

PAN CARIBBEAN FINANCIAL SERVICES LIMITED

and its subsidiaries

Unaudited Financial Results for the

second quarter ending 30 June 2004

Consolidated Net Income was up 356% to \$392.9 Million for the first six months, (2003 = \$86.1 Million) and earnings per share were \$0.94 versus \$0.34 for the same period last year. Earnings per share for the second quarter were \$0.41 versus \$0.09 for the prior year. The comparative 2003 results do not include the operations of Manufacturers Investments Limited (MIL) which merged with Pan Caribbean effective March 1, 2004.

Our second quarter's performance reflects the first full quarter of the combined operations of Pan Caribbean and Manufacturers. Enhanced results are attributed to the merger that has created a substantially larger asset portfolio. In addition, improved interest margins and higher trading gains as a result of declining interest rates have created a favourable trading environment for securities dealing.

Non-interest expense reflects the broader scale of our merged operation with five branches island-wide. We expect that merger benefits from the restructuring and further technology upgrades will begin to be realized during the second half of the financial year. Merger-related costs of \$24.5 Million for the current financial year have been expressed.

Our consolidated balance sheet reports \$39.9 Billion in assets and equity of \$3.5 Billion . An additional \$1.1 Billion in trust assets and custody accounts held on behalf of clients but not reported on the balance sheet, also generates fee income. Credit quality continues to improve as non-performing loans account for 5.5% of the credit portfolio (Dec 2003 = 15.9%), represent 0.5% of total assets and are fully provided for.

We also wish to report on the following recent and subsequent developments

1. During the quarter, we received the relevant regulatory and court approvals and have successfully merged our securities and banking operations, resulting in a reduction to four active operating companies within the Group.
2. In May, we signed an agreement to acquire the assets and liabilities of Lets Investments Limited (LIL) for cash and shares and closed the transaction in July. LIL is a \$3 Billion boutique investment bank with a solid operating history and first-class service in Montego Bay. We intend to consolidate our operations in this attractive market by year-end. The acquisition of LIL will result in a further 5.4 million shares being issued. At the end of the second quarter there were 497,143,670 shares outstanding and by the end of the financial year, we expect 529,391,164 shares to be in issue.
3. During this quarter, share option and share purchase schemes were approved by the Board and became effective. The cost of these schemes will be expensed in accordance with IFRS over the life of the schemes.
4. We have applied to the Jamaica Stock Exchange for a seat and are pursuing this opportunity.

Richard O. Byles
Chairman

Donovan H. Perkins
President & CEO

Un-audited Consolidated Profit and Loss Account

	3 Months to Jun 04 \$'000	3 Months to Jun 03 \$'000	6 Months to Jun 04 \$'000	6 Months to Jun 03 \$'000
Interest Income	1,563,604	751,501	2,699,493	1,217,252
Interest Expense	<u>(1,232,670)</u>	<u>(703,225)</u>	<u>(2,152,977)</u>	<u>(1,155,548)</u>
Net Interest Income	330,934	48,276	546,516	61,704

Fee & Other Income	61,656	32,160	114,511	145,465
Operating Income	<u>392,590</u>	<u>80,436</u>	<u>661,027</u>	<u>207,169</u>
Operating Expenses	152,801	58,208	231,350	121,043
Profit before Taxation	239,789	22,228	429,677	86,126
Taxation	<u>(35,581)</u>	<u>975</u>	<u>(36,752)</u>	<u>-</u>
Net Profit	<u>204,208</u>	<u>23,203</u>	<u>392,925</u>	<u>86,126</u>
Average Number of \$1.00 Stock Units				
Issued	497,143,670	255,650,684	416,649,141	255,660,684
Earnings per Stock Unit:	\$0.41	\$0.09	\$0.94	\$0.34

Un-audited Summary of Consolidated Balance Sheet

	Jun 04 \$'000	Dec 03 \$'000
ASSETS		
Cash Resources	1,551,544	160,438
Trading Investments	110,239	487,398
Securities purchased under agreement to resell	8,748,889	6,513,511
Available for sale Investments	10,493,160	1,731,888
Originated Securities	13,088,021	6,767,490
Net Loans & Leases	3,204,742	1,142,496

Other Assets	<u>2,774,785</u>	<u>1,535,070</u>
	<u>39,971,379</u>	<u>18,338,291</u>
LIABILITIES		
Due to Banks and other Financial Institutions	1,318,626	1,219,816
Customer Deposits	3,368,338	724,892
Securities sold under agreement to repurchase	29,838,839	13,718,164
Other Liabilities	<u>1,942,588</u>	<u>1,170,882</u>
Total Liabilities	<u>36,468,391</u>	<u>16,833,754</u>
STOCKHOLDERS' EQUITY		
Share Capital	497,144	255,661
Other Reserves	1,890,581	526,538
Retained Earnings	<u>1,115,263</u>	<u>722,338</u>
Total Stockholders' Equity	<u>3,502,988</u>	<u>1,504,537</u>
TOTAL LIABILITIES & EQUITY	<u>39,971,379</u>	<u>18,338,291</u>

Un-audited Consolidated Statement of Changes in Stockholders' Equity

Jun 04	Jun 03
\$'000	\$'000

Equity at beginning of the period	1,504,537	1,081,981
Net profit for the period	392,925	86,126
Shares Issued	1,439,239	-
Unrealised Gain/(Loss) on Investments	145,814	(85,997)
Movement in Loan Loss Reserve	(3,672)	-
Grant	-	13,715
Dividend	-	(8,437)
Other	24,145	-
	<u>3,502,988</u>	<u>1,087,388</u>
Equity at the end of the period		

Un-audited Consolidated Cash Flows

	Jun 04 \$'000	Jun 03 \$'000
Cash Resources were provided by: -		
Net Profit	392,925	86,126
Cash flows (used in)/ provided by operating activities	(225,205)	45,008
Cash flows provided by/(used in) investing activities	2,279,434	(2,256,159)
Cash flows (used in) /provided by financing activities	<u>(1,056,048)</u>	<u>2,411,882</u>

Net increase in cash and cash equivalents	1,391,106	286,858
Cash and cash equivalents at beginning of period	<u>160,438</u>	<u>101,090</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,551,544</u>	<u>387,948</u>
Comprising		
Cash and balances due from other banks	1,462,537	361,824
Cash Reserve at BOJ	<u>87,900</u>	<u>26,124</u>
	<u>1,551,544</u>	<u>387,948</u>

Note:

Accounting Policies

1. The accounting policies used in the preparation of these financial statements are consistent with those used in the audited financial statements for the year ended December 31, 2003.
 2. In the combination with MIL International Accounting Standard 22 - Unitings of Interests method has been used.
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