



CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
UNAUDITED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2008

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, 2008. The Group recorded improved Net Profit, attributable to stockholders, of \$166.36 million for the first quarter compared to \$154.00 million for the corresponding period in 2007.

The Group's improved quarter performance is attributable to the continuous emphasis on growing its core banking activities – Net Interest Margin (NIM), thus resulting in a 91.23% increase in NIM. Other factors contributing to the improved performance include Commission and Fee income; Dividend Income as well as increased Foreign Exchange Trading. Foreign exchange trading move up \$3.24 million in 2007, to \$23.90 million, Commission and Fee Income total \$25.78 million in 2007, \$26.53 million in 2008 and Dividend Income amounted to \$4.08 million in 2007, \$19.40 million for the first quarter of 2008.

REVENUE

The Group benefited from improved margins to report Net Interest Income of \$326.31 million or 69.74% of Total Income, when compared to \$170.64 million or 42.42% earned in 2007. Overall, Net Interest Income and Other Revenue totaled \$467.87 million, an increase of 16.31% over the \$402.28 million of the comparative quarter of 2007. Loan income for the quarter grew by 52.99%, up from \$162.27 million in the corresponding quarter of 2007 to \$247.63 million for this quarter. Improvement was also realized on Investment Income with the disposal of low yielding assets early in the quarter. Other Income reported a 38.89% decline to report \$141.56 million compared to \$231.63 million for the corresponding period in 2007. Securities trading showed a decline contributing \$68.53 million compared to \$195.76 million for 2007.

NON INTEREST EXPENSES

Non-Interest expenses totaled \$260.40 million up from \$204.60 million of 2007. This is a 14.22% increase over the corresponding period last year. The major component of Non Interest expense is Staff costs which totaled \$137.70 million up from \$120.56 million in 2007, and is primarily due to salary increases for 2008. The efficiency ratio now stands at 55.66% up from 50.86% for the comparative period of 2007. We continue to focus on cost management by streamlining and consolidating work flows and processes across the group in order to improve operational efficiency.

EARNINGS PER STOCK UNIT

Earnings per Stock (EPS) Unit for the quarter amounted to 26 cents, an increase of 8.33% compared to 24 cents for the comparable quarter of 2007. EPS 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 ended.

BALANCE SHEET

Total assets at March 31, 2008 amounted to \$51.76 billion compared to \$56.85 billion for 2007 billion. The Group continues to focus on expanding its retail and corporate line, while selectively acquiring higher-yielding assets and selling low-yielding ones in order to maintain an optimal risk profile. This strategy has led to a 24.25% increase in the credit portfolio to \$6.74 billion up from \$5.42 billion for 2007. Expansions in the credit portfolio have been facilitated mainly by increases in the Bank's Deposit portfolio as well as reinvested earnings. The treasury portfolio investment in securities now stands at \$39.85 billion versus \$46.15 billion in the comparative period of 2007, as the Merchant Bank move to de-emphasize its securities trading activities.

The Group also manages on a fiduciary basis, approximately \$2.91 billion in Assets under Management primarily in respect of 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 portfolios. Loans at year end, after provision for Loan Losses, amounted to \$6.74 billion, a significant increase over the prior year \$5.42 billion. This also resulted in a 66.04% increase in loan income to \$247.63 million up from \$162.27 million in 2007. As required under International Financial Reporting Standards (IFRS), the Loan Loss Provision at March 31, 2008 is \$46.71 million, representing 0.73% of gross loans, compared to Loan Loss Provision of \$34.72 million, or 0.66% of Gross Loans for the comparable period. Non accrual loans as at March 31, 2008 amounted to \$473.90 million. The Bank continues to review and monitor its credit quality, this along with renewed focus of the Loan Recovery Unit; it is expected to make significant strides in 2008.

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, 2008, in keeping with the mandatory requirement of Bank of Jamaica on credit, additional provision amounted to \$84.70 million, compared to \$53.89 million for the same period in the previous year. The provisions are considered adequate.

CAPITAL BASE

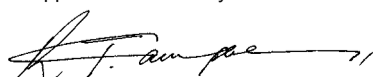
The Group continues to have a strong capital base. At March 31, 2008, total Stockholders' Equity amounted to \$5.84 billion - an increase of 3.73% over the comparative period. The strengthening of the Capital Base has been facilitated primarily through the retention in earnings. The Fair Value Reserve which represents the market value adjustment of the investment portfolio continues to constrain the total value, as the market values of securities listed on the Jamaica Stock Exchange and other securities continue to fluctuate.

