

2010 YEAR TO DATE HIGHLIGHTS

- Net income of \$628 Million, down 13% over prior year
- Earnings per share of \$1.14
- Ordinary dividends of \$335 Million (\$0.61 per stock unit) were paid
- Annualized Return on Equity of 16% and Return on Assets of 1.8%
- Capital to Assets ratio of 13.5%

PanCaribbean reported consolidated profits of \$628 Million for the six-month period ended June 2010, \$94 Million below the \$722 Million reported in the prior year. Earnings per share for the period declined from \$1.32 to \$1.14.

REVENUES

For the six-month period, Net Interest Income advanced by 3% to \$1,258 Million from \$1,219 Million supported by balance sheet growth of 6%. Net interest margins contracted to 3.94% versus 4.05% in 2009, reflecting lower yields on our investment securities portfolio, influenced by the Jamaica Debt Exchange (JDX) in February 2010.

Fees and commissions rose 50% to \$204 Million, as Credit, Asset Management and Stockbrokerage revenues improved significantly. Net Trading Income declined 11%, primarily as a result of Fixed Income trading gains falling \$46 Million to \$105 Million. The 4% revaluation of the JA\$ since January 2010 has led to foreign currency translation losses of \$143 Million reflected in Other Operating income, and resulted in a negative variance of \$235 Million versus 2009.

OPERATING EXPENSE

Operating expense increased 4% to \$733 Million compared to \$702 Million for the prior year. Team Member costs rose 10% as a result of annual salary adjustments. Other Operating Expenses grew by 17% due to increased Technology costs.

Despite expense management, our Efficiency ratio (Operating Expense / Operating Income) was impacted by the reduction in Operating Income, and had deteriorated from 42% to 48% in 2010 for the six-month period under review. Our Asset Efficiency ratio (Income Assets / Expense Liabilities) improved to 110%, increasing from 108% at December 2009.

CREDIT QUALITY

Credit quality has shown some deterioration as Non-performing loans and leases were \$267 Million or 3.1% of the portfolio (March 2010 industry average = 5.1%) versus \$232 Million or 2.6% of the portfolio at December 2009. Credit provisions were 131% of non-performing loans and leases. Non-performing loans and leases as a percentage of total assets was 0.38%, compared to 0.35% at December 2009. Close monitoring of the portfolio and prudent actions will continue to ensure that asset quality ratios remain at acceptable levels.

BALANCE SHEET

Total Assets were \$69.8 Billion, up 7% since December 2009, with Loan and Lease balances at \$8.5 Billion, down \$164 Million. Our investment portfolio increased by 11% to \$56.1 Billion while Interest bearing liabilities rose \$2.9 Billion to \$58.4 Billion, up 5%, compared to \$55.5 Billion at December 2009.

Pan Caribbean Financial Services Limited AND ITS SUBSIDIARIES

Un-audited Financial Statements

Six Months ended June 30, 2010



CAPITAL

Our Capital to Assets ratio of 13.5% and Risk-Weighted Capital ratio of 30.33% reflect the relative strength of PanCaribbean. Stockholders' Equity closed the quarter at \$9.4 Billion (\$7.9 Billion at December 2009). This improvement is due to a rally in bond prices as a result of a decline in both US\$ and JA\$ interest rates. This rally in bond prices has positively impacted Fair Value Reserve by over \$1.1 Billion.

In April 2010, ordinary dividends amounting to \$335 Million (\$0.61 per stock unit) were paid.

COMMUNITY CARE HIGHLIGHTS

The Sagcor PanCaribbean Foundation provided \$4.5 Million for the Jamaica Teachers' Association 27th National Primary, All Age and Junior Championships, supporting the development of over 1,500 athletes across Jamaica. PanCaribbean also made good on our commitment to assist in the restoration of Haiti after the devastating earthquake earlier this year. Team members pooled donations, and together with our parent Sagcor Life Jamaica, we donated \$5.5 Million to this special cause through the Red Cross. We ended the quarter by actively supporting the Jamaica Cancer Society's Relay for Life, an important event in promoting a healthy environment.

RECOGNITION OF EXCELLENCE

Our Team Members of the second quarter were Tameika Burns from Capital Markets/Treasury, Alisa Mitchell from Centralized Business Support and Amoy Daniels from Priority Service. They were recognized for their excellent team performance and individual contributions in supporting our efforts to deliver superior service and leadership throughout the organization.

PREFERENCE SHARE BUY-BACK

In June 2010, PanCaribbean notified owners of our 12.5% cumulative redeemable preference stock units of our intention to repurchase at least 50% of the \$1.3 Billion amount in issue through the open market repurchase mechanism, under the JSE rules. In July 2010 a further notice was given that in the event that the 50% target was not attained through the open market, the company would exercise its option under the terms of the issue to achieve the targeted amount. This decision is based on the decline in domestic market interest rates as a result of the JDX, resulting in the preference coupon being substantially above market yields.

