Capital & Credit Merchant Bank Limited

The Directors of the Capital & Credit Merchant Bank Report the Consolidated

Unaudited Results for the Three Months Ended 31st March, 2005.

The Directors of Capital & Credit Merchant Bank Ltd. (CCMB) are pleased to present the unaudited 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 quarter ended March 31, 2005. The Group continues to improve its financial strength with $364.91 million profit attributable to equity holders for the first quarter 2005, an increase of 32.63 % over the comparative first quarter 2004.

REVENUES

The Group earned Gross Operating Revenue of $1.71 billion, an increase of 22.48% over the $1.40 billion of the first quarter 2004. The contributors to Gross Revenue include Net Interest Income which grew to $1.29 billion, an increase of 8.19% over the comparative quarter 2004 and Other Revenues which grew to $418.59 million or 107.03% over the comparative quarter 2004. The Group despite facing declining interest rates on earning assets in the market, by prudent management of the portfolio and containment of interest expense combined to provide overall growth in Net Interest Income and Other Revenues to $721.40 million, an increase of 53.92% over the $468.69 million for the comparative first quarter 2004.

Significant growth was recognized on Net Gains on Securities Trading which grew to $383.49 million in the quarter, an increase of 106.39% over the $185.81 million of the comparative quarter 2004. Included in this gain is unrealized marked to market gains of $66.95 million compared to $39.04 million in the comparative quarter.

NON INTEREST EXPENSES

Cost containment remains a key element in our growth and profitability strategy. A defining feature of the Group over time has been the maintenance of low efficiency ratios particularly compared to the financial industry. During the first quarter, non interest expenses amounted to $268.25 million compared to $127.02 million for the comparative first quarter 2004. The Group's efficiency ratio continues to better the benchmark within the industry as efficiency measured as a percentage of Non Interest Expenses to Net Interest Income and Other Revenues amounts to 37.19% for the quarter compared to 27.10% for the comparative quarter and 40.51% for the full financial year 2004.

To encourage the growth in revenues, to ensure proper management of operating and market risks as well as providing adequate human resources to meet the growing customer needs, the staff complement has been increased such that staff costs amounted to $132.21 million for the quarter compared to $64.63 million in the comparative quarter, Additionally, the Bank has increased the loan loss provisioning by $45.05 million in the quarter compared to $0.85 million for the comparative quarter arising from concerns on the timing and collection on certain loans as at the reporting date. The Bank continues to monitor the performance and viability of these credit facilities and expects full liquidation in due course.

The cost containment strategy along with minimization of the tax charge has contributed to the improved net profit of $364.91 million for the quarter.

EARNINGS PER STOCK UNIT

Earnings per Stock Unit for the quarter amounted to 62 cents, an increase of 31.66% over the 47 cents for the comparative first quarter 2004. Earnings per Stock Unit for the quarter is based on the net profit attributable to equity holders of the Bank and 588.80 million stock units in issue during the period. There has been no issue of shares in the current or prior quarter.

BALANCE SHEET

Total assets at March 31, 2005 amounted to $60.56 billion, an increase of 21.72% over the comparative quarter end valued at $49.75 billion. In addition, the Group also manages on a fiduciary basis approximately $2.61 billion in assets under management primarily from the management of the funds managed by the subsidiary Capital & Credit Fund Managers Limited.

LOAN PORTFOLIO

Loans at March 31, 2005 amounted to $2.39 billion, an increase of 20.56% over the $2.63 billion for March 2004. As required under International Financial Reporting Standards (IFRS), the loan loss provision has been augmented by $45.05 million in the quarter to $75.55 million at March 31, 2005 representing 3.06% of gross loans compared to loan loss provision of $43.23 million or 2.13% of gross loans for the corresponding quarter end. The additional provision has been made arising from concerns on the timing and collection on certain loans as at the reporting date. Non performing loans at March 31, 2005 amounted to $57.49 million as against $72.64 million for the corresponding quarter.

IFRS Loan Loss Provision is determined on a different basis from Regulatory requirements. The difference between the methodologies is applied to a non-distributable Loan Loss Reserve. At March 31, 2005 the reserve amounted to $20.70 million compared to $30.97 million for the comparable quarter end. Consequently, the provisions are considered adequate.

CAPITAL BASE

At March 31, 2005 total stockholders equity amounted to $ 3.53 billion, an increase of 24.68% over the comparative quarter end 2004. The strengthening of the capital base has been facilitated through growth in earnings. The growth in the capital base has been constrained, by reductions recognized in the Fair Value Reserve arising from the reduction in market values of available-for-sale financial instruments as well as the expansion of that category occasioned by the changes in International Financial Reporting Standards effective January 1, 2005.

CAPITAL MANAGEMENT

Capital Management is a critical objective of the Group given its ongoing growth and expansion, and requires balancing the needs for strong, competitive ratio, reasonable returns to shareholders and compliance with regulatory capital requirement. In striving for this balance, the Group considers expected level of risk adjusted assets, future investment opportunities and funding options available.

