

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
UNAUDITED FINANCIAL RESULTS FOR THE FIRST QUARTER
ENDED MARCH 31, 2007

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 for the quarter ended March 31, 2007. The Group recorded Net Profit after Tax of \$154.00 million for the quarter compared to \$346.32 million for the comparative quarter 2006, where significant gains were realized from the sale of international bonds. This quarter's performance however, although 23.4% below the budget, is a 36.3% improvement over the previous quarter 2006, where Net Profit after Tax was recorded as \$112.9 million.

The factors adversely affecting the Group's first quarter performance include; a decline in trading income; depression of Net Interest Income occasioned by the flattening of yield curves locally and in the United States; and the restructuring of the Bank's balance sheet as part of the transition from treasury-related to core banking related activities.

The Bank has commenced the process of leveraging the balance sheet by aggressively pursuing a program of asset growth. This process will also be assisted by the strong liquidity and equity position that the Group now enjoys which historically, is the most advantageous position it has ever been in.

The following factors are expected to positively impact the Group's future profitability and growth:

- Significant efficiencies and cost savings to be realised due to the implementation of new Core Banking technology
- The coming introduction of electronic banking solutions including Automated Banking Machine (ABM) and Internet Banking services.
- A structured roll-out of new, high-yield products and services throughout the Group
- Increased activity in foreign currency trading.
- Accelerated growth of the loan portfolio. This area grew by 107.7% compared to the same quarter in 2006, representing a clear example of the intense drive to increase the Bank's business.
- The expected restoration of normal yield curve activity in the United States as interest rates appear to be trending downwards.

The impetus toward development is also to be seen in the synergies between the Banking Group and Capital & Credit International Inc. (CCII), which is located in Florida, U.S.A. CCII is a wholly owned subsidiary of Capital & Credit Holding Inc. (CCHI), which is 20% owned by Capital & Credit Merchant Bank Limited.

REVENUES

The Group's revenues for the quarter have been generated primarily from trading income of \$195.76 million and from net interest income of \$170.64 million. Revenue in the first quarter 2006 was premised on securities trading which provided windfall gains of \$325.57 million. These gains occurred in the market at the time when local rates began their decline and at the cessation of the constant, aggressive increases in the United States Federal Reserves rates, thereby creating favorable trading opportunities that we anticipated would not continue indefinitely. The Group consequently, took the opportunity at that time to encash these additional gains available. The securities market has been more balanced during recent periods to which the Group has accumulated trading gains of \$195.76 million for the quarter.

The Group continues its strategy of building its Net Interest Income stream with higher yielding assets. Increased emphasis has been placed on expansion of the loan portfolio to drive loan income growth. Loan income grew by 53.46% over the comparative quarter as the Bank seeks to expand both its retail and corporate loan portfolio. Total income in Net Interest Income and Other Revenues accumulated to \$402.28 million for the quarter.

NON INTEREST EXPENSES

Recognising the uneven growth in revenues, the Group has placed increased emphasis on cost containment and has reduced overall expenses to \$204.60 million for the quarter compared to \$230.15 million for the comparative quarter. Investment in our human resources totaling \$120.56 million represents the most individually significant expenditure for the period. The Group anticipates that with the implementation of our new Core Banking System in April 2007 that higher operating expenses in relation to the new technology will impact the upcoming quarters, but that this will be mitigated by increased revenue streams as the Group begins to leverage its new technology.

EARNINGS PER STOCK UNIT

Earnings per Stock Unit for the quarter amounted to 24 cents, compared to 54 cents for the comparable quarter 2006. 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 both the current and comparative quarter end.

BALANCE SHEET

The balance sheet grew by approximately \$4.05 billion from year end as the Group resumed its expansion path. Total assets at March 31, 2007 amounted to \$56.85 billion, up from the year end holding of \$52.80 billion and up from the \$55.70 billion for the comparative quarter end. From mid 2005, the Group took a strategic decision to constrain the overall size of the balance sheet at that time selling off low-yielding assets and selectively acquiring higher-yielding assets, while maintaining an optimal risk profile. The Group anticipates growing its retail business lines and in particular has focused on its credit portfolio to create growth while maintaining the treasury portfolio. Accordingly, the Group has seen significant expansion in the credit portfolio aggregating to \$5.42 billion at the quarter end and the deposit balances now at \$6.29 billion.

The Group also manages on a fiduciary basis, approximately \$2.80 billion in Assets Under Management primarily in respect of the funds managed by the subsidiary, Capital & Credit Fund Managers Limited and pension funds managed by Capital & Credit Securities Limited.

LOAN PORTFOLIO

As part of the strategy to invest in higher yielding assets, the Bank has focused on growing both its retail and corporate loan portfolio. Loans at quarter end, after provision for Loan Losses, amounted to \$5.42 billion, a dramatic rise of 107.78% from the comparative quarter position. The growth in loan balances has led to increased loan interest income not withstanding the overall reduction in yields generally in the market. As required under International Financial Reporting Standards (IFRS), the Loan Loss Provision at March 31, 2007 is \$34.72 million, representing 0.66% of gross loans, compared to Loan Loss Provision of \$21.12 million, or 0.80% of Gross Loans for the comparable quarter. Non accrual loans at March 31, 2007 amounted to \$433.61 million. The Group has seen encouraging signs of recovery and does not expect any material losses in this portfolio.

