Annual Report 2008

25 Years and Growing

Contents

Sagicor

PANCARIBBEAN CONTINUED TO BUILD SHAREHOLDER VALUE IN 2008

8 Years of Record Profits

DIVIDEND GROWTH

34%

Dividend Payout increased to $658 Million or $1.20 per share, a 34% jump.

BALANCE SHEET GROWTH

28%

Balance Sheet grew by $13.9 Billion to reach $63.8 Billion, an increase of 28%.

EARNINGS GROWTH

14%

Earnings grew to a new high of $1.38 Billion, a 14% increase over 2007.

Our Growth Over 25 years

	1983	1988	1993	1998	2003	2008
Assets	$3M	$58M	$502M	$331M	$18B	$64B
Equity	$3M	$5M	$55M	$86M	$1.5B	$7.1B
Profit	($0.1M)	$0.6M	$4M	$27M	$342M	$1.38B
Team	3	9	55	52	69	264

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About Us

Our Mission

To be a Caribbean market leader through an efficient, inspired team that delivers quality financial services, thereby maximizing value for the benefit of our clients, shareholders, team members and our community.

Why do we exist?

To improve the financial well-being of our clients and their families, sooner rather than later in life, through the delivery of quality financial products, services and advice.

Brand Strategy

To create an army of protagonists comprised of every member of our team and every client we serve by:
Cultivating a friendly environment
Committing to excellent service
Encouraging innovative thinking

Brand Values

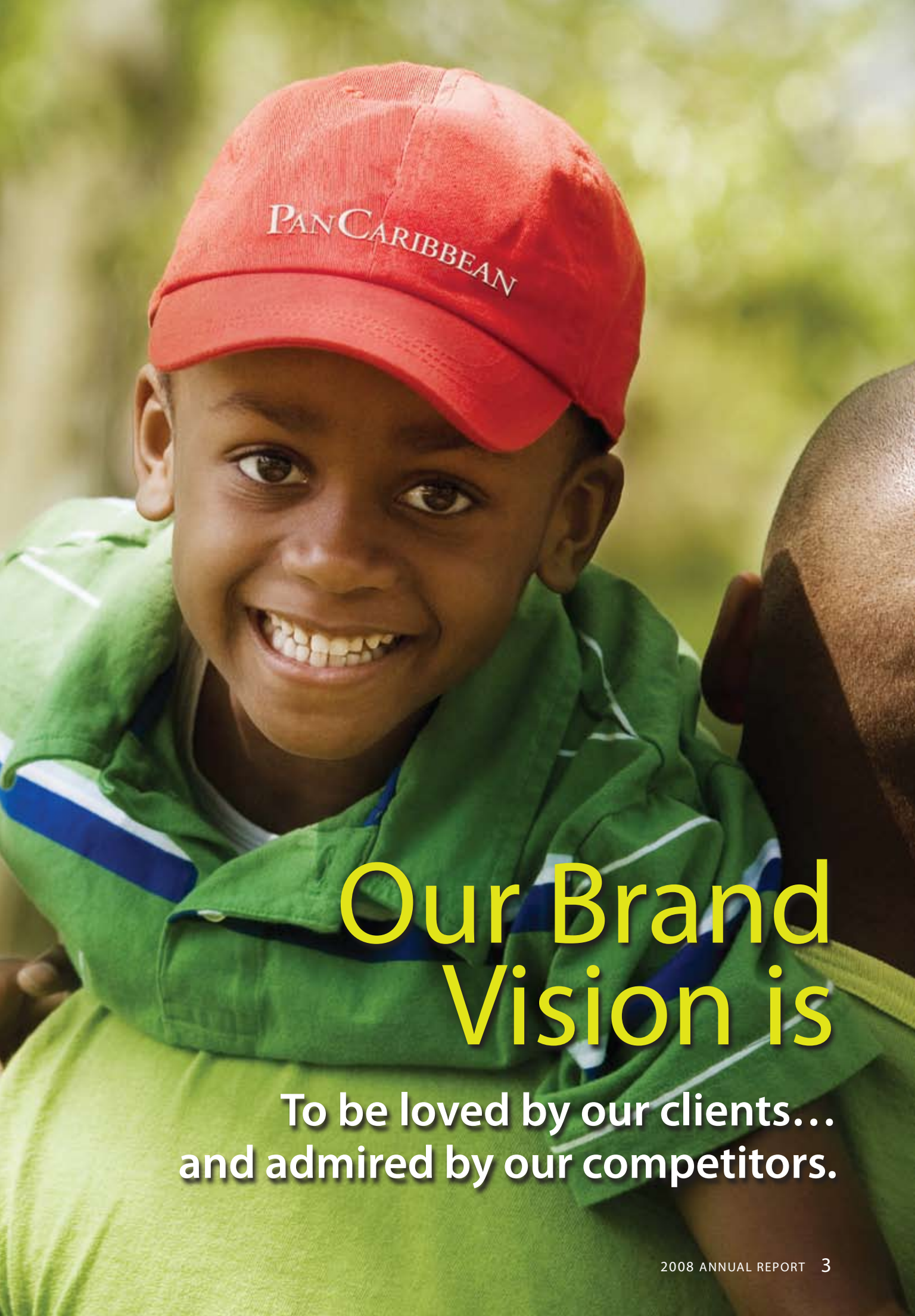
INTEGRITY
We value and closely guard and protect the trust placed in us by our stakeholders.

TEAMWORK
We pull together to ensure that we achieve the best possible results for all our stakeholders.

SERVICE
We do everything in our power to ensure that our internal and external clients are happy to do business with us.

Brand Authority

A member of the Sagicor Group
A member of the Jamaica Deposit Insurance Corporation
A member of the Jamaica Stock Exchange
Licensed by the BOJ
Licensed by the FSC
BOJ-approved Foreign Exchange Dealer
Licensed Primary Dealer
Rated National jmA+ by CariCRIS



Our Brand Vision is

To be loved by our clients…
and admired by our competitors.

Statement from our Chairman & our President

The financial year ended 31 December 2008 was indeed a remarkable year for your company. On behalf of the Board of Directors, we are delighted to report on a year that reflects an outstanding performance by the PanCaribbean team, truly befitting the celebration of our 25th Anniversary.

Our Team's Performance

Consolidated profit this year of $1.38 Billion represents growth of 14% and our eighth year of record profits. Our earnings per share increased from $2.23 to $2.52, a growth of 13%. Shareholders were rewarded with dividends of $658 Million or $1.20 per share, an increase of 34% over 2007.

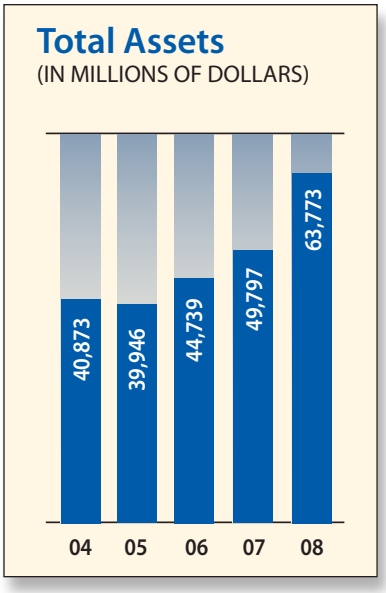
It is important to recognize that these results were not easily obtained. Our operating environment and the highly competitive industry that we participate in has changed in significant ways that will continue to result in real challenges, but will certainly create new opportunities…if we are bold enough to identify, assess and execute.

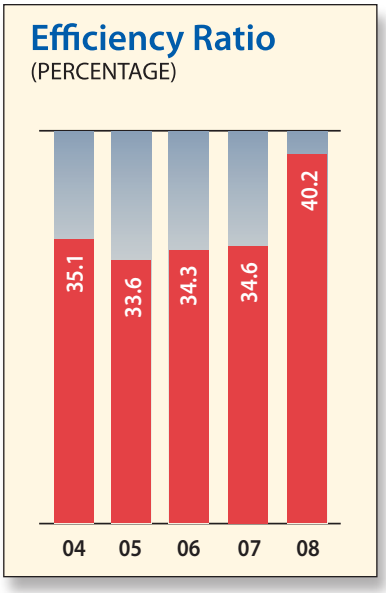
During 2008, we surpassed a number of our milestones, achieved by a steady, proven business model that we continually seek to improve on and refine. A more in-depth analysis and commentary of your company's operating results and related details are reported in our Management's Discussion and Analysis on pages 36 to 44.

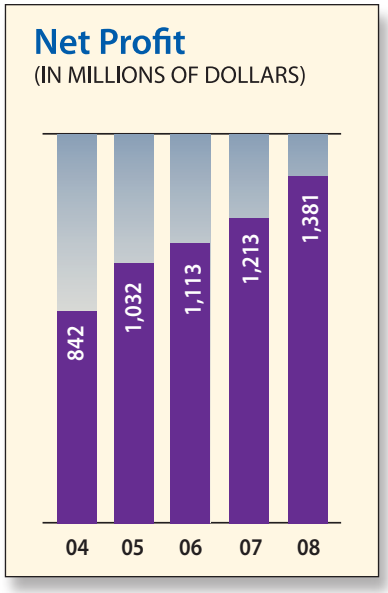
Our Team's Achievements

The hard work of the entire team was also reflected in several tangible achievements that require special mention:

- We were awarded The Governor General's Award for Overall Excellence at the Jamaica Stock Exchange's annual awards ceremony in December 2008.
- Our 2007 Annual Report was also judged the best by the Jamaica Stock Exchange's distinguished panel.
- We topped the tables, capturing the coveted #1 ranking with 20.5% of the stockbrokerage market in 2008.
- We successfully raised $1.26 Billion in five-year preference shares that have improved key ratios and strengthened our liquidity.
- CariCRIS re-affirmed our investment grade credit rating of jmA+ .
- In addition to posting record profits, our balance sheet crossed another milestone, closing the year at $63.8 Billion.







2008 saw a most important development that we expect to significantly and positively impact the company's future growth prospects. On June 23, PanCaribbeanBank became a reality as the seventh commercial bank operating in the Jamaican market. This strategic initiative provides a critical competitive capability that strengthens our profile and improves our ability to provide a necessary service to our existing client and prospective customer in our targeted market niches.

We have now completed the last leg of our five-year strategic drive to gain mass, product depth and team expertise. PanCaribbeanBank allows us to better compete in this exciting marketplace on a four-legged platform that delivers Investment and Commercial Banking, Wealth and Asset Management products and services. The benefits of this integrated platform are outlined on Page 11.

Our 2009 Outlook & Insights

The outlook for 2009 is hazy and we intend to rely on three guidelines to steer us during this period of uncertainty.

With the extent of the emerging challenges difficult to determine…

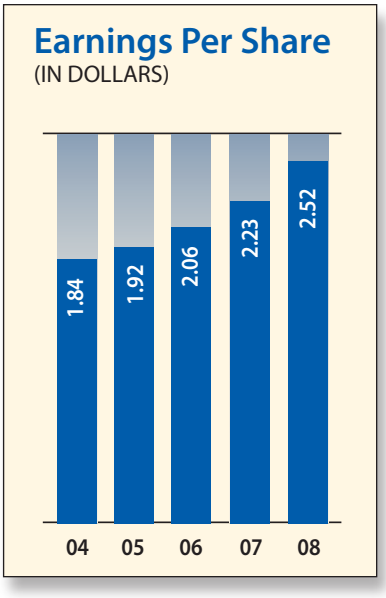
Insight: "Don't test the depth of the water with two feet."

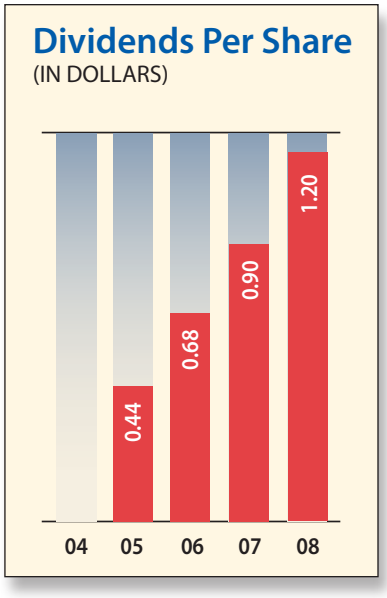
Market conditions are unchartered and volatile…

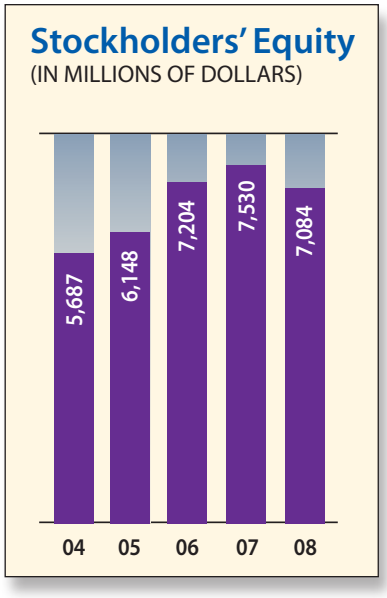
Insight: "Stay liquid and conservative – protect our clients, preserve our capital and guard our core earnings."

In times like these, it's easy to be distracted by the uncertainty …

Insight: "Keep our Team focused on the timely execution of our strategy"







We remain driven by our defining brand vision, *"To be loved by our clients… and admired by our competitors,"* as we focus on providing consistently high levels of client-friendly service and value-added products delivered by our creative, dedicated team.

Our Guiding Light

We remain driven by our defining brand vision, "To be loved by our clients… and admired by our competitors," as we focus on providing consistently high levels of client-friendly service and value-added products delivered by our creative, dedicated team. It is exciting to have this beacon guiding our deliberate team activities , business plans and community initiatives. Without it, we believe PanCaribbean's future will be less rewarding for our shareholders.

Our Thanks

We are thankful for the valued advice of our PanCaribbean Directors overseeing the affairs of the institution over the past year. We also wish to extend our appreciation to our Team who are charged with the responsibility of caring for our customers. These results reflect your commitment to excellence every day.

On behalf of our Team and our shareholders, we also wish to express sincere gratitude to our customers for the faith that you continue to place in PanCaribbean. We appreciate your growing business and the feedback we receive as you seek to help us to improve our ability to better meet your financial needs.

In closing, we believe that tough times don't last…but tough people do. We remain willing to act decisively as warranted so that PanCaribbean will continue to thrive, now and in the future.

Richard O. Byles
Chairman

Donovan H. Perkins
President & CEO

CariCRIS jmA+

Caribbean Information and Credit Rating Services Limited ("CariCRIS") re-affirms PanCaribbean's jmA+ rating.

EXTRACTS

"The ratings of PCFS continue to reflect the company's **strong capitalization** levels underpinned by a large net worth base and high coverage provided by the net worth to an interest rate shock."

"These strengths are supported by the **leadership positions** that the company enjoys in the main markets that it serves."

"PCFS is **well-capitalized** with a tangible net worth of $6.9 Billion, the largest among its peers in the Jamaican securities industry. The ratio of net worth to total assets is strong at 12.2%, the second highest in CariCRIS' sample of securities companies and comparable to its regional peers in the commercial banking sector."

"PCFS' **strong income growth** is reflected in a three-year compounded growth rate of 13.5%, superior to its regional peers in the securities industry."

"For an interest shock of 5%, PCFS has a strong net worth coverage of 2.6X which is **far superior** compared to some of its peers in the industry which have coverage of just 1.0X."

Source: CariCRIS Rating Rationale, January 2009

2008 Update

Our Seven Strategic Imperatives

In our 2007 Annual Report, we communicated to shareholders on Seven Strategic Imperatives. We wish to update you on our progress.

1 BROADEN OUR MENU

During 2008, we added 13 new products and three new services to our financial services menu at PanCaribbean. These include interest-bearing chequing accounts, debit cards, retail internet banking, structured products as well as our Priority Service Centre.

2 INCREASE OUR SHARE OF WALLET

In 2008, we saw an increased cross-selling penetration as the percentage of clients using multiple products rose. For the top 36% of our clients that represent over 89% of our business, we experienced double-digit growth in product usage.

Products	2008
4+	17%
3	36%
2	15%

Our plans are designed to further improve product penetration.

3 DEVELOP OUR PEOPLE

We completed the first phase of our succession planning exercise and have identified a select number of key executives for specific training to build their management and leadership capabilities, as well as continuing training and exposure for other executives. Previously, we relied primarily on external consultants for training. We have expanded our Human Resource Division and recruited a training specialist to identify, develop and implement programs as we seek to grow the entire organization professionally. This way, PanCaribbean will ensure excellent team leaders at every level in the organization. During 2008, 88% of our team members attended training programmes to improve their skills.

4 INNOVATE, INNOVATE, INNOVATE

Innovation this year centred around our newest business initiative, PanCaribbeanBank, where we focused on ways to better meet our clients need for ease, convenience and growth. In addition, our Structured Products Unit continued to develop innovative ways to meet our clients preferred risk profile and identify key opportunities for wealth-building. Our innovation drive included process improvements and we re-organized several aspects of our operation to help drive sales. The results are evident in our balance sheet growth and performance.

5 INFORM OUR CLIENTS

This year, we significantly upgraded our website to be even friendlier to our clients and financial partners. Our goal is to be an excellent source of financial information in the market and we are well on our way to achieving this. We also partnered for the first time with the Financial Gleaner to produce a quarterly investment guide called StockTrack. This guide is a comprehensive review of all companies traded on the Jamaica Stock Exchange and has been very well received. We fine-tuned our electronic bulletins to ensure that they are concise, clear and provide insights on investing opportunities and the economy. Added to that are the regular weekly financial Podcasts (PANCAST), now with video, our weekly radio advice programme and investor briefings at our signature event "Breakfast & the Economy". We continue to seek even more innovative ways to keep our public informed.

6 DISTRIBUTE OUR SERVICES EFFICIENTLY AND EFFECTIVELY

In meeting this imperative, we considered our clients' needs as they relate to access to information, advice, and funds as well as the need to have a positive client experience. We upgraded our branch network to provide a more welcoming environment, with in-branch conveniences such as our Internet Kiosk and Remote Deposit facility. We also redesigned our account-opening forms to better meet the requirements of our business in a friendly, easy to read format. The new Internet Banking platform allows clients to view their entire relationship at PanCaribbean which is unique in our market. This includes savings and chequing accounts, loans and leases, stocks and bonds, unit trust balances, repurchase agreements, across all of our operating companies. Through our Debit Card facility and Branch network, our bank clients have immediate access to their chequing and savings accounts from anywhere in Jamaica.

7 MERGE & ACQUIRE

During 2008, we acquired our Commercial Banking licence and divested our 25% interest in Manufacturers Credit & Information Services Limited. We put these resources into the development of our new commercial banking operation which fit better with our strategic direction. We will continue to seek opportunities to expand locally or regionally.

Our Integrated Financial Management Model

Miles

1983 The Hon. Maurice W. Facey O.J. puts together a consortium to create PanCaribbean	**1987** Richard O. Byles becomes CEO	**1991** We receive our Authorized FX Dealer licence	**1992** We take Jamaica Broilers public, the largest Jamaica Stock Exchange (JSE) listing at the time
1996 We receive our Primary Dealer licence	**1996** We acquire Portfolio Partners	**2000** We acquire Knutsford Capital	**2001** We list on the JSE through a PanCaribbean/ Trafalgar Development Bank merger
2004 We receive our stockbroking licence from the JSE	**2005** We become a member of the Sagicor Group	**2005** We exceed $1,000,000,000 in profit for the first time	**2006** We launch Sigma Liberty - Jamaica's first US$ Indexed Unit Trust
2008 We raise $1.264 Billion in our first Preference Share Offer	**2008** We launch PanCaribbeanBank	**2008** We achieve our 8th year of record profits	**2008** We are awarded The Governor General's Award for Overall Excellence by the JSE

25 Years and Growing

tones

1993
Donovan H. Perkins becomes CEO

1993
We take First Life public, the largest JSE listing at the time

1993
Pan Caribbean becomes a Pan -Jamaican-controlled subsidiary

1993
First USD Bond issue in Jamaica's capital market - Dyoll US$1M LION Bond

2001
Richard O. Byles becomes Chairman

2004
We merge with Manufacturers Sigma and acquire Lets Investments

2007
We issue Jamaica's first local Principal Protected Note

2007
Our Balance Sheet surpasses $50,000,000,000

2008
We receive 1st place award for Best Annual Report by the JSE

2008
Our Stockbrokerage is ranked #1

The 2008 Governor General's Award for Overall Excellence by Jamaica Stock Exchange

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of PAN CARIBBEAN FINANCIAL SERVICES LIMITED will be held at The Courtleigh Hotel & Suites, 85 Knutsford Boulevard, Kingston 5 on Wednesday, May 6, 2009 at 10 a.m. for the following purposes:

RESOLUTION 1

1. To receive the Audited Accounts for the year ended December 31, 2008 and the Reports of the Directors and Auditors thereon.

To consider and (if thought fit) pass the following Resolution:

"THAT the Audited Accounts for the year ended December 31, 2008 with the Reports of Directors and Auditors thereon circulated with the Notice convening the meeting be and are hereby received and adopted"

RESOLUTION 2

2. Final Dividend

To declare the interim dividends of $1.20 paid during the year as final for the year ended December 31, 2008.

To consider and (if thought fit) pass the following Resolution:

"THAT the interim dividends of 65 cents per stock unit paid to stockholders on March 31, 2008 together with 55 cents per stock unit paid to stockholders on October 3, 2008 be declared as the final dividend for the year ended December 31, 2008".

RESOLUTION 3

3. To Elect Directors

(a) In accordance with Articles 92 and 93 of the Company's Articles of Incorporation, the Directors retiring by rotation are Messrs. Richard Byles, Patrick Lynch and Colin Steele who being eligible, offer themselves for re-election.

To consider and (if thought fit) pass the following Resolutions: -

(i) "That Mr. Richard Byles be and is hereby re-elected a Director of the company".

(ii) "That Mr. Patrick Lynch be and is hereby re-elected a Director of the company".

(iii) "That Mr. Colin Steele be and is hereby re-elected a Director of the company".

(b) In accordance with Article 98 of the Company's Articles of Incorporation, Directors, Messrs. Christopher de Caires and Richard Downer who were appointed to the Board since the last Annual General Meeting, will retire at this Annual General Meeting and, being eligible, offer themselves for election.

3. To Elect Directors (Cont'd)

To consider and (if thought fit) pass the following Resolutions: -

(i) "That Mr. Christopher de Caires be and is hereby elected a Director of the company".

(ii) "That Mr. Richard Downer be and is hereby elected a Director of the company".

RESOLUTION 4

4. Directors' Remuneration

To consider and (if thought fit) pass the following Resolutions: -

(i) "That the Directors be and are hereby empowered to fix the remuneration of the Directors".

(ii) "That the amount of shown in the accounts of the company for the year ended December 31, 2008 for non-executive Directors' fees be and is hereby approved".

RESOLUTION 5

5. To fix the remuneration of PricewaterhouseCoopers as Auditors, and to determine the manner in which the Auditors' remuneration is to be fixed.

To consider and (if thought fit) pass the following Resolution: -

"THAT the Directors be and are hereby authorised to fix the remuneration of the Auditors at a figure to be agreed with them".

6. To consider any other business that may be conducted at an Annual General Meeting.

By Order of the Board

Gene M. Douglas
Company Secretary

Registered Office
The PanCaribbean Building
60 Knutsford Boulevard
Kingston 5, Jamaica
March 2, 2009

Note:

In accordance with section 131 of the Companies Act, 2004, a member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote in his stead. A proxy need not be a member of the Company. A suitable Form of Proxy is enclosed. Forms of Proxy must be lodged at the Company's registered office at least forty-eight hours before the time appointed for holding the meeting. The Proxy Form should bear the stamp duty of $100 before being signed. The stamp duty may be paid by adhesive stamp(s) and are to be cancelled by the person executing the Proxy.

A corporate shareholder may (instead of appointing a proxy) appoint a representative in accordance with regulation 77 of the Company's Articles of Association. A copy of regulation 77 is outlined on the enclosed Proxy.

Corporate Data

Board of Directors

Richard O. Byles B.Sc., M.Sc. (Chairman)
Donovan H. Perkins B.A.(Hons.), MBA (President & CEO)
Jeffrey C. Cobham B.A. (Hons.), Dip. Mgmt.
Christopher D. de Caires F.C.A., M.B.A.
Dr. M. Patricia Downes-Grant B.A., M.A. (Econ), M.B.A., D.B.A.
Richard L. Downer C.D., F.C.A.
Patrick C. Lynch
Peter K. Melhado B.Sc., M.B.A.
Dodridge D. Miller F.C.C.A, M.B.A.
Lisa A. Soares Lewis B.Sc., M.B.A.
R. Hayden Singh
Colin T. Steele B.A., C.P.A., M.B.A.

Corporate Secretary

Gene M. Douglas F.C.I.S., M.B.A.

Registered Office

The Pan Caribbean Building
60 Knutsford Boulevard
Kingston 5, Jamaica W.I.

Telecommunications

Telephone: (876) 929-5583
Toll Free from Jamaica: 1-888-225-5726 (CALLPAN)
Canada: 1-800-947-7886
U.S.A 1-800-550-7886
Fax: (876) 926-4385
Website: www.gopancaribbean.com
Email: options@gopancaribbean.com

Registrar & Transfer Agent

PanCaribbeanBank Limited
Corporate Trust Division
60 Knutsford Boulevard
Kingston 5

Auditors

PricewaterhouseCoopers

Attorneys-at-Law

Patterson Mair Hamilton
Myers Fletcher & Gordon
Nunes Scholefield DeLeon

Bankers

PanCaribbeanBank Limited
Citigroup N.A.
Bank of America N.A.
Bank of Nova Scotia Jamaica Limited

Subsidiary Companies

PanCaribbeanBank Limited

Directors

Peter K. Melhado - Chairman
Philip W. Armstrong
Richard O. Byles
Christopher D. de Caires
M. Patricia Downes-Grant
Richard L. Downer
Patrick C. Lynch
Dodridge D. Miller
Donovan H. Perkins
R. Hayden Singh

Pan Caribbean Asset Management Limited

Directors

Colin T. Steele - Chairman
Steven O. Gooden - General Manager
Philip W. Armstrong
Richard O. Byles
Peter K. Melhado
Donovan H. Perkins

Report of the Directors

The Directors are pleased to submit their report for the twelve months ended December 31, 2008 together with audited accounts for the year ended on that date.

	$'000
Group Profit before Tax	1,834,829
Tax	(453,897)
Profit after Tax	1,380,932
Adjustment between regulatory loan provisioning and IFRS	(1,862)
Transfer to banking reserve	(445,883)
Current year dividends paid	(657,509)
Unappropriated profits b/f	3,877,548
Unappropriated profits c/f	4,153,226

DIVIDENDS

During the year the Directors approved and paid interim ordinary dividends totaling $1.20 per stock unit. No further dividends have been recommended and the amounts paid will be declared as final.

DIRECTORS

Pursuant to Articles 92 and 93 of the Company's Articles of Incorporation, the Directors retiring by rotation are Messrs. Richard Byles, Patrick Lynch and Colin Steele, whom being eligible, offer themselves for re-election.

Messrs. Christopher de Caires and Richard Downer were appointed to the Board of Directors effective 28 October 2008. In accordance with Article 98 of the Company's Articles of Incorporation these Directors who were appointed since the last Annual General Meeting, will retire at this Annual General Meeting and, being eligible, offer themselves for election.

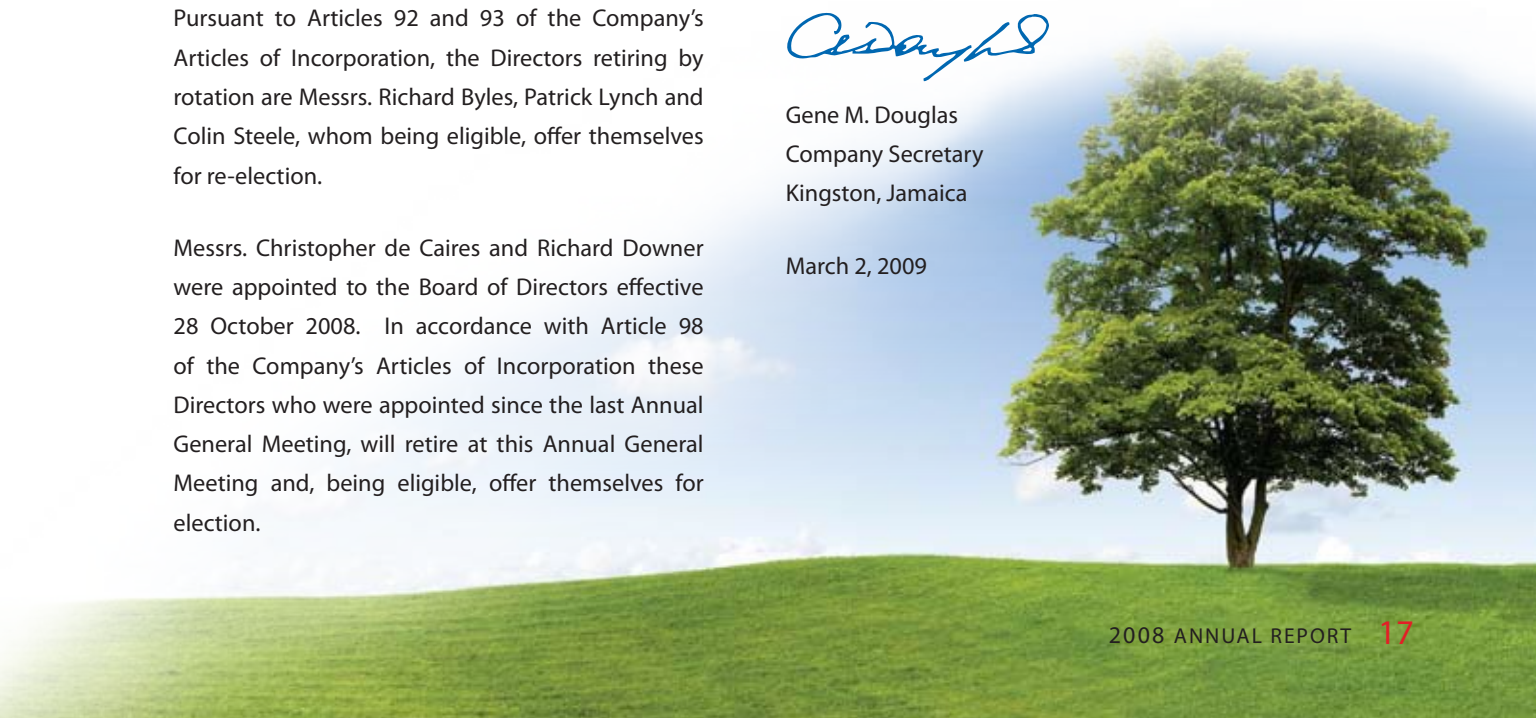
AUDITORS

PricewaterhouseCoopers have expressed their willingness to continue in office in accordance with Section 153 of the Companies Act.

