

Capital & Credit Merchant Bank Limited

The Directors of the Capital & Credit Merchant Bank Report the Consolidated Audited Results for the Fourth Quarter Ended 31st December, 2004.

The Directors of Capital & Credit Merchant Bank Ltd. (CCMB) are pleased to present the audited consolidated results of the Bank and its Subsidiaries Capital & Credit Securities Limited and Capital & Credit Fund Managers Limited (previously Jamaica Unit Trust Services Limited) for the year ended December 31, 2004. The Group continues its financial growth with \$864.91 million profit after tax for the financial year, an increase of 85.90 % over 2003. The year's result was topped by fourth quarter profit after tax and minority interest of \$127.23 million.

REVENUES

Gross operating revenue increased to \$5.30 billion, an increase of 28.29% over the \$4.13 billion of 2003. The contributors to Gross Revenue include Net Interest Income which grew to \$4.77 billion, an increase of 27.84% over 2003 and Other Revenues which grew to \$335.49 million or 32.52% over 2003. Prudent management of market conditions and interest expense combined to provide overall growth in Net Interest Income and Other Revenues to \$1.64 billion, an increase of 60.27% or \$618.40 million over 2003.

NON INTEREST EXPENSES

Cost containment is a key component in our growth strategy. This strategy has benefitted the Group even further as with the increased 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 40.51% for the year, a dramatic improvement over the 45.93% for 2003. This cost

containment along with minimization of the tax charge has contributed to the improved net profit of \$864.91 million for the year.

EARNINGS PER STOCK UNIT

Earnings per Stock Unit for the year amounted to 147 cents, an increase of 76.04 % over the 84 cents for 2003. Earnings per stock unit for the quarter amounted to 22 cents compared to 29 cents in the comparative quarter 2003.

BALANCE SHEET

Total assets at December 31, amounted to \$59.37 billion, an increase of 42.66% over year end of \$41.62 billion. The increased portfolio size has impacted positively to the increased Net Interest Income and provides improved trading opportunities for the Group.

CAPITAL BASE

At December 31, 2004 total stockholders equity amounted to \$ 3.30 billion an increase of 57.96% over 2003. The growth has been facilitated through growth in earnings and increments to the Fair Value Reserve. The quality of the capital base has been further enhanced as the Directors approved transfers totalling \$362 million during the year from Un-appropriated Profits to the Retained Earnings Reserve Account as part of the program to provide increased scope for growth and profitability of the Group.

As required by International Financial Reporting Standards, the capital base has been enhanced by unrealized gains noted as Fair Value Reserve of \$486.96 million. The Reserve reflects the market value after taxation on the investment portfolio designated as Securities Available-for-Sale. This is an increase of \$405. 10 million over the 2003 year end Fair Value Reserve of \$81.86 million.

DIVIDENDS

The Directors declared and approved the payment of interim dividends of 7.5 cents per stock unit payable on August 26, 2004 and December 17, 2004 respectively to stockholders on record at August 5, 2004 and November 26, 2004 respectively. For 2003, the Directors declared and approved the payment of an interim dividend of 10 cents per stock unit payable on January 26, 2004 to stock holders on record at January 13, 2004.

ACQUISITION OF SUBSIDIARY

The results include the acquisition of Jamaica Unit Trust Services for the three months period that began October 1, 2004. Subsequent to the year end, as part of the alignment with the Group, the company's name was changed to Capital & Credit Fund Managers Limited.

LOAN PORTFOLIO

Loans continue to be an area of expansion for the Bank. Loans at December 31, 2004 amounted to \$2.63 billion, an increase of 43.80% over \$1.83 billion for 2003 year end. As required under International Financial Reporting Standards (IFRS), total loan loss provision at December 31, was \$30.49 million representing 1.15% of gross loans compared to loan loss provision of \$42.97 million or 2.29% of gross loans for the corresponding period. With the containment of non performing loans to \$33.03 million at December 31, 2004 compared to \$71.29 million for 2003 and in keeping with Bank of Jamaica's guidelines on credit, Loan Loss Reserve has been reduced to \$20.70 million or 0.78% of gross loans compared to \$30.97 million for 2003 or 1.65% of gross loans.

