

**CHAIRMAN'S STATEMENT**

I am pleased to report that, despite a very challenging year, the Sagicor Group of Companies recorded a very commendable performance for the year ended December 31, 2008. Net income for the year amounted to US \$125.2 million for the Group and US \$96.1 million attributable to shareholders. This compares with US \$108.7 million for the Group and US \$86.3 million to shareholders for the same period last year.

2008 was a very difficult year for the financial services industry. The collapse of major international institutions and the need for extensive government support for others signaled to the global market that the financial world had changed, and changed dramatically. In the US, reduced or non-existent access to credit, together with widening credit spreads produced historic market-to-market losses, which threatened to disrupt the operations of many otherwise viable institutions, as their capital came under strain. In the UK, the government made significant capital injections into its major financial institutions in order to ensure that they had the capital to withstand the ravages of the crisis. Similar approaches were adopted throughout Europe.

These events negatively impacted consumer confidence, and despite many efforts by world governments to shore up the already weak economies, the weight of the financial crisis eventually pushed the economies into recession. Late in the year, it was confirmed that the US and UK economies were in recession. The Caribbean economies have all shown evidence of a slow down and may already also be in recession.

The financial markets for debt securities, mortgage-backed securities, mortgage loans and equity securities in many places are experiencing adverse conditions. Internationally, many debt securities and mortgage-backed securities are trading at prices well below where they were on January 1, 2008. The equities markets around the world have all declined appreciably. In 2008, the Dow Jones Industrial Average declined by 34%, and the NASDAQ Composite Index declined by 41%. In the currency market, the UK pound sterling declined by 28% against the US dollar during 2008.

In the Caribbean region, we have also experienced significant declines in the equities markets. In 2008, the Barbados Stock Exchange Local Index declined by 12%, while the Jamaica Stock Exchange Market Index declined by 35%. The Trinidad and Tobago Stock Exchange Composite Index also declined by 14%. In Jamaica, interest and inflation rates have continued to rise and the Jamaica dollar has declined by 13% against the US dollar.

Sagicor, like most other financial institutions in the Caribbean and globally, has been impacted by these unusual financial and currency market developments. The impact manifests itself in two ways. The declines in asset values and foreign currency rates have reduced our equity reserves. However, the decline in asset values has been offset in part by a consequential reduction in long-term liabilities. Had the reduction in asset values been reflected through the income statement, the impact would have been a reduction in

shareholder's net income of US \$58.5 million. However, the quality of these assets is sound and we fully expect the values to return as some order of normalcy returns to the financial markets. Overall, the Sagicor Group has weathered these developments reasonably well. The Group's equity position remains strong at US \$581.6 million. Sagicor continues to enjoy strong credit ratings of A (Excellent) from A.M. Best and BBB+ from Standard & Poor's.

Our operating businesses have continued to perform profitably during 2008. Net premium income grew by a considerable 65% to US \$712.0 million. The UK operations, which are now, included for a full year, and the Jamaica operations were the major contributors to the growth in premium revenue. Net investment and other income remained steady and grew by 6.5% to reach US \$336.8 million. Through favourably priced acquisitions for Barbados Farms Limited and for insurance acquisitions in the UK and Caribbean, we have recorded gains on acquisition totaling US \$18.8 million. Net Benefits increased by 49% to US \$573.4 million and expenses have also increased by 32% to US \$343.3 million, both being as a result of the acquisitions and the increase in inforce business.

In relation to our recently acquired businesses, our UK operations, Sagicor at Lloyd's had a commendable year, recording steady growth in business and enjoying good name recognition in the Lloyds market. It recorded a net income of US \$13.0 million for the year. Sagicor Life Insurance Company, our US insurance subsidiary made good progress in building out its new business operations and enjoyed solid new business growth particularly during the second half of the year. Sagicor US contributed US \$9.7 million to Group net income. Barbados Farms Limited made a small operating profit for the year and combined with the earlier mentioned gain on acquisition made a positive contribution to shareholder net income and long-term shareholder value.

For the Sagicor Group, earnings per share for the year are US 34.7 cents, up from US 32.3 cents in 2007.

With the world economies now firmly in recession, and the fallout from the global financial crisis continuing, 2009 is shaping to be as challenging a year as was 2008. The Caribbean is not immune from the impact of the global financial crisis and the global recession. Sagicor is a well capitalized, diversified financial Group, and while we enjoy a strong capital position and modest debt to equity ratio, we continue to be vigilant and to manage our affairs with prudence. We have increased our emphasis on governance and risk management, and capital, liquidity and cost management are being given

increased focus. In this regard, we continue to focus on streamlining our business operations to enhance efficiency and the Group's financial performance. We continue to be a strong Caribbean company with the capital strength and operating capability to compete internationally while delivering good value to our shareholders, customers, staff and communities.