The Group is committed to maintaining a strong capital ratio via internally generated funds, the controlled growth of investments and risk adjusted assets while simultaneously adding capital to shareholders' equity. To this end, the Bank has placed on its agenda for the Annual General Meeting scheduled for May 10, 2005, resolutions leading to the in crease in the authorised share capital of the company from $300 million to $400 million the purpose of which is to facilitate a Rights Issue from these additional shares.

DIVIDENDS

No dividends have been declared for either the current or comparative period.

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2005

	Unaudited Mar-05 $'000	Restated Unaudited Mar-04 $'000	Restated Audited Dec-04 $'000
ASSETS			
CASH RESOURCES	8,054,533	1,327,094	8,246,436
INVESTMENT IN SECURITIES			
Trading securities	2,814,220	5,721,742	5,323,688
Securities available-for-sale	36,547,002	30,770,866	33,023,547
Securities held-to-maturity	8,107,602	7,909,911	7,728,633
	47,468,824	44,402,519	46,075,868
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	479,742	78,054	-
LOANS (after provision for loan losses)	2,392,061	1,984,132	2,630,935
OTHER ASSETS			
Accounts receivable	1,308,683	1,517,026	1,567,456
Property and equipment	77,236	93,803	82,275
Other assets	779,506	351,628	374,853
TOTAL ASSETS	60,560,585	49,754,256	58,977,823
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LIABILITIES AND STOCKHOLDERS' EQUITY			
DEPOSITS	3,811,946	2,417,930	4,522,026
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	26,284,272	23,851,188	25,751,744
LOAN PARTICIPATION	1,410,059	1,328,726	1,197,842
DUE TO OTHER FINANCIAL INSTITUTIONS	23,843,910	18,017,448	22,884,233
OTHER LIABILITIES	1,304,013	902,385	1,309,855
DEFERRED TAXATION	365,619	409,257	391,718
MINORITY INTEREST	15,562	-	17,246
STOCKHOLDER'S EQUITY			
Capital - Authorised 600,000,000 Ordinary shares of $0.50 each			
Issued and fully paid 588,800,000 (March 2004 - 584,500,000) ordinary stock units of $0	294,400	292,250	294,400
Share premium	392,229	365,299	392,229
Statutory reserve fund	230,281	196,706	230,281
Retained earnings reserve	1,085,020	923,020	1,085,020
Fair value reserve	347,399	544,959	90,268

Loan loss reserve	20,702	30,973	20,702
Unappropriated profits	1,155,173	474,115	790,259
	3,525,204	2,827,322	2,903,159
	60,560,585	49,754,256	58,977,823
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Ryland T. Campbell
Chairman

Curtis A. Martin
President & CEO

CONSOLIDATED PROFIT AND LOSS ACCOUNT

QUARTER ENDED MARCH 31, 2005

		J$ Thousands	
		Restated	
	Unaudited	**Unaudited**	**Audited**
	3 months	**3 months**	**12 months**
	Mar-05	**Mar-04**	**Dec-04**
Gross Operating Revenue	1,713,539	1,399,065	5,295,371
Interest on investments	1,200,927	1,138,563	4,459,794
Interest on loans	94,021	58,316	314,541
	1,294,948	1,196,879	4,774,335
Interest expense	992,143	930,378	3,650,957
Net interest income	302,805	266,501	1,123,378
Commission and fee income	11,362	10,364	52,304
Net gains on securities trading	383,490	185,806	339,655
Foreign exchange trading and translation	501	(2,892)	44,527
Dividend income	8,307	7,031	55,346
Other income	14,931	1,877	29,204
	418,591	202,186	521,036
Net interest income and other revenue	721,396	468,687	1,644,414
NON INTEREST EXPENSES			
Staff costs	132,210	64,629	327,921
Loan loss expense	45,640	847	1,944
Property expense	13,312	10,693	60,003
Depreciation	7,149	6,770	26,197
Other operating expenses	69,942	44,081	250,090
	268,253	127,020	666,155
Profit Before Taxation	453,143	341,667	978,259
Taxation	90,193	66,522	112,940
Profit After Taxation	362,950	275,145	865,319
MINORITY INTEREST	(1,964)	-	406
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	364,914	275,145	864,913
Earnings per stock unit (cents)	62	47	147
Return on average equity (annualised)	45.41%	44.77%	34.65%
Return on assets (annualised)	2.43%	2.41%	1.72%
Efficiency ratio	37.19%	27.10%	40.51%

Number of issued ordinary shares (thousands)	588,800	584,500	588,800

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QUARTER ENDED MARCH 31, 2005
J$ Thousands