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, 2007 the reserve amounted to \$53.89 million, compared to \$21.77 million for the previous quarter end. This movement is shown in the equities statement. The provisions are considered adequate.

CAPITAL BASE

The Group continues to have a strong capital base. At March 31, 2007, total Stockholders' Equity amounted to \$5.63 billion an increase of 10.92 % over the comparative quarter end. The strengthening of the Capital Base has been facilitated primarily through the retention in earnings.

DIVIDENDS

No dividends were paid or proposed in the quarter.

ANNUAL GENERAL MEETING

The Annual General Meeting for the Bank has been set for May 16, 2007. The agenda for the meeting includes the approval of the audited accounts for the year ended December 31, 2006 and the re-election of Directors.

BUSINESS OUTLOOK

Capital & Credit Merchant Bank Ltd and its subsidiaries completed the implementation of its new core banking technology at the commencement of the second quarter 2007. The new technology plays an integral part in the roll out of new products and services the Group intends to launch in the coming quarters as well as the improved risk management capabilities and customer access that now become available. Additionally, the Group's alliance in the United States investment brokerage is anticipated to provide a wide range of new products and services to our expanding retail base. The Group anticipates that these initiatives will bear fruit particularly to the second half of the year in providing expansion to the Net Interest Income as well as broadening and deepening the creation of non proprietary income.


CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007

HIGHLIGHTS

	Unaudited Mar-07 \$'000	Unaudited Mar-06 \$'000	Audited Dec-06 \$'000
ASSETS			
CASH RESOURCES	1,357,252	835,401	1,360,551
INVESTMENT IN SECURITIES	46,151,237	51,190,620	45,694,072
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	135,862	-	177,756
INVESTMENT IN ASSOCIATE	3,282	-	3,282
LOANS (after provision for loan losses)	5,420,626	2,634,637	3,976,613
INTANGIBLE ASSETS	426,548	248,491	379,124
DEFERRED TAX ASSETS	-	43,460	14,359
OTHER ASSETS	2,885,472	564,547	738,544
Accounts receivable	346,629	74,416	340,042
Customers' liabilities under acceptances, guarantees and letters of credit as per contra	103,707	90,623	101,864
Property, plant and equipment	15,000	15,000	15,000
Other asset	3,350,808	744,586	1,195,450
TOTAL ASSETS	56,845,615	55,697,195	52,801,207
LIABILITIES AND STOCKHOLDERS' EQUITY			
DEPOSITS	6,291,355	5,500,055	5,683,937
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	39,230,472	42,260,218	37,466,800
LOAN PARTICIPATION	1,593,806	1,255,116	1,715,849
DUE TO OTHER FINANCIAL INSTITUTIONS	2,430,688	1,026,867	1,719,950
DEFERRED TAX LIABILITIES	17,153	-	-
OTHER LIABILITIES	49,203	-	7,484
Bank overdraft	1,252,561	501,418	405,464
Customers' liabilities under acceptances, guarantees and letters of credit as per contra	346,629	74,416	340,042
	1,648,393	575,834	752,990
STOCKHOLDERS' EQUITY			
Capital - Authorised 800,000,000 ordinary shares			
Issued and fully paid 641,159,682 ordinary stock units	1,732,888	320,580	1,732,888
Share premium	-	1,412,308	-
Statutory reserve fund	362,678	301,670	362,678
Retained earnings reserve	1,515,442	1,515,442	1,515,442
Fair value reserve	(71,846)	(142,283)	(88,381)
Loan loss reserve	53,893	21,772	39,741
Unappropriated profits	2,025,429	1,639,839	1,886,506
Attributable to stockholders of the Bank	5,618,484	5,069,328	5,448,874
Minority interest	15,264	9,777	12,807
	5,633,748	5,079,105	5,461,681
	56,845,615	55,697,195	52,801,207

Approved for issue by the Board of Directors on April 20, 2007 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, 2007

