

UNAUDITED FINANCIAL RESULTS

FOR THE FIRST QUARTER

- ENDED MARCH 31, 2006



A Member of the Capital & Credit Financial Group

6-8 Grenada Way, Kingston 5, Tel: (876) 960-5320 Fax: (876) 960-1381 Website: www.capital-credit.com Email: info@capital-credit.com

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
FINANCIAL RESULTS FOR THE FIRST QUARTER

The Directors of Capital & Credit Merchant Bank Limited (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, 2006. The Group continues to overcome the challenging economic environment with the achievement of Net Profit After Tax of \$346.32 million for the quarter, on par with the comparative first quarter 2005 result of \$362.95 million.

REVENUES

The Group continues to face declining yields locally and rising interest rates in the United States. Within these constraints, the Bank and its subsidiaries continue to pursue the strategy of building its Non-Proprietary Income streams; combined with restructuring the Balance Sheet which it began mid 2005. The primary emphasis at this time is to selectively acquire higher-yielding assets, while managing the cost of acquired funds. Despite the declining yields being experienced by the industry, the strategy has contributed to the Group being able to maintain its Net Interest Income with \$263.99 million for the quarter, as against \$302.81 million for the comparative quarter.

Simultaneously, the Group earned \$397.34 million in Other Revenues, arising primarily from \$325.57 million Net Gains on Securities Trading and from the boosting of earnings from other sources, inclusive of Foreign Exchange trading and Fee generation.

Accordingly, the Group has been able to sustain its income generation with \$661.33 million in Net Interest Income & Other Revenues, compared to the \$721.40 million earned in the comparative quarter.

NON INTEREST EXPENSES

With the present challenges of expanding the income base while repositioning the portfolio of assets, the Group was successful in reducing its overall expenses thereby ensuring that the Group's efficiency ratio, which tracks Non-Interest Expenses as a percentage of Revenues, continues to be a leader within the industry, thus contributing to the Group's overall strong performance. Efficiency, measured as a percentage of Non-Interest Expenses to Net Interest Income and Other Revenues, improved to 34.80% compared to 37.19% for the comparative quarter and 39.61% for the financial year 2005.

For the quarter, Non-Interest expenses amounted to \$230.15 million, a reduction of \$38.10 million compared to \$268.25 million for the comparative quarter 2005. Contributing significantly to the improved performance is the elimination of the Loan Loss Expense of \$45.64 million, as the Group continued to aggressively pursue collections on all Non-Accrual Loans. Management's continued focus on Cost Containment, along with the diversification and expansion of income streams, has contributed to the Group sustaining its profitability with Net Profit After tax for the period of \$346.32 million.

EARNINGS PER STOCK UNIT

Earnings per Stock Unit for the quarter amounted to 54 cents, compared to 62 cents for the comparable quarter 2005. Earnings per Stock Unit is based on the Net Profit After Tax and the weighted average number of the 641,159,682 stock units in issue for the current quarter and of the 588,800,000 units for the comparative quarter. The Earnings per Stock Unit for 2005 is based upon 586,809,041, the weighted average number of ordinary stock units in issue for the year. The stockholding incremented during 2005, consequent to the Rights Issues concluded in the fourth quarter 2005, raised an additional 52.36 million shares.

BALANCE SHEET

Following the decision taken in mid 2005 to sell off low-yielding assets, the Group trimmed its overall Balance Sheet size from \$60.56 billion, to \$52.95 billion at the end of December 2005. The Group is now in a process of selectively acquiring higher-yielding assets, while maintaining an optimal risk profile. This has contributed to the improved performance from the portfolio, while simultaneously containing the negative Fair Value Reserve.

In addition, the Group manages, on a fiduciary basis, approximately \$2.58 billion in Assets Under Management primarily in respect of the funds managed by the subsidiary, Capital & Credit Fund Managers Limited.

