

Capital & Credit Merchant Bank Limited

The Directors of the Capital & Credit Merchant Bank Report the Consolidated Unaudited Results for the Nine Months Ended 30th September, 2004.

CHAIRMAN'S STATEMENT

The Directors of Capital & Credit Merchant Bank Ltd. (CCMB) are pleased to present the unaudited consolidated results of the Bank and its Subsidiary Capital & Credit Securities Limited for the quarter ended September 30, 2004. The Group earned \$150.78 million profit after tax for the third quarter, an increase of 32.35% over the comparative third quarter 2003. This result carries the Group's nine months net profit after tax to \$737.68 million, an increase of 148.95% over the comparative nine months and 58.55% over the 12 months audited profit for the year ended December 31, 2003.

Net Interest Income for the nine months of \$888.90 million represents an increase of 134.86% over the comparative nine months. By prudent management of market conditions and continued emphasis on the growth of fee based activities, the Group over the nine month period has complemented its income base by accumulating \$506.77 million in Other Revenues, an increase of 172.74% over the comparative quarter. The diversification of the group's income stream is a key strategy to augment the group's strength and stability and provides a solid foundation for growth, increased profitability and enhanced efficiency.

Overall, Net Interest Income and Other Revenues for the third quarter amounted to \$372.27

million an increase of 39.27% over the \$267.30 million of the comparative quarter. This brings the nine month value to \$1.40 billion, an increase of 95.48% over the \$713.97 million of the comparative nine months.

Cost containment is another key component in our growth strategy. This strategy has benefited the Group even further as with the continued contributions from Other Revenue sources, the Group's efficiency ratio continues to better the benchmark within the industry. Efficiency measured as a percentage of Non Interest Expenses to Net Interest Income and Other Revenues amounts to 49.04% for the quarter and 34.26% for the nine months. For 2003, our efficiency averaged approximately 46%.

Earnings per Stock Unit for the quarter amounted to 26 cents, an increase of 31.19 % over the 20 cents for the comparable third quarter. For the nine months, Earnings per Stock Unit have accumulated to \$1.26 per stock unit compared to 54 cents for the comparative nine months.

Total assets at September 30, 2004 amounted to \$53.31 billion, an increase of 28.10% over year end of \$41.62 billion and 56.49% over the corresponding period last year of \$34.06 billion.

The Group continues to augment its capital base through growth in earnings and in particular the transfer of Unappropriated Profits to Retained Earnings Reserve. The Directors approved the transfer of \$112 million from Unappropriated Profits to the Retained Earnings Reserve Account effective August 2004 to facilitate the continued expansion of the Group. The Directors also approved the payment of 7.5 cents dividends to shareholders on record as at August 5, 2004. The payment was made on August 26, 2004. This carries the total transfer of Unappropriated Profits to Retained Earnings Reserve to \$362 million for the nine month period. In the comparative period, the Directors approved the transfer of \$200 million to the Retained Earnings Reserve.

As required by International Financial Reporting Standards, the capital base has been further enhanced by the unrealized gains noted as Fair Value Reserve of \$310.57 million. The Reserve reflects the market value after taxation on the investment portfolio designated as Securities Available for Sale. This is an increase of \$228.71 million during the nine month period of this year over the year end Fair Value Reserve of \$81.86 million.

Loans continue to be an area of expansion for the Bank. Loans at September 30, 2004 amounted to \$2.26 billion, an increase of 34.03% over \$1.69 billion for the comparable quarter end. As required under International Financial Reporting Standards (IFRS), total loan loss provision at September 30, 2004 was \$43.97 million representing 1.91% of gross loans compared to loan

loss provision of \$47.33 million or 2.73% of gross loans for the corresponding period. In keeping with Bank of Jamaica guidelines on credit, an additional provision of \$34.08 million for loan losses or 1.47% of gross loans has been made beyond the requirements of IFRS and credited to Loan Loss Reserve compared to \$26.40 million for 2003 or 1.52% of gross loans.