By Order of the Board

Gene M. Douglas
Company Secretary
Kingston, Jamaica

March 2, 2009



Ten-Year Statistical Review

	2008 $'000	2007 $'000	2006 $'000	2005 $'000
SELECTED BALANCE SHEET DATA				
Total Assets	63,772,864	49,797,164	44,739,722	39,946,362
Performing Loans & Leases	8,235,511	7,028,666	5,406,302	4,902,026
Non-performing loans and leases	234,114	157,092	157,145	162,286
Investments, Repos & other earning assets	50,195,320	39,888,715	36,580,548	32,343,101
Deposits	7,457,170	5,489,757	4,476,805	4,203,475
Securities sold under repurchase agreement	42,040,112	34,656,325	31,028,959	27,775,290
Stockholders' equity	7,084,189	7,530,930	7,204,134	6,148,806
SELECTED INCOME STATEMENT DATA				
Net Interest Income	1,938,913	1,712,179	1,470,305	1,303,060
Other Income	1,128,753	849,167	805,328	753,434
Expenses	1,232,837	886,610	779,511	691,212
Net profit after tax and minority interest	1,380,932	1,212,994	1,112,670	1,031,936
OTHER FINANCIAL DATA				
Earnings per share ($)	2.52	2.23	2.06	1.92
Dividends paid per share ($)	1.20	0.90	0.68	0.44
Return on opening equity (%)	18.3%	16.8%	18.1%	18.1%
Return on assets at year end (%)	2.2%	2.4%	2.5%	2.6%
Efficiency Ratio (%)	40.2%	34.6%	34.3%	33.6%
Market Capitalisation ($'000)	6,575,088	10,953,320	12,486,148	13,066,304
Closing share price at year end ($)	12.00	20.00	23.00	24.30
Number of offices	5	5	5	5
Number of stockholders	1,621	1,640	1703	1776
Number of team members	264	227	219	213
Profit per employee ($'000)	5,231	5,344	5,081	4,845

Restated 2004 $'000	2003 $'000	Restated 2002 $'000	Restated 2001 $'000	2000 $'000	1999 $'000
40,873,827	18,338,291	13,959,667	12,120,570	2,951,408	2,660,318
3,669,446	1,034,805	1,021,018	1,017,859	1,364,438	1,429,740
224,866	223,038	394,108	301,395	380,919	306,265
34,590,993	15,500,287	11,534,694	9,788,933	1,101,314	346,605
3,422,977	724,892	497,482	426,155	460,722	612,909
29,018,610	13,718,164	10,431,277	8,711,664	519,541	-
5,687,489	1,504,537	1,081,981	979,167	534,551	513,618
1,315,045	278,578	286,330	278,198	157,203	185,175
446,593	233,617	129,931	108,626	92,207	66,939
618,048	174,582	147,744	300,378	265,025	250,714
841,692	342,170	284,488	104,752	(16,139)	1,186
1.84	1.34	1.11	0.46	(0.14)	0.01
-	0.17	0.19	-	-	0.06
55.9%	31.6%	29.1%	19.6%	-3.1%	0.2%
2.1%	1.9%	2.0%	0.9%	-0.5%	0.0%
35.1%	34.1%	35.5%	77.7%	106.3%	99.4%
18,277,293	1,687,363	1,457,268	1,163,258	201,332	218,589
34.10	6.60	5.70	4.55	1.75	1.90
5	1	1	1	2	2
1,570	1,213	1,163	1,217	1,198	1,155
205	69	61	51	66	67
4,106	4,959	4,664	2,054	(245)	18

Our Board of Directors

Richard O. Byles
BSc, MSc
Chairman

Richard O. Byles is the President and CEO of Sagicor Life Jamaica Limited (formerly Life of Jamaica Limited) since March 2004. He is the Chairman of the Board of Desnoes and Geddes Limited, Pan Caribbean Financial Services Limited, Sagicor Property Services Limited, Sagicor Reinsurance Limited (Cayman) and Sagicor Insurance Managers Limited (Cayman). He also serves on several boards including Air Jamaica Limited, Pan Jamaican Investment Trust Limited, PanCaribbeanBank Limited as well as a number of subsidiary and associated companies.

A former Chairman of the National Water Commission and Vice President of the Private Sector Organisation of Jamaica, his commitment to national development underpins his involvement and has earned him valuable experience and expertise within the financial sector spanning areas of Life, Health and General Insurance, Asset and Investment Management, Banking, Pension Administration, Property Development and Reinsurance Management. Richard holds a B.Sc. in Economics from the University of the West Indies and an M.Sc. in National Development from the University of Bradford, England.

Jeffrey Cobham
BA (Hons.)

Mr. Cobham, a former Managing Director of National Commercial Bank, currently serves on the Board and chairs the Audit Committee of of Sagicor Life Jamaica Limited. He is also a director of Sagicor Life of Cayman Islands Limited, Cayman General Insurance Co. Limited, Pulse Investments Limited, and Salada Foods Jamaica Limited.

A lifelong supporter of the arts, Jeff served for over a decade as Chairman of the Edna Manley College of the Visual and Performing Arts , and is currently Chairman of the National Dance Theatre Company of Jamaica. He also serves on the board of the National Gallery of Jamaica.

A graduate of the University of the West Indies, he is now a member of UWI's Mona Campus Council and serves on the University's Finance and General Purposes Committees. Jeff is Deputy Chairman of the Consie Walters Cancer Care Hospice, and has served as a member of the Financial Board of the Anglican Jamaica Diocese.

Donovan H. Perkins
BA (Hons.), MBA
President & CEO

Mr. Perkins has been CEO of PanCaribbean since 1993. Prior to joining PanCaribbean, he worked with Bank of America in Corporate Banking. Under his leadership, the company has grown through a series of mergers and acquisitions into a diversified financial services group today.

Donovan is a director of Pan Jamaican Investment Trust Limited, First Jamaica Investments Limited, Jamaica Producers Group Limited, the Jamaica Stock Exchange, the National Water Commission and the National Insurance Fund. He previously served as Vice President of both the Jamaica Bankers Association and the Private Sector Organization of Jamaica.

He attended the University of South Florida, completing a Bachelor's Degree in Finance (Hons.) and graduated from The Darden School at The University of Virginia with an MBA with concentrations in Finance and Marketing.

Dr. Marjorie Patricia Downes-Grant
BA, MA (Econ), MBA, DBA

Dr. Downes-Grant is the President and CEO of Sagicor Life Incorporated and brings a wealth of financial experience, with senior management responsibilities in Treasury, Finance and Investments for over seventeen years. In 2006, she managed Sagicor's debt-raising activities with a successful US$150 Million BBB+ investment grade placement in the U.S. bond market.

Dr. Downes-Grant's directorships include Sagicor Life Incorporated, Sagicor Merchant Limited, Sagicor Asset Management Incorporated and Sagicor Funds Incorporated. She is also a former Chairman of the Barbados Stock Exchange.

She has a Masters Degree in Economics, an MBA in Finance and received her Doctorate from the University of Bradford, United Kingdom.

Christoper de Caires

CPA, MBA

Mr. de Caires is a Chartered Accountant and holds an MBA from Henley Management College, United Kingdom. He has over 25 years professional and management consulting experience in Barbados and the wider Caribbean, United Kingdom and Brazil. He is currently the principal Managing Director of Fednav International Limited, and his areas of expertise include corporate finance, international taxation, financial management, mergers and acquisitions, information systems, organisational design and business planning. He is Chairman of World Cup Barbados. Mr. de Caires is a former partner of Price Waterhouse, Barbados, where he was responsible for corporate finance, business advisory, corporate secretarial and trust services.

Richard Downer

CD, FCA

Mr. Downer, a former Senior Partner of PricewaterhouseCoopers in Jamaica, is a director of Sagicor Life Jamaica Limited and ICD Limited. He is a member of the Rating Committee of CariCRIS Limited.

He has served as Executive Director of the Bureau of Management Support in the Office of the Prime Minister of Jamaica and initiated privatizations through public share offers of several large public enterprises in Jamaica and has advised the governments of sixteen other countries on privatization. During Jamaica's financial sector crisis he was appointed as Temporary Manager for several financial institutions. At PricewaterhouseCoopers he specialized in corporate finance and corporate recovery. Richard also served on the board of the Bank of Jamaica and was Chairman of the Coffee Industry Board for eight years.

Patrick Lynch

Mr. Lynch is the Director of Finance and Planning at Sandals Resorts International, the largest operator of luxury ultra all-inclusive resorts in the Caribbean. In his current capacity, Patrick is a central player in the strategic planning and direction of the Sandals Group. A career banker, he has had numerous senior postings throughout the Caribbean, Guyana, the United States and the U.K. and has developed considerable experience in financial management, pension fund management, real estate and hotel finance, including hotel acquisition and development. In addition to his role within the Sandals Group, Patrick also serves as the Chairman of the ATL Pension Scheme, Director of PanCaribbeanBank Limited, ATL Motors Limited, Gorstew Limited and Appliance Traders Limited. He is also the Honorary Consul of Ghana in Jamaica.

Peter K. Melhado

BSc, MBA

Mr. Melhado is President & CEO of ICD Group. He joined the Manufacturers Group in 1993 and became its CEO in 1995 until its merger with PanCaribbean. In that time, he was responsible for the growth and development of Manufacturers, and led the Sigma merger to create Manufacturers Sigma Merchant Bank, one of the leading financial and asset management companies locally.

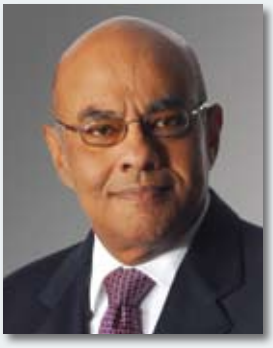
He currently serves as Chairman of PanCaribbeanBank Limited and West Indies Home Contractors Limited and his current directorships include British Caribbean Insurance Company Limited and Red Stripe. Peter is a former Vice President of the Private Sector Organization of Jamaica. He holds a B.Sc. in Mechanical Engineering from McGill University and is a graduate of Columbia Business School, having completed an MBA with a concentration in Finance.

Dodridge D. Miller
FCCA, MBA, LLM, Hon. LLD (UWI)

Mr. Dodridge D. Miller is President & CEO of Sagicor Financial Corporation. He is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), and obtained his MBA from the University of Wales and Manchester Business School. He holds an LLM in Corporate and Commercial Law, and an honorary Doctor of Laws from the University of the West Indies. He was appointed President and Chief Executive Officer of The Mutual Group of Companies, now Sagicor, on July 1, 2002, having previously held the positions of Treasurer and Vice President, Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. Mr. Miller joined the Group in 1989 and was elected a Director in 2001. He is the Chairman of the Group's main operating subsidiaries, Sagicor Life Inc, Sagicor Life Jamaica Limited, Sagicor Life Insurance Company and Sagicor Europe. He is also a director of other companies within the Barbados and Regional Private sector. Mr. Miller has more than 20 years' experience in the insurance and financial services industries.

Lisa A. Soares Lewis
BSc (Hons), MBA (Dist)

Mrs. Lisa Soares Lewis is HR Director at Red Stripe. She is an experienced business executive with over 18 years in human resource management, banking and general management consulting. Lisa is a graduate of the University of the West Indies with a BSc (Hons.) in Industrial Engineering and an MBA (Distinction) in Finance and Marketing. She has also achieved the Senior Professional Human Resources (SPHR) Certification with the Society for Human Resource Management. Lisa is a past 1st Vice President of the Jamaica Employers Federation and is currently a Director at Fiscal Services Limited and a Trustee for two pension plans.



R. Hayden Singh

Mr. Singh is the Managing Director of Courts Jamaica Ltd and a very knowledgeable business executive. He has substantial experience in marketing, finance and international business in the Caribbean and Europe.

Hayden is a past Chairman of the Jamaica British Business Council and he currently serves as a director of PanCaribbeanBank Limited, and Hi-Lo Food Stores (Ja) Limited. He is also a former Vice-President of the Private Sector Organization of Jamaica.

Colin Steele
BA, CPA, MBA

Mr. Steele's professional experience is both broad and deep, covering business areas including auditing, banking, tourism, investments and real estate. Colin is the Chairman of Pan Caribbean Asset Management Limited and a director of the Planning Institute of Jamaica, Tropical Battery Limited and Chukka Adventure Tours Limited.

Colin is a former Chairman of the Economic Policy Committee of the Private Sector Organization of Jamaica and previously served as Chairman of the University Hospital of the West Indies and as a director of the Port Authority of Jamaica. He holds a BA in Accounting and an MBA from the University of Miami, and is a Certified Public Accountant.

Corporate Governance

PAN CARIBBEAN FINANCIAL SERVICES LIMITED

BOARD CHARTER & CORPORATE GOVERNANCE

Board Mission

1) Mission Statement

The Board of Directors of Pan Caribbean Financial Services Limited (PCFS) represents the owners' interest in maintaining and growing a successful business, including optimizing long-term financial returns. The Board is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business.

The Board is responsible for determining that PCFS is managed in such a way to ensure this result. This is an active, not a passive, responsibility. The Board has the responsibility to ensure that management is capably executing its responsibilities. The Board's responsibility is to regularly monitor the effectiveness of management policies and decisions including the execution of its strategies.

In addition to fulfilling its obligations for increased stockholder value, the Board has a responsibility to deliver holistic performance embracing corporate responsibility towards PCFS customers, employees, suppliers and to communities where it operates – all of whom are essential to a successful business. All of these responsibilities, however, are founded upon the successful perpetuation of the business.

Board Functions

1) Areas of responsibilities

The Board makes decisions and reviews and approves key policies and decisions of the Company in particular in relation to:

- **Corporate governance;**
- **Compliance with laws, regulations and the Company's code of business conduct;**
- **Corporate citizenship, ethics, environment;**
- **Strategy and operating plans;**
- **Business development including major investments and divestments;**
- **Financing and treasury decisions;**
- **Appointment or removal of Directors;**
- **Remuneration of Directors & Senior Management;**

2) Specific responsibilities for Chairman, Company Secretary and Directors

The **Chairman** is principally responsible for the effective operation and chairing of the Board and for ensuring that information that it receives is sufficient to make informed judgments. He also provides support to the CEO, particularly in relation to external affairs.

2) Specific responsibilities for Chairman, Company Secretary and Directors (Cont'd)

The **Company Secretary** is responsible for ensuring that Board processes and procedures are appropriately followed and support effective decision-making and governance. The Secretary is appointed by, and can only be removed by the Board. The Secretary is also responsible for ensuring that new Directors receive appropriate training and induction into PCFS. All Directors have access to the Company Secretary's advice and services and there is also a formal procedure for Directors to obtain Independent professional advice in the course of their duties, if necessary, at the Company's expense.

Each **Board member** is expected to commit sufficient time for preparing and attending meetings of the Board, its Committees and, if applicable, of the Independent Directors. Regular attendance at Board meetings is a prerequisite.

Because in-depth knowledge of the particulars of the Company's business is vital for each Director in making informed and objective decisions, management is to allow direct involvement and review of operational activities. Similarly, management is also to communicate to Board members opportunities to interact in strategy and day-to-day business settings. Board members are strongly encouraged to take advantage of such opportunities as frequently as feasible. The Directors have complete access to the Leadership of the Company.

Selection and Composition of the Board

The Board is responsible for the overview of the interest of all stakeholders on the matters as outlined above. The composition of the Board should be such that these interests are best served and therefore the Directors require diversity in skills and characteristics.

1) Size of the Board

The Board will have a minimum of 10 and a maximum of 12 Directors. Considering the size of the organization and the environment in which it operates, the Board believes such numbers are adequate.

2) Executive and Non-Executive Directors

At any time the number of Executive Directors should not exceed 20% of the total number of Directors.

3) Conflicts of Interest/Disclosure

Any dealings in the Company's shares by any Director shall be in compliance with the Board Policy and must be promptly reported to the Company Secretary who is obliged to disclose such information on a regular basis to the Jamaica Stock Exchange.

A Director who has an interest in the Company or in any transactions with the Company that could create or appear to create a conflict of interest must disclose such interests to the Company. These would include:

- **Any interest in contracts or proposed contracts with the company**
- **General disclosure on interest in a firm, which does business with the company**
- **Interest in securities held in the Company**
- **Emoluments received by the Company**
- **Loans or Guarantees granted by the Company to/for the Director**

Disclosure shall be made at the first opportunity at a Board Meeting in writing and such disclosure shall be recorded in the Minutes of the Board Meeting.

The Director shall then excuse himself from the Board meetings when the Board is deliberating over any such contract and shall not vote on any such issue. The Disclosure of Director's interest shall include interests of his family and affiliates.

4) Election, terms, re-election and retirement

Election, terms, re-election and retirement of each Board member is conducted in line with the Articles of Incorporation of the Company, with the exception that each Board member is to retire during the financial year when the Director reaches the age of 70 years, unless a special resolution of exemption to this rule is passed by the Board.

5) Board Compensation

The level of compensation of the Directors reflects the time commitment and responsibilities of the role. It consists of a package appropriate to attract, retain and motivate Directors of the quality required. The compensation is competitive and subject to regular review to what is paid in comparable situations elsewhere.

A review by the Board of the remuneration policies for Executive Directors and the members of the central leadership team will be the responsibility of the Compensation & Conduct Review Committee of the Board and effected annually.

6) Director Orientation and Education

The Board and Management will conduct a comprehensive orientation process for new Directors to become familiar with the Company's vision, strategic direction, core values, financial matters, corporate governance practices and other key policies and practices through a review of background material, meetings with senior management and visits to the Company's facilities.

The Board also recognizes the importance of education for its Directors. It is the responsibility of the Board to advise the Non-Executive Directors about their education, including corporate governance issues. Directors are encouraged to participate in continuing Director education programs.

7) Access to outside advisors and funds

The Company will make such funds available to the Board and in particular the Non-Executive Directors as is reasonably required for those Directors to objectively make decisions. This may include providing funds to access outside advisors and cover cost associated with travel and the gathering of relevant information for the execution of their responsibilities.

8) Code of Conduct

The Board expects all Directors, as well as officers and employees, to act ethically at all times and to adhere to all codes and policies specifically including 'The Code of Business Conduct'. The Board will not permit any waiver of any of these policies for any Director or Executive Officer. If an actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Chairman. If a conflict exists and cannot be resolved, the Director should resign.

Board Committees

The Board has established several Committees, each with clearly defined terms of reference, procedures, responsibilities and powers. A number of these Committees will require Non-Executive Independent Directors. An independent director for these purposes is defined on the Appendix at the end.

1) Audit & Compliance Committee

On behalf of the Board, the Audit Committee shall:

- **Monitor the adequacy of the effectiveness of the Company's systems of operational risk management and control, the Business Risk Assurance function and external auditors; and**
- **Review the Company's annual and interim financial statements and related policies, and assumptions and any accompanying reports or related policies and statements.**
- **Monitor and review the effectiveness of the Company's internal audit function.**
- **Monitor and review the external auditor's independence, objectivity and effectiveness.**
- **Develop and implement policy on the engagement of the external auditor to supply non-audit services.**
- **Monitor and ensure compliance with the relevant regulatory requirements.**

The Audit Committee shall consist of a majority of Non-Executive Directors of the Company duly appointed by the Board. The Board shall also appoint the Chairman and Secretary of the Audit Committee. The Board Chairman shall not be a member of the Committee. The Committee shall consist of not less than three members.

The Audit Committee shall meet at least four times a year, within thirty days of the end of each quarter and at such other times as any member of the Committee or the external auditors may request.

The Company Secretary will be responsible for Corporate Compliance.

The Committee members are Patrick Lynch (Chairman), Jeffrey Cobham, R. Hayden Singh and Colin Steele, all non-executive Board members. Three of the four members including the Chairman are independent Directors. In addition, Michael Stuart - Internal Auditor, Hope Wint - Risk Manager, and Peter Knibb, attend by invitation. During 2008, the Audit & Compliance committee held five meetings.

2) Nomination Committee

This Committee comprises of three Non-Executive Directors and one Executive Director. The Committee is responsible for keeping under review the composition of the Board and succession to it. It makes recommendations to the Board concerning appointments to the Board of Non-Executive Directors, having regard to the balance and structure of the Board and the required blend of skills and experience. The Committee has responsibility to:

- **Nominate potential candidates and evaluates the suitability of those candidates for future Board membership;**
- **Propose suitable candidates to the board for approval prior to approaching the candidate;**
- **Approach the future candidate and upon positive response, introduces the future board member to the board.**

The nominations of four Non-Executive Directors through Sagicor Life Jamaica (SLJ) are exempt from nomination through the Nomination Committee as long as SLJ has over 50% shareholding.

The Nomination Committee shall meet in line with election and re-election procedures determine, and at such other times as any member of the Committee may request.

The Committee members are Richard O. Byles (Chairman), Dr. M. Patricia Downes-Grant and Colin Steele, all non-executive Board members, and Donovan H. Perkins. The Committee met once during the year.

3) The Asset & Liability and Credit & Investment Committees

These Committees comprises four Directors and by invitation, the Deputy CEO, the CFO, the Assistant Vice President - Corporate Banking, the Assistant Vice President - Treasury, the Risk Manager and the Vice President – Asset Management. The Committee should meet monthly but as a minimum, eight times per year or as necessary.

The Committee has the responsibility to monitor macroeconomic conditions in determining:

Credit Risk

- **Approve Investments and Credit transactions**
- **Monitor the quality of the portfolio**
- **Monitor delinquent accounts**
- **Monitor risk / exposure strategies**

Treasury Risk

- **Monitor and oversee liquidity, price risks**
- **Monitor and oversee gapping strategy**
- **Monitor currency exposure strategy**

The ALICO Committee members are Richard O. Byles (Chairman), Peter Melhado, Donovan H. Perkins and Colin Steele. In addition, Philip Armstrong, Peter Knibb, Steven Gooden, Colleen Yearde-Williams and Hope Wint (Risk Manager), all senior managers, attend by invitation. Three of the four members are non-executive Directors. During the year, eight meetings were convened.

4) The Compensation & Conduct Review Committee

This Committee will comprise a minimum of three Directors, and will be chaired by an Independent Director with the majority being independent Directors. The Committee shall meet at least twice annually or more frequently as required to address matters that may arise.

The Committee shall have responsibility to review matters related to:

Compensation

- **Review and establish Senior Management compensation**
- **Review and establish all Incentive Schemes**
- **Establish Compensation Policy for the Group**

Conduct Review

- **Review and adjudicate conflicts of interest circumstances**
- **Review and approve related party transactions**
- **Review issues related to Corporate Governance**

The Committee members are Hayden Singh (Chairman), Richard O. Byles and Lisa A. Soares Lewis, all non-executive Board members. Two of the three members including the Chairman are independent Directors. The Committee is scheduled to meet at least twice each year. In 2008, meetings were held on three occasions.

5) Ad Hoc Committees

The Board may call any Ad Hoc Committee, as it deems necessary. The Board will set out the rules under which the Committee governs at each occasion. All Committees including those explicitly mentioned above will be subject to the annual evaluation process, similar as applied to the Board itself.

Meetings

1) Frequency of meetings

During each financial year, there will be a minimum of six regular Board meetings. Special Board meetings may occur at such other times as any member of the Board may request.

2) Non-Executive Director Meetings

The Company is to provide opportunities for the Non-Executive Directors to meet Independently of the Executive Directors. On the decision of the Non-Executive Directors, the CEO may be invited if they desire so.

3) Selection of Agenda Items for Board Meetings

The Chairman, CEO and Company Secretary will establish the agenda for each Board meeting. Each Board member may suggest the inclusion of item(s) on the agenda.

Information important to the Board's understanding of the business will be distributed electronically and or in writing to the Board before the Board meetings. As a general rule, presentations on specific subjects should be sent to the Board members in advance to save time at Board meetings and focus discussion on the Board's questions. On those occasions in which the subject matter is extremely sensitive, the presentation will be discussed at the meeting.

4) Additional attendees to the Meetings

Furthermore, the Board encourages the Management to, where it assists the ability of the Board members to execute their responsibilities, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

Annual Board Evaluaton

The Board has an annual self-evaluation process that is intended to strengthen its overall performance. The process provides an opportunity to both broadly and specifically discuss matters related to its operation and effectiveness of the meetings and ensuing deliberations during the year. The self-evaluation survey is conducted confidentially with the Corporate Secretary receiving and summarizing the results of the survey. The results are reviewed in detail and recommendations arising from the feedback are discussed and implemented as appropriate.

The CEO also has a 360-degree evaluation from the Board and his Executive Management Team. The results are discussed by the Board and feedback provided through the Compensation & Conduct Review Committee.

Appendix

To be considered an Independent Director, the Board must determine that the director has no material relationship with PanCaribbean (direct or indirect) either as a stockholder, partner, director or officer of an organization that has a material interest in PanCaribbean that would preclude the Director from being independent. Materiality test for shareholding is 2.5% of Pan Caribbean's outstanding shares.

Appendix (Cont'd)

In addition, an Independent Director is a director who:

- Has not been employed by the Company or any subsidiary within the last 2 years
- Has not been an employee or affiliate of our Internal / External Auditors within the last 3 years
- Has not received any compensation other than director and committee fees within the last 2 years
- Has not been employed by a company of which an Executive Director / Officer has been a director of within the last 2 years
- Is not a member of the immediate family of an Executive Director / Officer. Immediate family being defined as spouse, parent, child or sibling, in-law (mother, father, son, daughter, brother, sister) or anyone sharing the same home with any of the above.

Directors	Audit & Compliance	ALICO	Compensation & Conduct	Nomination
Patrick Lynch	Chairman			
Jeffrey Cobham	•			
R. Hayden Singh	•		Chairman	
Colin Steele	•	•		•
Richard O. Byles		Chairman	•	Chairman
Peter Melhado		•		
Donovan H. Perkins		•		•
Lisa A. Soares Lewis			•	
Dr. M. Patricia Downes-Grant				•

2008 Board Attendance Register

		Board Meetings	Audit & Compliance	ALICO	Compen. & Conduct	Nomination	Annual General Meeting
	Number of Meetings	10	5	8	3	1	1
1	Richard O. Byles Chairman	10	-	5	3	1	1
2	Donovan H. Perkins President & CEO	10	-	8	-	1	1
3	Jeffrey Cobham	5	5	-	-	-	-
4	Christopher de Caires*	2 of 3	-	-	-	-	-
5	M. Patricia Downes-Grant	5	-	-	-	1	-
6	Richard Downer*	3 of 3	-	-	-	-	-
7	Patrick Lynch	8	4	-	-	-	1
8	Peter Melhado	3	-	7	-	-	1
9	Dodridge Miller	3	-	-	-	-	-
10	Lisa A. Soares Lewis	6	-	-	2	-	1
11	R. Hayden Singh	8	3	-	3	-	1
12	Colin Steele	9	4	7	-	1	-

*Messrs. de Caires and Downer were appointed on October 28, 2008

THE EXECUTIVE MANAGEMENT TEAM

Grace Solas, BA, CPA, PMP
Assistant Vice President –
Projects & Strategic Planning
Pan Caribbean Financial Services Limited

Grace joined Pan Caribbean in 2005 and has over 18 years of experience in financial services and project management. She was previously with Knutsford Capital as its COO and Manufacturers Merchant Bank Limited. She is a member of the Project Management Institute and an elder at the Moravian Church where she sits on its Finance Committee.

Grace is a graduate of UWI with a Bachelor's Degree in Accounting, a Certified Public Accountant and a Certified Project Management Professional.

Donovan H. Perkins,
BA (Hons.), MBA
President & CEO
Pan Caribbean Financial Services Limited

Karen Vaz, BA
Vice President – Information Technology
Pan Caribbean Financial Services Limited

Karen joined Pan Caribbean in 1998 as a consultant and was appointed to head the Technology Unit shortly thereafter. She has responsibility for formulating, directing and implementing technology processes that are directly aligned with the organization's strategic goals and objectives. In addition, she has direct oversight for the Projects Unit which is responsible for all projects undertaken by the group.

Karen has over 10 years of experience in Banking and Information Technology. She is a graduate of the University of South Florida where she completed a Bachelor's Degree in Management Information Systems.

Gene M. Douglas, FCIS, MBA
Vice President – Corporate Trust & Group Corporate Secretary
PanCaribbeanBank Limited

Gene joined PanCaribbean in 1994 to start its Corporate Trust Department. She has over 25 years experience in Accounting and Corporate Secretarial practice and is a Fellow of the Institute of Chartered Secretaries and Administrators.

Gene holds a Diploma in Institutional Management from the University of Technology and has an MBA from the University of Manchester. She is a member of the Optimist Club of North St. Andrew and is Governor Elect for the year 2008-2009.

