

YEAR-TO-DATE HIGHLIGHTS

- Net Profit of \$1,338 Million up 24% (2010 : \$1,082 Million)
- EPS = \$2.43 up 23% (2010 : \$1.97)
- Operating Efficiency = 42.2% (2010 : 44.2%)
- Q1 ordinary dividends paid \$341 Million (\$0.62 per stock unit)
- Q3 ordinary dividends payable \$364 Million (\$0.66 per stock unit).
- Annualized Return on Equity of 16.82% (2010 : 13.7%)
- Annualized Return on Assets of 2.2% (2010 : 1.5%)
- Capital to Assets ratio of 14.6% (2010 : 13.5%)

2011 Q3 FINANCIAL HIGHLIGHTS

- Net Profit for Q3 of \$424 Million, down 7% (2010 : \$454 Million)
- Q3's EPS = \$0.77 down 7% (2010 : \$0.83)

The Directors of PanCaribbean are pleased to report Net Profit of \$1,338 Million for the nine-month period ended September 2011. This represents an increase of \$256 Million over the \$1,082 Million reported for the comparative period. Earnings per share year-to-date jumped 23% from \$1.97 to \$2.43.

REVENUES

Net Interest Income year-to-date increased 7% to \$2,157 Million from \$2,008 Million, supported by balance sheet growth of 11%. Income Earning Assets increased by \$8.9 Billion to \$76.1 Billion, (up 13%). Our Net Interest Margin declined from 4.09% in 2010 to 3.88% due to the continued downward movement in yields on both investment and credit assets.

For the third quarter, Net Interest Income declined 3% to \$725 Million from \$749 Million as margins contracted.

Non-interest Income year-to-date rose 83% to \$901 Million from \$493 Million. Fixed Income Trading, Asset Management Fees, FX Trading and Translation Gains, Treasury and other Service Fees reflected improved results. Equity Trading, Stock Brokerage, Trust and Credit Fees posted lower revenues. In 2010, a 4% appreciation of the JA\$ led to foreign currency translation losses of \$124 Million reflected in Other Operating Income. The current year's gain of \$34 Million, due to the depreciation of the JA\$ versus all major currencies except the Canadian Dollar, has resulted in a positive variance of \$158 Million versus 2010.

For the third quarter, Non-interest Income increased 35% to \$304 Million versus \$225 Million in the prior year, as Trading Income rose 83% to \$193 Million.

Pan Caribbean Financial Services Limited AND ITS SUBSIDIARIES

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Nine Months ended September 30, 2011

OPERATING EXPENSE

Operating Expense year-to-date increased 17% to \$1,291 Million, compared to \$1,104 Million for the prior year. Team Member costs rose 22% as a result of annual salary adjustments and incentives. Provisions for loan losses were \$19 Million compared to \$30 Million in the prior year. Occupancy was influenced by contractual increases as well as higher energy-related costs. Other Expenses climbed largely due to higher marketing expenditure and technology costs.

For the third quarter, Operating Expense rose 19% to \$441 Million compared to \$371 Million for the prior year. Team member costs rose 29% during this quarter reflecting one-time redundancy charges and incentive pay.

Our Q3 year-to-date Operating Efficiency ratio (Operating Expense / Operating Income) improved to 42.2% versus 44.2% in 2010 as Operating Income climbed 22% while Operating Expense increased at a slower pace of 17%.

Our Asset Efficiency ratio (Income Assets / Expense Liabilities) continued to improve, moving from 112% in the prior year to 113% for the current period.

CREDIT QUALITY

During the quarter, Non-performing Loans and Leases were \$459 Million or 4.9% of the portfolio (June 2011 industry average : 8.4%). Credit provisions were 99.5% of non-performing loans and leases (June 2011 industry average : 79.1%). Non-performing Loans and Leases as a percentage of Total Assets was 0.57%, (June 2011 industry average : 3.7%).

