

Pan Caribbean Financial Services Limited AND ITS SUBSIDIARIES

Un-audited Financial Statements

Six Months ended June 30, 2011



2011 Q2 FINANCIAL HIGHLIGHTS

- Net Profit for Q2 of \$411 Million, up 78% (2010 : \$231 Million)
- Q2's EPS \$0.74 up 76% (2010 : \$0.42)
- Return on Equity of 17.2% (2010 : 15.9%)
- Return on Assets of 2.3% (2010 : 1.8%)
- Capital to Assets ratio of 15.5% (2010 : 13.5%)

YEAR-TO-DATE HIGHLIGHTS

- Net Profit of \$914 Million up 46% (2010 : \$628 Million)
- EPS \$1.66 up 46% (2010 : \$1.14)
- Operating Efficiency 42.0% (2010 : 48.1%)

The Directors of PanCaribbean are pleased to report Net Profit for the second quarter of \$411 Million, an increase of \$180 Million over the \$231 Million reported for the comparative period. Net Profit year-to-date was \$914 Million, an increase of \$286 Million over the \$628 Million reported in the prior year. Earnings per share year-to-date rose from \$1.14 to \$1.66.

REVENUES

For the second quarter, Net Interest Income increased 19% to \$675 Million from \$566 Million. Net Interest Income year-to-date rose 14% to \$1,431 Million from \$1,258 Million supported by balance sheet growth of 12% as Income Earning Assets increased by \$9 Billion to \$74.1 Billion, (up 14%). Our Net Interest Margin remained unchanged at 3.94% compared to 2010.

For the second quarter, Non-interest Income increased 263% to \$292 Million from \$81 Million in the prior year. Non-interest Income year-to-date rose 123% to \$596 Million from \$268 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. In the prior year, a 4.0% appreciation of the JA\$ led to foreign currency translation losses of \$143 Million reflected in Other Operating Income. The current year's gain of \$47 Million, due to the depreciation of the JA\$ versus all major currencies, has resulted in a positive variance of \$190 Million versus 2010.

OPERATING EXPENSE

For the second quarter, Operating Expense rose 23% to \$466 Million compared to \$377 Million for the prior year. Operating Expense year-to-date increased 16% to \$851 Million compared to \$733 Million for the prior year. Team Member costs rose 19% as a result of annual salary adjustments and share-based incentives. Provisions for loan losses were \$20.2 Million compared to a \$1.6 Million credit in the prior year. Occupancy Costs and Other Operating Expenses grew by 15% and 3% respectively, largely due to our taking on more space and inflation influenced adjustments.

At the end of Q2, our Operating Efficiency ratio (Operating Expense / Operating Income) improved to 42.0% versus 48.0% in 2010 as Operating Income grew 33% while Operating Expense rose 16%. Our Asset Efficiency ratio (Income Assets / Expense Liabilities) increased, moving from 110% in the prior year to 115% for the current period.

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CREDIT QUALITY

During the quarter credit quality reflected industry trends as Non-performing Loans and Leases were \$455 Million or 5.1% of the portfolio (March 2011 industry average : 7.5%). Credit provisions were 98% of non-performing loans and leases (March 2011 industry average : 81.4%). Non-performing Loans and Leases as a percentage of total assets was 0.58%, (March 2011 industry average : 3.2%).

BALANCE SHEET

Total Assets were \$78.2 Billion, up 8% since December 2010. Our Securities portfolio increased by 11% to \$64.7 Billion while our credit portfolio declined 8% to \$8.7 Billion, down from \$9.5 Billion at December 2010. Interest bearing liabilities now stand at \$64.0 Billion, up 6% compared to \$60.4 Billion at December 2010.

CAPITAL

Our Capital to Asset Ratio is a healthy 15.5%, up from 14.6% at December 2010. Our Risk-weighted Capital Ratios for the unconsolidated balance sheets of Pan Caribbean Financial Services ("Securities Dealer") and PanCaribbean Bank ("Commercial Bank") based on the regulatory guidelines reflect our strength and are as follows:

	Securities Dealer	Commercial Bank
Actual Risk-weighted Ratio	30.0%	26.3%
Required Minimum Regulatory Ratio	10.0%	10.0%

Stockholders' Equity closed the quarter at \$12.1 Billion (\$10.6 Billion at December 2010). Of this improvement, \$863 Million is as a result of the rally in GOJ US\$ and

JA\$-denominated bond prices and is reflected in Fair Value Reserve.

In April 2011, ordinary dividends of \$341 Million (\$0.62 per stock unit) were paid.

Prior-year : \$335 Million (\$0.61 per stock unit).

NEW PRODUCTS

During the quarter, two new unit trust funds - Sigma Corporate and Sigma Venture were launched. Sigma Corporate's portfolio is focused primarily on corporate debt issued by local, regional and international companies. Sigma Venture will hold an equity-focused portfolio invested in shares and quasi-equity structures. Investments will be in private or public companies that have the ability to deliver high profitable growth in the near-term.