Grace Solas Donovan H. Perkins, Karen Vaz Gene M. Douglas

Philip Armstrong, BSc, MBA
Deputy CEO
Pan Caribbean Financial Services Limited

Philip brings over 19 years of securities, derivatives and financial expertise gained from Wall Street and Knutsford Boulevard. He joined Manufacturers in 2002 from Citibank Jamaica, where he was Resident Vice President. Last year, he was seconded to PanCaribbeanBank as its Managing Director.

Philip is a director of PanCaribbeanBank Limited, Pan Caribbean Asset Management Limited, and sits on the Group's Asset, Liability, Credit & Investment Committee. He is a graduate of Embry Riddle Aeronautical University where he earned a Bachelor of Science degree in Avionics Technology, and obtained his MBA in International Business from Pepperdine University.

Colleen Yearde Williams, BSc, MSc, FCA
Assistant Vice President – Financial Control
PanCaribbeanBank Limited

Colleen joined the PanCaribbean team in July 2007 with over 11 years of experience in the accounting profession. She spent nine years at PricewaterhouseCoopers in their Business Advisory Services department and three years in the private sector as Group Financial Manager for a financial services company.

Colleen is a double graduate of the University of the West Indies having completed both her Bachelor and Master Degrees in Accounting. She is a fellow of both the U.K. based ACCA and our locally based ICAJ.

Donnette Scarlett, BSc, CFA
Assistant Vice President – Treasury
PanCaribbeanBank Limited

An experienced banker, Donnette is responsible for the Treasury and trading-related activities of the Bank and oversight of its investment portfolio.

Donnette has spent over 18 years in the financial industry spanning operations and treasury management. She started with Manufacturers Merchant Bank and did stints at Island Victoria and Union Bank before rejoining Manufacturers in 2000.

A graduate of the University of the West Indies, she attained Upper Second Class honours in Economics and Management. Donnette is a CFA charterholder, having earned the right to use the Chartered Financial Analyst designation in 2008.

Margaret McPherson, AICB
Vice President – Operations
PanCaribbeanBank Limited

Margaret joined PanCaribbean's banking subsidiary in 2006 to head its Operations Unit. She has over 27 years of banking experience, both locally and internationally, with significant exposure to credit analysis, banking operations and project management. Margaret is a qualified Project Manager and is scheduled to complete her MBA degree in Finance during 2009.

Philip Armstrong | Colleen Yearde Williams | Donnette Scarlett | Margaret McPherson

THE EXECUTIVE MANAGEMENT TEAM (continued)

Tanya Allgrove, BSc (Hons), MBA
Assistant Vice President – Corporate Banking
PanCaribbeanBank Limited

Tanya heads the Corporate Banking Division and is responsible for the growth and oversight of the credit portfolio and corporate finance activities. She joined Pan Caribbean in 2004, after working in the financial advisory services field with PricewaterhouseCoopers and Caribbean Equity Partners.

Tanya is a graduate of the University of the West Indies where she earned a Bachelor of Science degree in Management Studies (Hons.) and completed her MBA (Finance) from City University Business School of London. She is a longstanding member of the Jamaica Musical Theater Company and serves on its Administrative Committee.

Steven Gooden, BSc (Hons), MSc, CFA
Vice President & General Manager
Pan Caribbean Asset Management Limited

Steven re-joined Pan Caribbean in 2006 to head our Asset Management Division after spending time developing further experience in the areas of portfolio management and investment analysis. He lectures at the Jamaica Institute of Management, sits on the Board of the Jamaica Family Planning Association and is an Executive Member of the Wolmer's Old Boys' Association.

Steven obtained his Undergraduate degree in Economics and Accounting (Hons.) at the University of the West Indies, has a Masters in Finance and Economics from the University of Southampton and is a CFA charterholder.

Sabrina DeLeon Cooper, BA (Hons.)
Assistant Vice President – Sales & Investment Services
Pan Caribbean Financial Services Limited

Sabrina is responsible for client relationship management and investment services, and is charged with growing specific client niches. She has nine years of experience in investments and financial services, including five years international experience gained at Prudential Financial in Florida.

A magna cum laude graduate of Florida International University, Sabrina earned her degree in Finance and International Business.

Tanya Allgrove Steven Gooden Sabrina DeLeon Cooper

Tara Nunes, BSc (Hons.)
Vice President – Sales & Investment Services
Pan Caribbean Financial Services Limited

Tara has overall responsibility for client relationship management and investment services throughout the organization. She has over eight years of experience in private banking and investment services and prior to entering the financial services industry was Senior Financial Analyst at Jamaica Broilers Group for eight years.

Tara is a graduate of the University of the West Indies with a Bachelor's Degree in Economics and Management (Hons.) and currently serves as Chair of the Finance Committee of the Women's Leadership Initiative, an affiliate of the United Way of Jamaica.

Peter Knibb, FCCA, FCA, MBA
Vice President & Chief Financial Officer
Pan Caribbean Financial Services Limited

Peter joined PanCaribbean from PricewaterhouseCoopers in 1995, where he was a senior manager and group leader in Audit.

He heads our Financial Control & Reporting Division and is a Fellow of both the U.K. based ACCA and our locally based ICAJ. Peter has an MBA in Finance from the University of Wales and serves on the Finance Committee of the Andrews Memorial Hospital.

Faith McFarquhar-Gordon, BSc, MSc
Assistant Vice President – Human Resources
Pan Caribbean Financial Services Limited

Faith joined PanCaribbean in 2005 with experience in Human Resources in both the public and private sectors. She heads our Human Resources Unit and is a member of the Sagicor HR Global Task Force.

She is an Optimist and served as Distinguished President of the Sunset Optimist Club of Kingston. She currently serves on the Education Sub-committee of the Jamaica Institute of Bankers and is a member of JEF, SHRM, and HRMAJ. Faith is a double graduate of the University of the West Indies, with a Bachelors Degree in Management Studies and a Masters in Human Resource Development.

Tanya Miller, BSc (Hons.), MBA
Vice President – Marketing & New Product Development
Pan Caribbean Financial Services Limited

Tanya joined PanCaribbean in 2006 to head the Marketing and New Product Development Division. She brings over 15 years of experience in brand development and strategic marketing gained from the tourism, agriculture and manufacturing industries.

Tanya earned her undergraduate degree in International Business and Management (Hons.) at Rochester Institute of Technology and her MBA in Marketing from the University of the West Indies. She is a member of the Project Management Institute and President of the Jamdammers Running Club of Kingston.

Our Economy

The Economy

Early in 2008, PanCaribbean's Board sensed that the year would see a set of challenges materialize for our country, for our business as well as for our clients who rely on us for guidance. Unlike previous years, 2008 saw significant shocks across every country, across every continent - threatening businesses and industries big and small, and creating an air of distinct uncertainty not experienced for decades. The sole exception noted bucking this trend was the oil industry, where the global oil companies with record profits were likely only exceeded by the record losses experienced by the banking sectors in the U.S. and Europe.

However, as market conditions unfurled - official recessions in developed and developing nations and falling consumption have seen the collapse of commodity prices – oil, alumina, corn, wheat, steel, fertilizers. Forecasts by economists of a likely prolonged global depression have spurred governments to act to resuscitate falling production and rescue jobs. These conditions have triggered aggressive rate cuts by Central Banks across the world, Jamaica being one of the few exceptions.

Our review of the markets and the Jamaican economy will keenly focus on three areas of importance to our industry and to the investing public in general, and highlight the changes recorded during 2008.

Measures of Wealth

Year-end	2008	2007	% Change
All Jamaica JSE Index	73,995	106,783	-44%
Average GOJ Bond Price	81.7	114.1	-28%
US$ FX Rate	$80.47	$70.62	-14%
Inflation	16.87%	16.80%	-0%

- **The stock market, which was advancing up to mid-year, was impacted by a major sell-off as interest rates spiked and the local currency depreciated by 10.7% in the last quarter.**
- **Average GOJ global bond price plunged 28% to lows never seen before as overseas investors shunned emerging market debt in favour of US Treasuries.**
- **The impact of soaring oil, food and other commodity prices hit hard during the first half of the year but with tighter domestic monetary policies and a weakening global economic conditions, price movements were arrested and inflation outturn mirrored 2007's levels of 16.8% at year-end.**

While Jamaica does not have a local index for property prices, the impact of several failed alternative investment schemes, an unstable currency, and sell-offs in the stock and bond markets negatively impacted investor confidence in every asset class, including real estate.

In summary, most Jamaicans like the rest of the world, likely saw their net worth decline in 2008.

Interest Rates

Year-end	2008	2007	Change
Six-month T-Bill	24.45%	13.34%	Up 11.11
BOJ 180-day repo	21.50%	12.00%	Up 9.50
10-year Global Bond Yield	12.60%	7.49%	Up 5.11
10-year US Treasury Yield	2.25%	4.04%	Down 1.79

Interest rates rose significantly in Jamaica during 2008 as the Central Bank sought to stabilize the currency through a number of initiatives which included raising its open market interest rates five times, increasing banks' cash reserves and periodic sales of currency from the NIR. During this period, while yields on our 10-year US Global Bonds rose significantly, yields on US 10-year Treasuries fell, with the credit spread between US and GOJ securities of similar tenors significantly widening from 345 basis points to 1,035 basis points.

Key Economic Data

	2008	2007	Change
Remittance Flows	US$2.03B	US$1.96B	+4%
Tourism arrivals	2,856,172	2,880,289	-1%
Balance of Payments (Jan – Jul)	-US$1,652M	-US$702M	-US$950M
NIR	US$1.77B	US$1.88B	-US$0.11B
Fiscal Deficit (Mar – Dec)	J$58.3B	J$40.0B	Up J$18.3B
GDP Growth (Jan – Sep)	-0.4%	2.3%	Down 2.7

The macro-economic indicators, particularly during the second half of 2008 began to show signs of strain.

- **Remittance flows which have been consistently growing by double digits, slipped to just a 4% increase with the last quarter of the year being negative.**
- **Tourism arrivals fell for the first time since the impact of 9/11 seven years ago and our balance of payments continued to worsen, feeling the severe strain of an oil bill that has more than doubled in 2008. Import growth at 33% continued to outstrip export growth of 15%.**
- **Net International Reserves declined by US$112 Million as the BOJ actively intervened in the local market to promote stability, by currency sales throughout the year as well as via loans of approx. US$170 Million to support financial institutions impacted by overseas margin calls.**
- **On the fiscal side, the GOJ's deficit expanded as a $17 Billion shortfall in budgeted tax receipts largely accounted for the increased deficit of $18.3 Billion.**
- **Unsurprisingly, GDP slipped into negative territory as the agriculture, transportation and construction industries retreated.**

Outlook

The Caribbean Banking sector has been resilient, and while 2008 results have been mixed, the major institutions in the region have reported profitable financial operations. Like PanCaribbean, several have seen an increase in net income, but others while reporting lower earnings, did not experience any significant decline in profitability versus 2007. This positive performance has been attributed to a number of factors including the regulatory environment, well-capitalized institutions, good risk management architecture and appropriately leveraged balance sheets.

The global downturn however has elevated the challenges that small nations like Jamaica will face and will impact all industries in the private sector. The government, like the private sector, will be forced to focus on identifying ways to improve productivity and manage its costs. These conditions represent an opportunity to implement the tough decisions that need to be taken, if the intent is to emerge fighting fit from these tough times.

Tough times don't last…but tough leaders do. This period will likely see a distinct separation between those willing to implement the necessary decisions and those who shy away from taking the required steps.

Management Discussion & Analysis

PanCaribbean generates income from a diverse range of financial services. Companies within the Group hold the following licences, memberships and designations:

Pan Caribbean Financial Services Limited	Financial Services Commission Licensed Securities Dealer	Bank of Jamaica Primary Dealer
	Jamaica Stock Exchange Stock Broker	Jamaica Stock Exchange Listed Member
PanCaribbeanBank Limited	Bank of Jamaica Licensed Commercial Bank	Bank of Jamaica Authorized Foreign Exchange Dealer
Pan Caribbean Asset Management Limited	Financial Services Commission Licensed Securities Dealer	Financial Services Commission Licensed Unit Trust Manager

GROUP PERFORMANCE

PanCaribbean delivered improved financial results in 2008. Profit after tax was $1.381 Billion, an increase of 14% over last year's $1.213 Billion. Earnings per share rose 13% to $2.52 and return on opening Shareholders' Equity was 18.3% compared to 16.8% in 2007. Our dividend payout ratio rose to 48% versus 40% in 2007. Total dividends paid during the year amounted to $658 Million ($1.20 per share) a 34% improvement over $490 Million ($0.90 per share) distributed during the previous year.

ANALYSIS OF INTEREST INCOME AND EXPENSE

Net Interest Income is comprised of income from fixed income securities, loans and leases, less funding costs from liabilities. Net Interest Income advanced by 13% to $1.94 Billion from $1.71 Billion, influenced primarily by balance sheet growth. Our Loan and Lease portfolio expanded by $1.3 Billion to $8.4 Billion while our investment in securities rose by $7.3 Billion to $47.2 Billion at year end.

The Group's Net Interest Margin on average earning assets contracted marginally to 3.77% from 3.84% in 2007 reflecting more competitive market conditions. BOJ initiated five rate increases in 2008, in an effort to temper currency demand and maintain orderly currency markets. Local currency customer deposits and repurchase agreement liabilities re-priced upwards with BOJ rates during the year, strongly influenced by the depreciation in the local currency during the last quarter of the year. US$ liability rates were stable during the year. While our overall cost of funds fell to 8.77%, it was heavily affected by faster growth in our US$ liabilities.

The following table sets forth certain information relating to our interest-earning assets and interest bearing liabilities for the periods indicated. All yield and rate information is estimated on an annualized basis by dividing the income or expense item for the period by the average balances during the period for the appropriate balance sheet item. Net interest margin is calculated by dividing net interest income by average interest-earning assets.

Analysis of Interest Income and Interest Expense

	2008			2007		
	Average Balance $'000	Interest $'000	Yield %	Average Balance $'000	Interest $'000	Yield %
Interest-earning assets:						
Investment	43,563,364	5,329,061	12.23%	38,234,631	4,434,933	11.60%
Loans and leases	7,799,787	809,511	10.38%	6,342,491	744,912	11.74%
Total interest-earning assets	51,363,151	6,138,572		44,577,122	5,179,845	
Interest-bearing liabilities:						
Customer deposits and repos	44,821,681	3,931,845	8.77%	37,825,922	3,350,934	8.86%
Borrowed funds and preference shares	2,180,958	267,814	12.28%	1,467,076	116,733	7.96%
Total interest-bearing liabilities	47,002,639	4,199,659		39,292,998	3,467,667	
Excess of average interest-earning assets over average interest bearing liabilities	4,360,513			5,284,124		
Net interest income		1,938,913			1,712,178	
Net interest margin			3.77%			3.84%
Ratio of interest-earning assets over interest-bearing liabilities	1.093 : 1			1.134 : 1		

The average yield (interest income divided by average balances) for investments was 12.23% in 2008 and 11.60% in 2007. The average yield on loans was 10.38% in 2008 and 11.74% in 2007. Our portfolios include a significant US$-denominated component, as reflected by the yields. The average interest rate paid (interest expense divided by average balances) for deposit and repo liabilities was 8.77% in 2008 and 8.86% in 2007. The average rate on borrowed funds and preference shares was 12.28% in 2008 versus 7.96% in 2007. There were no preference shares outstanding in 2007.

NON-INTEREST INCOME

Non-interest income was $1.127 Billion, increasing by 33% over the prior year's $848 Million. This income is comprised primarily of FX trading and translation gains, asset management fees, securities trading gains and other fee-earning activities. The table below details the components of this category.

NON-INTEREST INCOME

	2008 $'000	2007 $'000	Change
FX trading and translation gains	431,926	164,966	162%
Asset management fees	197,488	184,224	7%
Securities trading gains	141,922	338,425	-58%
Brokerage, dividend and equities gains	136,372	38,802	251%
Credit fees	59,497	45,847	30%
Gain on disposal of Associated Company	57,967	-	-
Structured products	42,732	-	-
Trust fees	34,914	39,936	-13%
Other income	24,358	35,625	-32%
	1,127,176	847,825	33%

Since the beginning of this decade, we have aggressively pursued specific strategies to diversify our lines of business and revenue sources. During 2008, we maintained or improved our performance in a number of important market segments. Our comments will focus (but not exclusively) on some key areas.

STOCKBROKING

In 2008, we traded 20.5% of the market, up from 13.0% in the prior year. For the first time and in our fourth year of operating as a stockbroker, we were ranked first place, moving up from second in 2007 and 2006.

FOREIGN EXCHANGE TRADING

Trading volume rose to US$856 Million, up from US$809 Million in 2007. Our foreign exchange desk - FX Access ®, is consistently among the top five foreign exchange dealers.

NON-INTEREST EXPENSE

Non-interest expense increased 39% to $1.232 Billion compared to $887 Million for the prior year. Heavily influencing personnel costs were a 16% increase in staff levels from 227 to 264, along with annual salary increases. Charges associated with implementation of technology systems, expansion of a secure warm site facility for business continuity planning and other IT-related projects continue to impact our operating costs. Our Efficiency Ratio at 40%, (up from 35% in 2007), continues to exceed international benchmarks and stands out in the local financial services sector.

NON-INTEREST EXPENSE

	2008 $'000	%	2007 $'000	%
Staff costs	720,957	58%	468,841	53%
Provision for credit losses	1,518	0%	11,572	1%
Occupancy costs	86,427	7%	75,288	9%
Other expenses	423,935	35%	330,909	37%
Total	1,232,837	100%	886,610	100%
Efficiency ratio	40.21%		34.60%	

TAXATION

The effective tax rate decreased to 24.7% from the 27.6% reflected in 2007. The tax on profits differs from the theoretical amount that would normally arise using the statutory rate of 33 1/3% as follows:

TAXATION

	2008 $'000	2007 $'000
Profit before taxation	1,834,829	1,674,736
Tax calculated at 33 1/3%	611,610	558,245
Adjusted for the effect of:		
Income not subject to tax	(156,503)	(96,617)
Prior year adjustment	(6,829)	(4,547)
Net effect of other charges and allowances	5,619	4,661
Tax Expense	453,897	461,742
Effective tax rate	24.7%	27.6%

Income not subject to tax is primarily income derived from tax-free securities held and the gain on disposal of our associated company, Manufacturers Credit and Information Services Limited.

SUMMARY OF QUARTERLY RESULTS

PanCaribbean realized attractive earnings for each quarter of this year with our Total Operating Income for Q4 registering an all time high of $1.03 Billion. The quarterly results reflect changing conditions across each quarter. As net interest margins widened and compressed, trading opportunities developed. New relationships positively impacted our steady asset growth.

SUMMARY OF QUARTERLY RESULTS

	2008				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross operating income ($M)	1,584	1,717	1,764	2,201	1,422	1,460	1,606	1,540
Total operating income ($M)	644	705	685	1,032	600	605	716	639
Operating expenses ($M)	263	298	291	381	217	239	214	217
Net income ($M)	254	352	295	480	279	267	360	307
Earnings per share (cents)	46	64	54	88	51	50	66	56
Return on opening equity (%)	13.5%	18.7%	15.7%	25.5%	15.5%	14.8%	20.0%	17.0%
Dividends paid ($M)	356	-	-	302	-	239	-	251
Total assets ($M)	51,811	54,856	57,731	63,773	47,287	49,622	49,663	49,797
Stockholders' equity ($M)	7,122	7,542	7,434	7,084	7,463	7,463	7,546	7,531
Closing share price (last sale) ($)	21.95	20.00	19.00	12.00	18.00	18.99	21.00	20.00

ASSETS & ASSET QUALITY

The consolidated balance sheet grew by 28% to $63.8 Billion in total assets compared to $49.8 Billion at December 2007. Our securities portfolio increased 26% during this period to $50.2 Billion while loans and leases increased 18% to $8.4 Billion. Credit growth remains a priority while maintaining our underwriting standards. Credit quality is best reflected by our non-performing loans to total assets ratio of 0.4% (0.3% in 2007). Non-performing loans at year end was $234 Million (2007= $157 Million), with total loan loss provisions of $232 Million, reflecting a loan loss coverage of 99%.

INVESTMENTS AND SECURITIES

The following table sets forth the book values of our investments and securities in Jamaican Dollars. The categories used are as follows:

- Trading securities - investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price.
- Reverse repurchase agreements – securities purchased with the agreement to sell them at a higher price at a specific future date.
- Available-for-sale investments – investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.
- Held-to-maturity investments – investments intended to be held to maturity.
- Derivative financial instruments - securities or contracts used to manage our credit, market or currency risks and to provide risk management solutions for customers. Derivative financial instruments largely represent forward contracts to sell Euros in exchange for US dollars at a fixed rate.
- Pledged assets - available-for-sale securities pledged, for which the transferee has a right by contract or custom to sell or re-pledge the collateral.

INVESTMENTS & SECURITIES

	2008		2007	
	$'000	%	$'000	%
Category				
Trading investments	320,364	1%	1,503,840	4%
Reverse repurchase agreements	3,628,964	7%	1,662,199	4%
Available-for-sale investments	23,654,040	47%	20,026,884	50%
Held-to-maturity investments	1,554,655	3%	-	-
Derivative financial instruments	2,957,306	6%	-	-
Pledged assets	18,079,991	36%	16,695,792	42%
	50,195,320	100%	39,888,715	100%
Currency				
Jamaican Dollar	23,675,500	47%	21,321,664	53%
United States Dollar	24,577,311	49%	17,970,929	45%
Euro	1,942,509	4%	596,122	2%
Total Portfolio	50,195,320	100%	39,888,715	100%

CREDIT PORTFOLIO

At year-end our total net loan portfolio, including finance leases, amounted to J$8.44 Billion (prior year = $7.16 Billion), or 13% (prior year = 14%) of our total assets. The average interest rate received (interest income divided by average balances) for loans and leases was 10.38% (prior year = 11.74%). At December 31, 2008, 78% of our portfolio was US$-denominated, up from 68% in 2007.

The following table sets forth our loan and lease portfolio classified by major industry and currency.

LOANS & LEASES PORTFOLIO

	2008		2007	
	$'000	%	$'000	%
Industry				
Distribution	1,857,980	22%	1,378,492	19%
Professional and other services	2,044,494	24%	1,124,219	16%
Agriculture, Fishing, Mining	1,401,596	17%	1,351,728	19%
Tourism, Entertainment	1,360,556	16%	1,005,789	14%
Manufacturing	270,524	3%	305,611	4%
Personal	561,384	8%	822,257	11%
Construction, Real Estate	736,336	8%	689,416	10%
Transport, Storage, Communication	236,746	2%	503,322	7%
Other	9	0%	4,924	0%
Total	8,469,625	100%	7,185,758	100%
Provision	(115,178)		(108,312)	
Net	8,354,447		7,077,446	
Interest Receivable	87,426		80,255	
Total Portfolio	8,441,873		7,157,701	
Currency				
Jamaican Dollar	1,883,865	22%	2,316,509	32%
United States Dollar	6,558,008	78%	4,841,192	68%
Total Portfolio	8,441,873	100%	7,157,701	100%

RISK ELEMENTS OF OUR CREDIT PORTFOLIO

Loans and leases that are past due for over 89 days are classified as non-accrual loans for regulatory reporting purposes. Loans may be placed on non-accrual earlier if full collection of principal and interest on the loan is in doubt. Exceptions to this non-accrual policy may be considered only if the loan is cash-secured and is in the process of collection.

Regulatory provisioning and IFRS requirements are different, as IFRS requires provisions based on present value estimates of future cash flows. Statutory or other regulatory loan loss reserves that differ from the IFRS provisions are dealt with in a non-distributable Loan Loss Reserve. At the balance sheet date the amount carried in the Loan Loss Reserve in Stockholders' Equity amounted to $117 Million (2007 = $103 Million).

Credit quality remains acceptable with non-performing loans amounting to $234 Million (prior year = $157 Million) and represents 2.7% (prior year = 2.2%) of our total credit portfolio, and 0.4% (prior year = 0.3%) of total assets. All non-performing loans have been 99% provided for, ahead of the industry average of 86% (Source: Bank of Jamaica September 2008 Prudential Indicators).

SUMMARY OF LOAN LOSS EXPERIENCE

The following table sets forth a summary of our loan loss experience.

SUMMARY OF LOAN LOSS EXPERIENCE

	2008 $'000	2007 $'000
Total provision at beginning of year	211,768	196,679
Retained earnings transfer	1,862	19,503
Currency revaluations and other adjustments	23,018	9,622
Provision Utilized	(5,693)	(25,608)
Provided during the year	7,695	11,612
Recoveries	(6,177)	(40)
Net charge to the profit and loss account	1,518	11,572
Total provision at end of year	232,473	211,768
Non-performing Loans	234,114	157,092

INTEREST BEARING LIABILITIES

The Group's interest-bearing liabilities consist of repurchase agreements, deposits and other accounts, borrowed funds and preference shares. At the year-end:

- Total securities sold under repurchase agreements of $42.04 Billion (prior year = $34.66 Billion), representing 74% (prior year 82%) of total liabilities
- Customer deposits and other accounts were $7.46 Billion (prior year $5.49 Billion), representing 13% (prior year = 13%) of the Group's total liabilities
- Total borrowings were $1.54 Billion (prior year = $1.55 Billion), representing 3% (prior year = 4%) of the Group's total liabilities
- Preference shares issued during the year amounting to $1.271 Billion, represented 2% of the Group's total liabilities

STOCKHOLDERS' EQUITY

Stockholders' Equity stands at $7.08 Billion, reflecting a well-capitalized financial services group. Included in Stockholders' Equity is our Fair Value Reserve. We elect to hold the majority of our securities portfolio as Available-for-Sale and unrealized portfolio gains (or losses) are reflected in this Fair Value Reserve. Our Fair Value Reserve at year-end reflected unrealized losses of $1.1 Billion.

CAPITAL ADEQUACY

Under the Bank of Jamaica's (BOJ) and the Financial Services Commission's (FSC) regulatory framework, our banking and securities operations are required to maintain appropriate unconsolidated risk-weighted Capital Adequacy Ratios.

Our securities dealer, Pan Caribbean Financial Services Limited's Capital Adequacy Ratio is 51%, our banking entity, PanCaribbeanBank Limited's Capital Adequacy Ratio is 16%, while our unit trust entity Pan Caribbean Asset Management Limited's Capital Adequacy Ratio is 169%, all reflecting ratios in excess of regulatory minimum requirements.

Risk Management

RISK FACTORS AND MANAGEMENT

By the nature of our business, our activities are principally related to the use of financial instruments. PanCaribbean enters into repurchase agreements, and through its Commercial Bank accepts deposits from customers, at both fixed and floating rates and for various periods. Positive interest margins are earned by investing in high quality assets. The Group seeks to increase margins by lending and investing funds for longer periods at higher rates while maintaining sufficient liquidity to meet obligations that might be liquidated by counterparties at maturity.

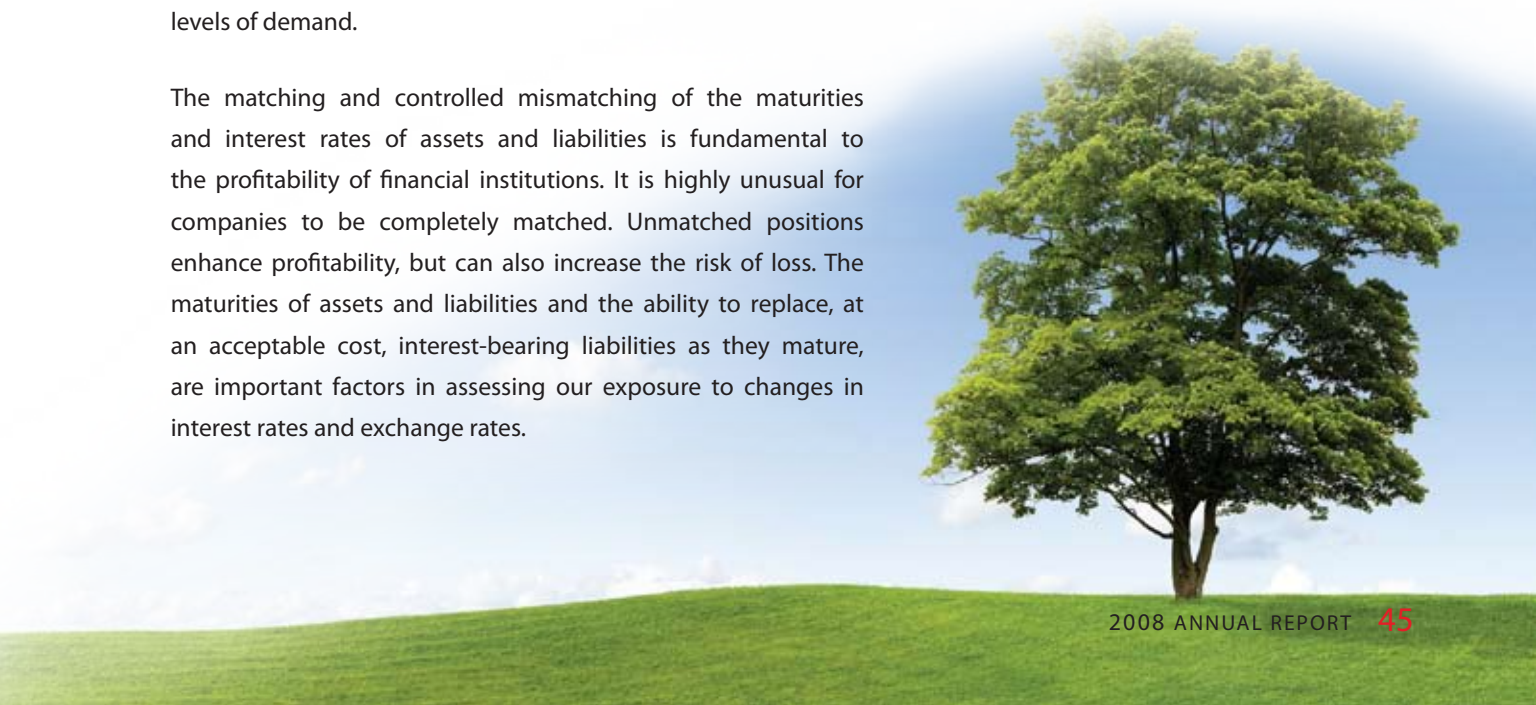
The Group improves its interest margins (net of appropriate loss provisions) through lending to commercial and retail borrowers of acceptable credit quality. Such exposure involves not just loans, but may also include guarantees and other commitments.

