

## YEAR-TO-DATE HIGHLIGHTS

- Net Profit of \$1,103 Million (2011 : \$1,338 Million)
- EPS of \$2.00 (2011 : \$2.43)
- Operating Efficiency of 49.37% (2011: 42.24%)
- Ordinary dividends paid \$410 Million (\$0.743 per stock unit)
- Ordinary dividends proposed \$315 Million (\$0.57 per stock unit)
- Annualized Return on Equity of 12.3% (2011: 16.8%)
- Annualized Return on Assets of 1.7% (2011: 2.2%)
- Capital to Assets ratio of 14.0% (2011: 14.6%)

## 2012 Q3 FINANCIAL HIGHLIGHTS

- Net Profit of \$322 Million (2011 : \$424 Million)
- EPS of \$0.59 (2011 : \$0.77)

The Directors of PanCaribbean report Net Profit for the year-to-date of \$1,103 Million, compared to \$1,338 Million reported in the prior year. Earnings per share year-to-date was \$2.00 compared to \$2.43 for the comparative period.

Net Profit for the third quarter was \$322 Million, compared to the \$424 Million reported for the comparative period.

## REVENUES

Net Interest Income year-to-date rose 5% to \$2,272 Million from \$2,157 Million. Our Net Interest Margin improved from 3.88% in 2011 to 4.07% for the current year, while Earning Assets fell by \$443 Million to \$74,477 Million.

For the third quarter, Net Interest Income increased 5% to \$765 Million from \$725 Million.

Non-interest Income year-to-date was \$772 Million compared to \$901 Million in the prior year. Fixed Income Trading, Stock Brokerage, Trust, Corporate Finance, Credit and Service Fees reflected improvement. FX Trading and Translation Gains, Treasury, Equity Trading and Asset Management Fees all posted lower revenues.

For the third quarter, Non-interest Income was \$248 million compared to \$304 Million in the prior year, with the decline attributed primarily to unrealized valuation losses in our Trading Securities portfolio.

## OPERATING EXPENSE

Operating Expense year-to-date increased 16% to \$1,503 Million compared to \$1,291 Million for the prior year. Team Member costs rose 12% as a result of annual salary adjustments, improved uniform and other allowances and share-based incentives. Occupancy Costs were up 19% mainly due to scheduled increases in lease rates, as well as costs associated with the relocation of our Montego Bay Branch. Other Operating Expenses grew by \$127 Million or 29% due largely to the accrual of \$81 Million for the

# Pan Caribbean Financial Services Limited AND ITS SUBSIDIARIES

## Un-audited Financial Statements

### Nine Months ended September 30, 2012



new Asset Tax, increased deposit insurance costs reflecting commercial bank deposit growth, higher electricity costs and increased software licensing charges.

For the third quarter, Operating Expense rose by \$109 Million or 25% to \$550 Million compared to \$441 Million for the prior year due mainly to \$71 Million accrued for Asset Tax this quarter. Team Member costs increased by 5%, Occupancy cost rose 24% and Other Operating Expenses increased by 56% for the reasons disclosed earlier.

As a result of these increases, at the end of Q3 our Operating Efficiency ratio (Operating Expense / Operating Income) was 49.4% versus 42.2% in 2011.

Our Asset Efficiency ratio (Income Assets / Expense Liabilities) was 112% compared to 114% in the prior year.

## CREDIT QUALITY

During the quarter, Non-performing Loans and Leases were \$467 Million or 4.9% of the portfolio (BOJ June 2012 industry average: 7.4%) versus \$445 Million or 4.7% of the portfolio at December 2011. Credit provisions were 114% of non-performing loans and leases (BOJ June 2012 industry average: 90%). Non-performing Loans and Leases as a percentage of total assets remained stable over the period at 0.5%, (BOJ June 2011 industry average: 3.4%).

