## Pan Caribbean Financial Services Limited AND ITS SUBSIDIARIES Un-audited Financial Statements

Six Months ended June 30, 2009

Pan Caribbean reported an increase of 19% in Net Profit to \$722 Million (EPS = \$1.32) for the six-month period ended June 30, 2009, above last year's \$606 Million (EPS = \$1.11). Net Profit for the second quarter was \$373 Million (EPS = \$0.68) up 6% compared to \$352 Million (EPS = \$0.64) reported for the comparative prior-year period.

For the six-month period, Net Interest Income advanced by 28% to \$1.22 Billion from \$952 Million. Improved interest margins and balance sheet growth of 19% contributed to this increase over the comparative prior-year period. Non-interest Income grew by 16% to \$461 Million versus \$397 Million in 2008, due largely to increases in fixed income trading gains and improved foreign exchange trading and translation gains in the first quarter.

2008's Non-interest Income also included a \$58 Million capital gain realized on the disposal of our 25% holding in Manufacturers Credit and Information Services Limited (MCIS). Excluding this item, our Net Profit was up 32% year-to-date and 27% for the second quarter.

Operating Expenses increased 25% to \$702 Million compared to \$561 Million for the prior year. Personnel Costs grew 16%, influenced primarily by increases in our team for our new commercial bank and 2009 salary adjustments reflecting the prevailing inflationary environment. Loss provisions increased by \$44 Million. Other Operating Expenses also increased as a result of costs associated with our new commercial bank and the introduction of new services.

While our six-month Profit before Tax grew 24% to \$978 Million (2008: \$791 Million), Net Profit increased 19% as the prior year gain on sale of MCIS was not subject to taxation.

Total Assets increased by 3% and now stand at \$65.6 Billion, compared to \$63.8 Billion at December 2008. Our interest-bearing securities portfolio increased 8% during this period to \$51.1 Billion while loans and leases increased 14% to \$9.6 Billion. Non-performing loans represent 3.1% (Dec. 2008: 2.8%) of total loan portfolio, and 0.46% (Dec. 2008: 0.37%) of total assets and have been adequately provided for.

Stockholders' Equity closed the quarter at \$7.69 Billion (Dec. 2008: \$7.08 Billion). Fair Value Reserve improved as bond prices are recovering due to an upturn in the market. Pan Caribbean continues to exhibit a strong balance sheet, with a consolidated Capital to Assets ratio of 11.7%. During the first quarter \$356 Million (\$0.65 per share) in ordinary dividends were paid.

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Richard O. Byles Chairman Donovan H. Perkins President & CEO Un-audited Consolidated Income Statement Period Ended June 30, 2009

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FINANCIAL SERVICES LTD. <u>A member of the Sagicor Group</u>

	3 MONTHS TO	3 MONTHS TO	6 MONTHS TO	6 MONTHS TO
	JUN 2009	JUN 2008	JUN 2009	JUN 2008
	\$'000	\$'000	\$'000	\$'000
Gross Operating Revenues	2,374,377	1,716,731	4,590,934	3,301,204
Net interest income and other				
revenue				
Interest income from loans	280,343	185,819	531,952	382,058
Interest income from securities	1,889,930	1,297,630	3,592,827	2,518,379
Interest income from leases	1,656	2,371	4,925	4,137
Total interest income	2,171,929	1,485,820	4,129,704	2,904,574
Interest expense	1,515,104	1,012,029	2,910,477	1,952,290
Net interest income	656,825	473,791	1,219,227	952,284
Fee and commission income	73,151	90,871	136,066	163,016
Net trading income	106,534	79,913	223,555	102,190
Other operating income	22,763	60,127	101,609	131,424
	859,273	704,702	1,680,457	1,348,914
Operating expenses				
Staff costs	187,268	175,543	389,137	336,626
Provision for credit losses, net	16,659	(277)	43,915	(277)
Occupancy costs	23,529	17,153	44,051	32,430
Other operating expenses	120,664	105,620	225,161	191,797
	348,120	298,039	702,264	560,576
Operating profit	511,153	406,663	978,193	788,338
Share of profits of associates		1,048		2,365
Profit before taxation	511,153	407,711	978,193	790,703
Taxation	(138,048)	(55,955)	(255,951)	(184,903)
NET PROFIT	373,105	351,756	722,242	605,800
EARNINGS PER STOCK UNIT				
Average stock units in issue	547,924,039	547,924,039	547,924,039	547,824,231
Average slock units in issue	547,524,059	547,524,059	547,524,059	547,024,231
EPS	\$ 0.68	\$ 0.64	\$ 1.32	\$ 1.11
DILUTED EPS	\$ 0.68	\$ 0.64	\$ 1.32	\$ 1.10