PanCaribbean also trades in financial instruments, where it takes positions to take advantage of interest spreads as well as positive market movements in securities prices, currencies and interest rates. The Board through its Sub-Committees monitors trading and exposure limits to counter-parties and ensures compliance with regulatory standards.

LIQUIDITY RISK

PanCaribbean is exposed to daily calls on its available cash resources from maturing deposits and repurchase agreements, loan disbursements and guarantees. Cash resources are not maintained to meet 100% of these needs as experience shows that reinvestment of maturing funds can be predicted with a high level of certainty. Our Treasury Units adhere to policy guidelines, established liquidity ratios of 30% and lines of credit are maintained in the event of unexpected levels of demand.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the profitability of financial institutions. It is highly unusual for companies to be completely matched. Unmatched positions enhance profitability, but can also increase the risk of loss. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing our exposure to changes in interest rates and exchange rates.



INTEREST RATE RISK

PanCaribbean takes on exposure that can be impacted by interest rate fluctuations in the market and affect its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Asset, Liability, Credit & Investment Committee (ALCO) sets limits and monitors the level of interest rate and re-pricing mis-matches that are taken.

Our overall goal is to manage interest rate risk so that movements in interest rates do not have a significant adverse impact on our core net interest income. Simulations are constantly used to estimate this impact which supports our decision-making on the structure of the portfolio.

FOREIGN CURRENCY RISK

PanCaribbean is exposed to currency risk primarily with respect to the US dollar and, to a lesser extent, the Euro and Sterling. Currency exposure strategies are intended to take advantage of fluctuations in the prevailing foreign currency rates. The Board's ALICO Committee establishes monitors and adjusts limits on currency exposure for overnight and longer term positions from time to time.

MARKET RISK

Market risk exposure arises from positions in fixed rate securities, loans, currency and equity instruments, all of which are exposed to general and specific market movements. The market risk of positions held and the maximum potential losses expected based on assumptions for possible changes in market conditions is estimated to determine the institution's value at risk. Market risk is monitored daily by the Treasury Units, reviewed by the Risk Management Unit, and reported to ALCO at each meeting. Monitoring of economic reports, local and international market conditions are a critical part of risk assessment and management.

CASH FLOW RISK

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. This risk is managed by ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flows. Standby credit lines as well as highly liquid securities play a part in managing cash flow risk.

CREDIT RISK

PanCaribbean takes on exposure to credit risk, which is the risk that counterparties may be unable to pay amounts in full when due. Credit risk is inherent in financial products – loans, commitments to lend, repurchase agreements and contracts to support counterparties' obligations to third parties such as letters of credit. Positions in tradable securities such as bonds also carry credit risk.

The risk is managed primarily by review and monitoring the financial status of counterparties and the underlying securities. The levels of credit risk undertaken is structured by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a periodic basis and subject to annual or more frequent reviews. The exposure to any one borrower, including banks and securities dealers, is managed by establishing exposure limits which comply with regulatory limits and is subject to an internal analysis and established approval levels. Actual exposures against limits are continuously monitored.

Credit risk is also managed in part by obtaining appropriate collateral, corporate and personal guarantees. It is policy to obtain control or take possession of securities purchased under agreements to re-sell. PanCaribbean assesses the market value of the underlying securities that collateralize the transactions and takes the appropriate margins required.

RISK MANAGEMENT

The Group utilizes an integrated approach in managing its activities that includes management of interest rate sensitivity, credit risk, liquidity risk and capital. In order to provide a rate of return to shareholders, protect depositors and clients' liquidity, credit, market, operating and other risks are monitored and frequently assessed. This is achieved through a framework of policies, simulations of market conditions, economic and market analyses, as well as other methods that require active and effective oversight.

Liabilities are segmented and analyzed to monitor and reduce concentrations. PanCaribbean strives to achieve targeted asset/liability matching strategies while maintaining sufficient liquidity to meet unexpected funding gaps, bearing in mind market volatility. PanCaribbean monitors its daily, weekly and monthly liquidity positions and adheres to liquidity policy ratios.

There is credit risk in both our securities and lending activities. In connection with securities activities, the market protocols require "delivery versus payment" where collateral is provided on a "mark to market" basis between counterparties. For commercial and retail lending activities, loans are adequately collateralized, with applicants undergoing a thorough screening and credit analysis process.

Operational risk is minimized through separation of duties, appropriate training, adherence to implemented polices, internal audits, a continuing review and update of policies and close management oversight.

Division Reports

CAPITAL MARKETS & TRADING

This Division is responsible for more than 80% of our operating income. It is comprised of our Private Clients Services and Investment Services, Trading, Treasury and Asset Management Units. The primary revenue activities involve funding our securities portfolio and managing its interest rate spreads, as well as trading foreign exchange, equities and fixed income.

PanCaribbean is a significant market-maker in the domestic capital markets and through our Treasury capabilities, we oversee one of the largest trading platforms in the industry.

The Division's 2008 performance improved as a result of our continued focus on facilitating our clients in the active management of their portfolios to capitalize on various opportunities that were available throughout the year. Net interest income increased 13% during a year in which the Bank of Jamaica increased interest rates five times. Our Primary Dealer Unit, which manages all fixed income activities, remains one of the largest underwriters of new GOJ securities and our Stockbrokerage Unit topped the tables in 2008 with 20.5% of trading value after only four years of operation, and having ranked second for the last two years.

Asset Management had its challenges. Our Unit Trust portfolio was negatively impacted by a sell-off in equities during the second half as well as by redemptions. Notwithstanding these market conditions, Asset Management fees grew 7%, as new products were developed to meet the specific needs of key investor niches.

Looking ahead, we are positioning PanCaribbean to consistently grow amongst the largest distributors of financial securities in Jamaica. Our objective is to identify and fill the un-met needs of our individual and institutional investors through our continued commitment to create long-term prosperity. We constantly focus on this objective, mindful of our long-standing client relationships, our reputation and of equal importance - our professionals, who must always seek to balance the interest of the institution and that of our clients.

CORPORATE TRUST

Corporate Trust Revenues for the year amounted to $35 million. Our revenues are derived from the following activities:

- **Corporate Secretarial Services to the Group and three other listed companies.**
- **Registrar and Share Transfer services for five listed companies.**
- **Registrar and Custodian services for Unit Trusts and Mutual Funds.**
- **Trustee and Paying Agency services for Corporate Bond Issues.**
- **Trustee and paying agency services for a pension-focused REIT.**

MARKETING & NEW PRODUCT DEVELOPMENT

In 2008, we celebrated 25 years of operation, recognizing the contributions of our founding Chairman, the Hon. Maurice W. Facey OJ, as well as the important contributions of team members from the seven companies that helped to create our corporate culture and vibrant identity over the years. We marked this year with a number of key initiatives as outlined below:

Launched Commercial Banking

PanCaribbeanBank
Advantage: you

Our major milestone this year was the opening of the PanCaribbeanBank on June 23, 2008. In preparation for launch, we rolled-out 13 new products and three new services. Our mission is to offer our clients a more convenient and rewarding banking experience.

Strengthened our Affinity with Sagicor

Sagicor

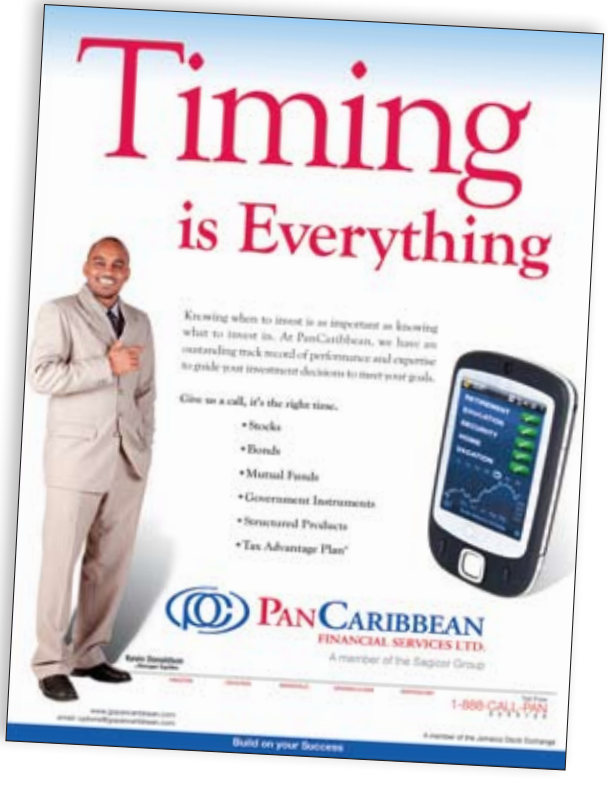
We achieved our goal of strengthening our public association with Sagicor, our parent company, through our advertising, branding and co-sponsorships of key events. We will continue to leverage the positive relationship with our parent to expand our visibility and Caribbean reach.

Developed the PanWay

Recognizing the importance of Internal Marketing, we launched the PanWay, which outlines the service and communication standards we will uphold or exceed for our internal and external clients. The principle behind the PanWay is that every team member is responsible for excellent customer service, individually and collectively.

Refreshed our PCFS Campaign

In support of other Strategic Initiatives, we highlighted our products and services under the simple themes of "Timing is Everything" and, "Knowledge is Power" and featured members of our Wealth Management, Research and Client Services Teams. These ads emphasize our greatest resource - our people.



As we look ahead to 2009, we will focus on increasing our communication with our client base to ensure that we always keep our clients informed and aware of opportunities and factors affecting their financial well-being.

CORPORATE & RETAIL LENDING

The Group's loan portfolio grew by 17% during the financial year, moving from $7.2 Billion to $8.4 Billion. The growth was driven by a combination of our continued efforts to drive new corporate lending and the successful introduction of our commercial bank during the year, which provided further opportunities to offer an expanded range of credit products and to improve the retail end of our business.

Credit fee income also recorded growth of 30% to $59.5 Million, which reflects the success of new fee generating products, traditional loan fees and growth in Corporate Finance activities.

Lending activities have been focused on the productive and export sectors, with financing geared mainly towards expansion activities in the tourism, manufacturing, real estate and service industries. Our lease financing product grew by 80% in 2008 and wholesale credit geared towards the micro-business sector continued to contribute to non-interest income.

Credit quality remains acceptable as non-performing loans rose from 2.2% to 2.7% of total loans during the year. Loss provisions as a percentage of non-performing loans were 99% which is ahead of the industry average of 86%.

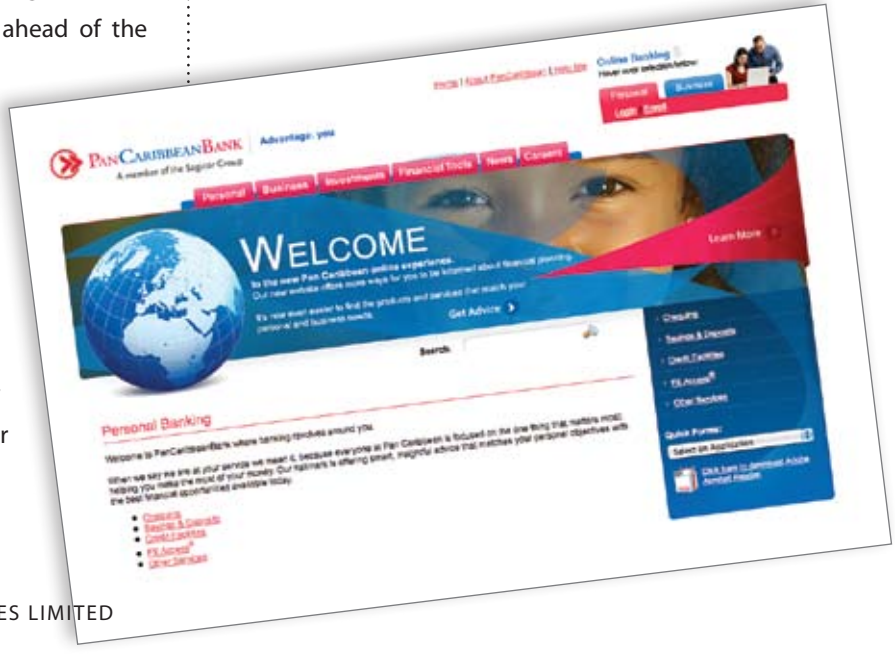
Given the recessionary conditions emerging, we plan selective expansion of our credit portfolio, with the commercial bank representing an important driver of this growth. Underpinning our approach will be a heightened focus on asset quality and more stringent underwriting in our lending activities.

TECHNOLOGY

In 2008 our Information Technology Division continued its focus on supporting a number of strategic initiatives, with a keen spotlight on the launch of PanCaribbeanBank. New products and services including Internet Banking, Debit Cards, Savings and Current Accounts along with a host of related services, on a fully integrated system promises to support our growth. As a result, significant upgrades to our core banking systems and IT infrastructure were required, along with the simultaneous integration of additional systems to support this new operation.

We also upgraded our core banking applications and database systems, reducing downtime by automating several processes to improve fault tolerance, performance, scalability and disaster recovery. Upgrades to our business intelligence tools sought to deliver faster and more reliable management information.

We remain focused on leveraging our technology solutions to provide new products and services, driving innovation aimed at cost reduction and operational efficiencies while employing secure technology for on-line, real-time, convenient banking and investment services.



HUMAN RESOURCE DEVELOPMENT

In 2008, we experienced a dramatic growth in the size of our team driven by our new commercial bank. We continue to attract, retain and develop vibrant professionals who seek to live our brand promise. We achieved this through a number of initiatives outlined below.

Training, Development and Succession Planning

In delivering our mandate to "Develop our People", a total of 5,652 hours (up from 4,495 hours in 2007) were spent in training. Eighty-eight percent of our team was involved in technical or development programmes during 2008. We also added a Training and Development Specialist to strengthen our in-house capabilities. Our Succession Planning process has identified key executives who along with the rest of our team at all levels, will receive leadership and professional development training as we build our talent pool.

Recognizing Excellence

Excellence is a habit for so many of our team members and we continuously seek to recognize and reward for performance. Our 1-2-1 Peer Recognition programme remains active as well as several other activities that serve to highlight individual and team excellence.

Keeping it Fun!

Stress management is important and our Pan Vybz and Organizational Improvement Committee Teams infuse the organization with ideas to ensure that as serious as our responsibilities are, we find time for fun and friendly competition. From our own Pan-Olympics to games nights and inter-departmental football competitions - we seek to foster and strengthen TEAM as one of our core values. This is our culture...this is how we live.

"I love the many challenges that come with my job and I get great satisfaction in ensuring our high standard in delivering customer service is maintained."

Kathleen Williams, Manager-Centralized Business Support and Team Member of the Year 2008.

Going the Extra Mile

Andrea Rochester-Wint - *Supervisor, Call Centre.*

Meet Andrea Rochester-Wint, winner of our Extra Mile award. Caring, positive and always smiling, Andrea was quick to inform us that she uses the "Kaizen" as her personal philosophy (Japanese for "continuous improvement throughout all aspects of life"). Andrea heads our Priority Service Centre and exemplifies the PanCaribbean Service culture which is our PanWay.

Andrea enjoys watching forensic type documentaries and thoroughly loves doing "girly" activities with her daughter, Maeghan. She lists one of her favourite movies as Finding Nemo – "I love watching this movie with Maeghan, it teaches us that we don't always know what we are capable of but we will do anything for our loved ones, no matter the challenge." This is how Andrea operates in her daily life, she allows no challenge to prevent her from moving forward. During difficult periods, she reflects on the words of her favourite author, Joel Olsen who said "Its not where you have been, but where you are going"

Andrea enjoys being around her family, Garfield and Maeghan, and maintains the strong family bond by praying together and never parting without a family hug.

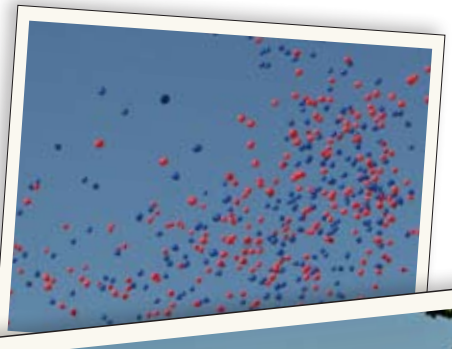
Andrea sees her role as seeking to go above the expectation of the customer, listen to the unspoken request and to try and make each customer feel special. Congrats Andrea!.

Corporate Social Responsibility

2008 being the year of our 25th Anniversary and the launch of our commercial bank, we increased our commitment to our community by working with schools, hospitals and charities that are seeking to make a difference.

Sigma Corporate Run turns 10!

This year we celebrated the 10th Anniversary of PanCaribbean's Sigma Corporate Run where we partnered for the first time with the National Health Fund. Together, we raised over $12.2 Million which we donated to the Renal Units of the Kingston Public Hospital, the University Hospital of the West Indies and Cornwall Regional Hospital. A record 8,000 people participated this year from 85 registered companies and other groups and individuals. We appreciate the continued support from our large team of volunteers and donors.



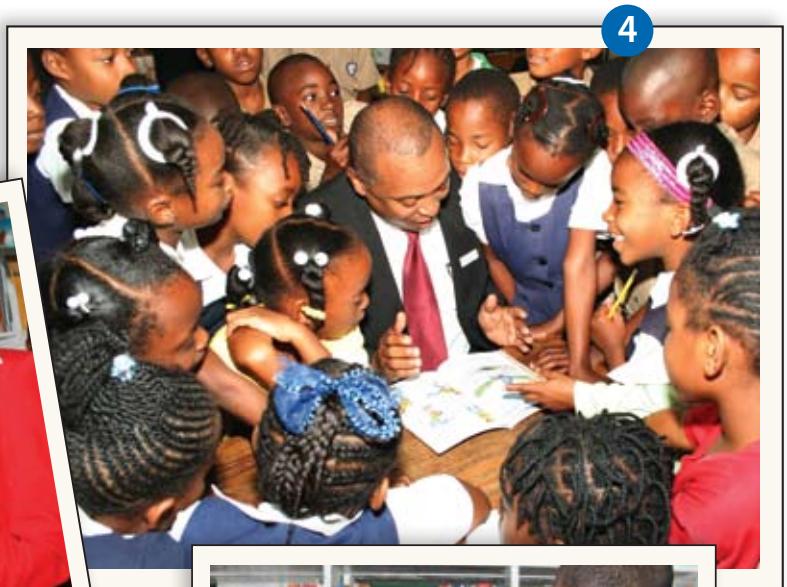
1 *Thousands of walkers and runners cross the Finish Line on the South side of Emancipation Park at PanCaribbean's Sigma Corporate Run 2008.*

2 *Sister Russell-Harris of the Kingston Public Hospital explaining to Donovan Perkins, President & CEO of PanCaribbean and Rosemarie Lee, Public Relations Coordinator of the National Health Fund, how the reprocessor machine works.*

Educating our Children

In addition to our usual contributions to school programmes through our branch network, this year, we marked our 25th Anniversary by partnering with the "Expanding Educational Horizons Project" (EEH) to work with 25 schools to implement a visionary programme called "Reading…The Bottom Line" In addition to supplying reading material, we have made a commitment to visit the schools each month to read to the children. Some of the schools that have benefited are St. Anne's Primary, Ferguson All Age, Negril All Age, Anchovy Primary and Brown's Town Primary Schools. Denham Town Primary, and Bull Bay All Age.

Another special school project for us this year was the St. Paul's Primary School in Savanna-la-mar. We provided this school with a PA system, and on learning of a great tragedy that impacted the school population, donated additional funds towards the building of a guidance and counseling centre. The response from the teachers and the student body was heartwarming. We also continued to support our university level students with 20 scholarships valued at $2 Million per year.



3 *Karlene Dennis, Assistant Manager Corporate Public Relations symbolically presents a book to Principal Estella Forrester of St. Anne's Primary, while Sheryl Bown and Dr. Jean Beaumont of EEH and Conroy Rose, Manager, Sales & Branch Network, PanCaribbean look on.*

4 *Ornell Bedasse, PanCaribbeanBank Regional Manager-North Coast, reads to eager students of Anchovy All Age.*

5 *Charmaine Clarke of PanCaribbean reads to students of Negril All Age.*

Supporting Sports & Community

We strengthened our contribution to Sports by supporting Tennis Jamaica in hosting the All Jamaica Junior Tennis Championships 2008. We also continued to support the Reggae Marathon, adding the incentive of donating computers to the top three schools in the competition. We are encouraged by the growing positive impact of sport on our youth and our community.

As we approached the Christmas season, we took the decision to redirect our holiday giveaways from gifts for our clients to good cheer for our communities. We received the full support of our clients – who gave us high marks for this initiative. We were able to extend our community support to reach a wide range of our fellow citizens. These include, the Golden Age Home, the Hanbury Children's Home, Mustard Seed Communities, Missionaries of the Poor, the Westmoreland Foster Parent's Association and the Blossom Gardens Child Care Centre. Our team members gave the human support needed to spread the holiday cheer.

6 *Randy Phillips serves it up at PanCaribbean's All Jamaica Junior Tennis Competition.*

7 *Principal Jasford Gabriel and students of Manchester High, third place winners of Reggae Marathon, test out their new computer while Vanessa Williams, Customer Service Representative, Mandeville Branch and Alfred Francis, Race Director of Reggae Marathon look on.*

8 *Sharlene McKoy, Officer Sales & Investments, Ocho Rios Branch poses with students of Brown's Town Primary.*

9 *Loven McCook, Regional Manager South Coast looks on as Principal Pat Webster of Ferguson Primary School and her students express excitement at receiving new books.*

Disclosure of Shareholding

As at December 31, 2008

STOCKHOLDINGS OF DIRECTORS AND CONNECTED PERSONS

DIRECTORS	STOCKHOLDING	CONNECTED PERSONS	STOCKHOLDING
Richard O. Byles		& Jacinth Byles	1,168,116
Jeffrey Cobham	Nil	Nil	Nil
Christopher de Caires	Nil	Nil	Nil
Patricia Downes-Grant	Nil	Nil	Nil
Richard Downer	Nil	Nil	Nil
Patrick Lynch	Nil	Nil	Nil
Peter Melhado	Nil	Nil	Nil
Dodridge Miller	Nil	Nil	Nil
Lisa Soares Lewis	10,000	Nil	Nil
Donovan H. Perkins		& Michelle/Alexander/Jessica Perkins	5,224,085
Hayden Singh		& Joyce Singh	8,000
Colin Steele	Nil	Nil	Nil

MAJOR STOCKHOLDERS AS AT DECEMBER 31, 2008

		Shares Held
1	Sagicor Life Jamaica Limited	290,249,146
2	Sagicor Financial Corporation	182,566,261
3	ATL Group Pension Fund Trustees Nom. Ltd.	5,297,100
4	Perkins, Donovan and Michele et al	5,224,085
5	National Insurance Fund	5,115,651
6	JCSD Trustee Services Ltd. A/c 76579-02	3,776,891
7	JPS Employees Superannuation Fund	2,722,475
8	MF&G Trust & Finance Ltd. A/c #528	2,573,063
9	Wray & Nephew Group Limited	2,436,760
10	Ideal Group Corporation Limited	1,600,000

Total ordinary stocks in issue - 547,924,039
Total number of stockholders - 1,621

STOCKHOLDINGS OF SENIOR MANAGEMENT AND CONNECTED PERSONS

MANAGERS	STOCKHOLDING	CONNECTED PERSONS	STOCKHOLDING
Philip Armstrong		& Trevor & Nicola Armstrong	525,000
Sabrina DeLeon Cooper		& Trevor & Samantha DeLeon	21,560
Gene M. Douglas	470,000	Nil	Nil
Steven Gooden	Nil	Nil	Nil
Peter Knibb	2,500	& Elizabeth Knibb	5,000
Faith McFarquhar-Gordon	Nil	Nil	Nil
Margaret McPherson	Nil	Nil	Nil
Tanya Miller	Nil	Nil	Nil
Tara Nunes		& Kelly & Brooke Nunes	100,000
Donovan H. Perkins		& Michelle/Alexander/Jessica Perkins	5,224,085
Donnette Scarlett		& Merrick Scarlett	110,000
Grace Solas	Nil	Nil	Nil
Karen Vaz	500,000	& Douglas Vaz	75,000
Colleen Yearde-Williams	Nil	Nil	Nil

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Year ended 31 December 2008

PRICEWATERHOUSECOOPERS

To the Members of
Pan Caribbean Financial Services Limited

PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Box 372
Kingston Jamaica
Telephone (876) 922 6230
Facsimile (876) 922 7581

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Pan Caribbean Financial Services Limited and its subsidiaries, and the accompanying financial statements of Pan Caribbean Financial Services Limited standing alone set out on pages 59 to 162, which comprise the consolidated and company balance sheets as of 31 December 2008 and the consolidated and company profit and loss accounts, statements of changes in stockholders' equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 31 December 2008, and of the financial performance and cash flows of the group and the company for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants

24 February 2009
Kingston, Jamaica

Consolidated Profit and Loss Account

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Net Interest Income and Other Revenue			
Interest income from securities		5,291,075	4,377,190
Interest income from loans and leases		809,511	744,913
Other interest income		37,986	57,743
Total interest income		6,138,572	5,179,846
Interest expense	6	(4,199,659)	(3,467,667)
Net interest income		1,938,913	1,712,179
Fees and commission income	7	347,490	323,778
Net trading income	8	676,254	519,613
Other revenue	9	103,432	4,434
		3,066,089	2,560,004
Operating Expenses			
Staff costs	10	720,957	468,841
Provision for credit losses	24	1,518	11,572
Occupancy costs		86,427	75,288
Other expenses	11	423,935	330,909
		1,232,837	886,610
Operating Profit		1,833,252	1,673,394
Share of associated company profit	22	1,577	1,342
Profit before Taxation		1,834,829	1,674,736
Taxation	12	(453,897)	(461,742)
NET PROFIT	13	1,380,932	1,212,994
EARNINGS PER STOCK UNIT			
Basic	15	$2.52	$2.23
Diluted	15	$2.52	$2.23

Consolidated Balance Sheet

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
ASSETS			
Cash and balances due from other financial institutions	16	2,815,692	1,315,654
Cash reserve at Bank of Jamaica	17	182,062	95,848
Trading securities	18	320,364	1,503,840
Securities purchased under agreements to resell	19	3,628,964	1,662,199
Investment securities	20	25,208,695	20,026,884
Derivative financial instruments	21	2,957,306	-
Investment in associated company	22	-	18,456
Loans, net of provision for credit losses	24	8,371,067	7,118,412
Lease receivables	25	70,806	39,289
Pledged assets	26	18,079,991	16,695,792
Due from related companies	27	14,113	17
Income tax recoverable		46,743	-
Intangible assets	28	867,796	802,127
Property, plant and equipment	29	155,722	134,573
Deferred income tax assets	30	594,354	7,385
Post-employment benefit assets	31	21,708	46,539
Other assets	32	437,481	330,149
		63,772,864	49,797,164

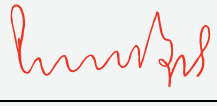
Consolidated Balance Sheet (Continued)

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
LIABILITIES			
Securities sold under agreements to repurchase		42,040,112	34,656,325
Customer deposits and other accounts		7,457,170	5,489,757
Structured products	33	1,087,540	-
Due to banks and other financial institutions	34	1,537,377	1,553,347
Derivative financial instruments	21	2,703,316	-
Due to related companies	27	2,567	2,258
Income tax payable		56,947	59,774
Redeemable preference shares	35	1,271,190	-
Deferred income tax liabilities	30	151,021	111,628
Post-employment benefit obligations	31	21,803	12,423
Other liabilities	36	359,632	380,722
		56,688,675	42,266,234
STOCKHOLDERS' EQUITY			
Share capital	37	3,103,811	3,098,919
Share options reserve	38	49,435	42,178
Retained earnings reserve	39	562,365	172,000
Reserve fund	40	212,169	156,651
Loan loss reserve	41	117,295	103,456
Fair value reserve	42	(1,114,112)	80,178
Retained earnings		4,153,226	3,877,548
		7,084,189	7,530,930
		63,772,864	49,797,164

Approved for issue by the Board of Directors on 24 February 2009 and signed on its behalf by:



Richard O. Byles — Director

Donovan H. Perkins — Director

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Options Reserve $'000	Retained Earnings Reserve $'000	Reserve Fund $'000	Loan Loan Reserve $'000	Fair Value Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2007		3,049,496	32,420	172,000	86,443	83,953	535,547	3,244,275	7,204,134
Unrealised losses on available-for-sale investments, net of taxes		-	-	-	-	-	(116,893)	-	(116,893)
Gains reclassified and reported in profit		-	-	-	-	-	(338,476)	-	(338,476)
Net expense recognised directly in stockholders' equity		-	-	-	-	-	(455,369)	-	(455,369)
Net profit		-	-	-	-	-	-	1,212,994	1,212,994
Total income recognised for 2007		-	-	-	-	-	(455,369)	1,212,994	757,625
Issue of ordinary shares	37	49,423	-	-	-	-	-	-	49,423
Employee share option scheme – value of services provided	38	-	9,758	-	-	-	-	-	9,758
Transfers to/(from) reserves		-	-	-	70,208	-	-	(70,208)	-
Dividends	43	-	-	-	-	-	-	(490,010)	(490,010)
Adjustment between regulatory loan provisioning and IFRS	41	-	-	-	-	19,503	-	(19,503)	-
Balance at 31 December 2007		3,098,919	42,178	172,000	156,651	103,456	80,178	3,877,548	7,530,930
Unrealised losses on available-for-sale investments, net of taxes		-	-	-	-	-	(1,146,254)	-	(1,146,254)
Gains reclassified and reported in profit for available-for-sale investments, net of taxes		-	-	-	-	-	(247,523)	-	(247,523)
Unrealised gains on cash flow hedge, net of taxes	21	-	-	-	-	-	226,271	-	226,271
Gains transferred to profit and loss account	21	-	-	-	-	-	(26,784)	-	(26,784)
Net expense recognised directly in stockholders' equity		-	-	-	-	-	(1,194,290)	-	(1,194,290)
Net profit		-	-	-	-	-	-	1,380,932	1,380,932
Total income recognised for 2008		-	-	-	-	-	(1,194,290)	1,380,932	186,642
Issue of ordinary shares	37	4,892	-	-	-	-	-	-	4,892
Employee share option scheme – value of services provided	38	-	7,257	-	-	-	-	-	7,257
Transfers to/(from) reserves		-	-	390,365	55,518	-	-	(445,883)	-
Dividends	43	-	-	-	-	-	-	(657,509)	(657,509)
Currency revaluation and other adjustments		-	-	-	-	11,977	-	-	11,977
Adjustment between regulatory loan provisioning and IFRS	41	-	-	-	-	1,862	-	(1,862)	-
Balance at 31 December 2008		3,103,811	49,435	562,365	212,169	117,295	(1,114,112)	4,153,226	7,084,189

Consolidated Statement of Cash Flows

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

		2008 $'000	2007 $'000
Cash Flows from Operating Activities			
Net profit		1,380,932	1,212,994
Adjustments for:			
Interest income		(6,138,572)	(5,179,846)
Interest expense	6	4,199,659	3,467,667
Income tax charge	12	453,897	461,742
Fair value losses on trading securities		20,900	8,017
Fair value gains on derivative financial instruments		40,686	-
Share of profit of associated company	22	(1,577)	(1,342)
Provision for credit losses	24	1,518	11,572
Amortisation of intangible assets	28	46,831	32,194
Depreciation of property, plant and equipment	29	48,149	37,280
Gain on sale of associated company	9	(57,967)	-
Gain on sale of property, plant and equipment		(161)	(9)
Changes in post-employment benefits		34,211	(27,525)
Share option expense	38	7,257	9,758
Unrealised losses on foreign assets and liabilities		1,253,099	865,309
		1,288,862	897,811
Changes in operating assets and liabilities -			
Statutory reserves at Bank of Jamaica		(74,301)	(34,303)
Trading securities		1,206,819	79,937
Securities purchased under agreements to resell		876,737	(806,426)
Investment securities		(15,238,295)	(1,760,580)
Loans		(478,902)	(1,429,679)
Lease receivables		(37,480)	13,987
Securities sold under agreements to repurchase		5,433,300	2,137,243
Structured products		1,087,540	-
Customer deposits and other accounts		91,866	(182,522)
Other assets		(484,501)	90,291
Other liabilities		(16,538)	216,950
		(6,344,893)	(777,291)
Interest received		5,869,599	5,041,585
Interest paid		(3,963,401)	(3,492,295)
Taxation		(146,368)	(487,393)
Net cash (used in)/provided by operating activities (Page 64)		(4,585,063)	284,606

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Cash Flows from Operating Activities (Page 63)		(4,585,063)	284,606
Cash Flows from Investing Activities			
Net proceeds/purchase of investment securities		9,698,252	(1,447,072)
Purchase of intangible assets	28	(112,500)	(51,230)
Purchase of property, plant and equipment	29	(69,367)	(55,724)
Proceeds from disposal of associated company		78,000	-
Proceeds from disposal of property, plant and equipment		230	9
Net cash provided by/(used in) investing activities		9,594,615	(1,554,017)
Cash Flows from Financing Activities			
Issue of ordinary shares	37	4,892	49,423
Issue of redeemable preference shares	35	1,264,324	-
Proceeds from due to banks and other financial institutions – long term		404,035	532,650
Repayment of amounts due to banks and other financial institutions – long term		(826,768)	(390,367)
Due from related parties		(13,787)	7,042
Dividends paid		(657,509)	(490,010)
Net cash provided by/(used in) financing activities		175,187	(291,262)
Effect of exchange rate changes on cash and cash equivalents		212,638	57,824
Net increase/(decrease) in cash and cash equivalents		5,397,377	(1,502,849)
Cash and cash equivalents at beginning of year		1,071,348	2,574,197
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	6,468,725	1,071,348

Profit and Loss Account

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Net Interest Income and Other Revenue			
Interest income from securities		5,025,732	4,131,626
Interest income from loans and leases		284,786	235,318
Other interest income		12,303	24,854
Total interest income		5,322,821	4,391,798
Interest expense	6	(3,832,952)	(3,141,967)
Net interest income		1,489,869	1,249,831
Fees and commission income	7	211,612	183,008
Net trading income	8	423,069	401,984
Other revenue	9	109,333	-
		2,233,883	1,834,823
Operating Expenses			
Staff costs	10	456,502	346,881
Provision for credit losses	24	(6,177)	6,858
Occupancy costs		38,121	37,733
Other expenses	11	211,338	220,809
		699,784	612,281
Profit before Taxation		1,534,099	1,222,542
Taxation	12	(360,498)	(306,213)
NET PROFIT	13	1,173,601	916,329

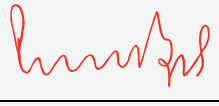
Balance Sheet

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
ASSETS			
Cash and balances due from other financial institutions	16	1,319,697	309,789
Trading securities	18	320,364	1,503,840
Securities purchased under agreements to resell	19	2,446,008	1,569,987
Investment securities	20	23,543,148	17,531,730
Derivative financial instruments	21	2,166,434	-
Investment in associated company	22	-	11,466
Investment in subsidiaries		2,518,210	2,518,210
Loans, net of provision for credit losses	24	2,440,231	2,708,089
Lease receivables	25	8,176	16,233
Pledged assets	26	18,049,991	16,665,792
Due from related companies	27	408	433
Intangible assets	28	165,975	175,953
Property, plant and equipment	29	84,302	97,331
Deferred income tax assets	30	542,829	1,696
Other assets	32	358,075	265,255
		53,963,848	43,375,804
LIABILITIES			
Securities sold under agreements to repurchase		42,154,222	35,241,054
Customer accounts		569,269	516,690
Structured products	33	1,087,540	-
Due to banks and other financial institutions	34	1,271,936	1,304,010
Derivative financial instruments	21	1,917,791	-
Redeemable preference shares	35	1,271,190	-
Due to related companies	27	2,566	489
Income tax payable		56,548	17,413
Deferred income tax liabilities	30	125,515	68,778
Other liabilities	36	102,256	244,509
		48,558,833	37,392,943
STOCKHOLDERS' EQUITY			
Share capital	37	3,103,811	3,098,919
Share options reserve	38	49,435	42,178
Loan loss reserve	41	51,992	57,421
Fair value reserve	42	(1,061,419)	53,636
Retained earnings		3,261,196	2,730,707
		5,405,015	5,982,861
		53,963,848	43,375,804

Approved for issue by the Board of Directors on 24 February 2009 and signed on its behalf by:



Richard O. Byles — Director

Donovan H. Perkins — Director

Statement of Changes in Stockholders' Equity

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Options Reserve $'000	Loan Loss Reserve $'000	Fair Value Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2007		3,049,496	32,420	39,095	561,638	2,322,714	6,005,363
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	(155,579)	-	(155,579)
Gains reclassified and reported in profit		-	-	-	(352,423)	-	(352,423)
Net expense recognised directly in stockholders' equity		-	-	-	(508,002)	-	(508,002)
Net profit		-	-	-	-	916,329	916,329
Total recognised income for 2007		-	-	-	(508,002)	916,329	408,327
Issue of ordinary shares	37	49,423	-	-	-	-	49,423
Employee share option scheme – value of services provided	38	-	9,758	-	-	-	9,758
Adjustment between regulatory loan provisioning and IFRS	41	-	-	18,326	-	(18,326)	-
Dividends	43	-	-	-	-	(490,010)	(490,010)
Balance at 31 December 2007		3,098,919	42,178	57,421	53,636	2,730,707	5,982,861
Unrealised losses on available-for-sale investments, net of taxes		-	-	-	(1,093,840)	-	(1,093,840)
Gains reclassified and reported in profit for available-for-sale investments, net of taxes		-	-	-	(220,702)	-	(220,702)
Unrealised gains on cash flow hedge, net of taxes	21	-	-	-	226,271	-	226,271
Gains transferred to profit and loss account	21	-	-	-	(26,784)	-	(26,784)
Net expense recognised directly in stockholders' equity		-	-	-	(1,115,055)	-	(1,115,055)
Net profit		-	-	-	-	1,173,601	1,173,601
Total income recognised for 2008		-	-	-	(1,115,055)	1,173,601	58,546
Issue of ordinary shares	37	4,892	-	-	-	-	4,892
Employee share option scheme – value of services provided	38	-	7,257	-	-	-	7,257
Currency revaluation and other adjustments		-	-	8,968	-	-	8,968
Adjustment between regulatory loan provisioning and IFRS	41	-	-	(14,397)	-	14,397	-
Dividends	43	-	-	-	-	(657,509)	(657,509)
Balance at 31 December 2008		3,103,811	49,435	51,992	(1,061,419)	3,261,196	5,405,015

Statement of Cash Flows

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Cash Flows from Operating Activities			
Net profit		1,173,601	916,329
Adjustments for:			
Interest income		(5,322,821)	(4,391,798)
Interest expense	6	3,832,952	3,141,967
Income tax charge	12	360,498	306,213
Fair value losses on trading securities		20,900	8,017
Gain on sale of associated company	9	(66,534)	-
Fair value gains on derivative financial instruments		46,033	-
Provision for credit losses	24	(6,177)	6,858
Amortisation of intangible assets	28	19,740	27,241
Depreciation of property, plant and equipment	29	33,445	27,722
Gain on sale of property, plant and equipment		(49)	-
Stock options expense	38	7,257	9,758
Unrealised losses on foreign assets and liabilities		1,443,751	868,350
		1,542,596	920,657
Changes in operating assets and liabilities -			
Trading securities		1,206,819	79,937
Securities purchased under agreements to resell		782,409	(771,409)
Investment securities		(17,672,056)	(905,860)
Loans		475,322	(996,022)
Lease receivables		7,977	7,587
Securities sold under agreements to repurchase		4,951,842	2,378,975
Structured products		1,087,540	-
Customer accounts		(1,082,862)	(997,568)
Other assets		(407,411)	113,636
Other liabilities		(137,701)	186,609
		(9,245,525)	16,542
Interest received		5,048,959	4,247,496
Interest paid		(3,618,332)	(3,169,778)
Taxation paid		(24,778)	(415,790)
Net cash (used in)/provided by operating activities (Page 69)		(7,839,676)	678,470

Statement of Cash Flows (Continued)

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Cash Flows from Operating Activities (Page 68)		(7,839,676)	678,470
Cash Flows from Investing Activities			
Net proceeds/purchase of investment securities		11,094,855	(2,150,273)
Proceeds from sale of associated company		78,000	-
Purchase of intangible assets	28	(9,762)	(12,370)
Purchase of property, plant and equipment	29	(20,478)	(34,974)
Proceeds from disposal of property, plant and equipment		111	-
Net cash provided by/(used in) investing activities		11,142,726	(2,197,617)
Cash Flows from Financing Activities			
Issue of ordinary shares	37	4,892	49,423
Issue of redeemable preference shares	35	1,264,324	-
Due to parent company and fellow subsidiaries		2,102	(1,795)
Proceeds from due to banks and other financial institutions – long term		232,142	361,367
Repayment of amounts due to banks and other financial institutions – long term		(406,774)	(255,452)
Dividends paid		(657,509)	(490,010)
Net cash provided by/(used in) by financing activities		439,177	(336,467)
Effect of exchange rate changes on cash and cash equivalents		105,359	19,015
Net decrease in cash and cash equivalents		3,847,586	(1,836,599)
Cash and cash equivalents at beginning of year		(32,493)	1,804,106
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	3,815,093	(32,493)

1. Identification, Regulation and Licence

Pan Caribbean Financial Services Limited (PCFS, the company) is incorporated and domiciled in Jamaica. The company is listed on the Jamaica Stock Exchange. The principal activities of the company are the provision of development banking, investment and fund management services. The company is a licensed securities dealer and has primary dealer status from the Bank of Jamaica (BOJ) and also has a seat on the Jamaica Stock Exchange (JSE).The registered office of the company is located at 60 Knutsford Boulevard, Kingston 5.

The company's subsidiaries, which are all incorporated and domiciled in Jamaica, are as follows:

Subsidiaries	Principal Activities	Holding	Financial Year End
PanCaribbeanBank Limited (formerly Pan Caribbean Merchant Bank) (PCB)	Commercial banking	100%	31 December
Pan Caribbean Asset Management Limited (PCAM)	Unit trust management	100%	31 December
Manufacturers Investments Limited (MIL)	Management services	100%	31 December
Pan Caribbean Investments Limited (PCIL)	Inactive	100%	31 December
Pan Caribbean Securities Limited (PCSL)	Inactive	100%	31 December

During the year, the company sold its 25% interest in Manufacturers Credit and Information Services Limited (Note 22).

On 23 June 2008 one of the Group's subsidiaries surrendered its Merchant Banking Licence and was granted a Commercial Banking licence by the Ministry of Finance. The subsidiary's name was subsequently changed from Pan Caribbean Merchant Bank Limited to PanCaribbeanBank Limited.

The company is a subsidiary of Sagicor Life Jamaica Limited (formerly Life of Jamaica Limited) which is incorporated in Jamaica.

The ultimate parent company, Sagicor Financial Corporation (Sagicor) is incorporated in Barbados.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS or IAS). These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Amendments to published standards and interpretations effective 1 January 2008 that are relevant to the Group's operations

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The amendments did not have any impact on the Group's Financial Statements.

- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). Earlier application is permitted). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum-funding requirement. The amendments did not have any impact on the Group's Financial Statements.

- IAS 39 (Amendment), Financial instruments: Recognition and measurement and IFRS 7 (Amendment), Financial instruments: Disclosures, allows the reclassification of certain financial assets previously classified as 'held for trading' or 'available for sale' to another category under limited circumstances. The IASB also requires certain disclosures where a reclassification has been made. Any reclassification made on or after 1 November 2008 takes effect from the date of reclassification. However, any reclassification before 1 November 2008 can take effect from 1 July 2008 or a subsequent date. The amendments were applied retroactively to 30 September 2008, and have resulted in the reclassification of some financial instruments from 'available-for-sale' to 'held-to-maturity'.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Interpretation effective 1 January 2008 that is not relevant to the Group's operations

- IFRIC 12, Services Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

Standard early adopted by the Group

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The standard was early adopted by the Group for annual period beginning 1 January 2007.

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Group

The following standard, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- IAS 23 (Amendment), Borrowing costs (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39. The Group will apply from 1 January 2009.

- IAS 1 Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after 1 January 2009). IAS 1, 'Presentation of financial statements' (effective from 1 January 2009). Recognised income and expenses to be presented in a single statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity. Components of other comprehensive income may not be presented in the statement of changes in equity. Both the statement of comprehensive income and the statement of changes in equity to be included as primary statements. The balance sheet to be referred to as the 'statement of financial position' and the cash flow statement is referred to as the 'statement of cash flows'. Entities are required to disclose the income tax related to each component of other comprehensive income either in the statement of comprehensive income or in the notes. Entities should present a statement of financial position (that is, a balance sheet) as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassifies items in the financial statements. Clarification that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39 are examples of current assets and liabilities respectively. The Group will apply IAS 1 (Revised) from 1 January 2009.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Group (continued)

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). This amendment narrows the definition of vesting conditions and clarifies that vesting conditions are limited only to service and performance conditions. The Group will apply IFRS 2 (Amendment) from 1 January 2009, but is not expected to have a material impact on the Group's financial statements.

- IAS 32 Financial Instruments: Presentation/IAS 1 Presentation of Financial Statements (Amendments) – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009). Introduces a limited exception to the principles in IAS 32 for certain puttable financial instruments and certain instruments containing obligations arising on liquidation. Where such instruments meet the strict criteria set out in the amendment, they are classified as equity, rather than financial liabilities, despite the contractual obligation to deliver cash or another financial asset. The amendment also prohibits designating inflation as a hedgeable component of a fixed rate debt. This Group will apply this amendment from 1 January 2009.

- IAS 39 (Amendment), Financial instruments: Recognition and measurement (effective for annual periods beginning on or after 1 July 2009). Clarification that it is possible for there to be movements into and out of the fair value through profit or loss category where:

  - A derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  - Financial assets are reclassified following a change in policy by an insurance company in accordance with IFRS 4.

  The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition. There is also the removal of a segment as an example of what may be considered a party external to the reporting entity. When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. This Group will apply this amendment from 1 January 2010.

- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). Requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. Specifies the accounting when control is lost, requiring that any remaining interest in the entity be re-measured to fair value, and a gain or loss be recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Group (continued)

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit and loss account. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRIC 17, Distribution of Non-Cash assets to owners (effective from 1 July 2009 and is required to be applied prospectively; earlier application is permitted). A dividend payable should be recognised when appropriately authorised and no longer at the entity's discretion. Where an owner has a choice of a dividend of a non-cash asset or cash, the dividend payable is estimated considering both the fair value and probability of the owners selecting each option. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. The Group will this interpretation from 1 January 2010.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption'). All of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. If the subsidiary described above is a disposal group meeting the definition of a discontinued operation, the relevant disclosures should be made. The Group will apply this amendment 1 January 2010.

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 July 2009). This amendment clarifies that a plan amendment that result in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service give rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets amended to state that plan administration costs be deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits is now based on whether benefits are due to be settled within or after 12 months of employee service being rendered. There is also the deletion of guidance that states IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' requires contingent liabilities to be recognised. The Group will apply this amendment from 1 January 2010.

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply this amendment from 1 January 2009.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Group (continued)

- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). An asset may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Deletion of wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The Group will apply this amendment from 1 January 2009.

Standards, amendments and interpretations issued but not yet effective that are not relevant to the Group' operations

- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008).
- IFRIC 16, Hedges of a net investment in a foreign operation (effective for annual periods beginning on or after 1 October 2008).
- IFRIC 15, Agreements for the construction of real estate (effective for annual periods beginning on or after 1 January 2009).

Amendments that are part of the IASB's annual improvement project published in May 2008 (not addressed above) and not relevant to the Group's operations. All are effective 1 January 2009.

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendments to IAS 7 'Statement of cash flows').
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures')
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures')
- Amendment to IFRS 1 and IAS 27, 'Cost of an investment in a subsidiary, jointly controlled entity or associate'.
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16, 'Property, plant and equipment')
- IAS 41 (Amendment), 'Agriculture'
- IAS 27, 'Consolidated and separate financial statements'

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account; its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the profit and loss account.

2. Summary of Significant Accounting Policies (Continued)

(c) Segment reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Operating segments are reported in a manner consistent with internal reporting.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Jamaican dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. These rates represent the weighted average rates at which the company trades in foreign currency.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in stockholders' equity.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in stockholders' equity.

(e) Interest income and expenses

Interest income and expense are recognised in the profit and loss account for all interest-bearing instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2. Summary of Significant Accounting Policies (Continued)

(e) Interest income and expenses (continued)

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(f) Fee and commission income

Fees and commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

(g) Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the profit and loss account except, where they relate to items recorded in stockholders' equity, they are also charged or credited to stockholders' equity.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, provisions for pensions and other post-retirement benefits and tax losses carried forward. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Summary of Significant Accounting Policies (Continued)

(g) Taxation (continued)

(ii) Deferred taxation (continued)

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity in which case, deferred tax is also dealt with in equity.

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and non-restricted balances with BOJ, balances due from other banks, investment securities, reverse repurchase agreements, repurchase agreements with financial institutions and short term amounts due to banks and other financial institutions.

(i) Sale and repurchase agreements

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest.

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2. Summary of Significant Accounting Policies (Continued)

(j) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition. Non-derivative financial assets may subsequently be re-classified.

(i) Financial asset at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(iii) Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be re-classified as available-for-sale.

(iv) Available-for-sale
Available-for-sale investments are non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of available-for-sale financial assets are recognised at the trade date – the date on which the Group commits the purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrowers.

Subsequent to initial recognition at cost, financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in stockholders' equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in stockholders' equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Group's right to receive payment is established.

2. Summary of Significant Accounting Policies (Continued)

(j) Financial assets (continued)

The fair values of quoted investments in active markets are based on current bid prices. Unquoted securities are recorded initially at cost. They are subsequently measured at fair value. Where fair value cannot be measured reliably they are measured at cost less impairment.

Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

(k) Derivative financial instruments and hedging activity

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives for three primary purposes: to create risk management solutions for customers, for proprietary trading purposes, and to manage its own exposure to credit and market risk.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at each balance sheet. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its interest rate swap as a cash flow hedge. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For cash flow hedges, gains and losses relating to the effective portion of changes in the fair value of derivatives are initially recognised in stockholders' equity, in the fair value reserve, and are transferred to the profit and loss account when the forecast cash flows affect the profit and loss account. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

Gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are included in the profit and loss account.

2. Summary of Significant Accounting Policies (Continued)

(l) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

2. Summary of Significant Accounting Policies (Continued)

(l) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account in impairment charge for credit losses.

Statutory and other regulatory loan loss reserve requirements that are different from these amounts are dealt with in a non-distributable loan loss reserve as an adjustment to retained earnings.

(ii) Assets classified as available-for-sale

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from stockholders' equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit and loss account.

(iii) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

2. Summary of Significant Accounting Policies (Continued)

(m) Leases

(i) As Lessee

The leases entered into by the Group are all operating leases. The total payments made under operating leases are charged to occupancy costs in the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) As Lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

(n) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(ii) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probable generate economic benefits exceeding the cost beyond one year, are recognised as intangible assets.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvement and added to the original cost of the software. Computer software costs are amortised using the straight-line method over their useful lives.

2. Summary of Significant Accounting Policies (Continued)

(o) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Estimated useful lives are as follows:

Leasehold improvements	10 years
Furniture and equipment	3-10 years
Motor vehicles	5 years
Computer equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount. These are included in other expenses in the profit and loss account.

Repairs and renewals are charged to the profit and loss account when the expenditure is incurred.

(p) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of Significant Accounting Policies (Continued)

(q) Employee benefits

(i) Pension obligations

The Group participates in a defined benefit plan, the assets of which are generally held in separate trustee-administered funds. The pension plan is funded by payments from employees and by the Group, taking into account the recommendations of qualified actuaries.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset or liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in staff costs, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(ii) Other post-retirement obligations

The Group provides post-retirement health care benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

2. Summary of Significant Accounting Policies (Continued)

(q) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

(iv) Share-based payments

The Group operates an equity-settled, share-based compensation plan.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to stockholders' equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(r) Grants

Grants are deducted in arriving at the carrying amount of the asset, and are recognised as income over the life of the related asset by way of a reduced amortisation charge.

(s) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(t) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense.

2. Summary of Significant Accounting Policies (Continued)

(u) Deposits

Deposits are recognised initially at the nominal amount when funds are received. Deposits are subsequently stated at amortised cost using the effective interest method.

(v) Share capital

(i) Share issuance cost

Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction from the proceeds.

(ii) Mandatorily redeemable preference shares are classified as liabilities (Note 2(t)).

(iii) Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the company's stockholders.

Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

(w) Financial instruments

Financial instruments carried on the balance sheet include cash resources, trading securities, securities purchased under agreements to resell, investment securities, loans, lease receivables, other assets excluding property, plant and equipment, deposits by customers and all other liabilities.

The fair values of the Group and company's financial instruments are discussed in Note 44.

(x) Fiduciary activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

(y) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established committees/departments for managing and monitoring risks, as follows:

(i) Asset, Liability, Credit and Investment Committee
The Asset, Liability, Credit and Investment Committee is responsible for the development of credit and investment policies and standards that conform to applicable law, regulations and corporate policies; approving credit proposal requests; reviewing and approving exceptions to core credit and investment policies that represent unusual risk; and ensuring that aggregate credit risk are within the Group's risk taking capacity. All credit facilities require the approval of at least 2 members of this Committee. This Committee is also responsible for formulating and monitoring investment portfolios and investment strategies for the Group. This Committee is also responsible for approval and monitoring of appropriate trading limits, reports and compliance controls to ensure that the mandate is properly followed. The Committee's decisions receive final ratification at Board Meetings.

(ii) Audit and Compliance Committee
The Audit and Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Compliance Committee is assisted in its oversight role by the Internal Audit Department and the Risk Management and Compliance Unit. Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit and Compliance Committee. The Risk Management Compliance Unit ensures adherence to internal policies and procedures, and regulatory rules and guidelines.

(iii) The Treasury Division
The Treasury Division is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

(iv) Risk Management and Compliance Unit
The Risk Management and Compliance Unit is responsible for identifying, measuring and monitoring the relevant risks faced by the Group, and ensuring compliance with internal and regulatory guidelines.

3. Financial Risk Management (Continued)

The most important types of risks faced by the Group are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit risk is the most important risk for the Group's business; management therefore carefully monitors its exposure to credit risk. Credit exposures arise principally in lending and investment activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the balance sheet.

Credit-related commitment risks arise from guarantees that may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit, guarantees or undertakings. They expose the Group to similar risks to loans and the same control policies and processes mitigate these.

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

(i) Loans and leases

The Group assesses the probability of default of individual counterparties using internal ratings. Clients of the Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Group's internal rating scale:

Rating grades	Description of the grade
1	Standard
2	Potential problem credit
3	Sub-standard
4	Doubtful
5	Loss

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

(ii) Investments
The Group limits its exposure to credit risk by investing in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Counterparties are subject to periodic credit review to assess and determine exposure limits. Management does not expect any counterparty to fail to meet its obligations.

For quoted equities where market values fall 40% below initial cost, impairment is presumed requiring market value adjustment through the profit and loss account.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Loans and leases – Cash and other near cash securities, mortgages over commercial and residential properties, charges over general business assets such as premises, equipment, inventory, accounts receivable, stocks and other securities and motor vehicles.

Securities lending and reverse repurchase transactions – cash equivalents or Government of Jamaica securities.

The Group also obtains guarantees from parent companies for loans to their subsidiaries and personal guarantees for loans to private companies.

Management monitors the market value of collateral held and requests additional collateral in accordance with the underlying agreement.

Impairment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The Group addresses impairment assessment by reviewing all loans and leases with risk ratings of 3 and above.

Individually assessed allowances are provided for financial assets based on a review conducted at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

The internal rating systems described above focus more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment (continued)

The internal rating tool assists management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The impairment provision shown in the balance sheet at year-end is derived from the internal rating grades of 3 and above. However, the majority of the impairment provision comes from the last rating class (loss). The tables below show the Group's and company's gross loans and leases (excluding interest receivable) and the associated impairment provision for each internal rating class:

Group's and company's rating

	The Group			
	2008		2007	
	Loans and leases $'000	Impairment provision $'000	Loans and leases $'000	Impairment provision $'000
Standard	8,232,511	-	6,953,707	-
Potential problem credit	50,558	-	59,359	-
Sub-standard	31,695	9,316	8,809	1,240
Doubtful	-	-	-	-
Loss	154,861	105,862	163,883	107,072
	8,469,625	115,178	7,185,758	108,312

	The Company			
	2008		2007	
	Loans and leases $'000	Impairment provision $'000	Loans and leases $'000	Impairment provision $'000
Standard	2,371,466	-	2,604,899	-
Potential problem credit	31,801	-	58,916	-
Sub-standard	4,097	916	-	-
Doubtful	-	-	-	-
Loss	106,666	86,219	124,096	89,504
	2,514,030	87,135	2,787,911	89,504

3. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure			
	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Credit risk exposures relating to on balance sheet assets are as follows:				
Cash and balances due from other financial institutions (excluding cash on hand)	2,724,648	1,298,602	1,319,617	309,789
Cash reserve at Bank of Jamaica	182,062	95,848	-	-
Trading securities	320,364	1,503,840	320,364	1,503,840
Securities purchased under agreements to resell	3,628,964	1,662,199	2,446,008	1,569,987
Investment securities	24,918,051	19,566,228	23,266,008	17,083,105
Derivative financial instruments	2,957,306	-	2,166,434	-
Loans, net of provision for credit losses	8,371,067	7,118,412	2,440,231	2,708,089
Lease receivables	70,806	39,289	8,176	16,233
Pledged assets	18,079,991	16,695,792	18,049,991	16,665,792
Due to related parties	14,113	17	408	433
Other assets	437,481	330,149	358,075	265,255
	61,704,853	48,310,376	50,375,312	40,122,523
Credit risk exposures relating to off balance sheet items are as follows:				
Loan commitments	965,415	427,534	98,687	173,192
Guarantees and letters of credit	926,601	565,647	538,404	322,063
	1,892,016	993,181	637,091	495,255

The above table represents a worst-case scenario of credit risk exposure to the Group and company at 31 December 2008 and 2007, without taking account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

Included in investment securities are assets whose credit exposure is greater than the carrying amounts reported in the balance sheet. These investment securities are leveraged which implies exposure to an amount greater than the face value. The carrying amount of these investment securities is $574,814,000 (2007 - $422,380,000) and the maximum credit exposure is $1,149,628,000 (2007 -$563,201,000). This risk is managed by entering into similar contractual arrangements with customers (Note 33).

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans and leases

(i) Credit quality of loans and leases are summarised as follows:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Neither past due nor impaired -				
Standard	6,366,215	4,861,141	1,279,078	1,811,366
Past due but not impaired	1,921,339	2,155,132	1,124,189	855,655
Impaired	182,071	169,485	110,763	120,890
Gross	8,469,625	7,185,758	2,514,030	2,787,911
Less: Provision for credit losses	(115,178)	(108,312)	(87,135)	(89,504)
Net	8,354,447	7,077,446	2,426,895	2,698,407

Loans and leases become past due when payments are not received on contractual repayment dates. The majority of past due loans are not considered impaired.

