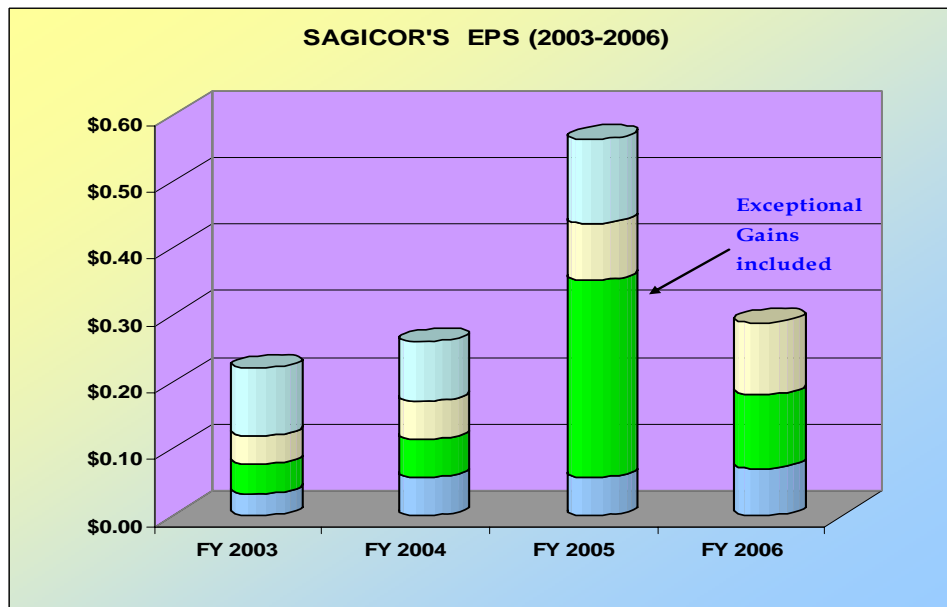
	SFC
RECOMMENDATION	BUY
Current Price	TT\$11.65
Running EPS	BBD0.42, TT\$1.34
Projected EPS	TT\$1.35
P/E at Projected EPS	8.63 times
Dividend Yield	3.43%
Return on Assets	2.31%
Return on Equity	20.10%

Results for the Nine Months Ended September 30, 2006

Earnings Per Share

For the Nine Months ended September 30, 2006, Sagicor Financial Corporation (SFC) reported diluted Earnings Per Share (EPS) of 29.5 cents. Although this represents a fall of 31.71 per cent or 13.7 cents on the comparable EPS of the same period in 2005, it should be noted that there were exceptional gains of \$39.01 million in 2005. These gains were realized in the first half of 2005 and consequently impacted the Nine Month period of that year. If the gains are excluded from the comparative amounts in 2005, the diluted EPS for the Nine Months ended September 30, 2005 would be 28.4 cents. Using the EPS adjusted for exceptional items as the comparative EPS, the period under review was actually up by 3.87 per cent. Additionally, for the three months ended September 30, 2006 the EPS stood at 10.7 cents, an increase of 35.44 per cent on the corresponding EPS of 7.9 cents in the third quarter of 2005. (See Graph 1)

Graph 1





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Financials

Net Premium Revenue for the nine months amounted to \$556.40 million, representing a significant increase of 21.32 per cent on the comparable period in 2005. Q3 2006 on Q2 2006, this figure was up by \$12.92 million or 7.10 per cent. Net Investment and Other Income also increased nine months on nine months, moving up 8.94 per cent to end the period at \$392.63 million. As a result, the Total Revenue for the period stood at \$949.03 million, showing an increase of 10.61 per cent or \$91.04 million on the same period in 2005 (inclusive of exceptional gains). Excluding the exceptional gains, the Total Revenue would be up by 15.87 per cent or \$130.02 million.

Benefits, which include, insurance benefits, changes in reserves for insurance benefits and interest on customer and other funds, totaled \$503.42 million. This figure increased by 13.49 per cent or \$59.83 million on the corresponding period of 2005. While Expenses which include: selling and administrative expenses, amortization of intangible assets, premium taxes and finance costs, amounted to \$310.74 million. This represents a substantial increase of 26.15 per cent or \$64.41 million over the figure for 2005. Consequently, Total Benefits and Expenses rose by a significant 18.01 per cent to end the period under review at \$814.16 million.

