

Capital & Credit Merchant Bank Limited

The Directors of the Capital & Credit Merchant Bank Report the Consolidated Unaudited Results for the Six Months Ended 30th June, 2003.

CHAIRMAN'S STATEMENT

The Directors of Capital & Credit Merchant Bank Ltd. (CCMB) are pleased to present the consolidated second quarter results for the Group ended June 30, 2003.

CCMB generated net profit after tax for the quarter of **\$ 89.45 million** bringing the half year profit after tax to **\$ 179.69 million**, an increase of \$ 37.87% over the corresponding period in the prior year. Profits were earned primarily from securities trading, stock-broking activity and foreign exchange trading. The depreciation of the Jamaican dollar and the spike in local interest rates had mixed effects on our business lines but on the whole has not adversely affected CCMB' s results. Highlights are as follows:

- Effective April 30, 2003, the capital base of CCMB was augmented by \$395.05 million on funds raised from the Initial Public Offering. The number of shares in issue at the end of the period amounted to 582 million units.
- Return on average equity was 24.24% for the half year compared to 26.72% over the

corresponding period of 2002.

- Maintenance of the efficiency ratio (expenses to income) in the half year to 44.8% compared to 45.32% for the corresponding period in the previous year.

Gross revenue for the half year now stands at \$2.03 billion compared to \$1.39 billion for the corresponding period. Growth in revenues is primarily from

- An increased portfolio of assets of 37% or \$8.91 billion over June 2002. The portfolio now stands at \$32.84 billion.
- Increased Other Revenues from foreign exchange trading and securities trading,

As at June 30, 2003 total loan loss provision was \$64.88 million or 79.59% of non performing loans and 3.62% of gross loans compared to \$59.54 million or 4.06% of total loans for the corresponding period.

The Directors are confident that CCMB's profitability and growth will be maintained for the next two quarters.

NOTES TO REPORT

1. In line with new regulatory requirements from the Bank of Jamaica and International Accounting Standards, certain Repo transactions are no longer reported as Off Balance Sheet but as part of the normal operating results. Similarly, Loans are shown gross before participation. Participation is now included in Other Liabilities. In order to conform with current presentation, certain items in the prior period have been reclassified.
2. The Institute of Chartered Accountants of Jamaica adopted International Accounting Standards as Jamaica's National Accounting Standards effective for financial years beginning on or after July 1, 2002. CCMB has commenced the adoption of the new standard and completion is expected by the end of the third quarter of 2003. The Directors and Management are of the opinion that the new standard will have no adverse impact on CCMB's results.

3. Accounting policies applied in these statements are consistent with those in the audited accounts to 31 December 2002 except for changes mentioned in Note 1 above.

Ryland T. campbell
Chairman

Dated August 4, 2003

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Unaudited 6 months Jun-03 \$' 000	Unaudited 6 months Jun-02 \$' 000	Unaudited 3 months Jun-03 \$' 000	Unaudited 3 months Jun-02 \$' 000	Audited 12 months Dec-02 \$' 000
Gross Operating Revenue	2,034,207	1,387,035	1,134,262	719,026	2,474,712
Net Interest Income & Other Revenue	442,041	316,780	212,827	189,940	656,461
Operating Expenses & Provisions	198,018	1 43,562	91,338	75,724	311,478
Net Profit Before Taxation	244,023	173,218	121,489	114,216	344,983
Provision for Taxation	64,336	42,886	32,037	27,917	60,161
Net Provision After Taxation	179,687	130,332	89,452	86,299	284,822

Earnings per stock unit of 50 cents	34.07	26.07	16.13	17.26	56.96
Return on average equity	24.24%	26.72%	23.43%	34.48%	27.06%
Return on assets	1.13%	1.33%	1.09%	1.64%	1.24%
Efficiency ratio	44.80%	45.32%	42.92%	39.87%	47.45%
Number of issued ordinary shares (Thousands)	582,000	500,000	582,000	500,000	500,000

UNAUDITED CONSOLIDATED BALANCE SHEET

	Unaudited Jun-03 \$' 000	Unaudited Jun-02 \$' 000	Audited Dec-02 \$' 000
ASSETS			
Cash & Bank Balances	644,858	1,076,193	703,155
Investments	29,384,579	19,825,812	26,605,861
Loans (net of provisions)	1,725,524	1,405,186	1,461,285
Other Assets	1,081,370	1,622,816	1,753,780
TOTAL ASSETS	32,836,331	23,930,007	30,524,081

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LIABILITIES			
Deposits	1,674,557	1,387,466	2,167,076
Securities Sold Under Repurchase Agreement	13,027,051	9,055,934	16,194,392
Other Funding	15,569,669	11,216,976	10,574,106
Other Liabilities	795,286	1,229,089	393,475
Shareholders' Equity	1,769,768	1,040,542	1,195,032
TOTAL LIABILITIES	32,836,331	23,930,007	30,524,081

Ryland T. Campbell
Chairman

Curtis A. Martin
President & CEO

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital \$' 000	Statutory Reserve Fund \$' 000	Retained Earnings Reserve \$' 000	Share premium \$' 000	Unappropriated Profits \$' 000	Total \$' 000
Balance at December 31, 2001	250,000	137,142	322,020	-	201,048	910,210

Transfer to reserve	-	-	141,000	-	(141,000)	-
Net profit for the period	-	-	-	-	130,332	130,332
Balance at June 30, 2002	250,000	1,137,142	463,020	-	190,380	1,040,542
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Balance at December 31, 2002	250,000	164,983	523,020	-	257,029	1,195,032
Shares Issued	41,000	-	-	354,049	-	395,049
Transfer to reserve	-	-	-	200,000	-(200,000)	-
Net profit for the period	-	-	-	-	179,687	179,687
Balance at June 30, 2003	291,000	164,983	723,020	364,049	236,716	1,769,768
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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	June 2,003 \$' 000	June 2,002 \$' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit	179,687	130,332
Non-cash items	14,705	18,176
Cash provided by operating assets & liabilities	<u>672,410</u>	<u>76,998</u>
Cash provided by operating activities	<u>866,802</u>	<u>225,506</u>
CASH FLOWS FROM INVESTING ACTIVITIES	(3,550,181)	(6,326,359)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>2,625,082</u>	<u>6,704,507</u>
(DECREASE) / INCREASE IN CASH RESOURCES	(58,297)	603,654

OPENING CASH RESOURCES

703,155

472,539

CLOSING CASH RESOURCES

644,858
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1,076,193
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