BALANCE SHEET

Total Assets were \$80.2 Billion, up 10% since December 2010. Our Securities portfolio increased by 14% to \$66.5 Billion, while our credit portfolio declined 4% to \$9.1 Billion, down from \$9.5 Billion at December 2010. Interest bearing liabilities now stand at \$66.1 Billion, up 9% compared to \$60.4 Billion at December 2010.

CAPITAL

Our Capital to Asset Ratio remains strong at 14.6%, identical to 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	23.7%	26.4%
Required Minimum Regulatory Ratio	10.0%	10.0%

Stockholders' Equity closed the quarter at \$11.7 Billion (\$10.6 Billion at December 2010). An ordinary dividend of \$341 Million (\$0.62 per stock unit) was paid in April and a further \$364 Million (\$0.66 per stock unit) was declared in September and paid in October for a total of \$705 Million. In addition Fair Value Reserve improved \$403 Million as a result of the rally in GOJ US\$ and JA\$-denominated bond prices.

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COMMUNITY CARE HIGHLIGHTS

Our focus this quarter was on division-led community outreach programmes. Through the ingenuity and energy of our Team, we were able to support the Salvation Army School for the Blind to help build back after a fire earlier in the year; collect food for the Mustard Seed Communities, effect repairs at the Resurrection Basic School in Duhaney Park and host a treat for the Rose Town Community in partnership with the Helping Hearts Foundation. We also built a greenhouse at the Llandilo School of Special Education.

We continued to support Junior tennis as major sponsor of the PanCaribbean All-Jamaica Junior Tennis tournament and the Montego Bay Junior Tennis Classic. One of our own team members, Ffion Fletcher, a former All-Jamaica Junior champion, is now a rising star in our Technology Division.

RECOGNITION OF TEAM EXCELLENCE

PanCaribbean's outstanding performance was recently recognized by Investor's Choice in its evaluation of the 52 companies listed on the Jamaica Stock Exchange. PanCaribbean was declared the joint winner of the Champion Company of the Year 2010 award.

Our Team Members for the third quarter were Anastacia Gayle in Mandeville, Lisa Burrowes from Group Business Support in Kingston and Althea Akeins-Gooden at our Savanna-la-mar Branch. They were recognized for their team performance and individual high standards in supporting our efforts to deliver superior sales and 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 creditable performance.



Richard O. Byles
Chairman



Donovan H. Perkins
President & CEO

Un-audited Financial Statements

Nine Months ended September 30, 2011

UN-AUDITED CONSOLIDATED INCOME STATEMENT

PERIOD ENDED SEPTEMBER 30, 2011

	3 MONTHS TO SEP 2011 \$'000	3 MONTHS TO SEP 2010 \$'000	9 MONTHS TO SEP 2011 \$'000	9 MONTHS TO SEP 2010 \$'000
Gross Operating Revenues	1,845,581	1,863,332	5,447,746	5,476,176
Net interest income and other revenue				
Interest income from loans	225,412	237,273	705,092	712,775
Interest income from securities	1,310,224	1,397,989	3,832,395	4,265,902
Interest income from leases	5,698	3,012	9,681	4,553
Total interest income	1,541,334	1,638,274	4,547,168	4,983,230
Interest expense	815,848	888,900	2,390,494	2,975,426
Net interest income	725,486	749,374	2,156,674	2,007,804
Fee and commission income	111,691	92,879	298,995	296,439
Net trading income	192,627	104,872	542,533	303,603
Other operating income	(71)	27,307	59,050	(107,096)
Operating income	1,029,733	974,432	3,057,252	2,500,750
Operating expenses				
Team member costs	254,239	196,630	761,706	623,909
Provision for credit losses, net	(1,665)	31,791	18,558	30,193
Occupancy costs	24,878	25,734	75,960	70,221
Other operating expenses	163,100	116,633	435,165	379,845
	440,552	370,788	1,291,389	1,104,168
Profit before taxation	589,181	603,644	1,765,863	1,396,582
Taxation	(165,188)	(149,966)	(428,103)	(315,044)
NET PROFIT	423,993	453,678	1,337,760	1,081,538
EARNINGS PER STOCK UNIT				
Average stock units in issue	551,324,012	549,483,984	550,338,970	548,806,841
EPS	\$ 0.77	\$ 0.83	\$2.43	\$1.97
DILUTED EPS	\$ 0.77	\$ 0.82	\$2.42	\$1.97