The Chairman has stated that acquisitions completed between April and November 2005 have contributed to the growth in the respective amounts for revenue, benefits and expenses recorded in the current nine month period over the comparative period in 2005.

Income from Ordinary Activities for the nine month period stood at \$134.87 million. When compared to the corresponding period in 2005, this figure (inclusive of exceptional gains) was down by a significant 19.77 per cent. However, if we exclude the exceptional gains from 2005, the Income from Ordinary Activities would be up 4.47 per cent, nine months on nine months. Additionally, if we compare this figure for Q3 2006 on Q3 2005, there is a substantial increase of 51.47 per cent or \$16.60 million.

The Effective Tax Rate for the nine month period under review was 15.31 per cent, while for the same period in 2005 it was 8.68 per cent. Net Income for the period amounted to \$114.22 million, down by 25.60 per cent or \$39.31 million on the comparable period in 2005 (including exceptional gains). Excluding the exceptional gains, the Net Income would actually have been up by a marginal 0.25 per cent.

Assets, Liabilities and Equity

Assets as at September 30, 2006 totaled \$6.75 billion, while Total Liabilities amounted to \$5.71 billion. For the first time in the Group's history, Total Equity has surpassed \$1 billion, ending the period at \$1.04 billion. Shareholder's Equity for the period amounted to \$768.09 million, compared to \$747.55 million as at September 30, 2005.



Table 1 shows SFC's Financial Data Comparison for Nine Months 2006 on 2005; Q3 2006 on Q3 2005 and Q2 2006.

Table 1

Sagikor Financial Corporation (SFC) Half Year Financial Data (2005-2006)								
	Nine Months 2006 \$'000	Nine Months 2005 \$'000	% Change 2005-2006	Q3 2006 \$'000	Q3 2005 \$'000	% Change Q3 05-Q3 06	Q2 2006 \$'000	% Change Q2 06-Q3 06
Net Premium Revenue	556,399	458,616	21.32%	195,002	155,240	25.61%	182,079	7.10%
Net Investment and Other Income	392,634	360,399	8.94%	131,947	85,067	55.11%	137,885	-4.31%
Gains arising on business combinations and acquisitions	-	39,014		-	-		-	
Total Revenue	949,033	858,029	10.61%	326,949	240,307	36.05%	319,964	2.18%
Benefits	503,424	443,591	13.49%	170,980	126,788	34.86%	160,932	6.24%
Expenses	310,738	246,325	26.15%	107,126	81,273	31.81%	104,641	2.37%
Total Benefits and Expenses	814,162	689,916	18.01%	278,106	208,061	33.67%	265,573	4.72%
Income from Ordinary Activities	134,871	168,113	-19.77%	48,843	32,246	51.47%	77,438	-36.93%
Income Taxes	(20,648)	(14,586)	41.56%	(7,343)	(3,807)	92.88%	(7,973)	-7.90%
Net Income	114,223	153,527	-25.60%	41,500	28,439	45.93%	69,465	-40.26%
EPS (Diluted)	\$0.30	\$0.43	-31.71%	\$0.11	\$0.08	35.44%	\$0.11	-3.60%

Table 2 shows Year End Financial Data Comparison for Sagikor over the period 2004 - 2005.

Table 2

SFC's Year End Financial Data (2004-2005)			
	YE 2005 BBD '000	% Change '04-'05	YE 2004 BBD '000
Net Premium Revenue	639,196	18.91%	537,538
Net Investment and Other Income	534,785	79.80%	297,434
Total Revenue	1,173,981	40.60%	834,972
Benefits	595,589	23.77%	481,209
Expenses	354,737	29.53%	273,864
Total Benefits and Expenses	950,326	25.86%	755,073
Income from Ordinary Activities	223,655	179.92%	79,899
Income Taxes	(24,046)	247.69%	(6,916)
Net Income	199,609	173.50%	72,983
EPS (BBD)	\$0.52	100.00%	\$0.26
Market Price @ Financial Year End (TT\$)	\$13.91	-0.64%	\$14.00
P/E Ratio @ Financial Year End	8.33		17.26
Dividend (BBD)	\$0.12	20.00%	\$0.10
Dividend Payout Ratio	23.08%		38.46%
Dividend Yield	2.78%		2.23%
Net Asset Value (BBD)	\$3.73	27.74%	\$2.92
Market to Book Ratio	1.16		1.55
Return on Equity	27.71%		11.41%
Return on Assets	4.18%		2.48%
Shares Outstanding '000	266,134		260,030