In addition, your Board is recommending a final dividend of US 2 cents per share which brings the total dividend for the year to US 5 cents compared to US 7 cents for 2007. This reduction is considered prudent under the current market conditions, and your Board will continue to monitor the global financial and economic environment to assist in determining future dividend policy.

We at Sagicor appreciate that the global financial and economic environment gives much cause for concern. We have seen many institutions, large and small, fall under the current financial and economic pressure. Governments both internationally and here in the Caribbean are taking strong measures to cope with the full impact of this twin crises. However, we know that just like you, prudence and good stewardship of our resources will see us through these difficult times. We wish to assure you that Sagicor has a solid capital base and quality assets and while we are subject to the influences of the global and regional economic environment, we are well placed to withstand the current external difficulties. Our operations are diversified and profitable, managed by competent, professional management and staff and an engaged Board of Directors. We are confident of our future.

As 2009 unfolds, your Board and Management will continue to monitor developments closely and to take prompt action whenever necessary.



Terrence A. Martins

Chairman

March 31, 2009

<b>FINANCIAL HIGHLIGHTS</b>	<b>2008</b>	<b>2007</b>
Group net income	US \$125.2m	US \$108.7m
Net income attributable to shareholders	US \$96.1m	US \$86.3m
Return on shareholders' equity	23.8%	22.1%
Total shareholders' equity	US \$447.8	US \$455.2m
Total revenue	US \$1,067.6m	US \$773.0m

**CONSOLIDATED BALANCE SHEET**
**SAGICOR FINANCIAL CORPORATION**

As of December 31, 2008

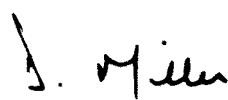
Amounts expressed in US \$000

	2008	2007
<b>ASSETS</b>		
Investment property	107,390	97,522
Property, plant and equipment	148,279	92,938
Investment in associated companies	31,893	30,334
Intangible assets	134,922	138,524
Financial investments	2,879,466	2,683,007
Reinsurance assets	307,713	320,155
Income tax assets	31,757	23,622
Miscellaneous assets and receivables	214,914	171,459
Cash resources	122,982	92,140
<b>Total assets</b>	<b>3,979,316</b>	<b>3,649,701</b>
<b>LIABILITIES</b>		
Actuarial liabilities	1,450,219	1,364,304
Other insurance liabilities	385,554	313,915
Investment contract liabilities	267,474	242,376
Total policy liabilities	2,103,247	1,920,595
Notes and loans payable	164,306	152,719
Deposit and security liabilities	917,143	790,565
Provisions	28,038	23,542
Income tax liabilities	16,674	15,107
Accounts payable and accrued liabilities	168,261	160,466
<b>Total liabilities</b>	<b>3,397,669</b>	<b>3,062,994</b>
<b>EQUITY</b>		
Share capital	258,153	231,695
Reserves	(85,272)	21,735
Retained earnings	274,870	201,744
Total shareholders' equity	447,751	455,174
Participating accounts	12,499	9,396
Minority interest in subsidiaries	121,397	122,137
<b>Total equity</b>	<b>581,647</b>	<b>586,707</b>
<b>Total equity and liabilities</b>	<b>3,979,316</b>	<b>3,649,701</b>

These financial statements have been approved for issue by the Board of Directors on March 31, 2009.



Director



Director

**CONSOLIDATED INCOME STATEMENT**
**SAGICOR FINANCIAL CORPORATION**

Year ended December 31, 2008

Amounts expressed in US \$000

	2008	2007
<b>REVENUE</b>		
Premium revenue	849,756	535,871
Reinsurance premium expense	(137,710)	(105,485)
Net premium revenue	712,046	430,386
Net investment income	259,717	261,212
Share of operating income of associated companies	2,304	4,224
Fees and other revenue	74,756	50,734
Gains arising on acquisitions	18,786	26,398
Total revenue	1,067,609	772,954
<b>BENEFITS</b>		
Policy benefits and change in actuarial liabilities	542,022	333,601
Policy benefits and change in actuarial liabilities reinsured	(61,353)	(33,028)
Net policy benefits and change in actuarial liabilities	480,669	300,573
Interest expense	92,711	84,063
Total benefits	573,380	384,636
<b>EXPENSES</b>		
Administrative expenses	180,322	142,190
Commissions and related compensation	124,661	77,932
Premium taxes	7,652	7,269
Finance costs	14,418	12,276
Depreciation and amortisation	16,298	20,101
Total expenses	343,351	259,768
<b>INCOME FROM ORDINARY ACTIVITIES</b>	150,878	128,550
Income taxes	(25,635)	(19,824)
<b>NET INCOME FOR THE YEAR</b>	<b>125,243</b>	<b>108,726</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Shareholders	96,111	86,289
Participating policyholders	3,565	(226)
Minority interest	25,567	22,663
	125,243	108,726
<b>Net income attributable to shareholders - EPS</b>		
Basic earnings per common share	34.7 cents	32.3 cents
Fully diluted earnings per common share	34.6 cents	32.3 cents

