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**Sagicor Financial Corporation (SFC)**

*All figures quoted in Barbados Dollars unless otherwise stated*

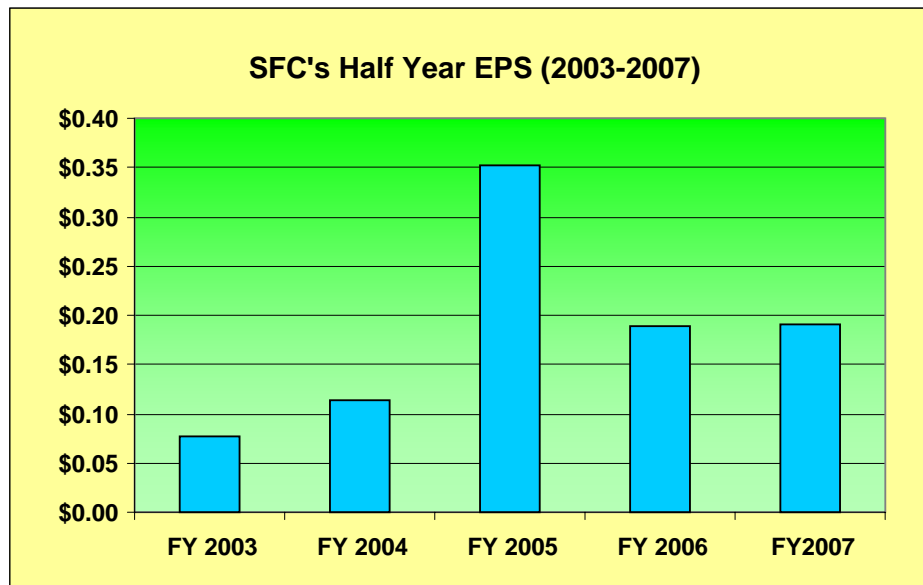
	<b>SFC</b>
<b>RECOMMENDATION</b>	<b>BUY</b>
<b>Current Price</b>	<b>TT\$15.25</b>
<b>Running EPS</b>	<b>TT\$1.58 (BBD0.51)</b>
<b>Projected EPS</b>	<b>TT\$1.75 (BBD0.56)</b>
<b>P/E at Projected EPS</b>	<b>8.71 times</b>
<b>Estimated Dividend</b>	<b>TT\$0.44</b>
<b>Dividend Yield @ Estimated Dividend</b>	<b>2.89 %</b>
<b>Return on Assets</b>	<b>2.13%</b>
<b>Return on Equity</b>	<b>13.29%</b>

**Results for the Half Year Ended June 30, 2007**

*Earnings Per Share*

For the Half Year Ended June 30, 2007, Sagicor Financial Corporation (SFC) reported Earnings Per Share (EPS) of 19 cents, which was flat when compared to the EPS for the same period in fiscal 2006. Q207 on Q206, the EPS was down 1.69 per cent from 11.8 cents to 11.6 cents, while Q207 on Q107, the EPS was up a substantial 56.76 per cent from 7.4 cents. **Graph 1** shows the Half Year EPS for SFC over the period 2003-2007. It is important to note that the EPS for HY05 included exceptional gains.

**Graph 1**





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### Financials

Net Premium Revenue for the Half Year period amounted to \$386.52 million, up 6.95 per cent or \$25.13 million on the corresponding period in the last financial year. Net Investment Income rose by a bigger margin of 11.88 per cent or \$30.97 million to \$291.66 million. Thus, Total Revenue ended the period at \$678.18 million, up 9.02 per cent or \$56.10 million on the same figure for HY06. Q207 on Q206, Total Revenue was also up moving from \$319.96 million to \$345.88 million. However, quarter on quarter, this figure was up by a smaller margin of 4.09 per cent.

Total Benefits and Expenses for the Half Year amounted to \$590.84 million, up 10.22 per cent or \$54.78 million. Benefits amounted to \$363.37 million for HY07 compared to \$332.44 million for HY06, an increase of 9.30 per cent. While Expenses were up 11.72 per cent from \$203.61 million for HY06 to \$227.47 million for HY07. The Chairman has noted that Administrative Expenses increased by 10 per cent due to the impact of some non-recurring cost associated with certain strategic initiatives, including the listing on the London Stock Exchange.

For the Half Year Period under review, Income from Ordinary Activities rose by a marginal 1.53 per cent from \$86.03 million to \$87.34 million. The Effective Tax Rate for HY07 was 17.02 per cent compared to a Tax Rate of 15.47 per cent. Thus, Net Income ended the period at \$72.48 million, up a marginal 0.34 per cent on the same figure in the corresponding period for fiscal 2006.