CAPITAL & CREDIT COMMUNITY OUTREACH

Since it began operation in January 1994, Capital & Credit Merchant Bank has not just kept a close eye on business affairs, but has remained committed to its objective of being a good corporate citizen. Indeed, the Capital & Credit Group has consistently sought to promote a better, more caring society through its contribution to critical areas of national development. As a result, the organization has steadily developed a Community Outreach Programme, through which it has made significant contributions to the development of national life with its philanthropic focus on Education, Health, Child Care and Sports.

As one means of achieving its objective, the Capital & Merchant Bank Group has joined with United Way of Jamaica to offer support in improving the welfare of a wide cross-section of less fortunate Jamaicans. In 2004, the Bank was designated, for the third consecutive year, a Platinum Donor to the United Way's Nation Builders Programme in recognition of its contribution of over J\$1.5 million for some 54 organizations and projects involved in a range of worthy causes. These included the Bustamante Hospital for Children; Food for the Poor, the Jamaica Society for the Blind, Jamaica AIDS Support, the Jamaica Council for Adult Education, and the Jamaica Special Olympics. According to Chairman of the Capital & Credit Financial Group, Ryland T. Campbell, the Bank's continued support of the United Way's Nation Builders is a critical part of its commitment to enriching the lives of the less

fortunate in Jamaica.

Education

In recognition of the role that education plays in nation-building, Capital & Credit has provided scholarships and support for the development of education in Jamaica. Since 1996, the organization has enabled over seventy (70) students through its scholarship programme to pursue studies at the secondary and tertiary levels, based on academic performance and financial need.

In 2004 alone, Capital & Credit awarded just under \$1 million in scholarships to 15 students. Among these were Paralympian, Tanto Campbell, who is now pursuing a computer course at the Abilities Foundation, and Journalist, Kimberley Lowe, who is pursuing a diploma course at the Caribbean Institute of Media and Communication, (CARIMAC). Overall, there are 36 students currently pursuing studies through Capital & Credit Scholarships at a collective value of just over \$1.5 million dollars. These scholarships are awarded at the GSAT level to attend various high schools throughout Jamaica, as well as at the tertiary level in a range of disciplines, enabling students to undertake studies at the University of the West Indies; the University of Technology, (UTECH); the College of Agriculture, Science and Education (CASE); the Mico Teachers' College; Northern Caribbean University (NCU); Montego Bay Community College; EXED Community College; G. C. Foster College and the Edna Manley School of the Visual Arts.

Capital & Credit's commitment to education also saw the Group sponsoring in 2004 the launch of a book written for children between three and 10 years old "A Father for Friday" by author Jerry King.

Sponsorship of Heritage Education

Capital & Credit has also always considered the knowledge and celebration of Jamaica's cultural heritage an important factor of our self determination. As such, the Organization, whenever possible, gives support to the celebration of Jamaican heritage, especially through education. One such sponsorship was of the biography of His Excellency, The Governor-General of Jamaica, Sir Howard Cooke, **They Call Me Teacher** - The Life and Times of Sir Howard Cooke, written by Jackie Ranston, based on interviews with the Governor General.

In observation of National Heritage Week 2003, Capital & Credit also donated 2,500 books to the National Library Service: *Why Heritage? A Guide to the Importance of our Jamaican*

Story, by Joanne Simpson; *Jamaican Leaders and Great Jamaican Scientists*, by Lecturer and Historian, Senator Anthony Johnson and Marcus Garvey Said.... a collection of quotations by National Hero Marcus Garvey, compiled and edited by Ken Jones. The books were distributed to 13 Parish libraries; 123 Branch libraries; libraries at The Mico College, UTECH, Shortwood Teachers College, Sam Sharpe Teachers' College, the Church Teachers' College; the Bethlehem Moravian Teachers College, as well as bookmobiles that travel island-wide.