LOAN PORTFOLIO

Loans at quarter end, after provision for Loan Losses, amounted to \$2.61 billion. During the quarter, the Bank completed collection on a significant non-accrual loan. As required under International Financial Reporting Standards (IFRS), the Loan Loss Provision at March 31, 2006 is \$21.12 million, representing 0.80% of gross loans, compared to Loan Loss Provision of \$75.55 million, or 3.06% of Gross Loans for the comparable quarter. Non-Performing Loans at March 31, 2006 amounted to \$75.66 million.

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 in the equity component of the Balance Sheet. At March 31, 2006 the reserve amounted to \$21.77 million, compared to \$18.24 million for the previous year-end. This movement is shown in the equities statement. Accordingly, the provisions are considered adequate.

CAPITAL BASE

At March 31, 2006, total Stockholders' Equity amounted to \$5.08 billion, an increase of 8.76% since year-end December 2005. The strengthening of the Capital Base has been facilitated through both the retention in Earnings and a reduction in the negative Fair Value Reserve.

The Capital Base has been incremented by the Group's earnings of approximately \$346.32 million in Net Profit for the quarter. Additionally, the quality of the Capital Base was enhanced by the transfer of \$432.42 million from Unappropriated Profit, to Retained Earnings Reserve, thereby boosting the Tier 1 Capital to \$3.55 billion. The boosting of the Tier 1 Capital enhances the Group's Capital Management Programme; provides more scope for expansion, as well as ensures that the Regulators' benchmarks for Capital Adequacy are met and superseded.

The Capital Base has been further enhanced by the reduction in the negative Fair Value Reserve declining from \$206.91 million at year-end to \$142.28 million consequent to an improved market value of instruments and the subsequent marked-to-market recording of the available-for-sale Investment Portfolio.

DIVIDENDS

At the Directors' Meeting of December 16, 2005, an interim Dividend of 15 cents per stock unit was approved for stockholders on record as at December 30, 2005. Payment of dividends totaling \$96.17 million to stockholders was made on January 26, 2006.

No dividend has been declared for the current period.

ANNUAL GENERAL MEETING

The Annual General Meeting has been set for May 26, 2006. The agenda for the meeting includes the approval of the Consolidated Audited Accounts for 2005 and the re-election of Directors.

BUSINESS OUTLOOK

Capital & Credit Merchant Bank Ltd and its subsidiaries continues to solidify its income streams by growing its Non-Proprietary business and at the same time enhance its Net Interest Income, by diversifying into assets with higher net-interest spreads. We expect that these initiatives will ensure the continued, but even growth in our profitability for the year 2006.

The Group has also embarked on an enhancement of its supporting technology. It is expected that the new technology will improve, not only Efficiency, but also the Group's capability particularly in respect of customer service and access; product origination and competitiveness; as well as improving corporate reporting, planning and research.

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2006
HIGHLIGHTS

	Unaudited Mar-06 \$'000	Unaudited Mar-05 \$'000	Audited Dec-05 \$'000
ASSETS			
CASH RESOURCES	835,401	8,054,533	896,925
INVESTMENT IN SECURITIES			
Trading securities	1,936,606	2,814,220	2,094,558
Securities available-for-sale	48,091,480	36,547,002	45,132,887
Securities held-to-maturity	-	8,107,602	-
	50,028,086	47,468,824	47,227,445
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	-	479,742	-
LOANS (after provision for loan losses)	2,608,877	2,392,061	2,643,783
DEFERRED TAX ASSETS	43,460	-	67,081
OTHER ASSETS			
Accounts receivable	1,162,534	1,308,683	1,701,423
Property and equipment	198,968	77,236	163,701
Other assets	819,869	779,506	252,886
	2,181,371	2,165,425	2,118,010
TOTAL ASSETS	<u>55,697,195</u>	<u>60,560,585</u>	<u>52,953,244</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
DEPOSITS	5,382,271	3,811,946	4,821,355
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	41,901,055	26,284,272	39,579,012
LOAN PARTICIPATION	1,239,918	1,410,059	992,752
DUE TO OTHER FINANCIAL INSTITUTIONS	1,026,867	23,843,910	1,666,642
OTHER LIABILITIES	1,067,979	1,304,013	1,223,461
DEFERRED TAX LIABILITIES	-	365,619	-
STOCKHOLDERS' EQUITY			
Capital - Authorised 800,000,000 ordinary shares of \$0.50 each Issued and fully paid 641,159,682 ordinary stock units of \$0.50 each (March 2005 - 588,800,000 ordinary stock units)	320,580	294,400	320,580
Share premium	1,412,308	392,229	1,412,308
Statutory reserve fund	301,670	230,281	301,670
Retained earnings reserve	1,515,442	1,085,020	1,085,020
Fair value reserve	(142,283)	347,399	(206,908)
Loan loss reserve	21,772	20,702	18,240
Unappropriated profits	1,639,839	1,155,173	1,728,193
Attributable to stockholders of the Bank	5,069,328	3,525,204	4,659,103
Minority interest	9,777	15,562	10,919
	5,079,105	3,540,766	4,670,022
	<u>55,697,195</u>	<u>60,560,585</u>	<u>52,953,244</u>

