

Sagicor Financial Corporation (SFC)

All figures are quoted in Barbados Dollars (BBD) unless otherwise stated

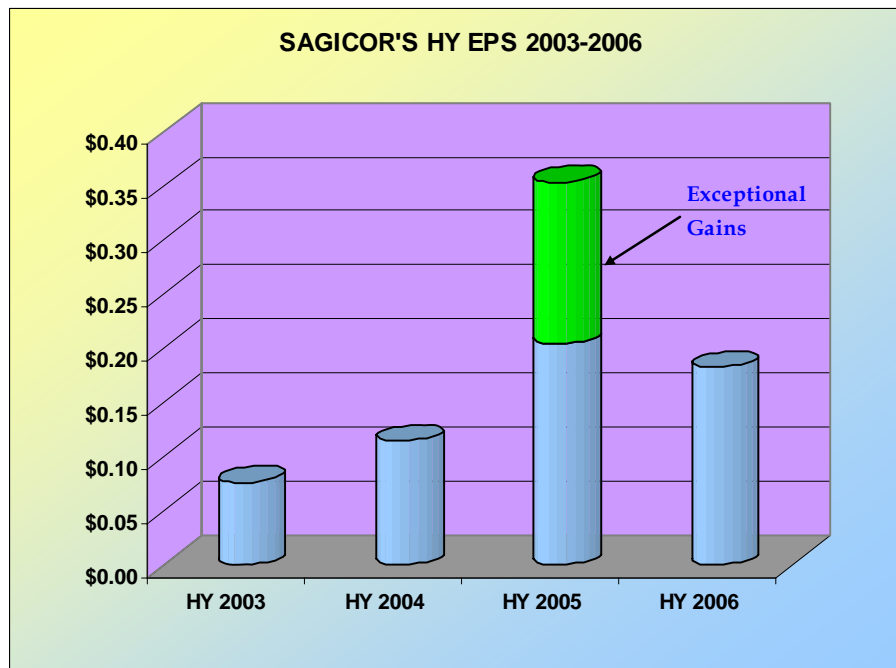
	SFC
RECOMMENDATION	BUY
Current Price	TT\$12.60
Running EPS	BBD 0.39 (TT\$1.27)
Projected EPS	BBD 0.44 (TT\$1.35)
P/E at Projected EPS	9.33 times
Dividend Yield (FY 2005)	2.78%
Return on Assets	2.24%
Return on Equity	19.59%

Results for the Half Year Ended June 30, 2006

Earnings Per Share

For the Half Year ended June 30, 2006 Sagicor Financial Corporation (SFC) reported Earnings Per Share (EPS) of \$0.182. While this represents a fall of 48.44 % or \$0.171 on the comparable EPS of \$0.353 in 2005, it should be noted that there were exceptional gains in the first half of 2005. These exceptional gains came about as a result of, higher than anticipated gains in the equity portfolio in addition to exceptional gains arising from business combinations and acquisitions during the period. Excluding exceptional gains arising from business combinations and acquisitions, the comparative EPS would be \$0.204. Thus, the current EPS would have fallen by a fairer amount of 10.78%. **See Graph 1.**

Graph 1





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Financials

Net Premium Revenue for the period amounted to \$361.40 million, an increase of 19.13% on the comparative period in 2005. However, Net Investment and Other Income declined by 17.07% to \$260.69 million. The Chairman attributed this decline to the impact of the unusual income in 2005 rather than any underlying trends in the equity markets across the region.

Benefits, which include, policy benefits, changes in reserves for policy benefits and interest on customer and other funds, totalled \$332.44 million. This represents a small increase of 4.94% on the prior comparable Half Year. While Expenses, which consist of administrative expenses, commissions, premium taxes, finance costs, depreciation and amortization, amounted to \$203.61 million, a substantial increase of 23.36% over 2005.

The Increase in Total Revenue was a marginal 0.71%, while Total Benefits and Expenses increased by 11.25%. Thus, Income from Ordinary Activities fell by 36.68% to \$86.03 million. The Chairman has stated that acquisitions completed in April and September of 2005 have contributed to the growth in the respective amounts for Revenue, Benefits and Expenses and consequently to the Group's overall profitability.

The Effective Tax Rate for the period under review was 15.47%, while for the same period in 2005 it was 7.93%. Net Income for the period amounted to \$72.72 million, down 41.86% on the comparable period in 2005.

Table 1 shows a Half Year and Q2 Financial Comparison of Sagicor over the period 2005 - 2006.