(ii) Aging analysis of past due but not impaired loans and leases:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Less than 30 days	1,129,792	1,645,587	753,536	476,799
31 to 60 days	713,257	479,003	335,350	364,158
61 to 90 days	78,290	30,542	35,303	14,698
	1,921,339	2,155,132	1,124,189	855,655

Of the aggregate amount of gross past due but not impaired loans and leases, the fair value of collateral that the Group and company held were $6,967,830,000 (2007 - $5,031,931,000) and $1,382,995,000 (2007 – $1,975,387,000) respectively.

There are no financial assets other than loans and leases that are past due.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans and leases (continued)

(iii) Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	The Group		The Company	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Loans and leases	182,071	169,485	110,763	120,890

The fair value of collateral that the Group and company held as security for individually impaired loans was $402,198,000 (2007 - $320,796,000) and $193,350,000 (2006 - $177,436,000) respectively.

There are no financial assets other than loans and leases that were individually impaired.

(iv) Renegotiated loans and leases

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria, which, in the judgment of management, indicate that payment, will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. The Group's and company's renegotiated loans that would otherwise be past due or impaired totalled $16,539,000 (2007 - $26,005,000) and nil (2007 - $11,491,000) respectively.

(v) Repossessed collateral

The Group and the company can obtain assets by taking possession of collateral held as security. Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

The Group's and the company's repossessed collateral totalled $9,000,000 (2007 – Nil) and $9,000,000 (2007 – Nil) respectively.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposure

(i) Loans and leases

The following table summarises the Group's and company's credit exposure for loans and leases at their carrying amounts, as categorised by the industry sectors:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Agriculture, fishing and mining	1,401,596	1,351,728	215,343	347,296
Construction and real estate	736,336	689,416	40,052	21,835
Distribution	1,857,980	1,378,492	896,481	555,139
Manufacturing	270,524	305,611	210,989	255,288
Personal	561,384	822,257	249,364	399,198
Professional and other services	2,044,494	1,124,219	516,311	441,040
Tourism and entertainment	1,360,556	1,005,789	372,269	455,433
Transportation, storage and communication	236,746	503,322	13,221	312,682
Other	9	4,924	-	-
	8,469,625	7,185,758	2,514,030	2,787,911
Less: Provision for credit losses	(115,178)	(108,312)	(87,135)	(89,504)
	8,354,447	7,077,446	2,426,895	2,698,407
Interest receivable	87,426	80,255	21,512	25,915
	8,441,873	7,157,701	2,448,407	2,724,322

The majority of loans and leases are extended to customers in Jamaica.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposure (continued)

(ii) Investments

The following table summarises the Group's and company's credit exposure for investments at their carrying amounts, as categorised by issuer:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Government of Jamaica	30,444,407	30,724,654	28,934,525	29,568,693
Bank of Jamaica	2,747,742	2,364,183	2,689,151	1,955,593
Corporate	9,186,138	4,164,528	9,127,480	3,263,682
Financial institutions	3,643,838	1,681,112	2,437,325	1,581,578
	46,022,125	38,934,477	43,188,481	36,369,546
Interest receivable	1,215,889	954,238	1,171,030	901,803
	47,238,014	39,888,715	44,359,511	37,271,349

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Group is exposed to daily calls on their available cash resources from overnight placement of funds, maturing placement of funds, loan draw-downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Treasury Division, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investment;

(v) Monitoring balance sheet liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and

(vi) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Total assets and liabilities cash flows

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the Group's and company's total assets and liabilities based on the remaining period.

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2008:						
Financial Assets						
Cash and balances due from other financial institutions	2,816,638	-	-	-	-	2,816,638
Cash reserves at Bank of Jamaica	182,062	-	-	-	-	182,062
Trading securities	-	-	-	-	462,066	462,066
Securities purchased under agreements to resell	3,357,096	305,499	-	-	-	3,662,595
Investment securities	3,574,243	13,087,597	1,224,840	4,070,382	4,040,771	25,997,833
Derivative financial instruments	1,163,818	1,725,403	-	22,468	45,617	2,957,306
Loans, net provision for credit losses	478,754	1,058,707	2,112,869	4,211,686	2,797,876	10,659,892
Lease receivables	1,099	1,733	36,948	50,014	-	89,794
Pledged assets	263,539	669,371	4,075,863	9,685,897	9,046,589	23,741,259
Non-financial assets						
Other	132,491	364,485	5,381	107,013	1,528,547	2,137,917
Total assets (contractual maturity dates)	11,969,740	17,212,795	7,455,901	18,147,460	17,921,466	72,707,362
Financial Liabilities						
Securities sold under agreements to repurchase	16,210,615	22,479,832	3,857,081	120,179	-	42,667,707
Customer deposits and other accounts	1,554,896	752,626	3,442,465	1,098,128	1,058,201	7,906,316
Due to banks and other financial institutions	220,646	243,941	105,617	403,998	921,095	1,895,297
Structured products	-	-	-	1,122,784	186,710	1,309,494
Derivative financial instruments	1,202,136	1,433,095	-	22,468	45,617	2,703,316
Redeemable preference shares	-	39,510	118,530	2,061,392	-	2,219,432
Non-financial liabilities						
Other	362,662	2,566	69,355	-	157,387	591,970
Total liabilities (contractual maturity dates)	19,550,955	24,951,570	7,593,048	4,828,949	2,369,010	59,293,532
Net Liquidity Gap	(7,581,215)	(7,738,775)	(137,147)	13,318,511	15,552,456	13,413,830
Cumulative Liquidity Gap	(7,581,215)	(15,319,990)	(15,457,137)	(2,138,626)	13,413,830	-

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Total assets and liabilities cash flows (continued)

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2007:						
Financial Assets						
Cash and balances due from other financial institutions	1,320,950	-	-	-	-	1,320,950
Cash reserves at Bank of Jamaica	95,848	-	-	-	-	95,848
Trading securities	98,200	-	991,507	-	669,519	1,759,226
Securities purchased under agreements to resell	760,278	790,973	140,108	-	-	1,691,359
Investment securities	1,377,869	2,119,765	309,007	10,200,262	13,741,990	27,748,893
Loans, net provision for credit losses	472,563	1,372,579	2,232,888	2,086,579	2,577,032	8,741,641
Lease receivables	477	-	12,615	34,277	-	47,369
Pledged assets	334,458	400,471	3,566,337	9,146,636	9,113,400	22,561,302
Non-financial assets						
Other	335,490	-	1,661	68,377	933,718	1,339,246
Total assets (contractual maturity dates)	4,796,133	4,683,788	7,254,123	21,536,131	27,035,659	65,305,834
Financial Liabilities						
Securities sold under agreements to repurchase	10,597,398	20,307,394	4,174,500	25,203	-	35,104,495
Customer deposits and other accounts	1,175,888	824,927	2,377,361	578,168	829,131	5,785,475
Due to banks and other financial institutions	223,008	35,132	87,073	330,264	2,177,495	2,852,972
Non-financial liabilities						
Other	337,196	-	17,413	20,132	192,064	566,805
Total liabilities (contractual maturity dates)	12,333,490	21,167,453	6,656,347	953,767	3,198,690	44,309,747
Net Liquidity Gap	(7,537,357)	(16,483,665)	597,776	20,582,364	23,836,969	20,996,087
Cumulative Liquidity Gap	(7,537,357)	(24,021,022)	(23,423,246)	(2,840,882)	20,996,087	

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Total assets and liabilities cash flows (continued)

	The Company					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2008:						
Financial Assets						
Cash and balances due from other financial institutions	1,320,758	-	-	-	-	1,320,758
Trading securities	-	-	-	-	462,066	462,066
Securities purchased under agreements to resell	2,220,907	245,583	-	-	-	2,466,490
Investment securities	3,530,223	12,986,548	879,877	3,333,338	3,113,611	23,843,597
Derivative financial instruments	377,621	1,720,728	-	22,468	45,617	2,166,434
Loans, net provision for credit losses	275,770	152,133	733,723	1,012,774	881,711	3,056,111
Lease receivables	1,099	1,733	5,467	1,166	-	9,465
Pledged assets	263,539	669,371	4,075,863	9,685,897	8,999,009	23,693,679
Non-Financial assets						
Other	-	358,486	5,381	107,013	3,198,919	3,669,799
Total assets (contractual maturity dates)	7,989,917	16,134,582	5,700,311	14,162,656	16,700,933	60,688,399
Financial Liabilities						
Securities sold under agreements to repurchase	16,092,772	22,479,832	3,857,081	120,179	-	42,549,864
Customer accounts	31,995	24,752	79,495	534,720	-	670,962
Due to banks and other financial institutions	231,046	243,941	-	262,041	837,555	1,574,583
Derivative financial instruments	416,611	1,433,095	-	22,468	45,617	1,917,791
Structured products	-	-	-	1,122,784	186,710	1,309,494
Redeemable preference shares	-	39,510	118,530	2,061,392	-	2,219,432
Non-Financial liabilities						
Other	102,256	2,566	69,355	-	112,708	286,885
Total liabilities (contractual maturity dates)	16,874,680	24,223,696	4,124,461	4,123,584	1,182,590	50,529,011
Net Liquidity Gap	(8,884,763)	(8,089,114)	1,575,850	10,039,072	15,518,343	10,159,388
Cumulative Liquidity Gap	(8,884,763)	(16,973,877)	(15,398,027)	(5,358,955)	10,159,388	-

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Total assets and liabilities cash flows (continued)

	The Company					
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2007:						
Financial Assets						
Cash and balances due from other financial institutions	309,789	-	-	-	-	309,789
Trading securities	98,200	-	991,506	-	669,519	1,759,225
Securities purchased under agreements to resell	681,744	778,810	127,944	-	-	1,588,498
Investment securities	968,594	2,080,860	-	9,487,762	11,860,630	24,397,846
Loans, net provision for credit losses	81,885	467,673	958,430	710,485	1,096,281	3,314,754
Lease receivables	-	-	9,748	9,706	-	19,454
Pledged assets	334,458	400,471	3,566,337	9,146,636	9,066,622	22,514,524
Non-Financial assets						
Other	265,723	-	1,661	130,022	2,672,938	3,070,344
Total assets (contractual maturity dates)	2,740,393	3,727,814	5,655,626	19,484,611	25,365,990	56,974,434
Financial Liabilities						
Securities sold under agreements to repurchase	11,182,127	20,307,394	4,174,500	25,203	-	35,689,224
Customer accounts	713	35,083	41,172	532,801	-	609,769
Due to banks and other financial institutions	210,661	35,132	35,661	190,700	2,086,505	2,558,659
Non-Financial liabilities						
Other	224,538	-	17,413	25,442	63,796	331,189
Total liabilities (contractual maturity dates)	11,618,039	20,377,609	4,268,746	774,146	2,150,301	39,188,841
Net Liquidity Gap	(8,877,646)	(16,649,795)	1,386,880	18,710,465	23,215,689	17,785,593
Cumulative Liquidity Gap	(8,877,646)	(25,527,441)	(24,140,561)	(5,430,096)	17,785,593	

Source of funding available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investments, loans and advances to banks and loans and advances to customers. In the normal course of business, a proportion of customer loans will be extended beyond their due dates. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from local and overseas financial institutions.

3. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rate, credit spreads, foreign exchange rates and equity prices. Market risk is monitored by the Risk Management and Compliance Unit which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using duration analysis, sensitivity analysis and historical value-at-risk.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes on open position in a currency. To control this exchange risk the Asset, Liability, Credit and Investment Committee has approved limits for net open position in each currency for both intra-day and overnight position. This limit may vary from time to time as determined by Risk Management and Compliance Unit assessment of the volatility in exchange rates and with the approval of the Asset, Liability, Credit and Investment Committee.

The Group also has transactional currency exposure. This exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Group ensures that its net exposure is kept at approved levels.

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on and off balance sheet assets and liabilities

The tables below summarise the Group's and company's exposure to foreign currency exchange rate risk at 31 December.

	The Group					
	Jamaican$	US$	GBP	CAN$	EURO	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
At 31 December 2008:						
Assets						
Cash and balances due from other financial institutions and	635,752	1,731,051	55,672	28,737	364,480	2,815,692
Cash reserves at Bank of Jamaica	47,836	126,639	6,220	1,367	-	182,062
Trading securities	-	320,364	-	-	-	320,364
Securities purchased under agreements to resell	42,968	3,585,996	-	-	-	3,628,964
Investment securities	12,389,112	11,757,712	-	-	1,061,871	25,208,695
Derivative financial instruments	-	2,076,668	-	-	880,638	2,957,306
Loans, net of provision for credit losses	1,818,909	6,552,158	-	-	-	8,371,067
Lease receivables	64,956	5,850	-	-	-	70,806
Pledged assets	11,243,420	6,836,571	-	-	-	18,079,991
Other	1,664,272	445,617	-	-	28,028	2,137,917
Total assets	27,907,225	33,438,626	61,892	30,104	2,335,017	63,772,864
Liabilities and Stockholders' Equity						
Securities sold under agreements to repurchase	18,723,863	23,158,626	150,051	-	7,572	42,040,112
Customer deposits and other accounts	882,524	6,133,520	23,710	13,066	404,350	7,457,170
Structured products	74,741	1,012,799	-	-	-	1,087,540
Derivative financial instruments	-	897,252	-	-	1,806,064	2,703,316
Due to banks and other financial institutions	1,175,809	361,568	-	-	-	1,537,377
Redeemable preference shares	1,271,190	-	-	-	-	1,271,190
Other liabilities	406,437	181,772	1,764	196	1,801	591,970
Stockholders' equity	6,734,391	249,354	25,613	-	74,831	7,084,189
Total liabilities and stockholders' equity	29,268,955	31,994,891	201,138	13,262	2,294,618	63,772,864
Net on-balance sheet financial position	(1,361,730)	1,443,735	(139,246)	16,842	40,399	-
Credit commitments	593,558	1,298,458	-	-	-	1,892,016

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on and off balance sheet assets and liabilities (continued)

	The Group					
	Jamaican$	US$	GBP	CAN$	EURO	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
At 31 December 2007:						
Assets						
Cash and balances due from other financial institutions	180,847	982,355	93,120	25,634	33,698	1,315,654
Cash reserves at Bank of Jamaica	38,402	51,658	3,528	2,260	-	95,848
Trading securities	-	1,503,840	-	-	-	1,503,840
Securities purchased under agreements to resell	476,756	1,185,443	-	-	-	1,662,199
Investment securities	11,238,968	8,191,794	-	-	596,122	20,026,884
Loans, net of provision for credit losses	2,289,236	4,829,176	-	-	-	7,118,412
Lease receivables	27,273	12,016	-	-	-	39,289
Pledged assets	9,605,940	7,089,852	-	-	-	16,695,792
Other	1,275,682	51,820	1,047	20	10,677	1,339,246
Total assets	25,133,104	23,897,954	97,695	27,914	640,497	49,797,164
Liabilities and Stockholders' Equity						
Securities sold under agreements to repurchase	17,645,556	16,801,201	209,568	-	-	34,656,325
Customer deposits and other accounts	764,292	4,464,338	30,351	6,295	224,481	5,489,757
Due to banks and other financial institutions	1,115,211	238,348	-	-	199,788	1,553,347
Other liabilities	329,893	234,182	2,175	212	343	566,805
Stockholders' equity	7,363,868	169,476	-	-	(2,414)	7,530,930
Total liabilities and stockholders' equity	27,218,820	21,907,545	242,094	6,507	422,198	49,797,164
Net on-balance sheet financial position	(2,085,716)	1,990,409	(144,399)	21,407	218,299	-
Credit commitments	340,706	652,475	-	-	-	993,181

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on and off balance sheet assets and liabilities (continued)

	The Company				
	Jamaican$	US$	GBP	EURO	Total
	J$'000	J$'000	J$'000	J$'000	J$'000
At 31 December 2008:					
Assets					
Cash and balances due from other financial institutions	127,082	1,083,598	7,062	101,955	1,319,697
Cash reserves at Bank of Jamaica					
Trading securities	-	320,364	-	-	320,364
Securities purchased under agreements to resell	272,453	2,173,555	-	-	2,446,008
Investment securities	11,144,777	11,336,500	-	1,061,871	23,543,148
Derivative financial instruments	-	1,679,888		486,546	2,166,434
Loans, net of provision for credit losses	778,671	1,661,560	-	-	2,440,231
Lease receivables	8,176	-	-	-	8,176
Pledged assets	11,213,420	6,836,571	-	-	18,049,991
Other	3,196,154	445,617	-	28,028	3,669,799
Total assets	26,740,733	25,537,653	7,062	1,678,400	53,963,848
Liabilities and Stockholders' Equity					
Securities sold under agreements to repurchase	18,817,086	23,166,777	162,787	7,572	42,154,222
Customer accounts	569,113	156	-	-	569,269
Structured products	74,741	1,012,799	-	-	1,087,540
Due to banks and other financial institutions	910,368	361,568	-	-	1,271,936
Derivative financial instruments	-	505,818		1,411,973	1,917,791
Redeemable preference shares	1,271,190	-	-	-	1,271,190
Other liabilities	152,055	133,402	-	1,428	286,885
Stockholders' equity	5,078,512	226,059	25,613	74,831	5,405,015
Total liabilities and stockholders' equity	26,873,065	25,406,579	188,400	1,495,804	53,963,848
Net on-balance sheet financial position	(132,332)	131,074	(181,338)	182,596	-
Credit commitments	307,940	329,151	-	-	637,091

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on and off balance sheet assets and liabilities (continued)

	The Company				
	Jamaican$	US$	GBP	EURO	Total
	J$'000	J$'000	J$'000	J$'000	J$'000
At 31 December 2007:					
Assets					
Cash and balances due from other financial institutions	49,878	236,020	23,891	-	309,789
Cash reserves at Bank of Jamaica					
Trading securities	-	1,503,840	-	-	1,503,840
Securities purchased under agreements to resell	455,996	1,113,991	-	-	1,569,987
Investment securities	9,904,839	7,030,769	-	596,122	17,531,730
Loans, net of provision for credit losses	1,355,582	1,352,507	-	-	2,708,089
Lease receivables	16,233	-	-	-	16,233
Pledged assets	9,575,940	7,089,852	-	-	16,665,792
Other	3,009,085	50,581	-	10,678	3,070,344
Total assets	24,367,553	18,377,560	23,891	606,800	43,375,804
Liabilities and Stockholders' Equity					
Securities sold under agreements to repurchase	17,812,843	17,221,443	206,768	-	35,241,054
Customer accounts	504,508	12,182	-	-	516,690
Due to banks and other financial institutions	865,874	238,348	-	199,788	1,304,010
Other liabilities	160,149	159,920	11,120		331,189
Stockholders' equity	5,883,988	101,287	-	(2,414)	5,982,861
Total liabilities and stockholders' equity	25,227,362	17,733,180	217,888	197,374	43,375,804
Net on-balance sheet financial position	(859,809)	644,380	(193,997)	409,426	-
Credit commitments	145,045	350,210	-	-	495,255

Government of Jamaica US$ indexed bonds are included in the US$ category for currency risk disclosure.

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 15% change in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis.

	The Group			
	Change in Currency Rate	Effect on Net Profit	Change in Currency Rate	Effect on Net Profit
	2008 %	2008 $'000	2007 %	2007 $'000
Currency:				
USD	+15	143,905	+5	104,274
EUR	+15	36,963	+5	10,089
GBP	+15	(19,238)	+5	(7,513)
USD	-5	(47,968)	-5	(104,274)
EUR	-5	(12,321)	-5	(10,089)
GBP	-5	6,413	-5	7,513

	The Company			
	Change in Currency Rate	Effect on Net Profit	Change in Currency Rate	Effect on Net Profit
	2008 %	2008 $'000	2007 %	2007 $'000
Currency:				
USD	+15	40,958	+5	35,495
EUR	+15	58,568	+5	19,400
GBP	+15	(24,047)	+5	(9,337)
USD	-5	13,653	-5	(35,495)
EUR	-5	(19,523)	-5	(19,400)
GBP	-5	8,016	-5	9,337

3. Financial Risk Management (Continued)

(c) Market risk (continued)
(i) Currency risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Macaulay and Effective Duration analysis is also conducted on the financial assets of the Group to determine the impact of changes in interest rates. Macaulay duration is the weighted average term to maturity of a bond's cash flows, while Effective duration is the change in the value of the portfolio in response to a change in interest rates. The Duration Gap is also assessed. This is the difference between the Macaulay duration of assets and the duration of liabilities. It measures how well the average timings of cash inflows are matched to cash outflows.

The following tables summarise the Group's and the company's exposure to interest rate risk. It includes the Group and company financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2008:							
Assets							
Cash and balances due from other financial institutions	2,254,022	-	-	-	-	561,670	2,815,692
Cash reserve at Bank of Jamaica	182,062	-	-	-	-	-	182,062
Trading securities	302,135	-	-	-	-	18,229	320,364
Securities purchased under agreements to resell	3,372,379	241,993	-	-	-	14,592	3,628,964
Investment securities	6,756,680	8,981,966	3,670,124	2,437,915	1,858,833	1,503,177	25,208,695
Derivative financial instruments	-	-	299,230	-	-	2,658,076	2,957,306
Loans, net of provision for credit losses	507,198	1,109,549	1,964,380	2,934,365	1,797,339	58,236	8,371,067
Leases receivables	876	1,495	12,677	54,611	-	1,147	70,806
Pledged assets	4,748,215	7,697,388	4,891,936	668,312	74,140	-	18,079,991
Other	-	-	-	-	-	2,137,917	2,137,917
Total assets	18,123,567	18,032,391	10,838,347	6,095,203	3,730,312	6,953,044	63,772,864
Liabilities							
Securities sold under agreements to repurchase	35,056,153	4,171,235	1,601,832	487,339	-	723,553	42,040,112
Customer deposits and other accounts	1,435,215	735,368	3,354,104	658,449	1,152,400	121,634	7,457,170
Structured products	-	-	-	1,087,540	-	-	1,087,540
Derivative financial instruments	-	-	-	-	-	2,703,316	2,703,316
Due to banks and other financial institutions	219,619	263,247	306,902	319,477	343,293	84,839	1,537,377
Redeemable preference shares	-	-	-	1,264,324	-	6,866	1,271,190
Other	-	-	-	-	-	591,970	591,970
Total liabilities	36,710,987	5,169,850	5,262,838	3,817,129	1,495,693	4,232,178	56,688,675
Total interest repricing gap	(18,587,420)	12,862,541	5,575,509	2,278,074	2,234,619	2,720,866	7,084,189
Cumulative repricing gap	(18,587,420)	(5,724,879)	(149,370)	2,128,704	4,363,323	7,084,189	-

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2007:							
Assets							
Cash and balances due from other financial institutions	1,315,641	-	-	-	-	13	1,315,654
Cash reserve at Bank of Jamaica	95,848	-	-	-	-	-	95,848
Trading securities	392,914	1,032,498	6,980	-	-	71,448	1,503,840
Securities purchased under agreements to resell	1,046,535	475,037	128,617	-	-	12,010	1,662,199
Investment securities	6,000,010	6,192,031	5,011,707	1,279,107	386,627	1,157,402	20,026,884
Loans, net of provision for credit losses	345,316	1,351,358	2,128,749	1,576,945	1,584,150	131,894	7,118,412
Leases receivables	477	-	2,360	36,452		-	39,289
Pledged assets	3,128,839	10,934,250	2,039,530	30,000	563,173	-	16,695,792
Other	-	-	-	-	46,539	1,292,707	1,339,246
Total assets	12,325,580	19,985,174	9,317,943	2,922,504	2,580,489	2,665,474	49,797,164
Liabilities							
Securities sold under agreements to repurchase	10,151,431	20,075,878	4,041,572	20,753	-	366,691	34,656,325
Customer deposits and other accounts	1,076,301	816,061	2,323,328	152,904	1,026,442	94,721	5,489,757
Due to banks and other financial institutions	209,361	34,042	82,568	235,434	982,723	9,219	1,553,347
Other	-	-	-	-	12,423	554,382	566,805
Total liabilities	11,437,093	20,925,981	6,447,468	409,091	2,021,588	1,025,013	42,266,234
Total interest repricing gap	888,487	(940,807)	2,870,475	2,513,413	558,901	1,640,461	7,530,930
Cumulative repricing gap	888,487	(52,320)	2,818,155	5,331,568	5,890,469	7,530,930	

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2008:							
Assets							
Cash and balances due from other financial institutions	758,037	-	-	-	-	561,660	1,319,697
Trading securities	302,135	-	-	-		18,229	320,364
Securities purchased under agreements to resell	2,195,332	241,993	-	-	-	8,683	2,446,008
Investment securities	6,498,088	8,667,586	3,026,739	2,303,717	1,625,760	1,421,258	23,543,148
Derivative financial instruments	-	-	299,230	-	-	1,867,204	2,166,434
Loans, net of provision for credit losses	314,923	218,292	655,232	562,165	668,190	21,429	2,440,231
Leases receivables	876	1,495	4,716	1,006	-	83	8,176
Pledged assets	4,748,215	7,667,388	4,891,936	668,312	74,140	-	18,049,991
Other	-	-	-	-	-	3,669,799	3,669,799
Total assets	14,817,606	16,796,754	8,877,853	3,535,200	2,368,090	7,568,345	53,963,848
Liabilities							
Securities sold under agreements to repurchase	35,400,326	4,171,235	1,601,832	487,339	-	493,490	42,154,222
Customer accounts	14,282	11,997	54,168	157,419	305,162	26,241	569,269
Structured products	-	-	-	1,087,540	-	-	1,087,540
Due to banks and other financial institutions	230,020	263,247	204,892	204,109	286,110	83,558	1,271,936
Derivative financial instruments	-	-	-	-	-	1,917,791	1,917,791
Redeemable preference shares	-	-	-	1,264,324	-	6,866	1,271,190
Other	-	-	-	-	-	286,885	286,885
Total liabilities	35,644,628	4,446,479	1,860,892	3,200,731	591,272	2,814,831	48,558,833
Total interest repricing gap	(20,827,022)	12,350,275	7,016,961	334,469	1,776,818	4,753,514	5,405,015
Cumulative repricing gap	(20,827,022)	(8,476,747)	(1,459,786)	(1,125,317)	651,501	5,405,015	-

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2007:							
Assets							
Cash and balances due from other financial institutions	309,775	-	-	-	-	14	309,789
Trading securities	392,914	1,032,498	6,980	-	-	71,448	1,503,840
Securities purchased under agreements to resell	974,081	463,008	123,537	-	-	9,361	1,569,987
Investment securities	4,711,371	5,617,985	4,441,054	1,291,139	386,627	1,083,554	17,531,730
Loans, net of provision for credit losses	56,112	461,124	917,872	551,618	695,611	25,752	2,708,089
Leases receivables	-	-	-	16,070	-	163	16,233
Pledged assets	3,128,839	10,904,250	2,039,530	30,000	563,173	-	16,665,792
Other	-	-	-	-	-	3,070,344	3,070,344
Total assets	9,573,092	18,478,865	7,528,973	1,888,827	1,645,411	4,260,636	43,375,804
Liabilities							
Securities sold under agreements to repurchase	10,719,791	20,092,246	4,041,572	20,754	-	366,691	35,241,054
Customer accounts	-	10,342	26,224	112,066	347,828	20,230	516,690
Due to banks and other financial institutions	197,688	34,042	32,471	116,263	914,933	8,613	1,304,010
Other	-	-	-	-	-	331,189	331,189
Total liabilities	10,917,479	20,136,630	4,100,267	249,083	1,262,761	726,723	37,392,943
Total interest repricing gap	(1,344,387)	(1,657,765)	3,428,706	1,639,744	382,650	3,533,913	5,982,861
Cumulative repricing gap	(1,344,387)	(3,002,152)	426,554	2,066,298	2,448,948	5,982,861	

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the effective interest rate by major currencies for financial instruments of the Group and the company.

	The Group					The Company				
	J $	US $	CAN $	GBP £	Other	J $	US $	CAN $	GBP £	Other
	%	%	%	%	%	%	%	%	%	%
					2008					
Assets										
Cash and balances due from other financial institutions	1.50	1.88	1.25	2.18	-	1.5	1.88	1.25	2.18	-
Cash reserves at Bank of Jamaica	-	4.33	4.74	-	3.48	-	-	-	-	-
Trading securities	-	9.25	-	-	-	-	9.38	-	-	-
Securities purchased under agreements to resell	12.37	7.05	-	-	-	14.12	9.94	-	-	-
Investment securities – debt securities	14.04	10.50	-	-	9.98	15.38	10.32	-	-	9.98
Loans, net of provision for credit losses	16.80	8.93	-	-	-	16.42	8.41	-	-	-
Lease receivables	17.66	11.00	-	-	-	15.61	-	-	-	-
Liabilities										
Securities sold under agreements to repurchase	13.38	6.20	-	3.83	3.78	13.38	6.2	-	3.83	3.78
Customer deposits and other accounts	10.68	4.38	2.06	6.11	2.00	12.36	5.75	-	-	-
Structured products	-	7.25	-	-	-	-	-	-	-	-
Due to banks and other financial institutions	16.51	6.03	6.00	4.00	3.35	23.78	6.03	6.00	4.00	3.35
Redeemable preference shares	12.50	-	-	-	-	12.50		-	-	-
					2007					
Assets										
Cash and balances due from other financial institutions	1.50	4.75	1.00	3.00	2.50	1.50	4.75	1.00	3.00	2.25
Cash reserves at Bank of Jamaica	-	4.33	3.48	4.74	-	-	-	-	-	-
Trading securities	-	9.75	-	-	-	-	9.75	-	-	-
Securities purchased under agreements to resell	10.32	5.98	-	-	9.63	11.78	6.50	-	-	9.63
Investment securities – debt securities	13.87	9.85	-	-	-	14.79	10.28	-	-	-
Loans, net of provision for credit losses	15.75	9.09	-	-	-	14.31	8.73	-	-	-
Lease receivables	17.57	11.00	-	-	-	15.43	-	-	-	-
Liabilities										
Securities sold under agreements to repurchase	11.68	5.47	-	4.5	-	11.68	5.47	-	4.5	-
Customer deposits and other accounts	10.26	4.06	2.06	6.11	2.00	11.51	5.11	-	-	-
Due to banks and other financial institutions	9.54	8.13	-	-	7.63	9.85	8.13	-	-	7.63

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's and company's profit and loss account and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

	The Group			
	Effect on Net Profit 2008 $'000	Effect on Equity 2008 $'000	Effect on Net Profit 2007 $'000	Effect on Equity 2007 $'000
Change in basis points				
-800 (2007 – 500)	239,399	4,723,458	47,821	2,418,398
+500 (2007 – 500)	(95,192)	(2,116,334)	(39,746)	(1,855,830)

	The Company			
	Effect on Net Profit 2008 $'000	Effect on Equity 2008 $'000	Effect on Net Profit 2007 $'000	Effect on Equity 2007 $'000
Change in basis points				
-800 (2007 – 500)	239,399	4,504,885	47,821	2,118,956
+500 (2007 – 500)	(95,192)	(2,024,417)	(39,746)	(1,659,346)

3. Financial Risk Management (Continued)

(d) Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

(i) To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;

(ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Group's management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ and the FSC require each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and

(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The Group's regulatory capital is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

(ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and revaluation on property, plant and equipment.