## BALANCE SHEET

Total Assets were \$85.4 Billion, up \$5.1 Billion (or 6.4%) since December 2011. During the year we purchased a GOJ Note denominated in Euros which accounts for the increase reflected in Trading securities. The Euro cash flows were swapped into US Dollars and this hedge accounted for the increase in Derivative financial instruments on the balance sheet. Our Securities portfolio increased by 0.7% to \$65.2 Billion, while our credit portfolio declined 0.3% to \$9.2 Billion, down from \$9.3 Billion at December 2011. Interest bearing liabilities now stand at \$66.3 Billion, up 0.5% compared to \$66.0 Billion at December 2011.

## CAPITAL

Stockholders' Equity closed the quarter at \$11.95 Billion. Our Capital to Assets Ratio remains healthy at 14%. Our Risk-weighted Capital Ratios for the unconsolidated balance sheets of Pan Caribbean Financial Services ("Securities Dealer") and PanCaribbeanBank ("Commercial Bank") based on the regulatory guidelines reflect our strength and are as follows:

	Securities Dealer	Commercial Bank
Risk-weighted Capital Ratio	17.7%	21.8%
Minimum Regulatory Capital Ratio	10.0%	10.0%

## COMMUNITY CARE HIGHLIGHTS

PanCaribbean's support of local initiatives throughout Q3 was wide and varied. We supported Camp Yellow Bird in St. Ann by sponsoring children to attend. Camp Yellow Bird is hosted every year for children living with diabetes. Our support for The Nest Children's Home continued with us donating mattresses for the bedrooms. Early education is a priority for the Bridgeview Early Childhood Development Centre that serves children between the ages of 3 to 6 years and is a project that we continue to support. During the quarter we donated a freezer to the Centre. PanCaribbean also sponsored Ballaz Summer Camp; Jamaica Cancer Society's Relay For Life (Kingston and Ocho Rios) as well as the well-attended All Jamaica Junior Tennis Championships in Kingston and the Junior Tennis Classic Tournament in Tryall, Hanover.

## RECOGNITION OF EXCELLENCE

Our Team Members receiving special recognition for the third quarter were Nadea Gardner from the Customer Services Unit in our New Kingston Branch, Davene Rowe from Group HR and Carmeta Demetrius from our Mandeville Branch. They were recognized for their excellent team performance and high individual standards in supporting our efforts to deliver superior service to our customers and throughout the organization.

## SUBSEQUENT EVENT

On October 18, 2012, the shareholders of Pan Caribbean Financial Services Limited and its subsidiary PanCaribbeanBank Limited approved the change of names for the institutions to Sagcor Investments Jamaica Limited and Sagcor Bank Jamaica Limited. PanCaribbeanBank's name change is subject to the consent of the Minister of Finance and Planning. We expect to receive approval during November and plan to complete the re-branding of both institutions in December 2012.

Alignment with the strong Sagcor brand will benefit PanCaribbean by increasing our visibility in the market, by deepening customer loyalty and by presenting a formidable challenge to competitors.

## OUR THANKS

We thank our Customers for their business, and commend our Team Members who continue to 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 guide the activities and direction of PanCaribbean.



