

Sagicor Financial Corporation (SFC)

All figures quoted in Barbados Dollars unless otherwise stated

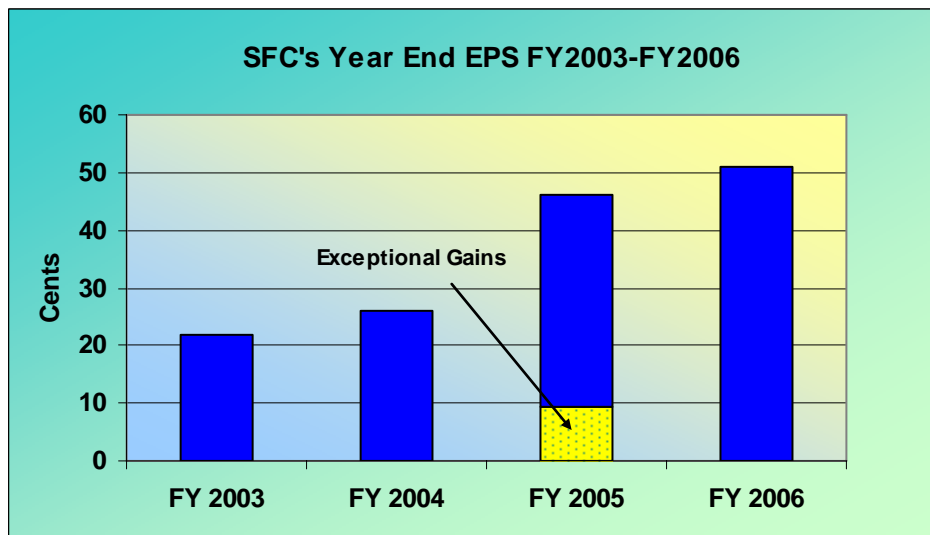
| <u>SYMBOL</u> | <u>SFC</u> |
|-----------------------------|--------------------------|
| RECOMMENDATION | BUY |
| Current Price | TT\$13.38 |
| Running EPS | \$0.51 |
| Projected EPS | \$0.55 (TT\$1.75) |
| P/E at Projected EPS | 7.65 times |
| Dividend Yield | 3.29% |
| Return on Assets | 2.06% |
| Return on Equity | 17.37% |

Results for the Year Ended December 31, 2006

Earnings Per Share

For the Year Ended December 31, 2007, Sagicor Financial Corporation (SFC) reported Earnings Per Share (EPS) of \$0.51. This was up on the previous financial year by \$0.05 or 10.43 per cent. Additionally, it is important to note that FY2005 included one time gains arising from business combinations and acquisitions of approximately \$25.10 million or \$0.10 per share. If these one time gains were excluded the EPS for FY2006 would have been up by a significant 41.67 per cent or \$0.15. Also important to note, is the fact that these one times gains were initially estimated at approximately \$39.10 million for FY2005. However Sagicor recognized the associated foreign currency translations and goodwill disposals in income which resulted in the restatement of one time gains to \$25.10 million. Graph 1 below shows that the EPS for SFC over the period 2003 to 2006 has been growing consistently.

Graph 1





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Financials

Premium Revenue for the period under review amounted to \$937.41 million and was up on the corresponding period by \$188.70 million or 25.20 per cent. While Reinsurance Premium Expenses stood at \$182,162 up by a significant 63.10 per cent or \$70.47 million when compared to FY2005. Thus, Net Premium Revenue ended the period at \$755.24 million, an increase of 18.56 per cent or \$118.23 million on the comparable period in 2005.

Net Investment Income for the twelve months amounted to \$471.03 million and was up by 13.39 per cent on the comparative figure of \$415.42 in FY2005. The year 2006 was a year of consolidation for the Group and as such all acquisitions made in 2005 have now been fully integrated and are now contributing to the overall performance of the Group. Consequently, Share of Operating Income from Associated Companies stood at \$5.46 million and was up by a notable 57.07 per cent or \$1.98 million on the corresponding period for FY2005. Fees and Other Revenue for FY2006 totaled \$87.12 million up by \$10.16 million or 13.21 per cent on the previous financial year. As a result, the Total Revenue for FY2006 amounted to \$1.32 billion compared to \$1.16 billion in FY2005- an increase of 13.89 per cent.

While the Revenue for the Group has shown significant growth over the period, SFC continues to have high expenditure, with Benefits and Expenses amounting to \$1.12 billion for FY2006- an increase of \$154.24 million or 16 per cent on FY2005. As such, Income from Ordinary Activities stood at \$201.07 up by a small 3.41 per cent or \$6.64 million.