Investments in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off- balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the regulated companies within the Group for the years ended 31 December 2008 and 2007. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

The regulated companies within the Group are Pan Caribbean Financial Services Limited (PCFS), PanCaribbeanBank Limited (PCB) and Pan Caribbean Asset Management Limited (PCAM).

3. Financial Risk Management (Continued)

(d) Capital management (continued)

	PCFS	PCFS	PCB	PCB	PCAM	PCAM
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Tier 1 capital	4,938,126	5,672,679	1,330,066	1,044,200	170,912	151,878
Tier 2 capital	1,475,028	140,436	29,416	22,898	5,310	5,310
Total regulatory capital	6,413,154	5,813,115	1,359,482	1,067,098	176,222	157,188
Total required capital	2,469,063	2,836,339	863,729	539,802	86,459	75,939
Risk-weighted assets:						
On-balance sheet	10,873,705	7,152,661	5,830,908	3,347,806	103,955	48,708
Off-balance sheet	-	-	1,367,229	528,199	-	-
Foreign exchange exposure	1,823,225	398,209	1,439,149	1,522,012	-	-
Total risk-weighted assets	12,696,930	7,550,870	8,637,286	5,398,017	103,955	48,708
Actual capital base to risk weighted assets	51%	77%	16%	20%	169%	323%
Required capital base to risk weighted assets	10%	10%	10%	10%	10%	10%

The increase of the regulatory capital in 2008 is mainly due to the contribution of the current year profit.

(e) Derivative products

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Group's accounting policies.

In the process of applying the Group's accounting policies, management has made the following significant judgements regarding the amounts recognised in the financial statements:

Held to maturity investments

The Group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. The fair value would decrease by $155,000,000 with a corresponding entry in the fair value reserve in stockholders' equity.

(b) Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results. Areas of key sources of estimation uncertainty include the following:

(i) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. There were no significant estimates included in the income tax and deferred tax provision.

(ii) Impairment losses on available for sale investment securities

The group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of $1,880,245,000 in its 2008 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the income statement.

5. Segment Reporting

The Group is organised and managed in five main business segments based on its business activities. The designated segments are as follows:

(a) Treasury Management– this incorporates the Primary Dealer Unit, Cash Management Services and currency exposure.

(b) Corporate and Retail Credit – this incorporates the Group's loan and leasing activities.

(c) Asset Management – this incorporates the administration of the unit trust and other fund management activities.

(d) Trading – this incorporates foreign currency trading, bond trading, equity trading and stock brokerage.

(e) Corporate Trust – this incorporates corporate trust, share register and paying agent services.

The Group's operations are located in Jamaica.

Transactions between the operating segments are on normal commercial terms and conditions. There has been no change in the basis of the pricing of transactions over the prior year.

5. Segment Reporting (Continued)

	The Group						
	Year ended 31 December 2008						
	Treasury Management	Corporate & Retail Credit	Asset Management	Trading	Corporate Trust	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross external revenues	5,717,053	869,007	241,332	400,442	37,914	-	7,265,748
Revenues/expenses from other segments	11,597	334	40,930	-	-	(52,861)	-
Total gross revenues	5,728,650	869,341	282,262	400,442	37,914	(52,861)	7,265,748
Total expenses	(4,538,826)	(758,620)	(56,411)	(95,636)	(35,864)	52,861	(5,432,496)
Segment results	1,189,824	110,721	225,851	304,806	2,050	-	1,833,252
Share of associated company profit	1,577	-	-	-	-	-	1,577
Profit before tax	1,191,401	110,721	225,851	304,806	2,050	-	1,834,829
Income tax expense							(453,897)
Net profit							1,380,932
Segment assets	53,659,905	8,699,352	54,604	152,437	7,300	-	62,573,598
Unallocated assets							1,199,266
Total Assets							63,772,864
Segment liabilities	54,722,361	1,537,377	-	-	-	-	56,259,738
Unallocated liabilities							428,937
Total Liabilities							56,688,675
Other segment items -							
Net interest income	1,470,772	241,407	-	-	-	-	1,712,179
Capital expenditure	30,240	151,627	-	-	-	-	181,867
Depreciation	33,445	13,386	-	-	-	-	46,831
Amortisation charges	19,740	28,409	-	-	-	-	48,149

5. Segment Reporting (Continued)

	The Group						
	Year ended 31 December 2007						
	Treasury Management	Corporate & Retail Credit	Asset Management	Trading	Corporate Trust	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross external revenues	4,539,860	790,759	194,202	465,071	37,779	-	6,027,671
Revenues/expenses from other segments	54,583	-	-	-	-	(54,583)	-
Total gross revenues	4,594,443	790,759	194,202	465,071	37,779	(54,583)	6,027,671
Total expenses	(3,520,235)	(646,115)	(123,957)	(88,808)	(29,745)	54,583	(4,354,277)
Segment results	1,074,208	144,644	70,245	376,263	8,034	-	1,673,394
Share of associated company profit	1,342	-	-	-	-	-	1,342
Profit before tax	1,075,550	144,644	70,245	376,263	8,034	-	1,674,736
Income tax expense							(461,742)
Net profit							1,212,994
Segment assets	41,901,842	7,328,967	54,604	152,437	7,300	-	49,445,150
Unallocated assets							352,014
Total Assets							49,797,164
Segment liabilities	40,276,408	1,380,804	-	-	-	-	41,657,212
Unallocated liabilities							609,022
Total Liabilities							42,266,234
Other segment items -							
Net interest income	1,470,772	241,407	-	-	-	-	1,712,179
Capital expenditure	47,343	59,611	-	-	-	-	106,954
Depreciation	27,721	9,559	-	-	-	-	37,280
Amortisation charges	27,241	4,953	-	-	-	-	32,194

6. Interest Expense

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Customer deposits, repurchase liabilities and other accounts	3,931,845	3,350,934	3,591,014	3,051,972
Due to banks and other financial institutions	135,318	116,733	109,442	89,995
Redeemable preference shares	132,496	-	132,496	-
	4,199,659	3,467,667	3,832,952	3,141,967

7. Fees and Commission Income

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Asset management fees	197,488	184,224	120,672	107,707
Credit related fees	49,724	35,653	20,043	21,585
Stock brokerage fees	33,966	22,580	33,966	22,580
Trust fees	34,914	39,936	8,101	2,157
Wholesale banking fees	9,773	10,194	9,773	10,194
Treasury fees	7,111	7,552	5,654	5,131
Other	14,514	23,639	13,403	13,654
	347,490	323,778	211,612	183,008

8. Net Trading Income

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Foreign exchange translation and trading	431,926	164,966	179,837	47,402
Equities trading gains and dividends	102,406	16,222	102,406	16,222
Securities trading gain/(loss) -				
Available-for-sale investment securities	162,822	346,442	161,726	346,377
Trading securities	(20,900)	(8,017)	(20,900)	(8,017)
	676,254	519,613	423,069	401,984

9. Other Revenue

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Structured products	42,732	-	42,732	-
Gain on sale of associated company (Note 22)	57,967	-	66,534	-
Service fees	2,555	-	-	-
Other	178	4,434	67	-
	103,432	4,434	109,333	-

10. Staff Costs

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Wages and salaries	537,171	385,705	354,028	262,785
Statutory contributions	46,273	34,485	29,927	23,505
Pension costs (Note 31)	48,078	(20,548)	-	-
Other post-employment benefits (Note 31)	9,380	5,060	-	-
Accommodation and other staff benefits	72,798	54,381	65,290	50,833
Stock option expense (Note 38)	7,257	9,758	7,257	9,758
	720,957	468,841	456,502	346,881

The number of persons employed at the end of the year:

	The Group		The Company	
	2008 No.	2007 No.	2008 No.	2007 No.
Full-time	249	209	107	103
Part-time	15	18	8	8
	264	227	115	111

11. Other Expenses

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Amortisation (Note 28)	46,831	32,194	19,740	27,241
Audit fees -				
Current year	10,139	8,468	4,906	4,092
Prior year	550	-	-	-
Automated banking fees	1,455	-	-	-
Bank charges	17,930	19,540	8,170	9,703
Commissions and fees	21,791	25,550	15,208	15,076
Computer project expense	23,831	46,863	23,831	46,863
Consultancy fees	6,913	369	4,985	369
Depreciation (Note 29)	48,149	37,280	33,445	27,722
Donations	1,190	3,640	760	68
Insurance	9,762	7,746	5,176	5,532
Irrecoverable General Consumption Tax	30,588	19,805	12,646	9,837
Legal and professional fees	19,444	8,121	11,048	6,109
Licensing fees	28,126	13,556	-	-
Miscellaneous	2,932	2,737	137	1,950
Motor vehicle expense	7,529	6,042	3,120	3,359
Office expenses	8,811	1,789	1,228	859
Printing and stationery	8,872	4,778	2,265	2,068
Promotion and advertising	79,172	62,183	42,924	47,840
Repairs and maintenance	4,981	-	1,596	-
Security	7,986	5,436	271	676
Stamp duty	5,073	322	5,073	322
Telephone and postage	21,187	18,338	9,030	6,698
Travelling and entertainment	10,693	6,152	5,779	4,425
	423,935	330,909	211,338	220,809

12. Taxation

(a) Income tax is computed on the profit for the years adjusted for tax purposes. The charge for taxation comprises income tax at 33⅓%:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current tax	479,490	453,805	372,100	309,146
Prior year (over)/under provision	(6,829)	(4,547)	6,405	(443)
Deferred tax (Note 30)	(18,764)	12,484	(18,007)	(2,490)
	453,897	461,742	360,498	306,213

(b) The tax on profit differs from the theoretical amount that would arise using the statutory rate of 33⅓% as follows:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit before taxation	1,834,829	1,674,736	1,534,099	1,222,542
Tax calculated at 33⅓%	611,610	558,245	511,366	407,514
Adjusted for the effects of:				
Income not subject to tax	(156,503)	(96,617)	(161,502)	(100,507)
Prior year (over)/under provision	(6,829)	(4,547)	6,405	(443)
Net effect of other charges and allowances	5,619	4,661	4,229	(351)
	453,897	461,742	360,498	306,213

13. Net Profit

	2008 $'000	2007 $'000
Dealt with in the financial statements of:		
The company	1,173,601	916,329
The subsidiaries	205,754	295,323
Associated company (Note 22)	1,577	1,342
	1,380,932	1,212,994

14. Retained Earnings

	2008 $'000	2007 $'000
Reflected in the financial statements of:		
The company	3,261,196	2,730,707
The subsidiaries	892,030	1,146,841
	4,153,226	3,877,548

15. Earnings per Stock Unit

(i) Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders of the company by the weighted average number of ordinary stock units in issue during the year.

	2008	2007
Net profit attributable to stockholders ($'000)	1,380,932	1,212,994
Weighted average number of ordinary stock units in issue ('000)	547,875	543,712
Basic earnings per stock unit ($)	2.52	2.23

(ii) Diluted earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units, as adjusted for the effects of potential dilutive effect of the stock options.

	2008	2007
Net profit attributable to stockholders ($'000)	1,380,932	1,212,994
Weighted average number of ordinary stock units in issue ('000)	548,134	544,135
Diluted earnings per stock unit ($)	2.52	2.23

15. Earnings per Stock Unit (Continued)

(iii) The weighted average number of ordinary stock units used in the basic and diluted earnings per stock unit computations may be reconciled as follows:

	2008 '000	2007 '000
Weighted average number of ordinary stock units for the purposes of the computation of basic earnings per stock unit	547,875	543,712
Effect of dilutive potential ordinary stock units – share options	259	423
Weighted average number of ordinary stock units for the purposes of the computation of diluted earnings per stock unit	548,134	544,135

16. Cash and Balances Due from Other Financial Institutions

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Placements with other financial institutions	505,000	1,225,006	12,807	11,062
Items in the course of collection	2,166	73,343	-	-
Cash in hand and at bank	2,308,377	17,292	1,306,855	298,713
	2,815,543	1,315,641	1,319,662	309,775
Interest receivable	149	13	35	14
Included in cash and cash equivalents (Note 23)	2,815,692	1,315,654	1,319,697	309,789

17. Cash Reserve at Bank of Jamaica

A prescribed minimum of 25% (2007 - 23%) of deposit liabilities are required to be maintained by the banking subsidiary in liquid assets, of which 13% (2007 - 11%) must be maintained as cash reserve with the Bank of Jamaica for Jamaican dollar currency and for the relevant foreign currency at 11%. (2007 – 9%) They are not available for investment, lending or other use by the Group.

18. Trading Securities

	The Group and The Company	
	2008 $'000	2007 $'000
Debt securities -		
Government of Jamaica	-	981,891
Corporate bonds	302,135	423,806
Quoted equities	-	5,743
Other	-	20,952
	302,135	1,432,392
Interest receivable	18,229	71,448
	320,364	1,503,840

19. Securities Purchased Under Agreements to Resell

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Principal	3,614,099	1,650,189	2,437,325	1,560,626
Interest receivable	14,865	12,010	8,683	9,361
	3,628,964	1,662,199	2,446,008	1,569,987

The Group and the company entered into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligation.

As at 31 December 2008, the Group held $4,293,925,000 (2007 - $1,681,871,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Securities purchased under agreement to resell with an original maturity of less than 90 days (Note 23)	3,271,198	788,166	2,123,961	677,942

20. Investment Securities

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Available-for-sale securities -				
Debt securities -				
Government of Jamaica	30,444,407	29,741,562	28,934,525	25,808,460
Corporate bonds	4,655,957	3,275,484	4,610,803	1,964,289
Credit linked notes	2,449,139	-	2,449,139	3,199,561
Bank of Jamaica Certificates of Deposit	2,747,742	2,364,183	2,689,151	1,955,593
	40,297,245	35,381,229	38,683,618	32,927,903
Unit trust	29,739	10,011	-	-
Equity securities -				
Quoted – at fair value	69,052	78,172	69,052	78,172
Unquoted – at cost	71,767	196,419	58,263	184,388
	140,819	274,591	127,315	262,560
Preference shares -				
Quoted – at fair value	149,825	86,060	149,825	86,060
Unquoted – at cost	-	100,005	-	100,005
	149,825	186,065	149,825	186,065
	40,617,628	35,851,896	38,960,758	33,376,528
Held- to-maturity investments -				
Credit linked notes	1,488,263	-	1,488,263	-
	42,105,891	35,851,896	40,449,021	33,376,528
Less: Pledged assets (Note 26)	(18,079,991)	(16,695,792)	(18,049,991)	(16,665,792)
	24,025,900	19,156,104	22,399,030	16,710,736
Interest receivable	1,182,795	870,780	1,144,118	820,994
	25,208,695	20,026,884	23,543,148	17,531,730

Included in investment securities are the following amounts, which are regarded as cash equivalents for purposes of the statement of cash flows:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Debt securities with an original maturity of less than 90 days (Note 23)	541,297	355,500	541,297	355,500

20. Investment Securities (Continued)

During the year, the Group and the company reclassified certain financial assets out available-for-sale category into the held-to-maturity category. The Group and the company has the intention and ability to hold these reclassified investments for the foreseeable future or until maturity at the date of reclassification. As at 31 December 2008, the fair values and carrying values of financial assets reclassified during the current year are $1,333,512,000 and $1,488,263,000 respectively.

	The Group and The Company	
	Financial assets reclassified	Fair values on date of reclassification
	2008 $'000	2008 $'000
Reclassified from available-for-sale to held to maturity	1,488,263	1,333,512

The fair value of these investments was determined by reference to dealer quotes. In the current year before reclassification, the Group and the company recognised in the fair value reserve in stockholders' equity a fair value loss in the amount of $103,098,000 on financial assets reclassified out of the available for sale category into the held-to-maturity category (the loss recognised in fair value reserve in stockholders' equity in 2007 on available or sale assets reclassified in the current period was $11,138,000 for the Group and company). In addition, had the company not reclassified financial assets out of the available-for-sale and into the held-to-maturity category, the Group and the company would have recorded fair value losses of $155,000,000 and interest income of $123,127,000.

	The Group and The Company	
	2008 $'000	2007 $'000
Fair value loss	(155,000)	-
Interest income	123,127	-
Foreign exchange gain	195,000	-
	163,127	-

20. Investment Securities (Continued)

Effective interest rates on financial assets reclassified into held-to-maturity as at 30 September 2008 ranged between 12.20% and 12.80% for the Group and the company.

The undiscounted cash flows expected to recover from these reclassified financial assets as at the date of reclassification is $3,309,363,000.

21. Derivative Financial Instruments and Hedging Activity

Derivatives are carried at fair value and carried in the balance sheet as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis.

The fair values are set out below -

	Assets		Liabilities	
	The Group	The Company	The Group	The Company
	2008	2008	2008	2008
	$'000	$'000	$'000	$'000
(a) Derivatives held for trading				
Currency forwards	2,589,991	1,799,119	2,635,231	1,849,706
Equity indexed options	68,085	68,085	68,085	68,085
	2,658,076	1,867,204	2,703,316	1,917,791
(b) Derivatives designated as cash flow hedge				
Interest rate swap	299,230	299,230	-	-
	2,957,306	2,166,434	2,703,316	1,917,791

(i) Currency forwards
Currency forwards represent commitments to buy and sell foreign currencies on a gross basis at future dates at specified prices. The credit risk is evaluated for each contract and is collateralised where deemed necessary. The currency forward contracts are settled on a gross basis.

(ii) Equity indexed options
These derivative instruments give the holder the ability to participate in the upward movement of an equity index while protecting from downward risk and form part of certain structured product contract with customers (Note 33). The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

21. Derivative Financial Instruments and Hedging Activity (Continued)

(iii) OTC currency put options

Foreign currency put options are contractual agreements under which the seller grants the purchaser the right but not the obligation to sell at a set date, a specified amount of a foreign currency at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange risk.

The company has entered into a currency option with its parent company (Sagicor Life of Jamaica Limited) to purchase a set amount of United States dollars at an agreed price if the closing Bank of Jamaica weighted average selling rate for the United States Dollar is less than the stated amount. The expiration date of this contract is 2039. The fair value of this option was nil at the year end.

(iv) Hedging activity – cash flow hedge

Interest rate swap

The cash flow hedge is used to protect against exposures to variability in future interest cash flow on a floating rate available-for-sale financial instrument.

The notional principal amount of the outstanding interest rate swap contract is US$20M. The fixed interest rate is 10.201% and the floating rate is USD-LIBOR-BBA.

The amounts and timing of future cash flows, representing both principal and interest flows are based on their contractual terms. The critical terms of the interest rate swap have been negotiated to match the terms of available-for-sale financial instrument. Both the interest rate swap and the floating rate available-for-sale financial instrument mature in 2015. The interest rate swap is settled on a net basis.

The fair value gains recognised directly in stockholders' equity, in the fair value reserve, is $226,271,000 and the amount reclassified from stockholders' equity to the profit and loss account during the year is $26,784,000.

There was no ineffectiveness to be recorded from the cash flow hedge.

There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

The maximum exposure to credit risk at the balance sheet date is the fair value of the derivative assets in the balance sheet.

22. Investment in Associated Company

During the year, the Group sold its 25% interest in its associated company, Manufacturers Credit and Information Services Limited. Details are as follows:

	The Group	
	2008 $'000	2007 $'000
Balance at beginning of year	18,456	17,114
Share of profit	2,365	2,635
Share of tax	(788)	(1,293)
	1,577	1,342
	20,033	18,456
Disposal	(20,033)	-
Balance at end of year	-	18,456

	The Company	
	2008 $'000	2007 $'000
Cost of investment in associated company	-	11,466

The gain on disposal of the associated is as follows:

	The Group	The Company
	2008 $'000	2008 $'000
Proceeds	78,000	78,000
Net assets disposed	(20,033)	(11,466)
Gain on disposal	57,967	66,534

The associate is unlisted. The summarised financial information for the associate is as follows:

	Assets	Liabilities	Revenues	Profit	Interest
	$'000	$'000	$'000	$'000	%
2008	-	-	-	-	-
2007	68,191	23,786	75,115	10,539	25

23. Cash and Cash Equivalents

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Cash and balances due from other financial institutions (Note 16)	2,815,692	1,315,654	1,319,697	309,789
Securities purchased under agreements to resell (Note 19)	3,271,198	788,166	2,123,961	677,942
Investment securities (Note 20)	541,297	355,500	541,297	355,500
Repurchase agreements with financial institutions	(159,462)	(1,386,626)	(159,462)	(1,375,724)
Bank overdrafts (Note 34)	-	(1,346)	(10,400)	-
	6,468,725	1,071,348	3,815,093	(32,493)

24. Loans, Net of Provision for Credit Losses

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Gross loans and advances	8,399,966	7,147,109	2,505,937	2,771,841
Less: Provision for credit losses	(115,178)	(108,312)	(87,135)	(89,504)
	8,284,788	7,038,797	2,418,802	2,682,337
Loan interest receivable	86,279	79,615	21,429	25,752
	8,371,067	7,118,412	2,440,231	2,708,089

The aggregate amount of non-performing loans on which interest was not being accrued is as follows:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Total non-performing loans	234,114	157,092	144,049	108,497

24. Loans, Net of Provision for Credit Losses (Continued)

The movement in the provision for credit losses determined under the requirements of IFRS is as follows:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Balance at beginning of year	108,312	112,726	89,504	95,535
Provided during the year	7,695	11,612	-	6,898
Recoveries	(6,177)	(40)	(6,177)	(40)
Net charge/(credit) to the profit and loss account	1,518	11,572	(6,177)	6,858
Write offs	(5,693)	(25,608)	(4,030)	(15,630)
Currency revaluation adjustment	11,041	9,622	7,838	2,741
Balance at end of year	115,178	108,312	87,135	89,504

The provision for credit losses determined under regulatory requirements is as follows:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Specific provision	161,173	165,645	111,970	124,096
General provision	71,300	46,123	27,157	22,829
	232,473	211,768	139,127	146,925
Excess of regulatory provision over IFRS provision reflected in a non distributable loan loss reserve (Note 41)	117,295	103,456	51,992	57,421

25. Lease Receivables

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Gross investment in finance leases -				
Not later than one year	31,214	11,012	7,086	8,120
Later than one year and not later than five years	58,497	35,717	2,296	11,171
	89,711	46,729	9,382	19,291
Unearned finance income	(20,052)	(8,080)	(1,289)	(3,221)
Net investment in finance leases	69,659	38,649	8,093	16,070
Net investment in finance leases -				
Not later than one year	31,214	10,480	7,086	8,120
Later than one year and not later than five years	38,445	28,169	1,007	7,950
	69,659	38,649	8,093	16,070
Interest receivable	1,147	640	83	163
	70,806	39,289	8,176	16,233

26. Pledged Assets

Assets are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions and with the Bank of Jamaica.

	The Group			
	Asset		Related liability	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investment securities and securities purchased under resale agreements	42,176,355	34,759,122	42,471,208	35,257,423

	The Company			
	Asset		Related liability	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investment securities and securities purchased under resale agreements	42,206,355	34,729,122	42,154,222	35,257,423

26. Pledged Assets (Continued)

Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or repledge the collateral.

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investment securities	18,079,991	16,695,792	18,049,991	16,665,792

27. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. There were no related party transactions with the ultimate parent company.

Related companies include ultimate parent company, parent company, fellow subsidiaries and associated company. Related parties include directors, key management and companies for which the Group provides management services.

(i) The following transactions were carried out with related parties and companies:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
With parent company -				
Management fees earned	113,369	98,249	113,369	98,249
Interest and other income earned	21,039	6,243	21,039	6,243
Interest and other expenses paid	(54,331)	(20,853)	(54,331)	(20,853)
Rent and net lease recoveries paid to related party	3,976	4,832	3,976	4,832
With fellow subsidiaries -				
Management fees earned	-	-	3,433	4,721
Interest income earned	-	-	2,890	6,184
Interest expense paid	(20,665)	(6,769)	(53,873)	(33,275)
Redeemable preference shares interest	-	-	1,593	1,593
With associated company -				
Interest expense paid	-	(3,504)	-	(3,504)

27. Related Party Transactions and Balances (Continued)

(i) (Continued)

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
With directors and key management -				
Interest expense paid	5,955	5,910	5,955	5,910
Salaries and other short-term benefits	114,371	88,798	74,161	58,038
	120,326	94,708	80,116	63,948
With other related parties -				
Interest expense paid	98,654	28,433	98,654	28,433

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Directors' emoluments -				
Fees	9,283	9,275	7,229	7,245
Other	62,412	18,658	25,360	18,658
	71,695	27,933	32,589	25,903

(ii) Year-end balances with related companies and parties are as follows:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
With ultimate parent company -				
Balances due from ultimate parent company	22	-	22	-
With parent company -				
Securities sold under agreements to repurchase	(839,975)	(586,878)	(839,975)	(586,878)
Securities sold under agreements to repurchase – managed funds	(1,497,639)	(165,826)	(1,497,639)	(165,826)
Securities purchased under agreements to resell	-	348,045	-	348,045
Balances due from parent company	17	17	17	17
Balances due to parent company	(2,567)	(2,258)	(2,566)	(489)

27. Related Party Transactions and Balances (Continued)

(ii) (Continued)

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
With fellow subsidiaries -				
Customer deposits and other accounts	(37)	-	-	-
Securities sold under agreements to repurchase	(1,907,234)	(71,276)	(1,937,560)	(646,843)
Securities purchased under agreements to resell	-	281,586	230,063	281,586
Derivative financial instrument assets	-	-	1,312,673	-
Derivative financial instrument liabilities	-	-	(1,411,974)	-
Due to banks and other financial institutions	(200,542)	-	(210,942)	-
Balances due from fellow subsidiaries	-	17	369	416
With directors and key management personnel -				
Loans	5,606	19,441	-	-
Customer deposits and other accounts	6,638	3,610	-	-
Structured products	33,490	-	33,490	-
Securities sold under agreements to repurchase	(93,583)	(61,887)	(93,583)	(61,887)
Derivative financial instrument assets	21,960	-	21,960	-
Derivative financial instrument liabilities	(19,815)	-	(19,815)	-
With other related parties -				
Structured products	(100,465)	-	(100,465)	-
Securities sold under agreements to repurchase	(1,653,296)	(331,584)	(1,653,296)	(331,584)
Balances due from other related parties	14,074	-	-	-
With associated company -				
Securities sold under agreements to repurchase	-	(40,868)	-	(40,868)

28. Intangible Assets

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Computer software	134,046	68,377	22,712	32,690
Goodwill	733,750	733,750	143,263	143,263
	867,796	802,127	165,975	175,953

Computer software

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Opening net book value	68,377	49,341	32,690	47,561
Additions	112,500	51,230	9,762	12,370
Amortisation	(46,831)	(32,194)	(19,740)	(27,241)
	134,046	68,377	22,712	32,690
Cost, net of grant	289,785	177,285	114,478	104,717
Accumulated amortisation	(155,739)	(108,908)	(91,766)	(72,027)
	134,046	68,377	22,712	32,690

This represents the net of computer software purchased and grants received from Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG). The intangible assets have finite useful lives and are amortised over three years. The amortisation of computer software is included in other expenses in the profit and loss account.

28. Intangible Assets (Continued)

Goodwill

Impairment test for goodwill
Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the lines of business.

The impairment test is carried out by comparing the recoverable amount of the Group's cash generating units (CGUs) to which goodwill has been allocated to the carrying amount of those CGUs plus goodwill. For the purposes of the impairment assessment, goodwill has been allocated to the Group's cash generating units as follows:

	2008 $'000	2007 $'000
Asset Management	54,604	54,604
Credit	75,417	75,417
Treasury, PDU & Investment Services	443,992	443,992
Trading & Brokerage	152,437	152,437
Trust Services	7,300	7,300
	733,750	733,750

The recoverable amount of a CGU is based on its fair value less costs to sell, as estimated on the basis of the price/earnings ratios of similar businesses. Observable market prices are used.

There was no impairment of any of the Group's CGUs.