Richard O. Byles  
Chairman



Donovan H. Perkins  
President & CEO

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**UN-AUDITED CONSOLIDATED INCOME STATEMENT**

**PERIOD ENDED SEPTEMBER 30, 2012**

	<b>3 MONTHS TO SEP 2012 \$'000</b>	<b>3 MONTHS TO SEP 2011 \$'000</b>	<b>9 MONTHS TO SEP 2012 \$'000</b>	<b>9 MONTHS TO SEP 2011 \$'000</b>
<b>Gross Operating Revenues</b>	<b>1,841,159</b>	<b>1,845,581</b>	<b>5,499,313</b>	<b>5,447,746</b>
<b>Net interest income and other revenue</b>				
Interest income from loans	233,201	225,412	666,513	705,092
Interest income from securities	1,357,197	1,310,224	4,053,339	3,832,395
Interest income from leases	3,102	5,698	7,818	9,681
Total interest income	1,593,500	1,541,334	4,727,670	4,547,168
Interest expense	828,680	815,848	2,455,293	2,390,494
<b>Net Interest Income</b>	<b>764,820</b>	<b>725,486</b>	<b>2,272,377</b>	<b>2,156,674</b>
Fee and commission income	112,413	111,691	259,799	298,995
Net trading income	144,397	192,627	536,246	542,533
Other operating income	(9,151)	(71)	(24,402)	59,050
	247,659	304,247	771,643	900,578
<b>Operating income</b>	<b>1,012,479</b>	<b>1,029,733</b>	<b>3,044,020</b>	<b>3,057,252</b>
<b>Operating expenses</b>				
Team member costs	265,845	254,239	850,971	761,706
Provision for credit losses, net	(455)	(1,665)	(320)	18,558
Occupancy costs	30,865	24,878	90,128	75,960
Other operating expenses	254,084	163,100	562,120	435,165
	550,339	440,552	1,502,899	1,291,389
<b>Profit before taxation</b>	<b>462,140</b>	<b>589,181</b>	<b>1,541,121</b>	<b>1,765,863</b>
<b>Taxation</b>	<b>(140,079)</b>	<b>(165,188)</b>	<b>(438,118)</b>	<b>(428,103)</b>
<b>NET PROFIT</b>	<b>322,061</b>	<b>423,993</b>	<b>1,103,003</b>	<b>1,337,760</b>
<b>EARNINGS PER STOCK UNIT</b>				
Average stock units in issue	552,145,844	551,324,012	552,145,844	550,338,970
EPS	\$ 0.59	\$ 0.77	\$2.00	\$2.43
DILUTED EPS	\$ 0.58	\$ 0.77	\$1.98	\$2.42

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 SEPTEMBER 30, 2012**

	<b>3 MONTHS TO SEP 2012 \$'000</b>	<b>3 MONTHS TO SEP 2011 \$'000</b>	<b>9 MONTHS TO SEP 2012 \$'000</b>	<b>9 MONTHS TO SEP 2011 \$'000</b>
Profit for the period	322,061	423,993	1,103,003	1,337,760
Other comprehensive income for the period, net of tax:				
Unrealized gain/(loss) on available-for-sale investments	(269,684)	(245,055)	(93,566)	867,792
Unrealized gain/(loss) on cash flow hedge	-	(1,679)	-	(1,679)
Gains/(Loss) reclassified and reported in profit	(76,906)	(213,958)	(314,396)	(463,611)
Other comprehensive income for the period	(346,590)	(460,692)	(407,962)	402,502
Total comprehensive income for the period	<u>(24,529)</u>	<u>(36,699)</u>	<u>695,041</u>	<u>1,740,262</u>

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**UN-AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2012**

