

## Q1 2011 FINANCIAL HIGHLIGHTS

- Net income of \$503 Million, up 27% over prior year (2010 : \$397 Million)
- Earnings per share of \$0.92 (2010 : \$0.72)
- Ordinary dividends of \$0.62 (2010 : \$0.61) per share or \$341 Million (2010 : \$335 Million) declared
- Return on Equity of 18.9% (2010 : 20.1%)
- Return on Assets of 2.6% (2010 : 2.3%)
- Capital to Assets ratio of 14.7% (2010 : 12.7%)
- Risk-based Capital Adequacy ratio 29.1% (2010 : 33.4%)

The Directors of PanCaribbean are pleased to report consolidated profits of \$503 Million for Q1 2011, an increase of \$106 Million over the \$397 Million reported in the prior year. Earnings per share for the period rose from \$0.72 to \$0.92.

## REVENUES

For the three-month period, Net Interest Income improved 9% to \$756 Million from \$692 Million. Income earning assets grew \$8.2 Billion to \$70.8 Billion, (up 13%) contributing to the increase over the comparative prior-year period.

Non-interest income for the period increased 62% from \$187 Million to \$304 Million. Fixed Income Trading, Asset Management fees, FX Trading and Translation gains reflected improved results. Equity Trading, Stock Brokerage, Trust and Credit fees posted lower revenues.

## NON-INTEREST EXPENSE

Non-interest expense increased 8% to \$385 Million compared to \$356 Million for the prior year. Team Member costs rose 10% as a result of 2011 salary adjustments. Occupancy costs grew 8% while Other Operating Expenses were flat.

Our Operating Efficiency ratio (Operating Expense / Operating Income) improved to 36.3% versus 40.5% in 2010 as Operating Income grew 21% while Operating expenses rose 8%. Our Asset Efficiency ratio (Income Assets / Expense Liabilities) increased, moving from 112% at December 2010 to 114% at March 2011 as more cash was deployed in Investment Securities.

## CREDIT QUALITY

Credit quality has shown some deterioration as Non-performing loans and leases were \$407 Million or 4.7% of the portfolio (industry average : 6.5%) versus \$369 Million or 3.9% of the portfolio at December 2010. Credit provisions were 88% of non-performing loans and leases (industry average : 70%). Non-performing loans and leases as a percentage of total assets was 0.53%, up from 0.51% at December 2010.

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

Three Months ended March 31, 2011

## BALANCE SHEET

Total Assets were \$76.3 Billion, up 5% since December 2010. Our Securities portfolios increased by 8% to \$62.9 Billion while our credit portfolio declined to \$8.7 Billion, down from \$9.5 Billion at December 2010. Interest bearing liabilities now stand at \$62.3 Billion, up \$1.9 Billion (or 3%) compared to \$60.4 Billion at December 2010.

## CAPITAL

Our Capital to Assets ratio of 14.7% and Risk-Weighted Capital ratio of 29.1% reflect the relative strength of PanCaribbean. Stockholders' Equity closed the quarter at \$11.2 Billion (\$10.6 Billion at December 2010). \$407 Million of this improvement is as a result of a rally in GOJ US\$ and JA\$ denominated bond prices and is reflected in Fair Value Reserves.

During the quarter, ordinary dividends amounting to \$341 Million (\$0.62 per stock unit) were proposed and subsequently paid in April.

## COMMUNITY CARE HIGHLIGHTS

During February, our Sigma Corporate Run partnered with the National Health Fund and Corporate Jamaica to raise over \$15.2 Million for Victoria Jubilee Hospital. The event was highly successful with over 213 companies and organizations participating, which contributed to a record registration of approximately 15,000 highly motivated athletes. Our combined efforts will make the hospital a more effective institution in caring for new-born babies and their mothers.

## RECOGNITION OF EXCELLENCE

Our Team Members of the first quarter were Michelle Senior and Tiffany Wright, from Business Support and Ann-Marie Smith from Client Services. They were recognized for their excellent team performance and individual contributions in supporting our efforts to deliver excellent service and leadership throughout the organization.

## OUR THANKS

We again take this opportunity to thank our Customers for their business and our Team Members who handle the financial affairs of our Customers with a high level of expertise and efficiency. We also appreciate the valuable contribution of our fellow directors, who have guided the activities and direction of the institution that has resulted in our improved performance.