29. Property, Plant and Equipment

	Leasehold Improvement	Furniture and Equipment	Motor Vehicles	Computer Equipment	Total
	$'000	$'000	$'000	$'000	$'000
			The Group		
Cost					
At 1 January 2007	64,235	90,477	9,379	86,471	250,562
Additions	17,253	9,172	1,458	27,841	55,724
Disposals	-	(19)	-	-	(19)
At 31 December 2007	81,488	99,630	10,837	114,312	306,267
Additions	18,914	19,364	-	31,089	69,367
Disposals	-	(173)	(2,040)	(124)	(2,337)
At 31 December 2008	100,402	118,821	8,797	145,277	373,297
Accumulated Depreciation					
At 1 January 2007	20,446	67,633	6,996	39,358	134,433
Charge for the year	6,831	9,202	791	20,456	37,280
Disposals	-	(19)	-	-	(19)
At 31 December 2007	27,277	76,816	7,787	59,814	171,694
Charge for the year	8,397	11,125	1,181	27,446	48,149
Disposals	-	(166)	(2,040)	(62)	(2,268)
At 31 December 2008	35,674	87,775	6,928	87,198	217,575
Net Book Value					
At 31 December 2008	64,728	31,046	1,869	58,079	155,722
At 31 December 2007	54,211	22,814	3,050	54,498	134,573
			The Company		
Cost					
At 1 January 2007	47,317	34,737	2,919	41,400	126,373
Additions	8,475	7,410	1,162	17,927	34,974
At 31 December 2007	55,792	42,147	4,081	59,327	161,347
Additions	-	3,034	-	17,444	20,478
Disposal	-	-	(100)	(124)	(224)
At 31 December 2008	55,792	45,181	3,981	76,647	181,601
Accumulated depreciation					
At 1 January 2007	10,936	10,190	1,001	14,167	36,294
Charge for the year	5,459	7,034	640	14,589	27,722
At 31 December 2007	16,395	17,224	1,641	28,756	64,016
Charge for the year	5,579	6,690	798	20,378	33,445
Disposals	-	-	(100)	(62)	(162)
At 31 December 2008	21,974	23,914	2,339	49,072	97,299
Net book value					
At 31 December 2008	33,818	21,267	1,642	27,575	84,302
At 31 December 2007	39,397	24,923	2,440	30,571	97,331

30. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 33⅓% for the company and the subsidiaries. Deferred tax assets and liabilities recognised on the balance sheet are as follows:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Deferred income tax assets	594,354	7,385	542,829	1,696
Deferred income tax liabilities	(151,021)	(111,628)	(125,515)	(68,778)
Net deferred income tax assets/(liabilities)	443,333	(104,243)	417,314	(67,082)

The movement in the net deferred income tax balance is as follows:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Balance at beginning of year	(104,243)	(338,926)	(67,082)	(321,390)
Credited/(charged) to profit and loss account (Note 12)	18,764	(12,484)	18,007	2,490
Credited to stockholders' equity	528,812	247,167	466,389	251,818
Balance at end of year	443,333	(104,243)	417,314	(67,082)

30. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities are due to the following items:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Deferred income tax assets -				
Property, plant and equipment	-	130	-	-
Investment securities – available-for-sale	581,338	-	537,448	-
Post-employment benefit obligations	7,268	4,141	-	-
Tax losses carried forward	-	587	-	-
Other	5,748	2,527	5,381	1,696
	594,354	7,385	542,829	1,696
Deferred income tax liabilities -				
Property, plant and equipment	12,733	9,453	2,703	9,453
Trading securities	12,807	19,110	12,807	19,110
Investment securities – available-for-sale	-	47,217	-	28,684
Interest rate swap	99,743	-	99,743	-
Loan loss provision	15,332	19,243	8,278	11,531
Post-employment benefit assets	7,236	15,513	-	-
Other	3,170	1,092	1,984	-
	151,021	111,628	125,515	68,778
Net deferred asset/(liability)	443,333	(104,243)	417,314	(67,082)

Deferred income taxes are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. The Group had tax losses, subject to agreement with the Commissioner of Taxpayer Audit and Assessment, amounting to $1,761,000 for 2007 which was available for indefinite carry forward and offset against future taxable income. Deferred tax assets were recognised in respect of those amounts in 2007.

Deferred income tax liabilities have not been provided for the withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested. Such undistributed earnings totalled $889,021,000 (2007 - $1,146,841,000).

30. Deferred Income Taxes (Continued)

The deferred tax credited/(charged) to the profit and loss account comprises the following temporary differences:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Property, plant and equipment	(3,410)	(1,409)	6,750	2,620
Post-employment benefits	11,404	(9,175)	-	-
Tax losses utilised	(587)	(2,640)	-	-
Loan loss provision	3,911	(2,463)	3,253	(3,637)
Trading securities	6,303	2,672	6,303	2,672
Other	1,143	531	1,701	835
	18,764	(12,484)	18,007	2,490

These balances include the following:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Deferred tax assets to be settled after more than twelve months	588,372	4,271	537,448	-
Deferred tax liabilities to be recovered after more than twelve months	147,851	91,426	123,531	49,668

31. Post-employment Benefits

(a) Pension scheme

The Group has established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. Defined benefit plans are valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuations were carried out as at 31 December 2008.

A resolution was passed to fix the rate of contribution of the company to 5% of pensionable salary. Any plan surplus or funding deficiency is absorbed by a subsidiary company, PanCaribbeanBank Limited (formerly Pan Caribbean Merchant Bank Limited). Accordingly, no pension assets or obligations were recorded for the company in these financial statements.

The amounts recognised in the balance sheet are determined as follows:

	The Group	
	2008 $'000	**2007 $'000**
Present value of funded obligations	160,949	119,033
Fair value of plan assets	(182,657)	(165,572)
	(21,708)	(46,539)
Unrecognised actuarial (loss)/gain	(34,109)	10,679
Limitation of asset due to uncertainty of obtaining economic benefits	34,109	(10,679)
Asset in the balance sheet	(21,708)	(46,539)

The movement in the present value of defined obligations over the year is as follows:

	The Group	
	2008 $'000	**2007 $'000**
Balance at beginning of year	119,033	106,153
Current service cost	11,122	7,201
Interest cost	14,004	11,901
Members' contributions	16,691	13,771
Benefits paid	(4,805)	(5,488)
Actuarial loss/(gain) on obligation	4,904	(14,505)
Balance at end of year	160,949	119,033

31. Post-employment Benefits (Continued)

(a) Pension scheme (continued)

The movement in the fair value of plan assets during the year is as follows:

	The Group	
	2008 $'000	2007 $'000
Balance at beginning of year	165,572	127,051
Members' contributions	16,691	13,771
Employer's contribution	23,247	12,037
Expected return on plan assets	21,917	17,071
Benefits paid	(4,805)	(5,488)
Actuarial (loss)/gain	(39,965)	1,130
Balance at end of year	182,657	165,572

Plan assets are comprised as follows:

	The Group			
	2008		2007	
	$'000	%	$'000	%
Equity	65,456	36	8,279	5
Debt	117,201	64	157,293	95
	182,657	100	165,572	100

The amounts recognised in the profit and loss account are as follows:

	The Group	
	2008 $'000	2007 $'000
Current service cost	11,122	7,201
Interest cost	14,004	11,901
Expected return on plan assets	(21,917)	(17,071)
Change in unrecognised assets	44,869	(22,579)
Total, included in staff costs (Note 10)	48,078	(20,548)

The actual return on plan assets was ($14,645,000) (2007 - $20,912,000).

Expected contributions to post-employment plan for the year ending 31 December 2009 are $25,657,000.

31. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Movements in the amounts recognised in the balance sheet:

	The Group	
	2008 $'000	2007 $'000
Asset at beginning of year	(46,539)	(13,954)
Amounts recognised in the profit and loss account (Note 10)	48,078	(20,548)
Contributions paid	(23,247)	(12,037)
Asset at end of year	(21,708)	(46,539)

The expected return on plan assets is based on market expectation of inflation plus a margin for real returns on a balanced portfolio.

	The Group				
	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000
As at 31 December					
Present value of defined benefit obligation	160,949	119,033	106,153	88,258	63,595
Fair value of plan assets	(182,657)	(165,572)	(127,051)	(101,674)	(77,668)
Surplus	(21,708)	(46,539)	(20,898)	(13,416)	(14,073)
Experience adjustments on plan liabilities	4,904	(14,505)	(2,442)	3,819	42,057
Experience adjustments on plan assets	39,965	(1,130)	(1,969)	164	(33,212)

The principal actuarial assumptions used were as follows:

	The Group	
	2008	2007
Discount rate	16.0%	13.0%
Expected return of plan assets	14.0%	12.0%
Future salary increases	12.0%	10.0%
Expected pension increase	5.0%	3.5%
Average expected remaining working lives (years)	13	13

31. Post-employment Benefits (Continued)

(b) Other post-retirement benefits

In addition to pension benefits, the Group offers retirees medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health cost of 15% (2007 -13%) per annum.

The amounts recognised in the balance sheet are determined as follows:

	The Group	
	2008 $'000	**2007 $'000**
Present value of unfunded obligations	29,460	32,605
Unrecognised actuarial losses	(7,657)	(20,182)
Liability in the balance sheet	21,803	12,423

The movement in the present value of unfunded obligations defined benefit obligation over the year is as follows:

	The Group	
	2008 $'000	**2007 $'000**
Balance at beginning of year	32,605	14,160
Current service cost	5,224	2,977
Interest cost	3,188	1,699
Actuarial (gain)/loss on obligation	(11,557)	13,769
Balance at end of year	29,460	32,605

The amounts recognised in the profit and loss account are as follows:

	The Group	
	2008 $'000	**2007 $'000**
Current service cost	5,224	2,977
Interest cost	3,188	1,699
Recognised loss	968	384
Total, included in staff costs (Note 10)	9,380	5,060

31. Post-employment Benefits (Continued)

(b) Other post-retirement benefits (continued)

Movement in the amounts recognised in the balance sheet:

	The Group	
	2008 $'000	2007 $'000
Liability at beginning of year	12,423	7,363
Amount recognised in the profit and loss account (Note 10)	9,380	5,060
Liability at end of year	21,803	12,423

The effects of a 1 percentage point movement in the assumed medical cost trend rate were as follows:

	The Group 2008 $'000	
	Decrease	Increase
Effect on the aggregate of current service cost	4,375	7,646
Effect on the aggregate of interest cost	2,702	4,557
Effect on the defined benefit obligation	23,421	37,416

32. Other Assets

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Withholding tax recoverable	144,895	229,721	77,589	173,788
Customer settlement accounts	227,744	64,402	224,964	64,016
Staff receivables	12,495	12,360	12,121	12,360
Property, plant and equipment deposits	2,427	8,289	352	8,289
Other	49,920	15,377	43,049	6,802
	437,481	330,149	358,075	265,255

33. Structured Products

	The Group and The Company	
	2008 $'000	2007 $'000
Principal protected notes	356,355	-
Credit linked notes	731,185	-
	1,087,540	-

A structured product is a pre-packaged investment strategy created to meet specific needs that cannot be met from the standardised financial instruments available in the market. Structured products can be used as an alternative to a direct investment, as part of the asset allocation process to reduce risk exposure of a portfolio, or to capitalise on current market trends.

Certain principal protected notes are linked to the equity indexed options disclosed in Note 21. The credit linked notes are structured securities with embedded credit default swaps allowing the Group to transfer specific credit risks to the note purchaser. Under this structure, the coupon or price of the note is linked to the performance of a reference asset. It offers the Group a hedge against credit risk and gives investors higher yields on the notes for accepting exposure to specified credit events.

34. Due to Banks and Other Financial Institutions

			The Group		The Company	
		Rate	2008	2007	2008	2007
	Currency	%	$'000	$'000	$'000	$'000
Long Term Loans -						
National Export Import Bank of Jamaica						
Repayable in 42 monthly installments commencing May 2009 and ending October 2012	J$	9.00	11,600	-	11,600	-
Development Bank of Jamaica Limited (DBJ) -						
Repayable over varying periods from 24 to 96 months	J$	various	111,481	127,619	111,481	127,619
Repayable over varying periods from 48 to 96 months	US$	various	59,174	92,323	59,174	92,323
European Investment Bank (EIB) -						
Repayable in 5 annual installments commencing March 2011 and ending March 2015	J$	2.00	23,583	23,583	23,583	23,583
Repayable in 1 installment on 31 December 2008	J$	2.00	24,854	24,854	24,854	24,854
Repayable in 1 installment on 31 December 2008	J$	Nil	-	15,361	-	15,361
Repayable in 7 annual installments commencing 31 December 2007	J$	Nil	8,093	24,640	8,093	24,640
Repayable in 7 equal annual installments commencing on 5 December 2008	J$	10.75	75,879	75,879	75,879	75,879
Repayable in 7 equal annual installments commencing on 5 December 2008	J$	10.00	23,556	23,556	23,556	23,556
Repayable in 7 equal annual installments commencing on 5 December 2008	J$	9.57	59,600	59,600	59,600	59,600
Repayable in 7 equal annual installments commencing on 5 December 2008	J$	10.00	150,097	150,097	150,097	150,097
Repayable in 7 equal annual installments commencing on 5 December 2008	J$	10.50	33,119	33,119	33,119	33,119
Repayable in 7 equal annual installments commencing on 5 December 2008	J$	11.16	113,268	113,268	113,268	113,268
Repayable in 7 equal annual installments commencing on 5 December 2014	J$	10.75	125,211	125,211	125,211	125,211
Repayable in 7 equal annual installments commencing on 5 December 2014	J$	11.37	64,620	64,620	64,620	64,620
Repayable in 1 installment on 31 December 2008	US$	3.50	-	34,042	-	34,042
Repayable in 7 equal annual installments commencing on 5 December 2014	US$	5.50	-	57,840	-	57,840
Repayable in 7 equal annual installments commencing on 5 December 2014	US$	6.83	52,505	52,797	52,505	52,797
Balance carried forward			936,640	1,098,409	936,640	1,098,409

34. Due to Banks and Other Financial Institutions (Continued)

			The Group		The Company	
		Rate	2008	2007	2008	2007
	Currency	%	$'000	$'000	$'000	$'000
Balance brought forward			936,640	1,098,409	936,640	1,098,409
Development Bank of Jamaica Limited (DBJ)						
Repayable over varying periods from 6 months to 108 months	J$	6.5 & 10.00	163,039	202,242	-	-
The National Export-Import Bank of Jamaica Limited -	J$					
Repayable over varying periods	US$	9.00	79,435	45,143	-	-
Repayable over varying periods from 6 months to 54 months		4.50	32,086	-	-	-
			1,211,200	1,345,794	936,640	1,098,409
Short Term Loans						
Citibank N.A. -						
Repayable in one installment on 23 January 2008	US$	7.63	-	196,988	-	196,988
Sagicor Life Inc.						
Repayable in one installment on 31 March 2009	US$	8.00	200,542	-	200,542	-
Oppenheimer & Co. Inc.						
Repayable in one installment on 16 March 2009	US$	0.75	40,796	-	40,796	-
			241,338	196,988	241,338	196,988
Bank Overdrafts -						
PanCaribbeanBank Limited	J$	various	-	-	10,400	-
The Bank of Nova Scotia Jamaica Limited			-	1,346	-	-
			-	1,346	10,400	-
			1,452,538	1,544,128	1,188,378	1,295,397
Interest payable			84,839	9,219	83,558	8,613
			1,537,377	1,553,347	1,271,936	1,304,010

34. Due to Banks and Other Financial Institutions (Continued)

The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the year.

Included in due to banks and other financial institutions are the following amounts, which are regarded as cash equivalents for purposes of the statement of cash flows:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$000	$'000
Bank overdraft	-	1,346	10,400	-

(a) Development Bank of Jamaica Limited (DBJ)

The agreement with the Development Bank of Jamaica Limited allows DBJ, at its absolute discretion, to approve J$ financing to the company for on-lending to farmers, other agricultural projects and development projects on such terms and conditions as DBJ may stipulate.

Funds disbursed to the company bear interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise varied by DBJ.

(b) European Investment Bank (EIB)

The company has three facilities with the EIB.

Facility # 1
The EIB has established in favour of the company, credit in the amount of €1,000,000 for the financing of projects through equity participation in small and medium sized enterprises (the beneficiary).

The company shall repay the loan in respect of amounts disbursed under each allocation. The amount repayable is the Euro equivalent of one half of the net amount of dividends received by the company in respect of the corresponding equity participation during the preceding calendar year.

The outstanding balance of the loan after the payments made to 31 March 2010 shall be discharged in full by the payment of the adjusted loan balance by five equal annual instalments beginning on 31 March 2011. Repayment may either be in Euro or one or more currencies of the member states of the European Economic Community and shall be calculated as the Euro equivalent of the Jamaican dollar liability using exchange rates between the Euro and the selected currencies prevailing on the thirtieth day before the date of payment. In the event of a liquidation of the beneficiary, the outstanding balance of the loan in respect of the equity participation shall be discharged by EIB.

34. Due to Banks and Other Financial Institutions (Continued)

(b) European Investment Bank (EIB) (Continued)

Facility # 2

(i) A facility was established in the amount of €5,000,000. The loan was disbursed to the company in tranches. Interest, repayments and other charges payable in respect of each tranche will be remitted in the same currency as that in which the tranche was disbursed. To date total disbursement stands at approximately €2,106,000.

(ii) In 1999, an additional facility was established in the amount of €3,000,000, for the financing of projects through equity participation in small and medium sized enterprises. The outstanding loan balance is repayable in one instalment on 31 December 2007. In the year ended 31 December 2007 a request was made of EIB to extend the repayment date to 31 December 2009. In the event of a solvent liquidation of the beneficiary, the company shall pay over to EIB only the net proceeds from the liquidation, or a portion thereof, after deduction of any amounts repaid in respect of the equity participation.

Facility # 3

A facility was established in the amount of €4,000,000 on 20 December 2002 for the provision of financing to small and medium sized projects in the productive and related service sectors in Jamaica. The loan is disbursed to the company in tranches. The draw downs may be done in US$ or J$. The loan is repayable in the Euro equivalent of the outstanding loan balance by 7 equal instalments commencing 5 December 2008.

(c) The National Export-Import Bank of Jamaica Limited (EXIM)

A subsidiary company, PanCaribbean Bank (PCB) is an approved financial institution of the National Export-Import Bank of Jamaica (EXIM). Through this partnership PCB is provided with financing, which is utilised to finance customers with viable projects within EXIM's guidelines.

PCB offers trade credit, short and medium term loans to customers engaged in manufacturing, agriculture, tourism and export trading. The loans to customers are for varying terms and at a 3% spread.

(d) Bank Overdrafts

The bank overdraft balances represent a book overdraft. The actual balance at the bank was positive at year end.

35. Redeemable Preference Shares

	The Group and The Company	
	2008 $'000	2007 $'000
Redeemable preference shares	1,264,324	-
Interest payable	6,866	-
	1,271,190	-

During the year the company issued 6,321,621 at 12 ½% cumulative redeemable preference shares at a fixed price of $200 per share. The shares will be redeemed in 2013.

36. Other Liabilities

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Accruals	69,678	61,659	40,144	15,616
Customer settlement accounts	33,317	234,277	2,065	185,951
Items in the course of payment	139,069	-	-	-
Staff related payables	46,357	31,408	21,186	15,565
Stale dated cheques	41,982	43,690	21,694	25,443
Other	29,229	9,688	17,167	1,934
	359,632	380,722	102,256	244,509

37. Share Capital

The total authorised number of ordinary shares is 615,613,376 (2008 – 615,613,376), of which 547,924,039 (2007 – 547,665,964) was issued and fully paid.

The movement on share capital is as follows:

	2008 $'000	2007 $'000
Issued and Fully Paid -		
Share capital at the beginning of the year – 547,665,964 (2007 - 542,875,964) ordinary shares	3,098,919	3,049,496
Shares issued during the year – 258,075 (2007 – 4,790,000) ordinary shares	4,892	49,423
	3,103,811	3,098,919

The stock units in 2008 and 2007 are stated in these financial statements without a nominal or par value.

37. Share Capital (Continued)

(i) Shares issued during the year comprise 150,000 ordinary shares issued under the company's share option scheme at $19.29 per share and 108,075 ordinary shares issued under the company's staff share purchase plan at $18.49 per share.

(ii) The ordinary shares do not carry a right to a fixed income.

38. Share Options Reserve

The company offers share options to employees who have completed the minimum eligibility period of employment. Options are conditional on the employee completing a minimum service period of one year (the eligibility period). Options are forfeited if the employee leaves the Group before the options vest. Options were granted as follows:

(ii) 1,200,000 share options on 1 March 2005. These options expire on 28 February 2009. The exercise price for the options is $36.50. The options vest over four years - 25% on each anniversary date of the grant. 600,000 of these shares were forfeited and contracts for 525,000 were cancelled. 75,000 of the share options vested on 1 March 2006.

(ii) 1,200,000 share options on 1 March 2006. These options expire on 28 February 2010. The exercise price for the options is $19.29. These options vest over four years – 25% each anniversary date of the grant.

(iii) 600,000 share options on 1 March 2007. These options expire on 28 February 2011. The exercise price for the options is $21.75. These options vest over four years – 25% each anniversary date of the grant.

(iv) 4,074,246 share options on 1 April 2007. These options expire on 31 March 2011. The exercise price for the options is $18.00. These options vest over four years – 25% each anniversary date of the grant.

Details of the share options outstanding are as follows:

	Number of share options 2008 '000	Weighted average exercise price 2008 $	Number of share options 2007 '000	Weighted average exercise price 2007 $
Balance at beginning of year	5,949	18.87	5,902	16.20
Granted	-	-	4,674	21.27
Exercised	(150)	19.29	(4,552)	20.68
Lapsed/forfeited	(342)	18.00	(75)	36.50
	5,457	18.91	5,949	16.49
Exercisable at the end of the year	1,694	19.49	375	24.70

38. Share Options Reserve (Continued)

For options outstanding at the end of the year, the exercise price ranges from $18.00 to $36.50 (2007 - $18 to $36.50). The weighted average remaining contractual term is four years (2007 – five years).

The weighted average share price at the date of exercise for options exercised during the year was $19.29.

The share options reserve balance at the year end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares. The fair value of the options at the year end is measured at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services is recognised over the expected vesting period. Until the liability is settled, it is re-measured at each reporting date with changes in fair value recognised in the profit and loss account. The significant inputs into the model were weighted average share prices of $16.84 at the grant date, exercise price shown above; standard deviation of expected share price returns of 10%, option life disclosed above, and annual average risk free interest rate of 13.31%. The expected volatility is based on statistical analysis of daily share prices over one year.

The company recognised cumulative expenses of $49,435,000 (2007 - $42,178,000) as stock options expense of which $7,257,000 (2007 - $9,758,000) was recognised in the profit and loss account during the year.

39. Retained Earnings Reserve

Section 2 of the Banking Act of 1992 permits the transfer of any portion of the Bank's net profit to a subsidiary's retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. Transfers to the retained earnings reserve are made at the discretion of the Board; such transfers must be notified to the Bank of Jamaica.

Transfers to the retained earnings reserve are made at the discretion of the subsidiary's Board of Directors; such transfers must be notified to the Bank of Jamaica.

During the year an amount of $390,365,000 was transferred from retained earnings to retained earning reserve.

40. Reserve Fund

This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profit of the banking subsidiary as defined by the Act be transferred annually to the reserve fund until the amount of the fund is 50% of the paid-up share capital of the subsidiary, and thereafter 10% of the net profit until the amount of the fund is equal to the paid-up capital of the subsidiary.

During the year the Bank transferred $55,518,000 from retained earnings to the reserve fund.

The deposit liabilities of the company and other indebtedness for borrowed money together with all interest accrued should not exceed twenty times its capital base.

41. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 24).

42. Fair Value Reserve

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investments and the interest rate swap designated as a cash flow hedge.

43. Dividends

	The Group and The Company	
	2008	2007
	$'000	$'000
Interim dividends – 65 cents (2007 – 44 cents)	356,151	238,865
Interim dividends – 55 cents (2007 - 46 cents)	301,358	251,145
	657,509	490,010

The dividends declared for 2008 and 2007 represented a dividend per stock of $1.20 and $0.90 respectively.

44. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount of these items;

(ii) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices or dealer quotes when available. If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques.

(iii) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of currency forward contracts is determined using quoted forward exchange rates at the balance sheet date. The fair value of the equity indexed options is based on quoted prices.

(iv) The fair value of demand deposits and customer accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for new deposits.

(v) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

44. Fair Value of Financial Instruments (Continued)

(vi) Loans are net of provision for impairment. The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value; and

(vii) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

The table below summaries the carrying amount and fair value of financial assets and financial liabilities not presented on the Group and company's balance sheet at their fair value:

	The Group			
	Carrying Value 2008 $'000	Fair Value 2008 $'000	Carrying Value 2007 $'000	Fair Value 2007 $'000
Financial Assets				
Investment securities – held-to-maturity	1,554,655	1,499,338	-	-
Loans, net of provision for credit losses	8,441,873	7,294,081	7,118,412	6,708,592
Financial Liabilities				
Securities sold under agreements to repurchase	42,040,112	34,734,326	34,656,325	34,507,240
Customer deposits and other accounts	7,457,170	5,932,765	5,489,757	5,397,230
Due to banks and other financial institutions	1,537,377	1,374,496	1,553,347	1,540,555

	The Company			
	Carrying Value 2008 $'000	Fair Value 2008 $'000	Carrying Value 2007 $'000	Fair Value 2007 $'000
Financial Assets				
Investment securities – held-to-maturity	1,554,655	1,499,338	-	-
Loans, net of provision for credit losses	2,708,089	2,084,634	2,708,089	2,357,653
Financial Liabilities				
Securities sold under agreements to repurchase	42,154,222	34,825,936	35,241,054	35,089,549
Customer accounts	569,269	673,982	516,690	488,524
Due to banks and other financial institutions	1,271,936	1,130,036	1,304,010	1,310,146

45. Assets Under Administration

The Group and the company provide custody, trustee, corporate administration, investment management or advisory services to third parties which involve these subsidiaries making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets are not included in these financial statements. As at 31 December 2008, the Group and the company had financial assets under administration of approximately $19,417,875,000 (2007 - $25,001,305,000) and $16,009,000,000 (2007 - $11,262,489,000) respectively.

46. Contingent Liabilities and Commitments

(a) Legal proceedings

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

(b) Commitments

The tables below show the contractual expiry by maturity of the Group's and company's contingent liabilities and commitments.

	The Group			
At 31 December 2008	**No later than 1 year $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Loan commitments	664,227	262,943	38,245	965,415
Guarantees, acceptances and other financial facilities	568,452	327,318	30,831	926,601
Operating lease commitments	41,487	27,422	-	68,909
	1,274,166	617,683	69,076	1,960,925
At 31 December 2007				
Loan commitments	238,038	189,496	-	427,534
Guarantees, acceptances and other financial facilities	316,742	222,044	26,861	565,647
Operating lease commitments	22,874	38,533	-	61,407
	577,654	450,073	26,861	1,054,588

46. Contingent Liabilities and Commitments (Continued)

	The Company			
At 31 December 2008	No later than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Loan commitments	98,131	556	-	98,687
Guarantees, acceptances and other financial facilities	231,416	306,988	-	538,404
Operating lease commitment	25,069	24,412	-	49,481
	354,616	331,956	-	686,572
At 31 December 2007				
Loan commitments	149,533	23,659	-	173,192
Guarantees, acceptances and other financial facilities	142,653	179,410	-	322,063
	292,186	203,069	-	495,255

47. Subsequent Event

Subsequent to the year-end, Bank of Jamaica increased the Liquid Assets Ratio for Commercial Banks applicable to local currency liabilities by 1% to 28%. The Bank of Jamaica also increased the Cash Reserves requirement of Commercial Banks with respect to local currency liabilities by 1% to 14%.

Form of Proxy

PAN CARIBBEAN
FINANCIAL SERVICES LTD.
A member of the Sagicor Group

I/We _____ of _____

being a member/members of PAN CARIBBEAN FINANCIAL SERVICES LIMITED hereby

appoint_____ of _____

or failing him/her _____ of _____ as

my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, May 6, 2009 at 10:00 a.m. and at any adjournment thereof.

Signed this_____day of_____2009.

Signature_____

Please indicate with an "X" in the spaces below how you wish your Proxy to vote on the resolutions referred to.
Unless otherwise instructed, the Proxy will vote as he thinks fit.

RESOLUTIONS	For	Against
RESOLUTION 1: Approve Audited Accounts		
RESOLUTION 2: Final Dividend		
RESOLUTION 3: (a) (i) Mr. Richard Byles		
RESOLUTION 3: (a) (ii) Mr. Patrick Lynch		
RESOLUTION 3: (a) (iii) Mr. Colin Steele		
RESOLUTION 3: (b) (i) Mr. Christopher de Caires		
RESOLUTION 3: (b) (ii) Mr. Richard Downer		
RESOLUTION 4: (i) Directors' remuneration		
RESOLUTION 4: (ii) Non-executive Directors' remuneration		
RESOLUTION 5: Auditors' remuneration		

Place
$100
Stamp
Here

Notes

A member is entitled to appoint a Proxy of his choice.

If the appointer is a corporation, this form must be under its common seal and under the hand of an officer of the corporation duly authorised on its behalf.

In the case of joint holders, the signature of any holder is sufficient, but the names of all joint holders should be stated.

To be valid, this form must be completed and deposited with the Secretary, Pan Caribbean Financial Services Limited, Pan Caribbean Building, 60 Knutsford Boulevard, Kingston 5, at least 48 hours before the time appointed for the meeting or adjourned meeting.

An adhesive stamp of One Hundred Dollars must be affixed to the Form and cancelled by the appointer at the time of signing.

CORPORATION ACTING BY REPRESENTATIVES AT MEETING

Regulation 77 of the Articles of Incorporation

Any corporation which is a member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the company or of any class of members of the company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.

Thank You for 25 Successful years

For over 25 years, our valued clients have travelled with us on a journey that has led to our mutual success. Nothing in our history could have been achieved without your trust.

Our people and the clients we serve are our greatest assets.

Thank you for 25 fantastic years.

The PanCaribbean Building
60 Knutsford Boulevard, Kingston 5, Jamaica W.I.

www.gopancaribbean.com