	UNAUDITED SEP 2012 \$'000	UNAUDITED SEP 2011 \$'000	AUDITED DECEMBER 2011 \$'000
<b><u>ASSETS</u></b>			
Cash and balances due from other financial institutions	2,132,181	1,718,915	2,227,484
Cash reserve at Bank of Jamaica	880,828	561,022	519,732
Trading securities	4,520,823	53,640	610,940
Securities purchased under agreements to resell	1,048,940	1,922,435	991,904
Investment securities	57,938,604	62,211,711	61,492,380
Derivative financial instruments	4,772,662	645,915	839,420
Held-to-maturity securities	1,741,357	1,658,818	1,715,800
Loans, net of provisions for credit losses	9,148,315	9,055,126	9,242,365
Lease receivables	78,565	17,948	15,515
Income tax recoverable	5,478	5,501	5,478
Due from related company	46,769	28,095	8,527
Intangible assets	49,362	43,550	47,550
Goodwill	733,750	733,750	733,750
Property, plant and equipment	188,029	170,135	168,691
Deferred tax assets	-	1,232	-
Other assets	2,088,556	1,400,654	1,584,400
<b>Total assets</b>	<b>85,374,219</b>	<b>80,228,447</b>	<b>80,203,936</b>
<b><u>LIABILITIES</u></b>			
Securities sold under agreements to repurchase	55,052,877	54,536,526	54,612,131
Customer deposits and other accounts	10,695,537	9,916,689	10,599,897
Structured products	828,362	318,178	274,913
Due to banks and other financial institutions	602,833	1,007,508	764,018
Derivative financial instruments	4,725,036	511,396	700,600
Cheques and other items in transit	51,532	63,959	52,351
Redeemable preference shares	-	616,027	-
Income tax payable	227,553	82,061	139,590
Deferred tax liabilities	304,666	578,046	525,326
Due to related companies	52,226	1,638	-
Dividends payable	314,723	364,172	-
Other liabilities	573,250	519,145	575,751
<b>Total liabilities</b>	<b>73,428,595</b>	<b>68,515,345</b>	<b>68,244,577</b>
<b><u>STOCKHOLDERS' EQUITY</u></b>			
Share capital	3,195,565	3,163,896	3,195,565
Capital redemption reserve	1,264,324	651,472	1,264,324
Share options reserve	62,461	69,133	51,793
Retained earnings reserve	2,036,596	1,536,596	1,536,596
Reserved fund	299,613	268,386	301,043
Loan loss reserve	278,892	205,903	249,479
Fair value reserves	525,638	1,084,946	933,600
Retained earnings	4,282,535	4,732,770	4,426,959
<b>Total stockholders' equity</b>	<b>11,945,624</b>	<b>11,713,102</b>	<b>11,959,359</b>
<b>Total liabilities and equity</b>	<b>85,374,219</b>	<b>80,228,447</b>	<b>80,203,936</b>

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**UN-AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**PERIOD ENDED SEPTEMBER 30, 2012**

	<b>9 MONTHS TO SEP 2012 \$'000</b>	<b>9 MONTHS TO SEP 2011 \$'000</b>
<b>Cash Flows from Operating Activities</b>		
Net profit	1,103,003	1,337,760
Adjustments to reconcile net profit to cash flows (used in)/provided by operating activities:		
Depreciation of property, plant and equipment	36,013	33,248
Amortization of intangible assets	17,611	31,879
Provision for credit losses	(320)	18,558
Interest income	(4,727,670)	(4,547,168)
Interest expense	2,455,292	2,390,494
Current tax expense	452,291	411,527
Deferred tax charge	(14,173)	16,576
(Gain)/loss on sale of property, plant and equipment	(135)	(141)
Amortization of hedging reserve	-	(11,663)
Share option expense	31,654	55,120
Unrealized gain on trading securities	(22,552)	(718)
	(668,986)	(264,528)
Changes in operating assets and liabilities	(2,539,496)	(2,229,268)
Taxation	(269,854)	(70,445)
Interest received	5,068,480	4,850,065
Interest paid	(2,402,935)	(2,378,532)
Net cash used in operating activities	(812,791)	(92,708)
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(19,423)	(23,721)
Acquisition of intangible assets	(55,414)	(42,456)
Proceeds from disposal of property, plant and equipment	197	141
Net cash used in investing activities	(74,640)	(66,036)
<b>Cash Flows from Financing Activities</b>		
Issue of ordinary shares	-	37,029
Proceeds from due to banks and other financial institutes – long term	56,082	133,195
Repayment of amounts due to banks and other financial institutions – long term	(203,867)	(210,299)
Due to related parties, net	(38,366)	(13,861)
Dividends paid	(410,244)	(340,712)
Net cash used in financing activities	(596,395)	(394,648)
Effect of exchange rate changes on cash and cash equivalents	94,703	15,852
Increase/(Decrease) in cash and cash equivalents	(1,389,123)	(537,540)
Cash and cash equivalents at beginning of year	2,085,495	3,870,512
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>696,372</b>	<b>3,332,972</b>
<b>Comprising:</b>		
Cash and balances due from other financial institutions	1,908,522	1,594,625
Investment securities & securities purchased under agreement to resell	1,270,673	3,120,903
Short term deposits held by financial institutions	(2,404,660)	(1,065,597)
Items in the course of payment	(78,163)	(63,959)
Due to banks and other financial institutions – short term	-	(253,000)
	<b>696,372</b>	<b>3,332,972</b>