Effective October 1, 2004, the Bank along with its parent Capital & Credit Financial Group Limited acquired 92.72% of Jamaica Unit Trust Services Limited (JUTS) and is now in the process of extending the offer to the minority shareholders. The Bank will control 70% of the JUTS while CCFG will control 30% of the company. JUTS brings complementary financial products and unit-holders to the Group to allow the Group to continue expanding its range of product and services. The results of JUTS will be included in the results of CCMB beginning in the fourth quarter 2004.

Capital & Credit Merchant Bank Limited is on course to achieving its best ever year-end results at December 31, 2004 and the Directors and management are confident that the strategies being pursued will realize such expectations.

CONSOLIDATED BALANCE SHEET

AS AT SEPTEMBER 30, 2004

HIGHLIGHTS

	Unaudited Sep-04 \$'000	Restated Unaudited Sep-03 \$'000	Audited Dec-03 \$'000
ASSETS			
CASH RESOURCES	997,080	507,471	1,279,149
INVESTMENT IN SECURITIES			
Trading securities	5,338,945	977,224	671,211
Securities available for sale	12,451,116	12,413,243	13,730,641
Securities held to maturity	1,988,770	14,209,862	1,950,771
Originated debt	<u>27,565,992</u>	<u>2,956,486</u>	<u>20,669,291</u>

	47,344,823	30,556,815	37,021,914
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	493,319	132,436	87,551
LOANS (after provision for loan losses)	2,263,922	1,689,136	1,829,557
OTHER ASSETS			
Accounts Receivable	1,553,980	987,155	1,100,791
Property and equipment	83,575	60,203	89,212
Other assets	571,736	131,853	207,188
TOTAL ASSETS	53,308,435	34,065,069	41,615,362
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
DEPOSITS	3,776,824	2,935,317	2,154,609
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	39,323,015	16,749,948	18,732,156
LOAN PARTICIPATION	1,135,967	806,155	1,184,863
DUE TO OTHER FINANCIAL INSTITUTIONS	4,747,017	10,724,395	16,349,293
OTHER LIABILITIES	1,047,363	766,933	914,583
DEFERRED TAXATION	234,749	105,492	190,781
STOCKHOLDER'S EQUITY			
Capital - Authorised 600,000,000 Ordinary shares of \$0.50 each Issued and fully paid 588,800,000 (2003 - 584,500,000)	294,400	292,250	292,250
Share premium	392,229	378,995	365,299
Statutory reserve fund	196,706	164,983	196,706
Retained earnings reserve	1,085,020	723,020	723,020
Fair value reserve	310,568	51,735	81,859
Loan loss reserve	34,084	26,402	30,973
Unappropriated profits	730,493	339,444	398,970
	<u>3,043,500</u>	<u>1,976,829</u>	<u>2,089,077</u>
	53,308,435	34,065,069	41,615,362
	=====	=====	=====

Approved for issue by the Board of Directors on October 27, 2004 and signed on its behalf by:

Ryland T. Campbell
Chairman

Curtis A. Martin
President & CEO

CONSOLIDATED PROFIT AND LOSS ACCOUNT

QUARTER ENDED SEPTEMBER 30, 2004

HIGHLIGHTS

	J\$ Thousands				
	Unaudited 3 months Sep-04	Unaudited 3 months Sep-03	Unaudited 9 months Sep-04	Unaudited 9 months Sep-03	Audited 12 months Dec-03
Gross Operating Revenue	1,243,419	1,105,062	4,084,613	3,143,903	4,127,707
	=====	=====	=====	=====	=====
Interest on Investments	1,062,574	1,005,145	3,349,806	2,623,014	3,484,505
Interest on loans	89,673	66,489	228,039	185,403	250,037
	<u>1,152,247</u>	<u>1,071,634</u>	<u>3,577,845</u>	<u>2,808,417</u>	<u>3,734,542</u>
Interest expense	871,150	837,766	2,688,948	2,429,932	3,101,689
Net interest income	281,097	233,868	888,897	378,485	632,853
Commission and fee income	4,668	3,556	35,337	47,579	73,298
Net gains on securities trading	55,453	23,400	421,087	108,526	71,575
Foreign exchange trading and translation	4,629	206	3,466	157,674	169,645
Dividend income	16,694	6,318	32,494	15,393	29,357
Other income	9,728	(52)	14,384	6,314	49,290
	<u>91,172</u>	<u>33,428</u>	<u>506,768</u>	<u>335,486</u>	<u>393,165</u>
Net interest income and other revenue	372,269	267,296	1,395,665	713,971	1,026,018
	=====	=====	=====	=====	=====
Non Interest Expenses					
Staff costs	96,615	50,850	245,530	135,816	231,607
Loan loss (recovery) \ expense	(3,935)	8,041	3,111	15,101	2,735
Property expense	16,228	9,263	39,109	25,107	38,003
Depreciation	5,697	5,084	18,966	12,944	18,229
Amortisation of Goodwill	-	-	-	-	2,088
Other operating expenses	67,941	37,345	171,370	121,563	178,607
	<u>182,546</u>	<u>110,583</u>	<u>478,086</u>	<u>310,531</u>	<u>471,269</u>
Profit Before Taxation	189,723	156,713	917,579	403,440	554,749

