



2009 HIGHLIGHTS

- Net income of \$1.478 Billion, up 7% over prior year
- Earnings per share climb 7% to \$2.70
- Ordinary dividends of \$685 Million (\$1.25 per share) paid
- Return on Equity of 20.9% and Return on Assets of 2.3%
- Capital to Assets ratio of 12.1%

The Directors of PanCaribbean are pleased to report record consolidated profits of \$1.478 Billion for the year ended 31 December 2009, an increase of \$97 Million over 2008. Earnings per share rose from \$2.52 to \$2.70 in 2009.

REVENUES

Net Interest income advanced 35% to \$2.621 Billion, up \$682 Million over 2008. Growth was supported by improved interest margins and an increase in earning assets to \$60.1 Billion at year-end.

Non-interest income fell 22% from \$1.127 Billion to \$874 Million in 2009. The results in the prior year included a \$58 Million gain on disposal of the remaining 25% interest in an associated company. With the exception of fixed income trading, most other key fee-related activities reflected lower revenues in 2009.

NON-INTEREST EXPENSE

Non-interest expense increased 25%, which included \$169 Million in loss provisions and impairment charges. Excluding these provisions, operating expenses rose 11%. Team member costs grew by 5%, however this marginal increase was influenced by a \$6 Million pension benefit in 2009 and a \$48 Million pension expense in 2008. Adjusting for these factors, personnel charges climbed 14% as a result of a 4% increase in our permanent complement and salary increases.

Our Operating Efficiency ratio (Operating Expense / Operating Income) was 39.1% versus 40.2% in 2008. This key ratio which excludes loss provisioning, improved marginally and reflects the Group's ability to convert its operating income to profits.

Our Asset Efficiency ratio (Income Assets / Expense Liabilities) also improved, moving from 104.5% to 107.4% in 2009.

CREDIT QUALITY

Credit quality remains acceptable and reflects some improvement. At year-end, Non-performing credit assets were \$231 Million or 2.6% (industry average = 4.1%) of the portfolio, versus 2.8% in 2008. Credit provisions were 149% of non-performing credit assets at year end (industry average = 87.6%). Non-performing loans as a percentage of total assets were 0.35% versus 0.37% in 2008.



BALANCE SHEET

Total Assets at year-end were \$65.2 Billion, up 2%. Credit assets grew marginally by 3% while our investment portfolio increased by 8% to \$8.7 Billion and \$51.4 Billion respectively. Interest bearing liabilities, repos and commercial bank deposits, grew 5% and 18% respectively, as we managed our repo growth and sought to increase customer accounts at our banking subsidiary.

CAPITAL

Our Capital and risk-weighted capital ratio of 58.3% reflects the relative strength of PanCaribbean. Stockholders' Equity increased \$823 Million or 12% to \$7.908 Billion at the end of 2009.

COMMUNITY CARE HIGHLIGHTS

During 2009, PanCaribbean was an active corporate citizen. Our Sigma Corporate Run with a record attendance of 9,500 participants raised over \$14 Million in aid of the Bustamante Hospital for Children in partnership with the National Health Fund and the Shaggy Make a Difference Foundation. We also made contributions to children's wards in Montego Bay, Spanish Town, St. Ann's Bay and Savanna-La-Mar.

We hosted our 20 UWI and UTech scholarship recipients for lunch during the year, and our team actively participated throughout the year in the USAID / Ministry of Education's excellent Expanding Educational Horizons project across the country.

We were the title sponsor of the All-Jamaica Junior Tennis championships in partnership with Tennis Jamaica which saw a record turnout of participants and excellent tennis from promising youngsters.

RECOGNITION OF EXCELLENCE

PanCaribbean was once again recognized by the Jamaica Stock Exchange at its Best Practices Awards for the second consecutive year, with first place awards for Best Annual Report and the Governor General's Award for Overall Excellence. We were also recognized for placing in other award categories.

We also congratulate two excellent young women - Althea Graham-Dolly and Dionne Allison who were jointly recognized as our "Team Member of the Year".

STRATEGIC IMPERATIVE & OUR OUTLOOK

Our commercial banking subsidiary, PanCaribbeanBank (PCB), has just completed its first full year of operations. With five branches currently, we shall explore options that expand our distribution capabilities and improve our competitive positioning. PCB represents a key medium term initiative to expand our products, grow our customer base, better serve existing customers, increase our funding and extend credit more efficiently. During 2009, commercial bank deposits grew 18% or by \$1.33 Billion to \$8.78 Billion, while customer accounts increased 55%. We will widen this platform for growth.

PAN CARIBBEAN FINANCIAL SERVICES LTD.