*Table 1 shows SFC's Financial Data for HY07 and HY06; Q207 and Q206.*

**Table 1**

SFC Financial Data for HY07 and HY06; Q207 and Q206								
	HY07 BBD'000	\$ Change HY'07- HY'06	% Change HY'07- HY'06	HY06 \$'000	Q207 BBD'000	\$ Change Q2'07- Q2'06	% Change Q2'07- Q2'06	Q206 BBD'000
Net Premium Revenue	386,523	25,126	6.95%	361,397	193,244	11,165	6.13%	182,079
Net Investment and Other Income	291,660	30,973	11.88%	260,687	152,639	14,754	10.70%	137,885
Total Revenue	678,183	56,099	9.02%	622,084	345,883	25,919	8.10%	319,964
Benefits	363,372	30,928	9.30%	332,444	180,449	19,517	12.13%	160,932
Expenses	227,467	23,855	11.72%	203,612	115,992	11,351	10.85%	104,641
Total benefits and Expenses	590,839	54,783	10.22%	536,056	296,441	30,868	11.62%	265,573
Income from Ordinary Activities	87,344	1,316	1.53%	86,028	49,442	(4,949)	-9.10%	54,391
Income Taxes	(14,865)	(1,560)	11.72%	(13,305)	(9,190)	(1,217)	15.26%	(7,973)
Net Income for the Year	72,479	(244)	-0.34%	72,723	40,252	(6,166)	-13.28%	46,418
Net Income Attributable to:								
Shareholders	50,761	389	0.77%	50,372	30,970	(535)	-1.70%	31,505
Participating Policy Holders	2,821	(1,513)	-34.91%	4,334	132	(3,687)	-96.54%	3,819
Minority Interest	18,897	880	4.88%	18,017	9,150	(1,944)	-17.52%	11,094
	72,479	(244)	-0.34%	72,723	40,252	(6,166)	-13.28%	46,418
EPS (cents)	19.0	0.1	0.53%	18.9	11.6	(0.2)	-1.69%	11.8



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Table 2 shows SFC's Year End Financial Data over the period 2004-2006.

Table 2

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		-
<b>Total Revenue</b>	<b>1,318,846</b>	<b>13.89%</b>	<b>1,157,972</b>	<b>38.68%</b>	<b>834,972</b>
Benefits	686,124	12.73%	608,666	26.49%	481,209
Expenses	431,654	21.64%	354,875	29.58%	273,864
<b>Income from Ordinary Activities</b>	<b>201,068</b>	<b>3.41%</b>	<b>194,431</b>	<b>143.35%</b>	<b>79,899</b>
Income Taxes	(27,818)	15.69%	(24,046)	247.69%	(6,916)
<b>Net Income</b>	<b>173,250</b>	<b>1.68%</b>	<b>170,385</b>	<b>133.46%</b>	<b>72,983</b>
<b>EPS (BBD)</b>	<b>\$0.51</b>	<b>10.43%</b>	<b>\$0.46</b>	<b>76.92%</b>	<b>\$0.26</b>
<b>Market Price @ Financial Year End (TT\$)</b>	<b>\$13.44</b>	<b>-3.38%</b>	<b>\$13.91</b>	<b>-0.64%</b>	<b>\$14.00</b>
<b>P/E Ratio @ Financial Year End</b>	<b>8.48</b>		<b>8.33</b>		<b>17.26</b>
<b>Dividend (BBD)</b>	<b>\$0.13</b>	<b>8.33%</b>	<b>\$0.12</b>	<b>20.00%</b>	<b>\$0.10</b>
<b>Dividend Payout Ratio</b>	<b>25.59%</b>		<b>23.08%</b>		<b>38.46%</b>
<b>Dividend Yield</b>	<b>3.02%</b>		<b>2.78%</b>		<b>2.23%</b>
<b>Net Asset Value (BBD)</b>	<b>\$4.05</b>	<b>8.58%</b>	<b>\$3.73</b>	<b>27.74%</b>	<b>\$2.92</b>
<b>Market to Book Ratio</b>	<b>1.06</b>		<b>1.16</b>		<b>1.55</b>
<b>Return on Equity</b>	<b>17.37%</b>		<b>27.71%</b>		<b>11.41%</b>
<b>Return on Assets</b>	<b>2.06%</b>		<b>4.18%</b>		<b>2.48%</b>
<b>Shares Outstanding '000</b>	<b>267,567</b>	<b>0.54%</b>	<b>266,134</b>	<b>2.35%</b>	<b>260,030</b>