Approved for issue by the Board of Directors on April 21, 2006 and signed on its behalf by:

Ryland T. Campbell - Chairman

Curtis A. Martin - President & CEO

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED PROFIT & LOSS ACCOUNT
QUARTER ENDED MARCH 31, 2006
HIGHLIGHTS

	Unaudited 3 months Mar-06 \$'000	Unaudited 3 months Mar-05 \$'000	Audited 12 months Dec-05 \$'000
Gross Operating Revenue	<u>1,629,847</u>	<u>1,713,539</u>	<u>5,888,334</u>
Interest on investments	1,126,771	1,200,927	4,389,723
Interest on loans	105,736	94,021	382,464
	1,232,507	1,294,948	4,772,187
Net interest expense	968,521	992,143	3,671,776
Net interest income	<u>263,986</u>	<u>302,805</u>	<u>1,100,411</u>
Commission and fee income	29,554	11,362	76,099
Net gains on securities trading	325,569	383,490	999,431
Foreign exchange trading and translation	31,839	501	(16,988)
Dividend income	1,075	8,307	28,087
Other income	9,303	14,931	29,518
	397,340	418,591	1,116,147
Net interest income and other revenue	<u>661,326</u>	<u>721,396</u>	<u>2,216,558</u>
NON INTEREST EXPENSES			
Staff costs	143,522	132,210	473,287
Loan loss expense/recovery	-	45,640	(9,613)
Bank charges	9,109	4,734	32,135
Property expense	17,545	13,312	78,071
Depreciation	6,920	7,149	27,058
Information technology costs	4,269	14,268	37,496
Marketing and corporate affairs	13,382	22,139	126,317
Professional fees	4,231	8,284	41,965
Other operating expenses	31,174	20,517	71,300
	230,152	268,253	878,016
Profit Before Taxation	431,174	453,143	1,338,542
Taxation	84,855	90,193	181,319
Profit After Taxation	<u>346,319</u>	<u>362,950</u>	<u>1,157,223</u>
Attributable to:			
Stockholders of the Bank	345,600	364,914	1,161,915
Minority interest	719	(1,964)	(4,692)
	<u>346,319</u>	<u>362,950</u>	<u>1,157,223</u>
Earnings per stock unit (cents)	54	62	197
Return on average equity (annualised)	28.42%	44.09%	30.12%
Return on assets (annualised)	2.55%	2.43%	2.07%
Efficiency ratio	34.80%	37.19%	39.61%
Number of issued ordinary shares	641,159,682	588,800,000	641,159,682

UNAUDITED FINANCIAL RESULTS

FOR THE FIRST QUARTER

- ENDED MARCH 31, 2006



A Member of the Capital & Credit Financial Group

6-8 Grenada Way, Kingston 5, Tel: (876) 960-5320 Fax: (876) 960-1381 Website: www.capital-credit.com Email: info@capital-credit.com

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 QUARTER ENDED MARCH 31, 2006