Table 1

Sagicor Financial Corporation (SFC) Half Year Financial Comparison (2005-2006)								
	HY 2006 \$'000	HY 2005 \$'000	% Change HY 05- HY 06	Q1 2006 \$'000	% Change Q1 06- Q2 06	Q2 2006 \$'000	% Change Q2 05- Q2 06	Q2 2005 \$'000
Net Premium Revenue	361,397	303,376	19.13%	179,318	1.54%	182,079	11.90%	162,712
Net Investment Income	260,687	314,346	-17.07%	122,802	12.28%	137,885	-31.59%	201,546
Total Revenue	622,084	617,722	0.71%	302,120	5.91%	319,964	-12.16%	364,258
Benefits	332,444	316,803	4.94%	171,512	-6.17%	160,932	-3.13%	166,134
Expenses	203,612	165,052	23.36%	98,971	5.73%	104,641	16.21%	90,048
Total Benefits and Expenses	536,056	481,855	11.25%	270,483	-1.82%	265,573	3.67%	256,182
Income from Ordinary Activities	86,028	135,867	-36.68%	80,347	-3.62%	77,438	6.57%	72,664
Income Taxes	(13,305)	(10,779)	23.43%	(5,332)	49.53%	(7,973)	32.97%	(5,996)
Net Income	72,723	125,088	-41.86%	75,015	-7.40%	69,465	4.20%	66,668



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Table 2 shows Year End Financial Data 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.

Assets and Shareholders' Equity

Assets as at June 30, 2006 totalled \$6.58 billion, while Liabilities stood at \$5.58 billion. The Chairman has advised that the net proceeds, from the successfully floated debt securities in May of this year, have been used to repay bank loans and that the remainder is included in financial investments.

As a result of a net decline in the carrying value of equities and other available for sale financial investments, the total reserves in Shareholders' Equity have been negatively impacted. Thus, Total Shareholder's Equity amounted to \$737.43 million, down by 1.35% or \$10.12 million on the December 31, 2005 figure.

During the period, awards were made in respect of an equity based incentive plan for executives, administrative employees and sales agents. As such, new share grants and options have been issued and the shares purchased from the market for the administrative employees and sales agents incentive plan.



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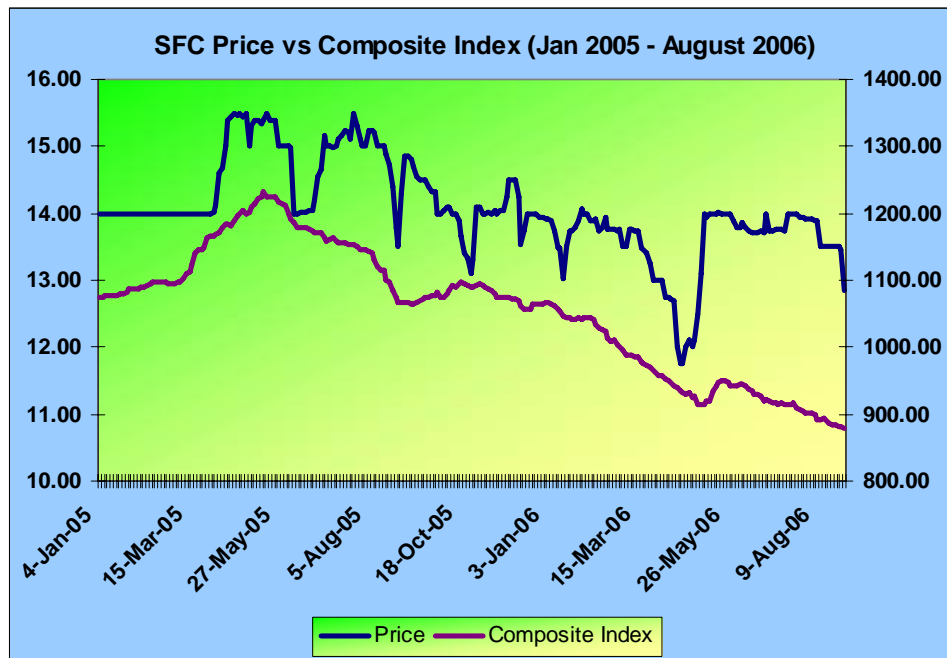
Removal of 5% Restriction

At the Annual Meeting held on August 11, 2006, the shareholders of Sagicor approved a Special Resolution to remove the restriction limiting any single shareholder to owning a maximum of 5%, and to retain a 20% single shareholder limit. This resolution will satisfy the requirements of the Trinidad and Tobago Stock Exchange (TTSE), which stipulated that Sagicor could only maintain the restrictions for up to five years after listing on the Exchange, once the shareholders approved after two years of listing. Sagicor was listed in 2004. After the five year period has expired, the restrictions could remain for a further two years if the shareholders and TTSE approved. However, after the seven year period, restrictions limiting any single shareholder's ownership will be removed altogether.

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



Recommendation

In light of the current results, we have revised our Forecasted EPS to TT\$1.35. At the current market price of TT\$12.60 and our revised Forecasted EPS of TT\$1.35; the shares of Sagicor are trading at an attractive P/E multiple of 9.33 times. This multiple is not only attractive for the sector and even the market in general, but also for Sagicor- which usually trades in the range of 10 to 13 times. Thus, we continue to recommend a BUY on this share.

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