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**SAGICOR FINANCIAL CORPORATION**

Year ended December 31, 2008

Amounts expressed in US \$000

	Share capital	Reserves	Retained earnings	Participating accounts	Minority interest	Total
Balance, beginning of year	231,695	21,735	201,744	9,396	122,137	586,707
Net income for the year	-	-	96,111	3,565	25,567	125,243
Net unrealised losses on available for sale investments	-	(58,536)	(198)	(200)	(13,458)	(72,392)
Other losses recognised directly in equity	-	(53,585)	-	-	(14,668)	(68,253)
Total recognised gains and income for the year	-	(112,121)	95,913	3,365	(2,559)	(15,402)
Issue of shares	27,625	-	-	-	(334)	27,291
Value of employee services rendered (net)	-	1,628	-	-	112	1,740
Net purchase of treasury shares	(1,167)	-	-	-	-	(1,167)
Dividends declared	-	-	(19,416)	-	(10,946)	(30,362)
Acquisition of subsidiaries and insurance businesses	-	-	-	-	12,859	12,859
Other movements	-	3,486	(3,371)	(262)	128	(19)
	26,458	(107,007)	73,126	3,103	(740)	(5,060)
Balance, end of year	258,153	(85,272)	274,870	12,499	121,397	581,647

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**SAGICOR FINANCIAL CORPORATION**  
Year ended December 31, 2007

*Amounts expressed in US \$000*

	Share capital	Reserves	Retained earnings	Participating accounts	Minority interest	Total
Balance, beginning of year	230,235	48,106	135,509	9,902	118,553	542,305
Net income / (loss) for the year	-	-	86,289	(226)	22,663	108,726
Net unrealised (gains) / losses on available for sale investments	-	(10,847)	(78)	(20)	2,367	(8,578)
Other losses recognised directly in equity	-	(19,930)	-	-	(12,538)	(32,468)
Total recognised gains and income for the year	-	(30,777)	86,211	(246)	12,492	67,680
Issue of shares	484	-	-	-	2,675	3,159
Value of employee services rendered (net)	-	1,705	-	-	87	1,792
Net purchase of treasury shares	976	-	-	-	-	976
Disposal of equity interest	-	-	-	-	(3,593)	(3,593)
Dividends declared	-	-	(17,321)	-	(8,167)	(25,488)
Other movements	-	2,701	(2,655)	(260)	90	(124)
	1,460	(26,371)	66,235	(506)	3,584	44,402
Balance, end of year	231,695	21,735	201,744	9,396	122,137	586,707

**CONSOLIDATED CASH FLOW STATEMENT**

**SAGICOR FINANCIAL CORPORATION**  
Year ended December 31, 2008

*Amounts expressed in US \$000*

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income from ordinary activities	150,878	128,550
Adjustments for non-cash items, interest and dividends	45,335	(138,815)
Interest and dividends received	228,702	207,016
Interest paid	(106,280)	(95,857)
Income taxes paid	(18,022)	(17,023)
Changes in operating assets	(347,576)	(275,300)
Changes in operating liabilities	249,076	119,673
<b>Net cash from / (used in) operating activities</b>	202,113	(71,756)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment, net	(13,018)	(10,532)
Investment in associated companies, net	1,139	(1,315)
Intangible assets, net	(4,264)	(4,120)
Acquisition of subsidiaries and insurance businesses, net of cash and cash equivalents	(31,902)	(2,289)
<b>Net cash used in investing activities</b>	(48,045)	(18,256)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common shares issued	357	27
Net (purchase) / disposal of treasury shares	(1,167)	898
Dividends paid to shareholders	(19,234)	(17,137)
Shares issued to minority interest	1,654	2,348
Dividends paid to minority interest	(10,889)	(8,157)
Notes and loans payable, net	12,776	(7,952)
<b>Net cash used in financing activities</b>	(16,503)	(29,973)
<b>Effects of exchange rate changes</b>	(24,205)	8,803
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	113,360	(111,182)
Cash and cash equivalents, beginning of year	113,492	224,674
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	226,852	113,492

**AUDITORS' REPORT**

**AUDITORS' REPORT**

To the Shareholders of

**Sagicor Financial Corporation**

The accompanying summarised financial statements have been derived from the consolidated financial statements of **Sagicor Financial Corporation and its subsidiaries** (the Group) for the year ended December 31, 2008. These summarised financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on whether these summarised financial statements are consistent, in all material respects, with the consolidated financial statement from which they were derived.

We have audited the consolidated financial statements of the Group for the year ended December 31, 2008, from which these summarised financial statements were derived in accordance with International Standards on Auditing. In our report dated March 31, 2009, we express an unqualified opinion on the consolidated financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the Group's financial position and the results of its operations for the year, and of the scope of our audit, the summarised financial statements should be read in conjunction with the consolidated financial statements from which the summarised financial statements were derived and our audit report thereon.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**  
Chartered Accountants  
March 31, 2009