Richard O. Byles  
Chairman



Donovan H. Perkins  
President & CEO

# Un-audited Financial Statements

Three Months ended March 31, 2011

## Un-audited Consolidated Income Statement

PERIOD ENDED MARCH 31, 2011

	3 MONTHS TO MARCH 2011 \$'000	3 MONTHS TO MARCH 2010 \$'000
<b>Gross Operating Revenues</b>	<u>1,849,416</u>	<u>1,978,438</u>
<b>Net interest income and other revenue</b>		
Interest income from loans	247,171	241,700
Interest income from securities	1,295,811	1,548,871
Interest income from leases	<u>2,453</u>	<u>611</u>
Total interest income	1,545,435	1,791,182
Interest expense	<u>789,366</u>	<u>1,098,842</u>
Net interest income	756,069	692,340
Fee and commission income	90,482	107,084
Net trading income	176,362	73,758
Other operating income	<u>37,137</u>	<u>6,414</u>
	<u>1,060,050</u>	<u>879,596</u>
<b>Operating expenses</b>		
Team member costs	242,399	219,891
Provision for credit losses, net	5,170	-
Occupancy costs	23,439	21,667
Other operating expenses	<u>113,894</u>	<u>114,542</u>
	<u>384,902</u>	<u>356,100</u>
<b>Profit before taxation</b>	675,148	523,496
<b>Taxation</b>	<u>(172,041)</u>	<u>(126,590)</u>
<b>NET PROFIT</b>	<u>503,107</u>	<u>396,906</u>
<b>EARNINGS PER STOCK UNIT</b>		
Average stock unit in issue	549,536,153	548,015,939
EPS	\$0.92	\$0.72
DILUTED EPS	\$0.91	\$0.72

Note: These financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies used are consistent with the most recent annual report.

**Un-audited Financial Statements**

Three Months ended March 31, 2011

**Un-audited Consolidated Statement of Comprehensive Income**  
**PERIOD ENDED MARCH 31, 2011**

	3 MONTHS TO MARCH 2011 \$'000	3 MONTHS TO MARCH 2010 \$'000
Profit for the period	503,107	396,906
Unrealized gains/(losses) on available-for-sale investments	532,491	833,592
Unrealized gains on cash flow hedge	-	17,045
(Gains)/Losses reclassified and reported in profit	(125,983)	119,537
Other comprehensive income for the period, net of tax	<u>406,508</u>	<u>970,174</u>
Total comprehensive income for the period	<u>909,615</u>	<u>1,367,080</u>

Note: These financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies used are consistent with the most recent annual report.

# Un-audited Financial Statements

Three Months ended March 31, 2011

## Un-audited Consolidated Statement of Financial Position

MARCH 31, 2011

	UNAUDITED MARCH 2011 \$'000	UNAUDITED MARCH 2010 \$'000	AUDITED DECEMBER 2010 \$'000
<b>ASSETS</b>			
Cash and balances due from other financial institutions	2,043,644	4,286,481	2,178,179
Cash reserve at Bank of Jamaica	439,640	337,494	456,476
Trading securities	158,631	146,003	47,889
Securities purchased under agreements to resell	1,063,863	3,125,146	1,363,506
Investment securities	59,551,700	49,406,415	54,983,003
Derivative financial instruments	507,620	171,062	290,777
Held to Maturity Securities	1,642,247	1,697,185	1,686,712
Loans, net of provisions for credit losses	8,683,665	8,642,958	9,480,319
Lease receivables	15,581	28,206	20,566
Due from related company	23,674	19,407	17,638
Income tax recoverable	37,993	17,911	6,670
Intangible assets	54,504	64,711	51,708
Goodwill	733,750	733,750	733,750
Property, plant and equipment	157,453	122,786	160,927
Deferred tax assets	1,232	72,976	25,148
Other assets	1,225,179	1,620,957	1,144,041
<b>Total assets</b>	<b>76,340,376</b>	<b>70,493,448</b>	<b>72,647,309</b>
<b>LIABILITIES</b>			
Securities sold under agreements to repurchase	50,408,137	48,075,889	49,616,514
Customer deposits	9,432,203	8,785,485	9,016,902
Structured products	447,174	479,390	484,428
Due to banks and other financial institutions	1,875,479	1,280,505	1,173,512
Derivative financial instruments	407,983	192,736	158,360
Cheques and other items in transit	103,609	171,228	85,465
Redeemable Preference shares	616,014	1,271,347	616,000
Due to related company	50,220	4,721	5,042
Income Tax payable	120,656	37,425	151,403
Deferred tax liabilities	548,045	38,526	414,845
Dividends proposed	340,713	334,534	-
Other liabilities	793,247	872,797	300,412
<b>Total liabilities</b>	<b>65,143,480</b>	<b>61,544,583</b>	<b>62,022,883</b>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	3,126,867	3,111,372	3,126,867
Share options reserve	57,267	53,655	53,767
Retained earnings reserve	1,536,596	1,536,596	1,536,596
Reserve fund	268,386	243,988	269,016
Loan loss reserve	141,501	167,539	141,433
Capital redemption reserve	651,472	-	651,472
Fair value reserves	1,088,952	(125,881)	682,444
Retained earnings	4,325,855	3,961,596	4,162,831
<b>Total stockholders' equity</b>	<b>11,196,896</b>	<b>8,948,865</b>	<b>10,624,426</b>
<b>Total liabilities and equity</b>	<b>76,340,376</b>	<b>70,493,448</b>	<b>72,647,309</b>

Note: These financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies used are consistent with the most recent annual report.