#### Un-audited Consolidated Statement of Comprehensive Income Period Ended June 30, 2009

	3 MONTHS TO JUN 2009 \$'000	3 MONTHS TO JUN 2008 \$'000	6 MONTHS TO JUN 2009 \$'000	6 MONTHS TO JUN 2008 \$'000
Profit for the period Other comprehensive income for the period, ne	373,105 t	351,756	722,242	605,800
of tax: Unrealized gain/(loss) on available-for-sale				
investments	584,463	(277,708)	396,111	(418,517)
Unrealized loss on cash flow hedge	(139,661)	-	(119,080)	-
(Gain)/loss reclassified and reported in profit	(152,818 <u>)</u>	361,274	(57,124)	169,610
Other comprehensive income for the period	291,984	83,566	219,907	(248,907)
Total comprehensive income for the period	665,089	435,322	942,149	356,893

Note: These financial statements have been prepared in accordance with International Financial Reporting Standards

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#### Un-audited Consolidated Statement of Financial Position

June 3	0, 2009		rosition
l	JNAUDITED	UNAUDITED	AUDITED
	JUN 2009	JUN 2008	DEC 2008
	\$'000	\$'000	\$'000
ASSETS			
Cash and balances due from other financial institutions	2,150,869	841,173	2,815,692
Cash reserve at Bank of Jamaica	339,775	169,446	182,062
Trading securities	96,382	955,788	320,364
Securities purchased under agreements to resell	6,425,056	2,140,407	3,628,964
Investment securities and pledged assets	44,569,216	41,473,890	43,288,686
Derivative financial instruments	576,514	-	2,957,306
Loans, net of provisions for credit losses	9,560,470	7,223,738	8,371,067
Lease receivables	37,056	69,100	70,806
Income tax recoverable	15,398	38,227	46,743
Due from related company	4,840	5,583	14,113
Intangible assets	838,090	821,055	867,796
Property, plant and equipment	136,827	145,019	155,722
Deferred tax assets	345,951	51,447	594,354
Other assets	465,313	921,071	459,189
Total assets	65,561,757	54,855,944	63,772,864
LIABILITIES			
Securities sold under agreements to repurchase	44,113,640	37,819,217	42,040,112
Customer deposits and other accounts	8,656,435	5,426,586	7,457,170
Structured products	552,743	-	1,087,540
Due to banks and other financial institutions	1,731,027	2,224,299	1,537,377
Derivative financial instruments	415,587	-	2,703,316
Cheques and other items in transit	104,147	-	139,069
Redeemable preference shares	1,270,858	1,264,324	1,271,190
Due to related company	2,794	2,303	2,567
Income tax payable	24,922	6,510	56,947
Deferred tax liabilities	1,012	10,517	151,021
Other liabilities	1,000,562	560,074	242,366
Total liabilities	57,873,727	47,313,830	56,688,675
STOCKHOLDERS' EQUITY			
Share capital	3,103,811	3,103,811	3,103,811
Share options reserve	54,435	47,177	49,435
Retained earnings reserve	562,365	172,000	562,365
Reserve fund	212,169	186,400	212,169
Loan loss reserve	133,015	107,389	117,295
Fair value reserve	(894,205)	(168,729)	(1,114,112)
Retained earnings	4,516,440	4,094,066	4,153,226
Total stockholders' equity	7,688,030	7,542,114	7,084,189
Total liabilities and equity	65,561,757	54,855,944	63,772,864