HeritageFest - a Cultural Exposition and Story-telling Festival staged by the Jamaica Cultural Development Commission (JCDC), has also benefited from sponsorship amounting to just over \$ 1 -million from the Capital & Credit. The one-day grand cultural exposition and story-telling festival was held on National Heroes' Day 2004 at the Ranny Williams Entertainment Centre under the theme, *Our Heritage ... the Foundation of a Great Nation*.

Pickney Love At Christmas

Christmas at Capital & Credit is special for more reasons than one. For the past three years the Organization has staged an annual charity concert **Pickney Love at Christmas** to benefit a needy children's charity. The concert, which is underwritten by Capital & Credit, features a number of professional artistes and children performers and sees all proceeds, which are audited by Deloitte & Touche, going to the identified charity. Over \$700,000 was raised from the proceeds of **Pickney Love 2** in 2003 for The Dare to Care Hospice for Children living with AIDS and the proceeds of **Pickney Love 3** held on December 4 last year will once again be donated to the Dare to Care Hospices as soon as the collection and audit is complete.

Labour Day

The Dare to Care Hospice continued to benefit from the efforts from Capital & Credit staff when several employees on all levels volunteered their services to beautify the grounds of the special children's home in rural St. Catherine in May 2004.

Post Hurricane Ivan donation

Following the passage of Hurricane Ivan in September 2004, Capital & Credit Merchant Bank gave practical assistance to ensure the preservation of the nation's health in the face of widespread power outages, which threatened blood supplies. The Bank supported Jamaica's hurricane recovery programme by purchasing and installing a 120 Kva standby generator on December 6, 2004 at the National Chest Hospital's blood collection unit, followed shortly

after with a 65-Kva generator for the Sir John Golding Rehabilitation Centre.

The Bank also sponsored the production of a radio advertising campaign on all the nation's radio stations, as well as 250-thousand leaflets and 25-thousand posters which were distributed by the Ministry of Health island wide over a one-month period following the hurricane to promote food safety. In Montego Bay, Capital & Credit also assisted with hurricane recovery through a donation to purchase non-perishable goods for needy communities distributed by the Suffragan Bishop of Montego Bay, the Rt. Rev. Dr. Howard Gregory.

Sports

The Capital & Credit Financial Group is cognizant of the positive impact of sports on the lives of Jamaica's young people, in terms of the discipline and focus it brings to them. Consequently, the organization has been a sponsor of various national competitions, most notably, one of the West Indies' favourite sports - Cricket. Capital & Credit's sponsorship of Jamaica's National Limited Overs Competition is now in its third year and has allowed for significant improvements to the competition such as the use of international standards e.g. coloured clothing, white balls and the provision of increased prizes and incentives for the competing top 21 Jamaican teams.

Now in its eleventh year of operation, Capital & Credit remains dedicated to contributing to the building of Jamaica's future.

Capital & Credit Merchant Bank Ltd. would like to thank our customers, management and staff for their support, commitment and confidence in making this year profitable and rewarding and we look forward to continued growth and prosperity in the future.

CONSOLIDATED BALANCE SHEET

As At December 31, 2004

	Audited Dec-04 \$'000	Audited Dec-03 \$'000
ASSETS		
CASH RESOURCES	8,246,436	1,279,149
INVESTMENT IN SECURITIES		
Trading securities	5,323,688	671,211
Securities available-for-sale	18,402,306	13,730,641
Securities held-to-maturity	1,972,816	1,950,771
Originated debt	20,768,505	20,669,291
	<u>46,467,315</u>	<u>37,021,914</u>
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	-	87,551
LOANS (after provision for loan losses)	2,630,935	1,829,557
OTHER ASSETS		
Accounts Receivable	1,567,456	1,219,732
Property and equipment	82,275	89,212
Other assets	234,707	88,247
	<u>1,884,438</u>	<u>1,397,191</u>
GOODWILL ON CONSOLIDATION	140,146	-
TOTAL ASSETS	<u>59,369,270</u>	<u>41,615,362</u>
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
DEPOSITS	4,522,026	2,154,609
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	25,751,744	18,732,156
LOAN PARTICIPATION	1,197,842	1,184,863
DUE TO OTHER FINANCIAL INSTITUTIONS	22,884,233	16,349,293
OTHER LIABILITIES	1,309,855	914,583
DEFERRED TAXATION	386,473	190,781
MINORITY INTEREST	17,246	-
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
Share premium	392,229	365,299
Statutory reserve fund	230,281	196,706
Retained earnings reserve	1,085,020	723,020
Fair value reserve	486,960	81,859
Loan loss reserve	20,702	30,973
Unappropriated profits	790,259	398,970
	<u>3,299,851</u>	<u>2,089,077</u>
	<u>59,369,270</u>	<u>41,615,362</u>
	=====	=====