***Currency Conversions for Ratio Calculations were done through the use of www.oanda.com as at Dec 31, 2004 and 2005.



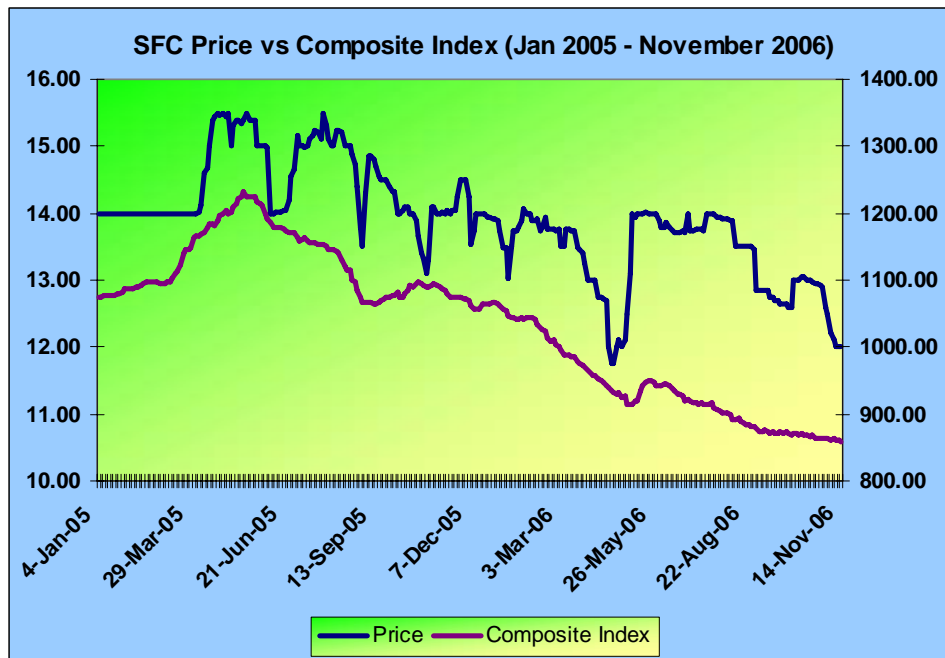
Listing on LSE and Removal of 20% Restriction

As part of its global business strategy, Sagicor is seeking to list on the London Stock Exchange (LSE). However, the Company's share ownership restriction did not comply with standards of the United Kingdom Licensing Authority and as such the Company had to remove these restrictions in order to carry on with its bid to list internationally. Thus, following the removal of the 5 per cent share ownership restriction on August 11, 2006; the Company held a Special Meeting of Shareholders on November 8, 2006 and the Resolution to remove the 20 per cent share ownership restriction was passed.

Share Price

Since April 2005, the share price of Sagicor has been extremely volatile, trading as high as TT\$15.50 and as low as TT\$11.75. As mentioned in previous reports, the volatility in price of Sagicor shares is mostly due to technical market forces rather than the fundamental value of the share. As can be seen from **Graph 2** below, there is no direct relationship between movements in the Composite Index and SFC's share price.

Graph 2



Chairman's Outlook and Recommendation

The Chairman is encouraged by the nine months results and is optimistic that current trends will continue for the remainder of the year. The shares of SFC are currently trading at a price of TT\$11.65 and at our Forecasted EPS of TT\$1.35, these shares are trading at a very attractive multiple of 8.63 times. Given these fundamentals, the current results and the forward looking statements of the Chairman, we continue to recommend a **BUY** on this share.

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