### **Un-audited Consolidated Statement of Cash Flows**

Period Ended June 30, 200		
	6 MONTHS TO	6 MONTHS TO
	JUN 2009 \$'000	JUN 2008 \$'000
Cash Flows from Operating Activities	\$ 000	<i>\$</i> 000
Net profit	722.242	605.800
Adjustments to reconcile net profit to cash flows provided by/(used in) operating ac	,	000,000
Depreciation of property, plant and equipment	25,582	22,238
Amortisation of intangible assets	31,257	22,424
Provision for credit losses	43,915	(3,105)
Interest income	(4,129,704)	(2,904,574)
Interest expense	2,910,477	1,952,291
Current tax expense	269,198	203,479
Deferred tax charge	(13,248)	(19,365)
(Gain)/loss on sale of property, plant and equipment	(452)	(111)
(Gain)/loss on sale of Associated Company	-	(57,966)
Share option expense	5,000	4,999
Share of profits of associate	(07.000)	(1,577)
Unrealised gain on trading securities	(27,069) (162,802)	(59,525) (234,992)
Chapters is exercise exects and lightilities	(162,802) (963,323)	(234,992) (1,169,398)
Changes in operating assets and liabilities Taxation	(155,095)	(1,109,398) (90,459)
Interest received	3,934,011	2,795,931
Interest paid	(2,721,644)	(1,851,659)
Net cash provided by/(used in) operating activities	(68,853)	(550,577)
Cash Flows from Investing Activities	(,0)	(,511)
Acquisition of property, plant and equipment	(6,890)	(32,683)
	( . ,	(41,352)
Acquisition of intangible assets	(1,551)	
Proceeds from disposal of property, plant and equipment	655	111
Proceeds from sale of associated company	-	78,000
(Acquisition)/Sale of investment securities	490,693	(441,988)
Net cash (used in)/provided by investing activities	482,907	(437,912)
Cash Flows from Financing Activities		
Issue of ordinary shares	-	4,892
Issue of redeemable preference shares	(78,704)	1,264,324
Proceeds from due to banks and other financial institutions – long term	834,881	256,563
	(596,408)	
Repayment of amounts due to banks and other financial institutions – long term	( , ,	-
Due to related parties, net	9,500	(5,521)
Dividends paid	(356,151)	(356,151)
Net cash (used in)/ provided by financing activities	(186,882)	1,164,107
Effect of exchange rate changes on cash and cash equivalents	579,009	5,384
Net increase in cash and cash equivalents	806,181	181,002
Cash and cash equivalents at beginning of year	6,468,725	1,071,348
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,274,906	1,252,350
Comprising:	,,	.,===,=30
Cash and balances due from other financial institutions	2,150,869	841,173
Investment securities & securities purchased under agreement to resell		
	5,434,433	1,638,790
Short term deposits held by financial institutions	(309,375)	(857,480)
Due to banks and other financial institutions – short term	(1,021)	(370,133)
	7,274,906	1,252,350
Note: These financial statements have been prepared in acc	ordance with Ir	aternational
Financial Reporting Standards	Loruance with Ir	iternational

				Period ended	d June 30, 2	009		
	Share Capital	Share Options Reserve	Retained Earnings Reserve	Reserve Fund	Loan Loss Reserve	Fair Value Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2009	3,103,811	49,435	562,365	212,169	117,295	(1,114,112)	4,153,226	7,084,189
Comprehensive income for the period Employee share option scheme-value of service	-	-	-	-	-	219,907	722,242	942,149
provided	-	5,000	-	-	-	-	-	5,000
Dividends paid	-	-	-	-	-	-	(356,151)	(356,151)
Adjustment between regulatory loan provisioning & IFRS	-	-	-	-	15,720	-	(2,877)	12,843
Balance at June 30, 2009	3,103,811	54,435	562,365	212,169	133,015	(894,205)	4,516,440	7,688,030
				Period ended	June 30, 2	008		
	Share Capital	Share Options Reserve	Retained Earnings Reserve	Reserve Fund	Loan Loan Reserve	Fair Value Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2008	3,098,919	42,178	172,000	156.651	103,456	80,178	3,877,548	7,530,930
Comprehensive income for the period	-	-	-	-	· -	(248,907)	605,800	356,893
Share issued	4,892	-	-	-	-	-	-	4,892
Employee share option scheme-value of service provided	-	4,999	-	-	-	-	-	4,999
Transfers to/from reserves	-	-	-	29,749	-	-	(29,749)	-
Dividends paid	-	-	-	-	-	-	(356,151)	(356,151)
Adjustment between regulatory loan provisioning & IFRS	-	-	-		3,933	-	(3,382)	551
Balance at June 30, 2008	3,103,811	47,177	172,000	186,400	107,389	(168,729)	4,094,066	7,542,114