	Share Capital \$'000	Share Premium \$'000	Statutory Reserve Fund \$'000	Retained Earnings Reserve \$'000	Fair value Reserve \$'000	Loan loss Reserve \$'000	Unappropriated Profits \$'000	Minority Interest \$'000	Total \$'000
Balance at December 31, 2004	294,400	392,229	230,281	1,085,020	213,995	20,702	790,259	17,246	3,044,132
Net profit for the period	-	-	-	-	-	-	364,914	(1,964)	362,950
Unrealised gains on available for sale investments net of taxes not recognised in profit and loss account	-	-	-	-	133,404	-	-	280	133,684
Balance at March 31, 2005	294,400	392,229	230,281	1,085,020	347,399	20,702	1,155,173	15,562	3,540,766
Balance at December 31, 2005	320,580	1,412,308	301,670	1,085,020	(206,908)	18,240	1,728,193	10,919	4,670,022
Net profit for the period	-	-	-	-	-	-	345,600	719	346,319
Transfer to retained earnings reserve	-	-	-	430,422	-	-	(430,422)	-	-
Transfer to loan loss reserve	-	-	-	-	-	3,532	(3,532)	-	-
Unrealised gains on available for sale investments net of taxes not recognised in profit and loss account	-	-	-	-	64,625	-	-	(1,861)	62,764
Balance at March 31, 2006	320,580	1,412,308	301,670	1,515,442	(142,283)	21,772	1,639,839	9,777	5,079,105

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
 QUARTER ENDED MARCH 31, 2006

	Unaudited Mar-06 \$'000	Unaudited Mar-05 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit	346,319	362,950
Adjusted for operating assets and liabilities	(241,250)	(1,010,258)
Net cash provided by / (used in) operating activities	105,069	(647,308)
CASH FLOWS USED IN INVESTING ACTIVITIES	(2,657,287)	(1,378,803)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	2,490,350	996,306
DECREASE IN CASH AND CASH EQUIVALENTS	(61,868)	(1,029,805)
OPENING CASH AND CASH EQUIVALENTS	529,762	1,812,019
CLOSING CASH AND CASH EQUIVALENTS	467,894	782,214

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
SEGMENT RESULTS QUARTER ENDED MARCH 31, 2006

	2006			
	Banking & Related Services \$'000	Financial & Related Services \$'000	Consolidation adjustments \$'000	Group \$'000
External revenue	870,185	761,560	(1,897)	1,629,848
Net revenue from other segments	3,103	-	(3,103)	-
	873,288	761,560	(5,000)	1,629,848
Operating expenses	613,628	590,046	(5,000)	1,198,674
Profit before tax	259,660	171,514	-	431,174
Taxation	-	-	-	84,855
Net profit after tax	-	-	-	346,319
Segment assets	34,174,802	22,378,574	(856,181)	55,697,195
Segment liabilities	30,006,791	20,894,579	(283,280)	50,618,090

	2005			
	Banking & Related Services \$'000	Financial & Related Services \$'000	Consolidation adjustments \$'000	Group \$'000
External revenue	877,412	836,127	-	1,713,539
Net revenue from other segments	5,947	-	(5,947)	-
	883,359	836,127	(5,947)	1,713,539
Operating expenses	601,343	665,000	(5,947)	1,260,396
Profit before tax	282,016	171,127	-	453,143
Taxation	-	-	-	90,193
Net profit after tax	-	-	-	362,950
Segment assets	38,830,718	22,374,869	(645,002)	60,560,585
Segment liabilities	35,981,642	21,714,304	(676,127)	57,019,819

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
NOTES TO THE REPORT QUARTER ENDED MARCH 31, 2006
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). The new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to our operations and effective for accounting periods beginning on January 1, 2005 were adopted during 2005.

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. 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 \$367,507,000 (2005 - \$218,028,000)

5. 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.

6. Segment Reporting

The Group is organised into two main business segments:

- Banking and related services, which include taking deposits, granting loans and other credit facilities and foreign currency trading.
- Financial and related services, which include 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.