The Effective Tax Rate for the period under review was 13.84 per cent compared to a Tax Rate of 12.37 per cent in FY2005. Thus, the Net Income for FY2006 ended the period at \$173.25 million up by a marginal 1.68 per cent or \$2.87 million on FY2005. However, if the one time gains are excluded from the comparative results in FY2005 the Net Income from recurrent operations for FY2006 would actually be up by 19.30 per cent. Additionally, the Net Income from recurrent operations attributable to shareholders would have improved by an exceptional 40.50 per cent over FY2005.

Assets, Liabilities and Total Equity

For the year ended December 31, 2006 the Group's total assets stood at \$6.73 billion up by 5.15 per cent on FY2005, while Total Liabilities amounted to \$5.64 billion compared to \$5.44 billion in the corresponding period last financial year. SFC's Total Equity stood at \$1.08 billion at year end after surpassing the \$1 billion mark for the first time in the Group's history.

Table 1 shows Year End Financial Data for Sagicor Financial Corporation over the period 2004- 2006.

Table 1

| SFC's Year End Financial Data (2004-2006) | | | | | |
|---|-----------------------------|---------------------------------|-----------------------------|---------------------------------|-------------------------------------|
| | YE 2006 BBD '000 | % Change '05-'06 | YE 2005 BBD '000 | % Change '04-'05 | YE 2004 BBD '000 |
| Premium Revenue | 937,406 | 25.20% | 748,707 | 20.43% | 621,669 |
| Reinsurance Premium Expense | (182,162) | 63.10% | (111,689) | 32.76% | (84,131) |
| Net Premium Revenue | 755,244 | 18.56% | 637,018 | 18.51% | 537,538 |
| Net Investment Income | 471,032 | 13.39% | 415,415 | 71.00% | 242,928 |
| Share of Operating Income of Associated Companies | 5,455 | 57.07% | 3,473 | -62.53% | 9,269 |
| Fees and Other Revenue | 87,115 | 13.21% | 76,951 | 70.11% | 45,237 |
| Gains Arising on Business Combinations and Acquisitions | - | | 25,115 | | - |
| Total Revenue | 1,318,846 | 13.89% | 1,157,972 | 38.68% | 834,972 |
| Benefits | 686,124 | 12.73% | 608,666 | 26.49% | 481,209 |
| Expenses | 431,654 | 21.64% | 354,875 | 29.58% | 273,864 |
| Income from Ordinary Activities | 201,068 | 3.41% | 194,431 | 143.35% | 79,899 |
| Income Taxes | (27,818) | 15.69% | (24,046) | 247.69% | (6,916) |
| Net Income | 173,250 | 1.68% | 170,385 | 133.46% | 72,983 |
| EPS (BBD) | \$0.51 | 10.43% | \$0.46 | 76.92% | \$0.26 |
| Market Price @ Financial Year End (TT\$) | \$13.44 | -3.38% | \$13.91 | -0.64% | \$14.00 |
| P/E Ratio @ Financial Year End | 8.48 | | 8.33 | | 17.26 |
| Dividend (BBD) | \$0.13 | 8.33% | \$0.12 | 20.00% | \$0.10 |
| Dividend Payout Ratio | 25.59% | | 23.08% | | 38.46% |
| Dividend Yield | 3.02% | | 2.78% | | 2.23% |
| Net Asset Value (BBD) | \$4.05 | 8.58% | \$3.73 | 27.74% | \$2.92 |
| Market to Book Ratio | 1.06 | | 1.16 | | 1.55 |
| Return on Equity | 17.37% | | 27.71% | | 11.41% |
| Return on Assets | 2.06% | | 4.18% | | 2.48% |
| Shares Outstanding '000 | 267,567 | 0.54% | 266,134 | 2.35% | 260,030 |

Currency Conversions for ratio calculations were done through the use of www.oanda.com as at 31 Dec 2004, 2005 & 2006

Dividends

The Board of Directors has approved a final Dividend of 7 cents which brings the total Dividends paid for 2006 to 13 cents compared to 12 cents for FY2005.