**Pan Caribbean Financial Services Limited** AND ITS SUBSIDIARIES  
**Un-audited Financial Statements**  
 Three Months ended March 31, 2011

**UN-AUDITED CONSOLIDATED CASH FLOWS**  
 PERIOD ENDED MARCH 31, 2011

	3 MONTHS TO MARCH 2011 \$'000	3 MONTHS TO MARCH 2010 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit	503,107	396,906
Adjustments for:		
Interest income	(1,545,435)	(1,791,183)
Interest expense	789,365	1,098,842
Tax charge	172,041	126,590
Fair value gains on trading securities	3,823	12,908
Provision for credit losses	5,169	-
Amortisation of intangible assets	12,317	13,697
Depreciation of property, plant and equipment	11,561	11,471
Gain/(loss) on sale of associated Company	(4,778)	-
Share option expense	3,500	1,051
	<u>(49,330)</u>	<u>(129,718)</u>
Changes in operating assets and liabilities	(2,123,498)	1,023,963
Interest received	1,871,522	2,430,070
Interest paid	(769,118)	(1,324,575)
Taxation	(22,150)	(110,435)
Net cash provided by operating activities	<u>(1,092,574)</u>	<u>1,889,305</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of intangible assets	(15,113)	-
Purchase of property, plant and equipment	(8,086)	(6,324)
Net cash used in investing activities	<u>(23,199)</u>	<u>(6,324)</u>
<b>Cash Flows from Financing Activities</b>		
Issue of ordinary shares	-	7,561
Proceeds from due to banks and other financial institutions – long term	35,188	84,284
Repayment of amounts due to banks and other financial institutions – long term	(46,662)	(320,269)
Due from related parties	39,142	(5,567)
Net cash used financing activities	<u>27,668</u>	<u>(233,991)</u>
Effect of exchange rate changes on cash and cash equivalents	1,285	(5,283)
Net increase in cash and cash equivalents	(1,086,820)	1,643,707
Cash and cash equivalents at beginning of year	3,870,512	6,742,850
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>2,783,692</u>	<u>8,386,557</u>
<b>REPRESENTED BY</b>		
Cash and balances due from other financial institutions	1,919,354	4,286,481
Investment securities	2,979,169	5,260,261
Short term deposits held by financial institutions	(1,048,062)	(487,423)
Due to banks and other financial institutions – short term	(1,066,769)	(672,762)
	<u>2,783,692</u>	<u>8,386,557</u>

Note: These financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies used are consistent with the most recent annual report.

# Pan Caribbean Financial Services Limited AND ITS SUBSIDIARIES

## Un-audited Financial Statements

Three Months ended March 31, 2011

### Un-audited Consolidated Statement of Changes in Stockholders' Equity

PERIOD ENDED MARCH 31, 2011

	Period ended March 31, 2011								
	Share Capital	Share Options Reserve	Capital Redemption Reserve	Retained Earnings Reserve	Reserve Fund	Loan Reserve	Fair Value Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2011	3,126,867	53,767	651,472	1,536,596	269,016	141,433	682,444	4,162,831	10,624,426
Comprehensive income for the period	-	-	-	-	-	-	406,508	503,107	909,615
Employee share option scheme-value of service provided	-	3,500	-	-	-	-	-	-	3,500
Transfers to/from reserves	-	-	-	-	(630)	-	-	630	-
Dividends proposed	-	-	-	-	-	-	-	(340,713)	(340,713)
Currency revaluation and other adjustments	-	-	-	-	-	68	-	-	68
Balance at March 31, 2011	3,126,867	57,267	651,472	1,536,596	268,386	141,501	1,088,952	4,325,855	11,196,896
	Period ended March 31, 2010								
	Share Capital	Share Options Reserve	Capital Redemption Reserve	Retained Earnings Reserve	Reserve Fund	Loan Reserve	Fair Value Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2010	3,103,811	52,604	-	1,536,596	243,988	167,649	(1,096,055)	3,899,224	7,907,817
Comprehensive income for the period	-	-	-	-	-	-	970,174	396,906	1,367,080
Shares issued	7,561	-	-	-	-	-	-	-	7,561
Employee share option scheme-value of service provided	-	1,051	-	-	-	-	-	-	1,051
Dividends proposed	-	-	-	-	-	-	-	(334,534)	(334,534)
Adjustment between regulatory loan provisioning & IFRS	-	-	-	-	-	(110)	-	-	(110)
Balance at March 31, 2010	3,111,372	53,655	-	1,536,596	243,988	167,539	(125,881)	3,961,596	8,948,865

Note: These financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies used are consistent with the most recent annual report.

Page 7