COMMUNITY CARE HIGHLIGHTS

This quarter, we visited St. Aloysius Primary School Boy's Day where students were recognized for excellence in academics and conduct. We donated trophies and medals for the high achievers and act as mentors for these young boys. We also visited the Chetolah Park Primary School on their Career Day to share ideas and answer questions on careers with the students. We also donated cricket gear to their team.

On Labour Day, our team members were out painting, gardening and cleaning the Ante-Natal Care Unit at the Victoria Jubilee Hospital, Mile Gully Primary School and the Blossom Gardens Children's Home. We also supported the Courtney Walsh Foundation Brunch that raised funds to focus on three areas: Street20 Cricket, Disability Cricket and Young Offenders Projects. Other charities supported during the quarter were the Women's Centre Foundation of Jamaica, Jamaica Environment Trust and The Salvation Army Eastern Jamaica Division.

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RECOGNITION OF EXCELLENCE

Our Team Members for the second quarter were Shelly-Ann Morgan from Investment Services, Donna Josephs from Corporate Trust and Lorna McPherson from our Business Support Unit. They were recognized for their excellent team performance and individual high standards in supporting our efforts to deliver superior service throughout the organization.

OUR THANKS

We express our thanks to our Customers for their business, and to 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 Directors, who have guided the activities and direction of PanCaribbean, resulting in our improved performance.



Richard O. Byles
Chairman



Donovan H. Perkins
President & CEO

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UN-AUDITED CONSOLIDATED INCOME STATEMENT				
PERIOD ENDED JUNE 30, 2011				
	3 MONTHS TO JUNE 2011 \$'000	3 MONTHS TO JUNE 2010 \$'000	6 MONTHS TO JUNE 2011 \$'000	6 MONTHS TO JUNE 2010 \$'000
Gross Operating Revenues	1,752,749	1,634,405	3,602,165	3,612,844
Net interest income and other revenue				
Interest income from loans	232,509	233,802	479,680	475,502
Interest income from securities	1,226,360	1,319,041	2,522,171	2,867,913
Interest income from leases	1,530	930	3,983	1,541
Total interest income	1,460,399	1,553,773	3,005,834	3,344,956
Interest expense	785,280	987,684	1,574,646	2,086,526
Net interest income	675,119	566,089	1,431,188	1,258,430
Fee and commission income	96,822	96,477	187,304	203,560
Net trading income	173,544	124,973	349,906	198,731
Other operating income	21,984	(140,817)	59,121	(134,403)
Operating income	967,469	646,722	2,027,519	1,526,318
Operating expenses				
Team member costs	265,068	207,390	507,467	427,279
Provision for credit losses, net	15,053	(1,598)	20,223	(1,598)
Occupancy costs	27,643	22,820	51,082	44,487
Other operating expenses	158,171	148,669	272,065	263,212
	465,935	377,281	850,837	733,380
Profit before taxation	501,534	269,441	1,176,682	792,938
Taxation	(90,874)	(38,487)	(262,915)	(165,078)
NET PROFIT	410,660	230,954	913,767	627,860
EARNINGS PER STOCK UNIT				
Average stock units in issue	550,134,854	548,597,893	549,835,504	548,457,915
EPS	\$ 0.74	\$ 0.42	\$1.66	\$1.14
DILUTED EPS	\$ 0.74	\$ 0.42	\$1.65	\$1.14

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.

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UN-AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
PERIOD ENDED JUNE 30, 2011

	3 MONTHS TO JUNE 2011 \$'000	3 MONTHS TO JUNE 2010 \$'000	6 MONTHS TO JUNE 2011 \$'000	6 MONTHS TO JUNE 2010 \$'000
Profit for the period	410,660	230,954	913,767	627,860
Other comprehensive income for the period, net of tax:				
Unrealized gain/(loss) on available-for-sale investments	580,356	52,657	1,112,847	886,249
Unrealized gain/(loss) on cash flow hedge	-	16,970	-	34,015
(Gain)/loss reclassified and reported in profit	(123,670)	144,363	(249,653)	263,900
Other comprehensive income for the period	456,686	213,990	863,194	1,184,164
Total comprehensive income for the period	867,346	444,944	1,776,961	1,812,024

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Six Months ended June 30, 2011