Ryland T. Campbell
Chairman

Curtis A. Martin
President & CEO

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Quarter Ended December 31, 2004

	J\$ Thousands			
	Unaudited	Unaudited	Audited	Audited
	3 months	3 months	12 months	12 months
	Dec-04	Dec-03	Dec-04	Dec-03
Gross Operating Revenue	1,210,758	983,804	5,295,371	4,127,707
	=====	=====	=====	=====
Interest on investments	1,109,988	861,491	4,459,794	3,484,505
Interest on loans	<u>86,502</u>	<u>64,634</u>	<u>314,541</u>	<u>250,037</u>
	1,196,490	926,125	4,774,335	3,734,542
Interest expense	<u>962,009</u>	<u>671,757</u>	<u>3,650,957</u>	<u>3,101,689</u>
Net interest income	234,481	254,368	1,123,378	632,853
Commission and fee income	16,967	29,707	52,304	73,298
Net (losses)\gains on securities trading	(81,432)	9,244	339,655	71,575
Foreign exchange trading and translation	41,061	11,971	44,527	169,645
Dividend income	22,852	13,964	55,346	29,357
Other income	<u>14,820</u>	<u>(7,207)</u>	<u>29,204</u>	<u>49,290</u>

	14,268	57,679	521,036	393,165
Net interest income and other revenue	<u>248,749</u>	<u>312,047</u>	<u>1,644,414</u>	<u>1,026,018</u>
Non Interest Expenses				
Staff costs	82,391	95,791	327,921	231,607
Loan loss (recovery) \ expense	(1,167)	(12,366)	1,944	2,735
Property expense	20,894	12,896	60,003	38,003
Depreciation	7,231	5,285	26,197	18,229
Amortisation of Goodwill	-	2,088	-	2,088
Other operating expenses	<u>78,720</u>	<u>57,044</u>	<u>250,090</u>	<u>178,607</u>
	<u>188,069</u>	<u>160,738</u>	<u>666,155</u>	<u>471,269</u>
Profit Before Taxation	60,680	151,309	978,259	554,749
Taxation	<u>(66,956)</u>	<u>(17,637)</u>	<u>112,940</u>	<u>89,483</u>
Net Profit After Taxation	127,636	168,946	865,319	465,266
Minority Interest	<u>406</u>	<u>-</u>	<u>406</u>	<u>-</u>
Net profit attributable to equity holders of the Bank	127,230	168,946	864,913	465,266
	=====	=====	=====	=====
Earnings per stock unit : Cents	22	29	147	84
Return on average equity	16.05%	33.46%	32.10%	27.80%
Return on assets	0.90%	1.79%	1.71%	1.29%
Efficiency ratio	75.61%	51.51%	40.51%	45.93%
Number of issued ordinary shares (thousands)	588,800	584,500	588,800	584,500