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**Pan Caribbean Financial Services Limited** AND ITS SUBSIDIARIES  
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**UN-AUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**PERIOD ENDED SEPTEMBER 30, 2012**

**Period ended September 30, 2012**

	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, 2012	3,195,565	51,793	1,264,324	1,536,596	301,043	249,479	933,600	4,426,959	11,959,359
Comprehensive income for the period	-	-	-	-	-	-	(407,962)	1,103,003	695,041
Shares Issued	-	-	-	-	-	-	-	-	-
Employee share option scheme-value of service provided	-	10,668	-	-	-	-	-	-	10,668
Transfers to/from reserves	-	-	-	500,000	(1,430)	-	-	(498,570)	-
Dividends paid	-	-	-	-	-	-	-	(410,244)	(410,244)
Dividends proposed	-	-	-	-	-	-	-	(314,723)	(314,723)
Currency revaluation and other adjustments	-	-	-	-	-	5,523	-	-	5,523
Adjustment between regulatory loan provisioning & IFRS	-	-	-	-	-	23,890	-	(23,890)	-
Balance at September 30, 2012	3,195,565	62,461	1,264,324	2,036,596	299,613	278,892	525,638	4,282,535	11,945,624

**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 paid	-	-	-	-	-	-	-	(340,712)	(340,712)
Dividends proposed	-	-	-	-	-	-	-	(364,172)	(364,172)
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

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# Pan Caribbean Financial Services Limited AND ITS SUBSIDIARIES

## Un-audited Financial Statements

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#### UN-AUDITED SEGMENT REPORT

##### PERIOD ENDED SEPTEMBER 30, 2012

Period ended September 30, 2012							
	Treasury Management \$'000	Corporate & Retail Credit \$'000	Asset Management \$'000	Trading \$'000	Corporate Trust \$'000	Eliminatio ns \$'000	Group \$'000
Gross external revenues	4,043,917	701,720	99,964	610,837	42,875	-	5,499,313
Revenues/(expenses) from other segments	19,403	-	-	-	-	(19,403)	-
Total gross revenues	4,063,320	701,720	99,964	610,837	42,875	(19,403)	5,449,313
Total expenses	(3,003,388)	(655,769)	(114,026)	(152,953)	(51,459)	19,403	(3,958,192)
Segment results	1,059,932	45,951	(14,062)	457,884	(8,584)	-	1,541,121
Income tax expense							(438,118)
Net profit							1,103,003
Assets	65,501,564	9,226,880	-	4,520,823	-	-	79,249,267
Goodwill	443,992	75,417	54,604	152,437	7,300	-	733,750
Segment Assets	65,945,556	9,302,297	54,604	4,673,260	7,300	-	79,983,017
Unallocated assets							5,391,202
<b>Total Assets</b>							85,374,219
Segment liabilities	71,301,811	602,833	-	-	-	-	71,904,644
Unallocated liabilities							1,523,951
<b>Total Liabilities</b>							73,428,595
Other Segment items							
Net interest income	1,917,651	354,726	-	-	-	-	2,272,377
Capital expenditure	31,091	43,746	-	-	-	-	74,837
Depreciation	26,599	9,414	-	-	-	-	36,013
Amortization charges	9,393	8,218	-	-	-	-	17,611

Period ended September 30, 2011							
	Treasury Management \$'000	Corporate & Retail Credit \$'000	Asset Management \$'000	Trading \$'000	Corporate Trust \$'000	Eliminations \$'000	Group \$'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)	(43,2520)	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
<b>Total Assets</b>							80,228,447
Segment liabilities	65,898,816	1,007,508	-	-	-	-	66,906,324
Unallocated liabilities							1,609,021
<b>Total Liabilities</b>							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
Amortization charges	5,062	26,817	-	-	-	-	31,879

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