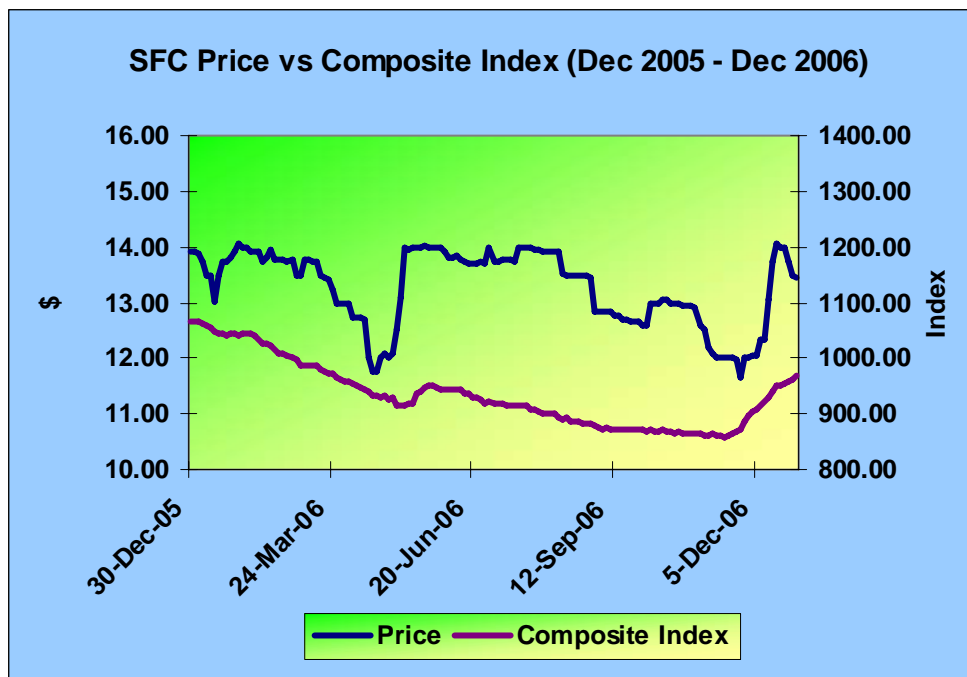
London Stock Exchange Listing

On February 14, 2006 Sagicor announced the listing of its common shares on the London Stock Exchange (LSE). There was no new issue of shares for this listing. Then on April 19, 2007 the Company announced that all of its common shares may be traded on the main market of the LSE with effect from April 20, 2007. To date, there have been no trades of SFC shares on the LSE.

Share Price

Sagicor's share price was extremely volatile for the beginning of 2006 which was a continuation of the trend from 2005. However, from May 2006 the price showed a fair amount of stability for about three months before beginning its decline to a low of \$11.65 on November 24, 2006. The price closed at \$13.44 on December 29, 2006. See **Graph 2** for the movement of SFC's share price and the Composite Index over 2006.

Graph 2

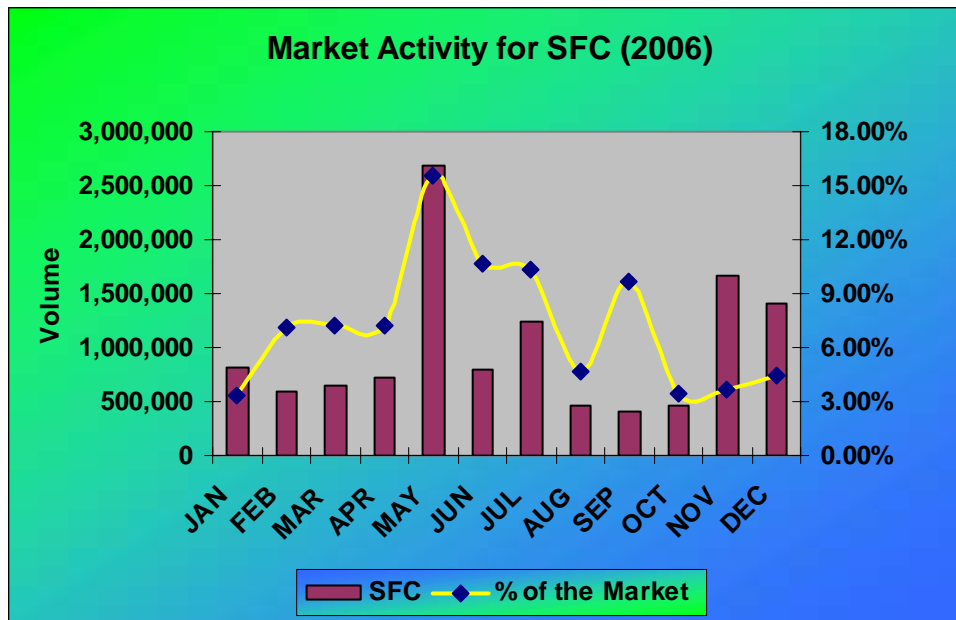




Market Activity

The year 2006 saw almost 12 million Sagicor shares change ownership, with the month of May being the most active month as 2.69 million shares crossed the floor. Additionally, May also had the largest percentage (15.61 per cent) of SFC shares traded in relation to the rest of the market for that month. September was the month with lowest volumes traded, as 0.41 million SFC shares changed hands while January saw the lowest percentage (3.36 per cent) of SFC shares traded in relation to the market. (See Graph 3)

Graph 3



Recommendation

Currently SFC is trading at a price of TT\$13.38 on the local market. In light of the current results we are forecasting an EPS of \$0.55 (TT\$1.75) for FY2007. At this forecast and the current price, SFC is trading at an attractive price to earnings multiple of 7.65 times. Additionally, using a multiple of 10 times and the forecasted EPS of \$0.55 (TT\$1.75), we are estimating a return of approximately 31 per cent or a target price of TT\$17.50 on the current price. Thus, based on this analysis we continue to recommend a **BUY** on this share.

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