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



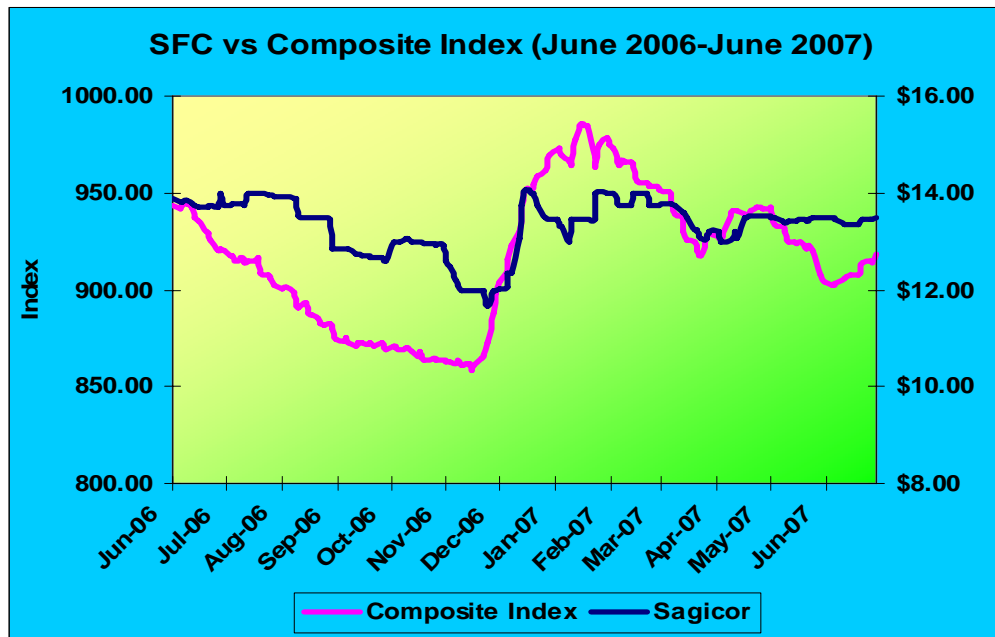
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### Share Price

SFC's share price started the twelve month period ended June 29, 2007 at \$13.90 and traded close to this price for about two months before beginning a slow decline. On November 24, 2006 the share closed at a 52 week low of \$11.65. However, after reaching this low SFC picked up some momentum and by December 15, 2006 the share reached its 52 week high of \$14.05. The rest of the 12 month period saw the price fluctuate within the band of \$13.00 to \$14.01 before closing on June 29, 2007 at \$13.50.

Graph 2

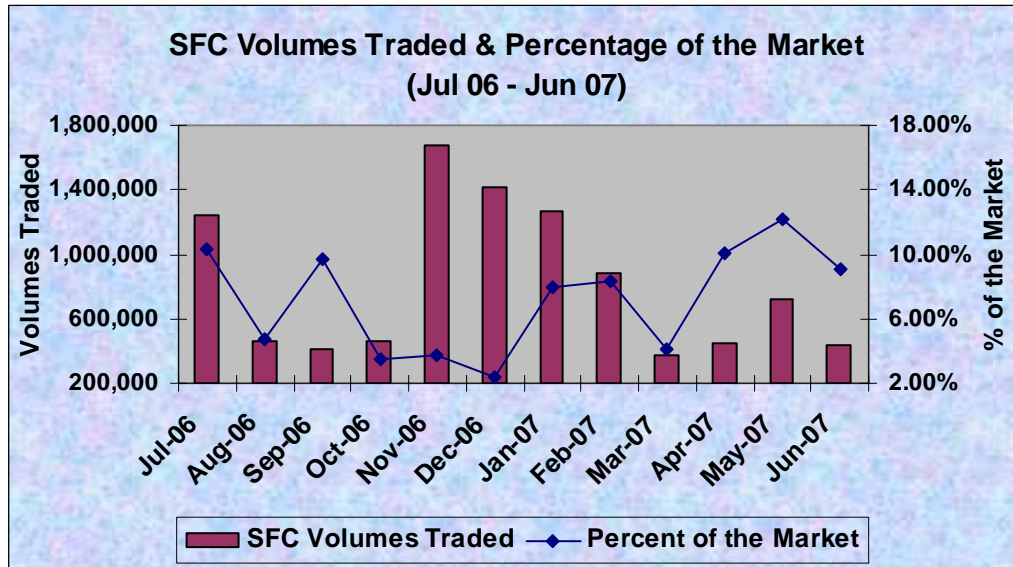


### Volumes

SFC saw a total of 9,793,916 shares cross the floor over the period July 2006 to June 2007. November 2006 had the highest volume traded with 1,674,642 shares changing hands, while March 2007 was the least active with 369,617 shares changing ownership. May 2007 saw the highest percentage (12.15 per cent) of SFC shares traded when compared to the rest of the market while December 2006 saw the lowest percentage traded (2.42 per cent). (See Graph 3)



Graph 3



**Dividends**

The Directors have maintained an Interim Dividend of 6 cents per share representing a dividend payout ratio of 31.6 per cent of earnings for the half year.

**Chairman's Outlook**

The Chairman expects that the performance of the Group in the second half of the financial year for 2007 will be stronger than the first half, which is consistent with previous years. Also, the Board is confident that the financial objectives for 2007 will be achieved.

**Recommendation**

SFC last closed at a price of TT\$15.25 on the local exchange. At this price and a Forecasted EPS of TT\$1.75, this share is trading at a price to earnings multiple of 8.71 times. Additionally using a multiple of 10 times and the forecasted EPS of TT\$1.75, this share has an expected return of approximately 15 per cent on the current price or a target price of \$17.50. Thus, based on this analysis we continue to recommend a **BUY** on this share.

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