	Share Capital	**Share Premium**	**Statutory Reserve Fund**	**Retained Earnings Reserve**	**Fair value Reserve**	**Loan loss Reserve**	**Unappropriated Profits**	**Total**
Balance at December 31, 2003 as previously stated	292,250	365,299	196,706	723,020	81,859	30,973	398,970	2,089,077
Net profit for the period	-	-	-	-	-	-	275,145	275,145
Transfer to retained earnings reserve	-	-	-	200,000	-	-	(200,000)	-
Adjustment re adoption of IAS 39	-	-	-	-	70,474	-	-	70,474
Unrealised gains on available for sale investment net of taxes not recognised in profit and loss account	-	-	-	-	392,626	-	-	392,626
Balance at March 31, 2004	292,250	365,299	196,706	923,020	544,959	30,973	474,115	2,827,322
Balance at December 31, 2004 as previously stated	294,400	392,229	230,281	1,085,020	486,960	20,702	790,259	3,299,851
Net profit for the period	-	-	-	-	-	-	364,914	364,914
Transfer to retained earnings reserve	-	-	-	-	-	-	-	-
Adjustment re adoption of IAS 39	-	-	-	-	(396,692)	-	-	(396,692)
Unrealised gains on available for sale investments net of taxes not recognised in profit and loss account	-	-	-	-	257,131	-	-	257,131
Balance at March 31, 2005	294,400	392,229	230,281	1,085,020	347,399	20,702	1,155,173	3,525,204

CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED MARCH 31, 2005
JS Thousands

	Unaudited Mar-05	Unaudited Mar-04
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit	364,914	275,145
Adjusted for	(1,010,258)	(347,627)
Net cash used in operating activities	(645,344)	(72,482)
CASH FLOWS USED IN INVESTING ACTIVITIES	(1,378,803)	(7,073,944)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	994,342	7,194,371
(DECREASE) \ INCREASE IN CASH AND CASH EQUIVALENTS	(1,029,805)	47,945
OPENING CASH AND CASH EQUIVALENTS	1,812,019	1,103,993
CLOSING CASH AND CASH EQUIVALENTS	782,214	1,151,938

SEGMENT RESULTS

QUARTER ENDED MARCH 31, 2005
2005
J$ Thousands

	Banking & Related Service	Financial & Related Service	Consolidation adjustments	Group
External revenue	443,092	278,304		721,396
Net revenue from other segments	5,947	0	(5,947)	0
	449,039	278,304	(5,947)	721,396
Operating expenses	167,023	107,177	(5,947)	268,253
Profit before tax	282,016	171,127	-	453,143
Taxation				90,193
Net profit after tax				362,950
Minority Interest				(1,964)
Net Profit attributable to equity holders of the Bank				364,914
Segment assets	38,830,718	22,374,869	(645,002)	60,560,585
Segment liabilities	35,981,642	21,714,304	(660,565)	57,035,381

2004
J$ Thousands

	Banking & Related Service	Financial & Related Service	Consolidation adjustments	Group
External revenue	195,226	273,461		468,687
Net revenue from other segments	16,718	0	(16,718)	0
	211,944	273,461	(16,718)	468,687
Operating expenses	84,677	45,374	(3,031)	127,020
Profit before tax	127,267	228,087	(13,687)	341,667
Taxation				66,522
Net profit after tax				275,145
Segment assets	29,040,614	21,520,175	(806,533)	49,754,256
Segment liabilities	26,510,921	21,001,234	(585,221)	46,926,934

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). IAS 39 which became effective January 1, 2005 and requires retrospective application redefines the investment classification of originated debts as loans and receivable. Items quoted on an active market, which were previously classified as originated debts (now loans and receivable) for which the Company has the ability and intention to hold to maturity have been reclassified as held-to-maturity. All other amounts have been reclassified as available for sale. Prior period investment account balances and the opening balance of fair value reserve have been adjusted to reflect the reclassification and the restatement due to the fair value treatment of items reclassified as available for sale (Note 8).

Except for the application of IAS 39, the accounting policies, used in the preparation of these interim statements, are the same as those applied in the audited statements for the year ended December 31, 2004

This report is made in Jamaican dollars

2. Investments

Investments are classified as trading, securities available for sale, held to maturity securities and Loans and receivables 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

Loans and receivables 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's 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, 584,500,000 units for the comparative quarter and 586,809,041 for the year.

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 $218,028,000 (2004 - $175,156,000) and Cash deposit held at investment Broker of $7,054,291,000 (2004 - nil),

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, stock broking, portfolio planning, pension fund management, investment advisory services and unit trust management.

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

8. IFRS Adjustments.

In keeping with the amendments to IFRS effective January 1, 2005, in particular IAS 39, the Group has discontinued the designation of investments as Originated Debt. The amounts have been reclassified as indicated below:

	December 2004 J$ Thousands		March 2004 J$ Thousands	
	Amended	Previously Reported	Amended	Previously Reported
Originated Debt	-	20,768,505	-	28,075,160
Securities Available for Sale	33,023,547	18,402,306	30,770,866	8,462,643
Securities Held to Maturity	8,107,602	1,972,816	7,909,911	1,968,479
Fair Value Reserve	90,268	486,960	544,959	474,485
Deferred Taxation	391,718	386,473	409,257	305,236