UN-AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

	UNAUDITED JUNE 2011 \$'000	UNAUDITED JUNE 2010 \$'000	AUDITED DECEMBER 2010 \$'000
ASSETS			
Cash and balances due from other financial institutions	1,861,738	2,013,779	2,178,179
Cash reserve at Bank of Jamaica	649,144	482,073	456,476
Trading securities	4,879	135,307	47,889
Securities purchased under agreements to resell	1,644,620	2,382,875	1,363,506
Investment securities	61,006,674	51,586,291	54,983,003
Derivative financial instruments	378,267	272,648	290,777
Held to Maturity Securities	1,697,311	1,682,445	1,686,712
Loans, net of provisions for credit losses	8,713,198	8,426,512	9,480,319
Lease receivables	11,969	95,590	20,566
Income tax recoverable	29,541	45,378	6,670
Due from related company	25,857	20,202	17,638
Intangible assets	46,206	52,969	51,708
Goodwill	733,750	733,750	733,750
Property, plant and equipment	150,092	113,098	160,927
Deferred tax assets	1,232	1,962	25,148
Other assets	1,277,141	1,713,789	1,144,041
Total assets	78,231,619	69,758,668	72,647,309
LIABILITIES			
Securities sold under agreements to repurchase	51,244,452	46,702,850	49,616,514
Customer deposits and other accounts	9,783,496	9,282,831	9,016,902
Structured products	393,823	466,278	484,428
Due to banks and other financial institutions	2,230,418	1,109,218	1,173,512
Derivative financial instruments	318,860	174,467	158,360
Cheques and other items in transit	85,689	132,871	85,465
Redeemable preference shares	615,808	1,270,924	616,000
Due to related company	3,184	14,264	5,042
Income tax payable	91,561	21,930	151,403
Deferred tax liabilities	823,816	59,868	414,845
Other liabilities	541,498	1,120,423	300,412
Total liabilities	66,132,605	60,355,924	62,022,883
STOCKHOLDERS' EQUITY			
Share capital	3,157,892	3,126,196	3,126,867
Capital redemption reserve	651,472	-	651,472
Share options reserve	60,767	53,767	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	195,281	178,310	141,433
Fair value reserve	1,545,638	88,109	682,444
Retained earnings	4,682,982	4,175,778	4,162,831
Total stockholders' equity	12,099,014	9,402,744	10,624,426
Total liabilities and equity	78,231,619	69,758,668	72,647,309

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UN-AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

PERIOD ENDED JUNE 30, 2011

	6 MONTHS TO JUNE 2011 \$'000	6 MONTHS TO JUNE 2010 \$'000
Cash Flows from Operating Activities		
Net profit	913,767	627,860
Adjustments to reconcile net profit to cash flows (used in)/provided by operating activities:		
Depreciation of property, plant and equipment	22,272	22,096
Amortisation of intangible assets	22,590	27,157
Provision for credit losses	20,222	(1,598)
Interest income	(3,005,834)	(3,344,956)
Interest expense	1,574,645	2,086,525
Current tax expense	255,097	173,122
Deferred tax charge	7,820	(8,043)
(Gain)/loss on sale of property, plant and equipment	1	1
Amortisation of hedging reserve	(8,725)	-
Share option expense	34,754	1,163
Unrealised gain on trading securities	(850)	8,637
	(164,241)	(408,036)
Changes in operating assets and liabilities	(2,828,029)	(1,373,555)
Taxation	(70,445)	(136,417)
Interest received	2,994,159	3,689,901
Interest paid	(1,568,292)	(2,399,943)
Net cash used in operating activities	(1,636,848)	(628,050)
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(11,439)	(7,260)
Acquisition of intangible assets	(17,087)	(1,717)
Proceeds from disposal of property, plant and equipment	1	1
Net cash used in investing activities	(28,525)	(8,976)
Cash Flows from Financing Activities		
Issue of ordinary shares	3,271	22,385
Proceeds from due to banks and other financial institutions – long term	1,547,782	191,782
Repayment of amounts due to banks and other financial institutions – long term	(816,150)	(609,736)
Due to related parties, net	(10,077)	3,181
Dividends paid	(340,712)	(334,649)
Net cash used in financing activities	384,114	(727,037)
Effect of exchange rate changes on cash and cash equivalents	6,624	(200,488)
Net increase in cash and cash equivalents	(1,274,635)	(1,564,551)
Cash and cash equivalents at beginning of year	3,870,512	7,415,612
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,595,877	5,851,061
Comprising:		
Cash and balances due from other financial institutions	1,737,448	2,013,779
Investment securities & securities purchased under agreement to resell	3,738,259	4,281,167
Short term deposits held by financial institutions	(2,125,398)	(311,014)
Items in the course of payment	(85,689)	(132,871)
Due to banks and other financial institutions – short term	(668,743)	-
	2,595,877	5,851,061

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UN-AUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY PERIOD ENDED JUNE 30, 2011