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2004

J\$ Thousand

	Share Capital	Share Premium	Statutory Reserve Fund	Retained Earnings Reserve	Fair Value Reserve	Loan Loss Reserve	Unappropriated Profits	Total
Balance at December 31, 2002	250,000	-	164,983	523,020	62,701	11,726	243,124	1,255,554
Unrealised gains on available for sale investment net of taxes not recognised in profit and loss account	-	-	-	-	19,158	-	-	19,158
Net profit for the year	-	-	-	-	-	-	465,266	465,266
Transfer to loan loss reserve	-	-	-	-	-	19,247	(19,247)	-
Shares issued	42,250	365,299	-	-	-	-	-	407,549
Transfer to statutory reserve fund	-	-	31,723	-	-	-	(31,723)	-
Transfer to retained earnings reserve	-	-	-	200,000	-	-	(200,000)	-
Dividend declared	-	-	-	-	-	-	(58,450)	(58,450)
Balance at December 31, 2003	292,250	365,299	196,706	723,020	81,859	30,973	398,970	2,089,077
Unrealised gains on available for sale investments not recognised in profit and loss account	-	-	-	-	405,101	-	-	405,101
Net profit for the year	-	-	-	-	-	-	864,913	864,913
Transfer from loan loss reserve	-	-	-	-	-	(10,271)	10,271	-
Shares issued	2,150	26,930	-	-	-	-	-	29,080
Transfer to statutory reserve fund	-	-	33,575	-	-	-	(33,575)	-
Transfer to retained earnings reserve	-	-	-	362,000	-	-	(362,000)	-
Dividends paid	-	-	-	-	-	-	(88,320)	(88,320)
Balance at December 31, 2004	294,400	392,229	230,281	1,085,020	486,960	20,702	790,259	3,299,851

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	J\$ Thousand	
	Audited	Audited
	Dec-04	Dec-03
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit	864,913	465,266
Adjusted for	(825,322)	(298,150)
Net cash provided by operating activities	<u>39,591</u>	<u>167,116</u>
CASH FLOWS USED IN INVESTING ACTIVITIES	(14,982,094)	(10,078,160)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	<u>15,624,039</u>	<u>10,397,083</u>
INCREASE IN CASH AND CASH EQUIVALENTS	681,536	486,039
OPENING CASH AND CASH EQUIVALENTS	1,103,993	605,100
Effects of foreign exchange rate changes	<u>26,490</u>	<u>12,854</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>1,812,019</u>	<u>1,103,993</u>
	=====	=====

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	528,465	1,115,949		1,644,414
Net revenue from other segments	76,957		(76,957)	0
	<u>605,422</u>	<u>1,115,949</u>	<u>(76,957)</u>	<u>1,644,414</u>
Operating expenses	443,712	222,443	-	666,155
Profit before tax	161,710	893,506	(76,957)	978,259
	=====			
Income Tax expense				112,940
				<u>865,319</u>
Minority Interest				406
Net profit after tax				<u>864,913</u>
	=====			
Segment assets	37,910,170	22,425,391	(966,291)	59,369,270
Segment liabilities	35,368,077	21,415,127	(713,785)	56,069,419
Other segment items				
Capital expenditure	14,032	3,328	-	17,360
Depreciation	24,233	1,964	-	26,197
Loan loss expense	1,944	-	-	1,944
	Banking & Related Services	Financial & Related Services	Consolidation adjustments	Group
External revenue	611,748	414,270	-	1,026,018
Net revenue from other segments	36,666	-	(36,666)	-
	<u>648,414</u>	<u>414,270</u>	<u>(36,666)</u>	<u>1,026,018</u>
Operating expenses	366,903	102,278	2,088	471,269
Profit before tax	281,511	311,992	(38,754)	554,749
	=====			

Taxation				89,483
Net profit after tax				<u>465,266</u>
				=====
Segment assets	24,587,990	17,936,494	(909,122)	41,615,362
Segment liabilities	22,628,780	17,489,912	(592,407)	39,526,285
Other segment items				
Capital expenditure	76,138	3,130	-	79,268
Depreciation	16,980	1,249	-	18,229
Loan loss expense	2,735	-	-	2,735

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).

This report is made in Jamaican dollars

2. Investments

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

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.

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

3. 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.

4. 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 586,809,041 for the year and 583,666,667 units for the comparative fourth quarter and 555,708,333 units for the comparative year 2003.

5. 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 \$304,440,000 (2003 - \$175,156,000), due to or from other banks and investment securities.

6. 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.

7. 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, port-

folio planning, pension fund management and investment advisory services.

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