Un-audited Consolidated Statement of Changes in Stockholders' Equity Period Ended June 30, 2009

# Un-audited Segment Report Period Ended June 30, 2009

	Period ended June 30, 2009							
	Treasury Management \$'000	Corporate & Retail Credit \$'000	Asset Management \$'000	Trading \$'000	Corporate Trust \$'000	Eliminations \$'000	Group \$'000	
Gross external revenues Revenues/(expenses)	3,701,688	555,612	88,422	220,765	24,447	-	4,590,934	
from other segments	35,497	-	-	-	-	(35,497)	(0)	
Total gross revenues	3,737,185	555,612	88,422	220,765	24,447	(35,497)	4,590,934	
Total expenses	(3,014,678)	(502,188)	(25,567)	(51,134)	(19,174)	-	(3,612,741)	
Segment results Share of associated	722,507	53,424	62,855	169,631	5,273	(35,497)	978,193	
company profit Profit before tax	722,507	53.424	62.855	169.631	5.273	(35,497)	978,193	
FIOII Deloie lax	122,501	55,424	02,000	103,001	5,275	(33,437)	370,135	
Income tax expense						_	(255,951)	
Net profit							722,242	
Tangible Assets	51,667,168	9,597,526	-	-	-		61,264,694	
Goodwill	443,992	75,417	54,604	152,437	7,300	-	733,750	
Segment Assets	52,111,160	9,672,943	54,604	152,437	7,300	-	61,998,444	
Unallocated assets							3,563,313	
Total Assets						_	65,561,757	
Segment liabilities	55,009,263	1,731,027	-	-	-		56,740,290	
Unallocated liabilities							1,133,437	
Total Liabilities							57,873,727	
Other Segment items						=		
Net interest income	1,025,571	193,656	-	-	-	-	1,219,227	
Capital expenditure	3,865	4,576	-	-	-	-	8,441	
Depreciation	16,128	9,454	-	-	-	-	25,582	
Amortisation charges	7,659	23,598	-	-	-	-	31,257	

	Period ended June 30, 2008							
-	Treasury Management \$'000	Corporate & Retail Credit \$'000	Asset Management \$'000	Trading \$'000	Corporate Trust \$'000	Eliminations \$'000	Group \$'000	
Gross external revenues Revenues/ (expenses)	2,597,062	413,685	100,810	172,799	16,848	-	3,301,204	
from other segments	61,784	-	-	-	-	(61,784)	-	
Total gross revenues	2,658,846	413,685	100,810	172,799	16,848	(61,784)	3,301,204	
Total expenses	(2,095,299)	(334,130)	(50,076)	(65,099)	(30,046)	61,784	(2,512,866)	
Segment results Share of associated	563,547	79,555	50,734	107,700	(13,198)	-	788,338	
company profit	2,365	-	-	-	-	-	2,365	
Profit before tax	565,912	79,555	50,734	107,700	(13,198)	-	790,703	
Income tax expense Net profit						_	(184,903)	
Tangible Assets Goodwill	44,570,084 443,992	7,292,838 75,417	- 54,604	- 152,437	- 7,300	-	51,862,922 733,750	
Segment Assets	45,014,076	7,368,255	54,604	152,437	7,300	-	52,596,672	
Unallocated assets							2,259,272	
Total Assets						=	54,855,944	
Segment liabilities	44,510,127	2,224,299	-	-	-	-	46,734,426	
Unallocated liabilities							579,404	
Total Liabilities							47,313,830	
Other segment items Net interest income Capital expenditure	825,382 16,225 16,481	126,902 57,810 5.757	-	-	-	-	952,284 74,035 22,238	
Depreciation			-	-	-	-		
Amortisation charges	12,720	9,704	-	-	-	-	22,424	