Period ended June 30, 2011

	Share Capital \$'000	Share Options Reserve \$'000	Capital Redemption Reserve \$'000	Retained Earnings Reserve \$'000	Reserve Fund \$'000	Loan Loss Reserve \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Total \$'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	-	-	-	-	-	-	863,194	913,767	1,776,961
Shares Issued	31,025	-	-	-	-	-	-	-	31,025
Employee share option scheme-value of service provided	-	7,000	-	-	-	-	-	-	7,000
Transfers to/from reserves	-	-	-	-	(630)	-	-	630	-
Dividends paid	-	-	-	-	-	-	-	(340,712)	(340,712)
Currency revaluation and other adjustments	-	-	-	-	-	314	-	-	314
Adjustment between regulatory loan provisioning & IFRS	-	-	-	-	-	53,534	-	(53,534)	-
Balance at June 30, 2011	3,157,892	60,767	651,472	1,536,596	268,386	195,281	1,545,638	4,682,982	12,099,014

Period ended June 30, 2010

	Share Capital \$'000	Share Options Reserve \$'000	Capital Redemption Reserve \$'000	Retained Earnings Reserve \$'000	Reserve Fund \$'000	Loan Loss Reserve \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Total \$'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	-	-	-	-	-	-	1,184,164	627,860	1,812,024
Shares Issued	22,385	-	-	-	-	-	-	-	22,385
Employee share option scheme-value of service provided	-	1,163	-	-	-	-	-	-	1,163
Dividends paid	-	-	-	-	-	-	-	(334,649)	(334,649)
Currency revaluation and other adjustments	-	-	-	-	-	(5,996)	-	-	(5,996)
Adjustment between regulatory loan provisioning & IFRS	-	-	-	-	-	16,657	-	(16,657)	-
Balance at June 30, 2010	3,126,196	53,767	-	1,536,596	243,988	178,310	88,109	4,175,778	9,402,744

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UN-AUDITED SEGMENT REPORT

PERIOD ENDED JUNE 30, 2011

	Period ended June 30, 2011						Group \$'000
	Treasury Management \$'000	Corporate & Retail Credit \$'000	Asset Management \$'000	Trading \$'000	Corporate Trust \$'000	Eliminations \$'000	
Gross external revenues	2,588,193	497,435	131,445	363,701	21,391	-	3,602,165
Revenues/(expenses) from other segments	8,319	-	-	-	-	(8,319)	-
Total gross revenues	2,596,512	497,435	131,445	363,701	21,391	(8,319)	3,602,165
Total expenses	(1,839,904)	(451,264)	(50,082)	(64,327)	(28,225)	8,319	(2,425,483)
Segment results	756,608	46,171	81,363	299,374	(6,834)	-	1,176,682
Income tax expense							(262,915)
Net profit							913,767
Assets	64,731,752	8,725,168	-	-	-	-	73,456,920
Goodwill	443,992	75,417	54,604	152,437	7,300	-	733,750
Segment Assets	65,175,744	8,800,585	54,604	152,437	7,300	-	74,190,670
Unallocated assets							4,040,949
Total Assets							78,231,619
Segment liabilities	62,356,440	2,230,418	-	-	-	-	64,586,858
Unallocated liabilities							1,545,747
Total Liabilities							66,132,605
Other Segment items							
Net interest income	1,205,006	226,182	-	-	-	-	1,431,188
Capital expenditure	11,132	17,394	-	-	-	-	28,526
Depreciation	13,863	8,409	-	-	-	-	22,272
Amortisation charges	3,041	19,549	-	-	-	-	22,590

	Period ended June 30, 2010						Group \$'000
	Treasury Management \$'000	Corporate & Retail Credit \$'000	Asset Management \$'000	Trading \$'000	Corporate Trust \$'000	Eliminations \$'000	
Gross external revenues	2,746,508	517,370	109,522	211,764	27,680	-	3,612,844
Revenues/(expenses) from other segments	13,828	-	-	-	-	(13,828)	-
Total gross revenues	2,760,336	517,370	109,522	211,764	27,680	(13,828)	3,612,844
Total expenses	(2,257,652)	(435,445)	(60,619)	(56,578)	(23,440)	13,828	(2,819,906)
Segment results	502,684	81,925	48,903	155,186	4,240	-	792,938
Income tax expense							(165,078)
Net profit							627,860
Assets	55,065,932	8,522,102	-	-	-	-	63,588,034
Goodwill	443,992	75,417	54,604	152,437	7,300	-	733,750
Segment Assets	55,509,924	8,597,519	54,604	152,437	7,300	-	64,321,784
Unallocated assets							5,436,884
Total Assets							69,758,668
Segment liabilities	56,903,716	1,109,218	-	-	-	-	58,012,934
Unallocated liabilities							2,342,990
Total Liabilities							60,355,924
Other segment items							
Net interest income	1,076,715	181,715	-	-	-	-	1,258,430
Capital expenditure	7,034	1,943	-	-	-	-	8,977
Depreciation	11,928	10,168	-	-	-	-	22,096
Amortisation charges	3,040	24,117	-	-	-	-	27,157

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