AND ITS SUBSIDIARIES

Audited Financial Statements

Year ended December 31, 2009



With the successful completion of the Jamaica Debt Exchange (JDX) in February 2010, a plank has been laid in the bridge to a more prosperous Jamaica. However, there remain several other actions that must be timely implemented if Jamaica is to be restored to a path of economic recovery and prosperity.

JDX will not have a material impact on our Capital and has reduced some of the economic risks that were inherent in the economy. Although net investment income will likely be affected there could be increased private sector demand for credit and a re-ignition of interest in the stock market. Areas of focus in 2010 will be cost containment, liquidity management and commercial bank account acquisitions.

OUR THANKS

We thank our Directors, Team members and most importantly, our customers who contribute to our success through their business and valuable referrals. Our franchise continues to benefit from an excellent team, delivering great service and this remains the reason for our continuing performance despite the challenges.

Richard O. Byles
Chairman

Donovan H. Perkins
President & CEO



Pan Caribbean Financial Services Limited

Consolidated Profit and Loss Account

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Net Interest Income and Other Revenue			
Interest income from securities		7,216,841	5,291,075
Interest income from loans and leases		1,115,264	809,511
Other interest income		24,624	37,986
Total interest income		8,356,729	6,138,572
Interest expense	6	(5,735,830)	(4,199,659)
Net interest income		2,620,899	1,938,913
Fees and commission income	7	335,866	347,490
Net trading income	8	514,800	676,254
Other revenue	9	23,710	103,432
		3,495,275	3,066,089
Operating Expenses			
Staff costs	10	758,104	720,957
Impairment charges	11	169,484	1,518
Occupancy costs		103,637	86,427
Other expenses	12	504,784	423,935
		1,536,009	1,232,837
Operating Profit		1,959,266	1,833,252
Share of associated company profit	23	-	1,577
Profit before Taxation		1,959,266	1,834,829
Taxation	13	(481,422)	(453,897)
NET PROFIT	14	1,477,844	1,380,932
EARNINGS PER STOCK UNIT			
Basic	16	\$2.70	\$2.52
Diluted	16	\$2.70	\$2.52

**Pan Caribbean Financial Services Limited**

Consolidated Balance Sheet

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
ASSETS			
Cash and balances due from other financial institutions	17	3,464,251	2,815,692
Cash reserve at Bank of Jamaica	18	413,744	182,062
Trading securities	19	-	320,364
Securities purchased under agreements to resell	20	4,499,614	3,628,964
Investment securities	21	27,487,727	25,208,695
Derivative financial instruments	22	155,374	2,957,306
Loans, net of provision for credit losses	25	8,653,610	8,371,067
Lease receivables	26	32,608	70,806
Pledged assets	27	18,221,416	18,079,991
Due from related companies	28	10,066	14,113
Income tax recoverable		17,940	46,743
Intangible assets	29	812,158	867,796
Property, plant and equipment	30	127,933	155,722
Deferred income tax assets	31	561,503	594,354
Post-employment benefit assets	32	57,875	21,708
Other assets	33	729,748	437,481
		<u>65,245,567</u>	<u>63,772,864</u>



Pan Caribbean Financial Services Limited

Consolidated Balance Sheet (Continued)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
LIABILITIES			
Securities sold under agreements to repurchase		43,972,613	42,040,112
Customer deposits and other accounts		8,782,495	7,457,170
Structured products	34	473,266	1,087,540
Due to banks and other financial institutions	35	1,501,217	1,537,377
Derivative financial instruments	22	200,706	2,703,316
Due to related companies	28	947	2,567
Income tax payable		31,926	56,947
Redeemable preference shares	36	1,271,319	1,271,190
Deferred income tax liabilities	31	74,462	151,021
Post-employment benefit obligations	32	32,131	21,803
Other liabilities	37	996,668	359,632
		<u>57,346,272</u>	<u>56,688,675</u>
STOCKHOLDERS' EQUITY			
Share capital	38	3,103,811	3,103,811
Share options reserve	39	52,604	49,435
Retained earnings reserve	40	1,536,596	562,365
Reserve fund	41	243,988	212,169
Loan loss reserve	42	167,649	117,295
Fair value reserve	43	(1,096,055)	(1,114,112)
Retained earnings		3,899,224	4,153,226
		<u>7,907,817</u>	<u>7,084,189</u>
		<u>65,245,567</u>	<u>63,772,864</u>

Approved for issue by the Board of Directors on 24 February 2010 and signed on its behalf by:

Richard O. Byles

Director

Donovan H. Perkins

Director



Pan Caribbean Financial Services Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Share Options Reserve \$'000	Retained Earnings Reserve \$'000	Reserve Fund \$'000	Loan Loss Reserve \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2008		3,098,919	42,178	172,000	156,651	103,456	80,178	3,877,548	7,530,930
Total comprehensive income for 2008		-	-	-	-	-	(1,194,290)	1,380,932	186,642
Issue of ordinary shares	38	4,892	-	-	-	-	-	-	4,892
Employee share option scheme	39	-	7,257	-	-	-	-	-	7,257
Transfers to/(from) reserves	40,41	-	-	390,365	55,518	-	-	(445,883)	-
Currency revaluation and other adjustments		-	-	-	-	11,977	-	-	11,977
Adjustment between regulatory loan provisioning and IFRS	42	-	-	-	-	1,862	-	(1,862)	-
Dividends	44	-	-	-	-	-	-	(657,509)	(657,509)
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
Total comprehensive income for 2009		-	-	-	-	-	18,057	1,477,844	1,495,901
Employee share option scheme	39	-	3,169	-	-	-	-	-	3,169
Transfers to/(from) reserves	40,41	-	-	974,231	31,819	-	-	(1,006,050)	-
Currency revaluation and other adjustments		-	-	-	-	9,463	-	-	9,463
Adjustment between regulatory loan provisioning and IFRS	42	-	-	-	-	40,891	-	(40,891)	-
Dividends	44	-	-	-	-	-	-	(684,905)	(684,905)
Balance at 31 December 2009		3,103,811	52,604	1,536,596	243,988	167,649	(1,096,055)	3,899,224	7,907,817



Pan Caribbean Financial Services Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	2009	2008
	\$'000	\$'000
Cash Flows from Operating Activities		
Net profit	1,477,844	1,380,932
Adjustments for:		
Interest income	(8,356,729)	(6,138,572)
Interest expense	6 5,735,830	4,199,659
Income tax charge	13 481,422	453,897
Fair value losses on trading securities	(5,080)	20,900
Fair value loss on derivative financial instruments	2,984	-
Share of profit of associated company	23 -	(1,577)
Impairment charges	11 169,484	1,518
Amortisation of intangible assets	29 61,166	46,831
Depreciation of property, plant and equipment	30 48,998	48,149
Gain on sale of associated company	9 -	(57,967)
Gain on sale of property, plant and equipment	(520)	(161)
Changes in post-employment benefits	(25,839)	34,211
Share option expense	39 3,169	7,257
Unrealised (gains)/losses on foreign assets and liabilities	(62,302)	1,253,099
	(469,573)	1,248,176
Changes in operating assets and liabilities -		
Statutory reserves at Bank of Jamaica	(214,029)	(74,301)
Trading securities	357,734	1,206,819
Securities purchased under agreements to resell	176,525	876,737
Investment securities	(9,208)	(5,540,043)
Derivative financial instruments	72,395	40,686
Loans	397,786	(478,902)
Lease receivables	21,817	(37,480)
Securities sold under agreements to repurchase	(1,187,045)	5,433,300
Structured products	(614,274)	1,087,540
Customer deposits and other accounts	566,167	91,866
Other assets	(468,116)	(484,501)
Other liabilities	637,036	(16,538)
	(732,785)	3,353,359
Interest received	8,125,772	5,869,599
Interest paid	(5,600,246)	(3,963,401)
Taxation	(447,903)	(146,368)
Net cash provided by operating activities (Page 7)	1,344,838	5,113,189



Pan Caribbean Financial Services Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Cash Flows from Operating Activities (Page 6)		1,344,838	5,113,189
Cash Flows from Investing Activities			
Purchase of intangible assets	29	(5,528)	(112,500)
Purchase of property, plant and equipment	30	(21,551)	(69,367)
Proceeds from disposal of associated company		-	78,000
Proceeds from disposal of property, plant and equipment		862	230
Net cash used in investing activities		(26,217)	(103,637)
Cash Flows from Financing Activities			
Issue of ordinary shares	38	-	4,892
Issue of redeemable preference shares	36	-	1,264,324
Borrowings from due to banks and other financial institutions – long term		1,141,338	404,035
Repayment of amounts due to banks and other financial institutions – long term		(1,447,718)	(826,768)
Due from related parties		2,427	(13,787)
Dividends paid		(684,905)	(657,509)
Net cash (used in)/provided by financing activities		(988,858)	175,187
Effect of exchange rate changes on cash and cash equivalents		617,124	212,638
Net increase in cash and cash equivalents		946,887	5,397,377
Cash and cash equivalents at beginning of year		6,468,725	1,071,348
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	7,415,612	6,468,725