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 Financial Statements
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UN-AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
PERIOD ENDED SEPTEMBER 30, 2011

	3 MONTHS TO SEP 2011 \$'000	3 MONTHS TO SEP 2010 \$'000	9 MONTHS TO SEP 2011 \$'000	9 MONTHS TO SEP 2010 \$'000
Profit for the period	423,993	453,678	1,337,760	1,081,538
Other comprehensive income for the period, net of tax:				
Unrealized gain/(loss) on available-for-sale investments	(245,055)	97,411	867,792	983,660
Unrealized gain/(loss) on cash flow hedge	(1,679)	81,437	(1,679)	115,452
(Gain)/loss reclassified and reported in profit	(213,958)	6,746	(463,611)	270,645
Other comprehensive income for the period	<u>(460,692)</u>	<u>185,594</u>	<u>402,502</u>	<u>1,369,757</u>
Total comprehensive income for the period	<u>(36,699)</u>	<u>639,272</u>	<u>1,740,262</u>	<u>2,451,295</u>

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UN-AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2011

	UNAUDITED SEP 2011 \$'000	UNAUDITED SEP 2010 \$'000	AUDITED DEC 2010 \$'000
ASSETS			
Cash and balances due from other financial institutions	1,718,915	2,348,255	2,178,179
Cash reserve at Bank of Jamaica	561,022	825,493	456,476
Trading securities	53,640	157,435	47,889
Securities purchased under agreements to resell	1,922,435	2,019,447	1,363,506
Investment securities	62,211,711	53,502,694	54,983,003
Derivative financial instruments	645,915	342,754	290,777
Held to Maturity Securities	1,658,818	1,640,514	1,686,712
Loans, net of provisions for credit losses	9,055,126	8,641,597	9,480,319
Lease receivables	17,948	81,494	20,566
Income tax recoverable	5,501	31,546	6,670
Due from related company	28,095	20,829	17,638
Intangible assets	43,550	40,584	51,708
Goodwill	733,750	733,750	733,750
Property, plant and equipment	170,135	159,268	160,927
Deferred tax assets	1,232	1,232	25,148
Other assets	1,400,654	1,617,042	1,144,041
Total assets	80,228,447	72,163,934	72,647,309
LIABILITIES			
Securities sold under agreements to repurchase	54,536,526	47,700,606	49,616,514
Customer deposits and other accounts	9,916,689	8,912,383	9,016,902
Structured products	318,178	471,684	484,428
Due to banks and other financial institutions	1,007,508	1,870,119	1,173,512
Derivative financial instruments	511,396	187,030	158,360
Cheques and other items in transit	63,959	241,457	85,465
Redeemable preference shares	616,027	1,233,523	616,000
Due to related company	1,638	839	5,042
Income tax payable	82,061	137,617	151,403
Deferred tax liabilities	578,046	163,468	414,845
Dividends payable	364,172	269,273	-
Other liabilities	519,145	1,202,230	300,412
Total liabilities	68,515,345	62,390,229	62,022,883
STOCKHOLDERS' EQUITY			
Share capital	3,163,896	3,126,867	3,126,867
Capital redemption reserve	651,472	38,620	651,472
Share options reserve	69,133	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	205,903	174,713	141,433
Fair value reserve	1,084,946	273,702	682,444
Retained earnings	4,732,770	4,325,452	4,162,831
Total stockholders' equity	11,713,102	9,773,705	10,624,426
Total liabilities and equity	80,228,447	72,163,934	72,647,309