Taxation	<u>38,943</u>	<u>42,784</u>	<u>179,896</u>	<u>107,120</u>	<u>89,483</u>
Net Profit After Taxation	<u>150,780</u>	<u>113,929</u>	<u>737,683</u>	<u>296,320</u>	<u>465,266</u>
	=====	=====	=====	=====	=====
Earnings per stock unit; cents	26	20	126	54	84
Return on average equity (annualised)	20.12%	23.76%	38.33%	24.45%	27.80%
Return on assets (annualised)	1.14%	1.36%	2.07%	1.23%	1.29%
Efficiency ratio	49.04%	41.37%	34.26%	43.49%	45.93%
Number of issued ordinary shares (thousands)	588,800	584,500	588,800	584,500	584,500

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QUARTER ENDED SEPTEMBER 30, 2004

	Share capital	Share Premium	Statutory Reserve Fund	Retained Earnings Reserve	Fair value Reserve	Loan Loss Reserve	Unappropriated Profits
Total							
Balance at December 31, 2002 1,255,554	250,000	-	164,983	523,020	62,701	11,726	243,124
Net profit for the period 296,320	-	-	-	-	-	-	296,320
Shares Issued 421,245	42,250	378,995	-	-	-	-	-
Transfer to retained earnings reserve -	-	-	-	200,000	-	-	(200,000)
Unrealised gains on available for sale investment net of taxes not recognised in profit and loss account (10,966)	-	-	-	-	(10,966)	-	-
Transfer to loan loss reserve <u>14,676</u>	-	-	-	-	-	14,676	-
Balance at September 30, 2003 1,976,829	292,250	378,995	164,983	723,020	51,735	26,402	339,444
Balance at December 31, 2003 2,089,077	292,250	365,299	196,706	723,020	81,859	30,973	398,970
Net profit for the period 737,683	-	-	-	-	-	-	737,683
Shares Issued 29,080	2,150	26,930	-	-	-	-	-

Transfer to retained earnings reserve	-	-	-	362,000	-	-	(362,000)
-							
Unrealised gains on available for sale investment not recognised in profit and loss account	-	-	-	-	228,709	-	-
228,709							
Transfer to loan loss reserve	-	-	-	-	-	3,111	-
3,111							
Dividends paid	-	-	-	-	-	-	(44,160)
(44,160)							
Balance as at September 30, 2004	294,400	392,229	196,706	1,085,020	310,568	34,084	730,493
3,043,500							

=====

CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED SEPTEMBER 30, 2004

	J\$ Thousand	
	Unaudited Sep-04	Unaudited Sep-03
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit	737,683	296,320
Non-cash items	250,786	16,654
Cash (used in)\provided by operating assets & liabilities	(640,989)	64,228
Cash provided by operating activities	347,480	377,202
CASH FLOWS USED IN INVESTING ACTIVITIES	(11,317,414)	(3,800,222)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	10,546,822	3,205,673
DECREASE IN CASH AND CASH EQUIVALENTS	(423,112)	(217,347)
OPENING CASH AND CASH EQUIVALENTS	1,103,993	605,100
CLOSING CASH AND CASH EQUIVALENTS	680,881	387,753
	=====	=====

Business Segments

The Group is Organised into two main business segments:

Banking and related services includes taking deposits, granting loans and other credit facilities and foreign currency trading.