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 fellow directors, who have guided our activities and direction.

A handwritten signature in black ink, appearing to read 'Richard O. Byles'.

Richard O. Byles
Chairman

A handwritten signature in black ink, appearing to read 'Donovan H. Perkins'.

Donovan H. Perkins
President & CEO

UN-AUDITED CONSOLIDATED INCOME STATEMENT

PERIOD ENDED JUNE 30, 2010

	3 MONTHS TO JUN 2010 \$'000	3 MONTHS TO JUN 2009 \$'000	6 MONTHS TO JUN 2010 \$'000	6 MONTHS TO JUN 2009 \$'000
Gross Operating Revenues	<u>1,634,405</u>	<u>2,374,377</u>	<u>3,612,844</u>	<u>4,590,934</u>
Net interest income and other revenue				
Interest income from loans	233,802	280,343	475,502	531,952
Interest income from securities	1,319,041	1,889,930	2,867,913	3,592,827
Interest income from leases	930	1,656	1,541	4,925
Total interest income	1,553,773	2,171,929	3,344,956	4,129,704
Interest expense	987,684	1,515,104	2,086,526	2,910,477
Net interest income	566,089	656,825	1,258,430	1,219,227
Fee and commission income	96,477	73,151	203,560	136,066
Net trading income	124,973	106,534	198,731	223,555
Other operating income	(140,817)	22,763	(134,403)	101,609
Operating income	<u>646,722</u>	<u>859,273</u>	<u>1,526,318</u>	<u>1,680,457</u>
Operating expenses				
Team member costs	207,390	187,268	427,279	389,137
Provision for credit losses, net	(1,598)	16,659	(1,598)	43,915
Occupancy costs	22,820	23,529	44,487	44,051
Other operating expenses	148,669	120,664	263,212	225,161
	<u>377,281</u>	<u>348,120</u>	<u>733,380</u>	<u>702,264</u>
Profit before taxation	269,441	511,153	792,938	978,193
Taxation	<u>(38,487)</u>	<u>(138,048)</u>	<u>(165,078)</u>	<u>(255,951)</u>
NET PROFIT	<u>230,954</u>	<u>373,105</u>	<u>627,860</u>	<u>722,242</u>
EARNINGS PER STOCK UNIT				
Average stock units in issue	548,597,893	547,924,039	548,457,915	547,924,031
EPS	\$ 0.42	\$ 0.68	\$ 1.14	\$ 1.32
DILUTED EPS	\$ 0.42	\$ 0.68	\$ 1.14	\$ 1.32

UN-AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 PERIOD ENDED JUNE 30, 2010

	3 MONTHS TO JUN 2010 \$'000	3 MONTHS TO JUN 2009 \$'000	6 MONTHS TO JUN 2010 \$'000	6 MONTHS TO JUN 2009 \$'000
Profit for the period	230,954	373,105	627,860	722,242
Other comprehensive income for the period, net of tax:				
Unrealized gain/(loss) on available-for-sale investments	52,657	584,463	886,249	396,111
Unrealized gain/(loss) on cash flow hedge	16,970	(139,661)	34,015	(119,080)
(Gain)/loss reclassified and reported in profit	144,363	(152,818)	263,900	(57,124)
Other comprehensive income for the period	<u>213,990</u>	<u>291,984</u>	<u>1,184,164</u>	<u>219,907</u>
Total comprehensive income for the period	<u>444,944</u>	<u>665,089</u>	<u>1,812,024</u>	<u>942,149</u>

UN-AUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
PERIOD ENDED JUNE 30, 2010

	Period ended June 30, 2010							
	Share Capital	Share Options Reserve	Retained Earnings Reserve	Reserve Fund	Loan Loss Reserve	Fair Value Reserve	Retained Earnings	Total
	\$'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	-	-	-	-	-	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
	Period ended June 30, 2009							
	Share Capital	Share Options Reserve	Retained Earnings Reserve	Reserve Fund	Loan Loss Reserve	Fair Value Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2009	3,103,811	49,435	562,365	212,169	117,295	(1,114,112)	4,153,226	7,084,189
Comprehensive income for the period	-	-	-	-	-	219,907	722,242	942,149
Employee share option scheme-value of service provided	-	5,000	-	-	-	-	-	5,000
Dividends paid	-	-	-	-	-	-	(356,151)	(356,151)
Currency revaluation and other adjustments	-	-	-	-	12,843	-	-	12,843
Adjustment between regulatory loan provisioning & IFRS	-	-	-	-	2,877	-	(2,877)	-
Balance at June 30, 2009	3,103,811	54,435	562,365	212,169	133,015	(894,205)	4,516,440	7,688,030