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
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UN-AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
PERIOD ENDED SEPTEMBER 30, 2011

	9 MONTHS TO SEP 2011 \$'000	9 MONTHS TO SEP 2010 \$'000
Cash Flows from Operating Activities		
Net profit	1,337,760	1,081,538
Adjustments to reconcile net profit to cash flows (used in)/provided by operating activities:		
Depreciation of property, plant and equipment	33,248	33,362
Amortisation of intangible assets	31,879	39,593
Provision for credit losses	18,558	30,193
Interest income	(4,547,168)	(4,983,230)
Interest expense	2,390,494	2,975,425
Current tax expense	411,527	315,955
Deferred tax charge	16,576	(911)
(Gain)/loss on sale of property, plant and equipment	(141)	1
Amortisation of hedging reserve	(11,663)	-
Share option expense	55,120	1,163
Unrealised gain on trading securities	(718)	(476)
	<u>(264,528)</u>	<u>(507,387)</u>
Changes in operating assets and liabilities	(2,229,268)	(3,387,024)
Taxation	(70,445)	(149,732)
Interest received	4,850,065	5,670,624
Interest paid	(2,378,532)	(3,358,908)
Net cash used in operating activities	<u>(92,708)</u>	<u>(1,732,427)</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(23,721)	(64,699)
Acquisition of intangible assets	(42,456)	(1,768)
Proceeds from disposal of property, plant and equipment	141	1
Net cash used in investing activities	<u>(66,036)</u>	<u>(66,466)</u>
Cash Flows from Financing Activities		
Issue of ordinary shares	37,029	23,057
Proceeds from due to banks and other financial institutions – long term	133,195	1,043,018
Repayment of amounts due to banks and other financial institutions – long term	(210,299)	(714,398)
Due to related parties, net	(13,861)	(10,871)
Dividends paid	(340,712)	(334,648)
Net cash (used in)/provided by financing activities	<u>(394,648)</u>	<u>6,158</u>
Effect of exchange rate changes on cash and cash equivalents	15,852	(228,640)
Net increase in cash and cash equivalents	(537,540)	(2,021,375)
Cash and cash equivalents at beginning of year	<u>3,870,512</u>	<u>7,415,612</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>3,332,972</u></u>	<u><u>5,394,237</u></u>
Comprising:		
Cash and balances due from other financial institutions	1,594,625	2,348,254
Investment securities and securities purchased under agreement to resell	3,120,903	4,023,320
Short term deposits held by financial institutions	(1,065,597)	(735,880)
Items in course of Payments	(63,959)	(241,457)
Due to banks and other financial institutions – short term	(253,000)	-
	<u>3,332,972</u>	<u>5,394,237</u>

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UN-AUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

PERIOD ENDED SEPTEMBER 30, 2011

Period ended September 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	-	-	-	-	-	-	402,502	1,337,760	1,740,262
Shares Issued	37,029	-	-	-	-	-	-	-	37,029
Employee share option scheme-value of service provided	-	15,366	-	-	-	-	-	-	15,366
Transfers to/from reserves	-	-	-	-	(630)	-	-	630	-
Dividends proposed	-	-	-	-	-	-	-	(364,172)	(364,172)
Dividends paid	-	-	-	-	-	-	-	(340,712)	(340,712)
Currency revaluation and other adjustments	-	-	-	-	-	903	-	-	903
Adjustment between regulatory loan provisioning & IFRS	-	-	-	-	-	63,567	-	(63,567)	-
Balance at September 30, 2011	3,163,896	69,133	651,472	1,536,596	268,386	205,903	1,084,946	4,732,770	11,713,102