Financial and Related Services includes securities trading, stockbroking, portfolio planning, pension fund management and investment advisory services.

Transactions between the business segments are on normal commercial terms and conditions

	Group 2004			
	Banking & Related Services	Financial & Related Services	Consolidation Adjustments	Group
External revenue	426,470	969,195		1,395,665
Net revenue from other segments	28,570		(28,570)	0
	<u>455,040</u>	<u>969,195</u>	<u>(28,570)</u>	<u>1,395,665</u>
Operating expenses	<u>325,839</u>	<u>180,817</u>	<u>(28,570)</u>	<u>478,086</u>
Profit before tax	129,201	788,378	-	917,579
Taxation	=====			<u>179,896</u>
Net profit after tax				737,683
				=====
Segment assets	31,102,017	22,896,058	(689,640)	53,308,435
Segment liabilities	28,669,493	22,089,767	(493,325)	50,264,935
Other segment items				
Capital expenditure	11,873	1,456		13,329
Depreciation	17,701	1,265		18,966
Loan Loss Recovery \ Expense	3,111	-		3,111

	Banking & Related Services	Financial & Related Services	Consolidation Adjustments	Group
External revenue	553,076	177,091	(16,196)	713,971
Net revenue from other segments	19,980	-	(19,980)	-
	<u>573,056</u>	<u>177,091</u>	<u>(36,176)</u>	<u>713,971</u>
Operating expenses	255,827	74,684	(19,980)	310,531
Profit before tax	317,229	102,407	(16,196)	403,440
Taxation	=====			<u>107,120</u>
Net profit after tax				296,320
				=====
Segment assets	19,523,712	15,141,418	(600,061)	34,065,069
Segment liabilities	17,619,338	14,783,529	(314,627)	32,088,240
Other segment items				
Capital expenditure	71,248	2,735	-	73,983
Depreciation	12,090	854	-	12,944
Loan Loss Recovery \ Expense	15,101	-	-	15,101

NOTES TO REPORT

1. Basis of preparation

These consolidated financial statements have been prepared in accordance with and comply with standards issued by the International Financial Reporting Standards (IFRS), formerly

International Accounting Standards (IAS).

Accounting policies applied in these interim consolidated statements are consistent with those in the audited accounts to 31 December 2003 except for changes mentioned in Note 2 below. Accordingly, these statements should be read in conjunction with the 2003 Annual Report.

This report is made in Jamaican dollars

2. Comparative information

Arising from the adoption of the IFRS, there were significant changes in accounting policies. In order to conform with current presentation, certain items in prior periods have been restated.

3. Investments

Investments are classified as held to maturity, trading, originated securities, or securities available for sale and are initially recorded at cost. Management determines an appropriate classification based on intent and ability to hold at the time of purchase.

Originated securities and held to maturity investments are subsequently re-measured at amortised cost.

Trading securities are measured at market value. Gains or losses arising from changes in fair value are recorded in the profit and loss account.

Securities available for sale are subsequently re-measured at fair value. Gains or losses that arise from changes in fair value of these investments are recorded in the Fair Value Reserve

4. Employee Benefits

Provision is made for the cost of vacation leave in respect of the services rendered by employees up to the Balance sheet date.

5. Earnings per stock unit.

Earnings per stock unit is based on the group net profit for the period divided by the

average number of 50 cents stock units in issue amounting to 588,800,000 units for the quarter and 586,153,846 units for the nine months and 583,666,667 units for the comparative third quarter and 546,111,111 units for the comparative nine months of 2003.

6. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days to maturity from the date of acquisition including cash and bank balances at Bank of Jamaica, excluding statutory reserves of \$316,199,000 (September 2003 - \$119,718,000), due to or from other banks and investment securities.

7. Deferred Taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profits, and is accounted for using the balance sheet liability method.

8. Segment Reporting

The Group is organised into two main business segments:

- (a) Banking and related services which include taking deposits, granting loans and other credit facilities and foreign currency trading.
- (b) Financial and related services which includes securities trading, stockbroking, portfolio planning, pension fund management and investment advisory services.

Transactions between the business segments are on normal commercial terms and conditions.