HIGHLIGHTS

	Unaudited 3 months Mar-07 \$'000	Unaudited 3 months Mar-06 \$'000	Audited 12 months Dec-06 \$'000
Gross Operating Revenue	1,364,037	1,629,847	6,069,800
Interest on investments	970,138	1,126,771	4,539,628
Interest on loans	162,266	105,736	486,411
	1,132,404	1,232,507	5,026,039
Interest expense	961,761	968,521	4,109,324
Net interest income	170,643	263,986	916,715
Commission and fee income	25,780	29,554	101,361
Net gains on securities trading	195,758	325,569	880,707
Foreign exchange trading and translation	3,238	31,839	24,490
Dividend income	4,077	1,075	22,464
Other income	2,780	9,303	14,739
	231,633	397,340	1,043,761
Net interest income and other revenue	402,276	661,326	1,960,476
NON INTEREST EXPENSES			
Staff costs	120,563	143,522	448,503
Impairment losses	-	-	158,633
Loan loss expense	-	-	13,647
Bank charges	5,852	9,109	30,683
Property expense	16,939	17,545	70,873
Depreciation	5,747	6,920	23,758
Information technology costs	6,342	4,269	30,601
Marketing and corporate affairs	10,186	13,382	100,408
Professional fees	12,133	4,231	48,356
Regulatory Cost	3,715	2,913	26,445
Irrecoverable General Consumption Tax	6,943	7,153	32,528
Other operating expenses	16,179	21,108	54,101
	204,599	230,152	1,038,538
Profit Before Taxation	197,677	431,174	921,938
Taxation	43,682	84,855	150,056
Profit After Taxation	153,995	346,319	771,882
Attributable to:			
Stockholders of the Bank	153,075	345,600	767,418
Minority interest	920	719	4,464
	153,995	346,319	771,882
Earnings per stock unit (cents)	24	54	120
Return on average equity (annualised)	11.10%	28.42%	15.24%
Return on assets (annualised)	1.12%	2.55%	1.46%
Efficiency ratio	50.86%	34.80%	52.97%
Number of issued ordinary shares	641,159,682	641,159,682	641,159,682

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
QUARTER ENDED MARCH 31, 2007

	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	Attributable to equity holders of the Parent \$'000	Minority Interest \$'000	Total \$'000
Balance at December 31, 2005	320,580	1,412,308	301,670	1,085,020	(206,908)	18,240	1,728,193	4,659,103	10,919	4,670,022
Net profit for the period	-	-	-	-	-	-	345,600	345,600	719	346,319
Transfer to retained earnings reserve	-	-	-	430,422	-	-	(430,422)	-	-	-
Unrealised gains on available for sale investments net of taxes not recognised in profit and loss account	-	-	-	-	64,625	-	-	64,625	(1,861)	62,764
Transfer to loan loss reserve	-	-	-	-	-	3,532	(3,532)	-	-	-
Balance at March 31, 2006	320,580	1,412,308	301,670	1,515,442	(142,283)	21,772	1,639,839	5,069,328	9,777	5,079,105
Balance at December 31, 2006	1,732,888	-	362,678	1,515,442	(88,381)	39,741	1,886,506	5,448,874	12,807	5,461,681
Net profit for the period	-	-	-	-	-	-	153,075	153,075	920	153,995
Transfer to loan loss reserve	-	-	-	-	-	14,152	(14,152)	-	-	-
Unrealised gains on available for sale investments net of taxes not recognised in profit and loss account	-	-	-	-	16,535	-	-	16,535	1,537	18,072
Balance at March 31, 2007	1,732,888	-	362,678	1,515,442	(71,846)	53,893	2,025,429	5,618,484	15,264	5,633,748

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
QUARTER ENDED MARCH 31, 2007

	Unaudited Mar-07 \$'000	Unaudited Mar-06 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit	153,995	346,319
Adjusted for operating assets and liabilities	(1,304,823)	(241,250)
Net cash (used in) / provided by operating activities	(1,150,828)	105,069
CASH FLOWS USED IN INVESTING ACTIVITIES	(1,897,763)	(2,657,287)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	2,959,785	2,490,350
DECREASE IN CASH AND CASH EQUIVALENTS	(88,806)	(61,868)
OPENING CASH AND CASH EQUIVALENTS	818,808	529,762
CLOSING CASH AND CASH EQUIVALENTS	730,002	467,894

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
SEGMENT RESULTS
QUARTER ENDED MARCH 31, 2007

	2007			
	Banking & Related Services \$'000	Financial & Related Services \$'000	Consolidation adjustments \$'000	Group \$'000
External revenue	768,529	678,708	(83,200)	1,364,037
Net revenue from other segments	2,863	-	(2,863)	-
	771,392	678,708	(86,063)	1,364,037
Operating expenses	634,729	617,694	(86,063)	1,166,360
Profit before tax	136,663	61,014	-	197,677
Taxation	-	-	-	43,682
Net profit after tax	-	-	-	153,995
Segment assets	33,296,098	24,615,508	(1,065,991)	56,845,615
Segment liabilities	29,222,771	22,897,338	(908,242)	51,211,867
	2006			
	Banking & Related Services \$'000	Financial & Related Services \$'000	Consolidation adjustments \$'000	Group \$'000
External revenue	870,185	761,559	(1,879)	1,629,847
Net revenue from other segments	3,103	-	(3,103)	-
	873,288	761,559	(5,000)	1,629,847
Operating expenses	613,628	590,045	(5,000)	1,198,673
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

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
NOTES TO THE REPORT
QUARTER ENDED MARCH 31, 2007

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 Group adopted the latest standards, interpretations and amendments that came into effect in 2006. These included IAS 39, the Fair Value Option, IAS 39 and IFRS 4, (Financial Guarantees Contracts) and IFRIC 4 (Determining whether an arrangement contains a lease). The adoption of these amendments and interpretations had no material effect on the Group's accounting policies.

This report is made in Jamaican dollars

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.

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.

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 \$578,047,000 (2006 - \$367,507,000)

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 profit, and is accounted for using the balance sheet liability method.

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.

Comparative Information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.