Period ended September 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	-	-	-	-	-	-	1,369,757	1,081,538	2,451,295
Shares Issued	23,056	-	-	-	-	-	-	-	23,056
Employee share option scheme-value of service provided	-	1,163	-	-	-	-	-	-	1,163
Transfers to/from reserves	-	-	38,620	-	-	-	-	(38,620)	-
Dividends proposed	-	-	-	-	-	-	-	(269,273)	(269,273)
Dividends paid	-	-	-	-	-	-	-	(334,649)	(334,649)
Currency revaluation and other adjustments	-	-	-	-	-	(5,704)	-	-	(5,704)
Adjustment between regulatory loan provisioning & IFRS	-	-	-	-	-	12,768	-	(12,768)	-
Balance at September 30, 2010	3,126,867	53,767	38,620	1,536,596	243,988	174,713	273,702	4,325,452	9,773,705

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UN-AUDITED SEGMENT REPORT

PERIOD ENDED SEPTEMBER 30, 2011

	Period ended September 30, 2011						Group \$'000
	Treasury Management \$'000	Corporate & Retail Credit \$'000	Asset Management \$'000	Trading \$'000	Corporate Trust \$'000	Eliminations \$'000	
Gross external revenues	3,895,114	742,137	210,700	561,065	38,730	-	5,447,746
Revenues/(expenses) from other segments	14,984	-	-	-	-	(14,984)	-
Total gross revenues	3,910,098	742,137	210,700	561,065	38,730	(14,984)	5,447,746
Total expenses	(2,795,120)	(683,175)	(76,746)	(98,574)	(43,252)	14,984	(3,681,883)
Segment results	1,114,978	58,962	133,954	462,491	(4,522)	-	1,765,863
Income tax expense							(428,103)
Net profit							1,337,760
Assets	66,492,519	9,073,074	-	-	-	-	75,565,593
Goodwill	443,992	75,417	54,604	152,437	7,300	-	733,750
Segment Assets	66,936,511	9,148,491	54,604	152,437	7,300	-	76,299,343
Unallocated assets							3,929,104
Total Assets							80,228,447
Segment liabilities	65,898,816	1,007,508	-	-	-	-	66,906,324
Unallocated liabilities							1,609,021
Total Liabilities							68,515,345
Other Segment items							
Net interest income	1,840,553	316,121	-	-	-	-	2,156,674
Capital expenditure	11,132	55,045	-	-	-	-	66,177
Depreciation	21,948	11,300	-	-	-	-	33,248
Amortisation charges	5,062	26,817	-	-	-	-	31,879
	Period ended September 30, 2010						
	Treasury Management \$'000	Corporate & Retail Credit \$'000	Asset Management \$'000	Trading \$'000	Corporate Trust \$'000	Eliminations \$'000	Group \$'000
Gross external revenues	4,170,377	773,418	165,634	326,284	40,463	-	5,476,176
Revenues/ (expenses) from other segments	15,225	-	-	-	-	(15,225)	-
Total gross revenues	4,185,602	773,418	165,634	326,284	40,463	(15,225)	5,476,176
Total expenses	(3,216,596)	(672,719)	(88,579)	(82,674)	(34,251)	15,225	(4,079,594)
Segment results	969,006	100,699	77,055	243,610	6,212	-	1,396,582
Income tax expense							(315,044)
Net profit							1,081,538
Assets	57,582,154	8,723,092	-	-	-	-	66,305,246
Goodwill	443,992	75,417	54,604	152,437	7,300	-	733,750
Segment Assets	58,026,146	8,798,509	54,604	152,437	7,300	-	67,038,996
Unallocated assets							5,124,938
Total Assets							72,163,934
Segment liabilities	58,505,227	1,870,119	-	-	-	-	60,375,346
Unallocated liabilities							2,014,883
Total Liabilities							62,390,229
Other segment items							
Net interest income	1,725,923	281,881	-	-	-	-	2,007,804
Capital expenditure	64,130	2,337	-	-	-	-	66,467
Depreciation	18,719	14,643	-	-	-	-	33,362
Amortisation charges	4,238	35,355	-	-	-	-	39,593

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