UN-AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 June 30, 2010

	UNAUDITED JUN 2010 \$'000	UNAUDITED JUN 2009 \$'000	AUDITED DEC 2009 \$'000
ASSETS			
Cash and balances due from other financial institutions	2,013,779	2,150,869	3,464,251
Cash reserve at Bank of Jamaica	482,073	339,775	413,744
Trading securities	135,307	96,382	-
Securities purchased under agreements to resell	2,382,875	6,425,056	4,499,614
Investment securities	51,586,291	42,839,536	43,963,451
Derivative financial instruments	272,648	576,514	155,374
Held to Maturity Securities	1,682,445	1,729,680	1,745,692
Loans, net of provisions for credit losses	8,426,512	9,560,470	8,653,610
Lease receivables	95,590	37,056	32,608
Income tax recoverable	45,378	15,398	17,940
Due from related company	20,202	4,840	10,066
Intangible assets	52,969	104,340	78,408
Goodwill	733,750	733,750	733,750
Property, plant and equipment	113,098	136,827	127,933
Deferred tax assets	1,962	345,951	561,503
Other assets	1,713,789	465,313	787,623
Total assets	69,758,668	65,561,757	65,245,567
LIABILITIES			
Securities sold under agreements to repurchase	46,702,850	44,113,640	43,972,613
Customer deposits and other accounts	9,282,831	8,656,435	8,782,495
Structured products	466,278	552,743	473,266
Due to banks and other financial institutions	1,109,218	1,731,027	1,501,217
Derivative financial instruments	174,467	415,587	200,706
Cheques and other items in transit	132,871	104,147	139,069
Redeemable preference shares	1,270,924	1,270,858	1,271,319
Due to related company	14,264	2,794	947
Income tax payable	21,930	24,922	31,926
Deferred tax liabilities	59,868	1,012	74,462
Other liabilities	1,120,423	1,000,562	889,730
Total liabilities	60,355,924	57,873,727	57,337,750
STOCKHOLDERS' EQUITY			
Share capital	3,126,196	3,103,811	3,103,811
Share options reserve	53,767	54,435	52,604
Retained earnings reserve	1,536,596	562,365	1,536,596
Reserve fund	243,988	212,169	243,988
Loan loss reserve	178,310	133,015	167,649
Fair value reserve	88,109	(894,205)	(1,096,055)
Retained earnings	4,175,778	4,516,440	3,899,224
Total stockholders' equity	9,402,744	7,688,030	7,907,817
Total liabilities and equity	69,758,668	65,561,757	65,245,567

Note: These financial statements have been prepared in accordance with International Financial Reporting Standards

Un-Audited Consolidated Statement Of Cash Flows
PERIOD ENDED JUNE 30, 2010

	6 MONTHS TO JUN 2010 \$'000	6 MONTHS TO JUN 2009 \$'000
Cash Flows from Operating Activities		
Net profit	627,860	722,242
Adjustments to reconcile net profit to cash flows (used in/provided by operating activities):		
Depreciation of property, plant and equipment	22,096	25,582
Amortisation of intangible assets	27,157	31,257
Provision for credit losses	(1,598)	43,915
Interest income	(3,344,956)	(4,129,704)
Interest expense	2,086,525	2,910,477
Current tax expense	173,122	269,198
Deferred tax charge	(8,043)	(13,248)
(Gain)/loss on sale of property, plant and equipment	1	(452)
Share option expense	1,163	5,000
Unrealised gain on trading securities	8,637	(27,069)
	<u>(408,036)</u>	<u>(162,802)</u>
Changes in operating assets and liabilities	(1,240,684)	(472,630)
Taxation	(136,417)	(155,095)
Interest received	3,689,901	3,934,011
Interest paid	(2,399,943)	(2,721,644)
Net cash provided by (used in) operating activities	<u>(495,179)</u>	<u>421,840</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(7,260)	(6,890)
Acquisition of intangible assets	(1,717)	(1,551)
Proceeds from disposal of property, plant and equipment	1	655
Net cash (used in)/provided by investing activities	<u>(8,976)</u>	<u>(7,786)</u>
Cash Flows from Financing Activities		
Issue of ordinary shares	22,385	-
Issue of redeemable preference shares	-	(78,704)
Proceeds from due to banks and other financial institutions – long term	191,782	834,881
Repayment of amounts due to banks and other financial institutions – long term	(609,736)	(596,408)
Due to related parties, net	3,181	9,500
Dividends paid	(334,649)	(356,151)
Net cash (used in)/ provided by financing activities	<u>(727,037)</u>	<u>(186,882)</u>
Effect of exchange rate changes on cash and cash equivalents	(200,488)	579,009
Net increase in cash and cash equivalents	(1,431,680)	806,181
Cash and cash equivalents at beginning of year	7,415,612	6,468,725
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>5,983,932</u></u>	<u><u>7,274,906</u></u>
Comprising:		
Cash and balances due from other financial institutions	2,013,779	2,150,869
Investment securities & securities purchased under agreement to resell	4,281,167	5,434,433
Short term deposits held by financial institutions	(311,014)	(309,375)
Due to banks and other financial institutions – short term	-	(1,021)
	<u><u>5,983,932</u></u>	<u><u>7,274,906</u></u>