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

HIGHLIGHTS

| | Unaudited 3 Months Mar-08 \$'000 | Unaudited 3 Months Mar-07 \$'000 | Audited 12 Months Dec-07 \$'000 |
|---|---|---|--|
| ASSETS | | | |
| CASH RESOURCES | 2,668,496 | 1,357,252 | 2,261,196 |
| INVESTMENT IN SECURITIES | 39,853,548 | 46,151,237 | 44,017,819 |
| SECURITIES PURCHASED UNDER RESALE AGREEMENTS | - | 135,862 | - |
| INVESTMENT IN ASSOCIATE | 3,282 | 3,282 | 3,282 |
| LOANS (after provision for loan losses) | 6,735,144 | 5,420,626 | 6,404,421 |
| INTANGIBLE ASSETS | 444,469 | 426,548 | 444,469 |
| DEFERRED TAX ASSETS | 95,863 | - | 7,465 |
| OTHER ASSETS | | | |
| Accounts receivable | 752,145 | 2,885,472 | 734,876 |
| Customers' liabilities under acceptances, guarantees and letters of credit as per contra | 1,098,570 | 346,629 | 354,989 |
| Property, plant and equipment | 89,313 | 103,707 | 104,032 |
| Other asset | 15,000 | 15,000 | 15,000 |
| | <u>1,955,028</u> | <u>3,350,808</u> | <u>1,208,897</u> |
| TOTAL ASSETS | <u>51,755,830</u> | <u>56,845,615</u> | <u>54,347,549</u> |
| LIABILITIES | | | |
| DEPOSITS | 7,516,160 | 6,291,355 | 7,670,991 |
| SECURITIES SOLD UNDER REPURCHASE AGREEMENTS | 33,723,997 | 39,230,472 | 37,199,563 |
| LOAN PARTICIPATION | 1,637,457 | 1,593,806 | 1,959,561 |
| DUE TO OTHER FINANCIAL INSTITUTIONS | 1,616,074 | 2,430,688 | 1,194,852 |
| DEFERRED TAX LIABILITIES | - | 17,153 | - |
| OTHER LIABILITIES | | | |
| Bank overdraft | - | 49,203 | - |
| Accounts payable | 320,791 | 1,252,561 | 186,904 |
| Customers' liabilities under acceptances, guarantees and letters of credit as per contra | 1,098,570 | 346,629 | 354,989 |
| | <u>1,419,361</u> | <u>1,648,393</u> | <u>541,893</u> |
| 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 | 408,601 | 362,678 | 408,601 |
| Retained earnings reserve | 1,515,442 | 1,515,442 | 1,515,442 |
| Fair value reserve | (320,256) | (71,846) | (216,516) |
| Loan loss reserve | 84,701 | 53,893 | 74,611 |
| Unappropriated profits | 2,401,485 | 2,025,429 | 2,246,978 |
| Attributable to stockholders of the Bank | 5,822,861 | 5,618,484 | 5,762,004 |
| Minority interest | 19,921 | 15,264 | 18,685 |
| | <u>5,842,782</u> | <u>5,633,748</u> | <u>5,780,689</u> |
| | <u>51,755,830</u> | <u>56,845,615</u> | <u>54,347,549</u> |

Approved for issue by the Board of Directors on April 18, 2008 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 AS AT MARCH 31, 2008

HIGHLIGHTS

| | Unaudited 3 months Mar-08 \$'000 | Unaudited 3 months Mar-07 \$'000 | Audited 12 months Dec-07 \$'000 |
|--|---|---|--|
| Gross Operating Revenue | <u>1,453,380</u> | <u>1,364,037</u> | <u>5,472,222</u> |
| Interest on investments | 1,064,191 | 970,138 | 4,076,825 |
| Interest on loans | 247,634 | 162,266 | 807,632 |
| | <u>1,311,825</u> | <u>1,132,404</u> | <u>4,884,457</u> |
| Interest expense | 985,511 | 961,761 | 4,057,608 |
| Net interest income | <u>326,314</u> | <u>170,643</u> | <u>826,849</u> |
| Commission and fee income | 26,533 | 25,780 | 97,826 |
| Net gains on securities trading | 68,527 | 195,758 | 442,868 |
| Foreign exchange trading and translation | 23,899 | 3,238 | (10,158) |
| Dividend income | 19,401 | 4,077 | 45,912 |
| Other income | 3,195 | 2,780 | 11,317 |
| | <u>141,555</u> | <u>231,633</u> | <u>587,765</u> |
| Net interest income and other revenue | <u>467,869</u> | <u>402,276</u> | <u>1,414,614</u> |
| NON INTEREST EXPENSES | | | |
| Staff costs | 137,698 | 120,563 | 475,419 |
| Loan loss expense | 6,540 | - | 12,022 |
| Bank charges | 7,604 | 5,852 | 25,765 |
| Property expense | 15,545 | 16,939 | 66,491 |
| Depreciation and amortization | 22,662 | 5,747 | 43,269 |
| Information technology costs | 6,888 | 6,342 | 27,290 |
| Marketing and corporate affairs | 9,298 | 10,186 | 70,025 |
| Professional fees | 19,904 | 12,133 | 56,749 |
| Regulatory Cost | 7,325 | 3,715 | 21,068 |
| Irrecoverable General Consumption Tax | 8,670 | 6,943 | 30,446 |
| Other operating expenses | 18,271 | 16,179 | 51,264 |
| | <u>260,405</u> | <u>204,599</u> | <u>879,808</u> |
| Profit Before Taxation | 207,464 | 197,677 | 534,806 |
| Taxation | 41,104 | 43,682 | 88,323 |
| Profit After Taxation | <u>166,360</u> | <u>153,995</u> | <u>446,483</u> |
| Attributable to: | | | |
| Stockholders of the Bank | 164,597 | 153,075 | 441,265 |
| Minority interest | 1,763 | 920 | 5,218 |
| | <u>166,360</u> | <u>153,995</u> | <u>446,483</u> |
| Earnings per stock unit (cents) | 26 | 24 | 69 |
| Return on average equity (annualised) | 11.45% | 11.10% | 7.94% |
| Return on assets (annualised) | 1.25% | 1.12% | 0.82% |
| Efficiency ratio | 55.66% | 50.86% | 62.19% |
| Number of issued ordinary shares | 641,159,682 | 641,159,682 | 641,159,682 |

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT CHANGES OF EQUITY QUARTER ENDED MARCH 31, 2008

| | 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, 2006 | 320,580 | 1,412,308 | 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 |
| Unrealised gains on available for sale investments net of deferred taxes | - | - | - | - | - | - | - | - | - | - |
| 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 |
| Impairment losses net of deferred tax transferred to profit and loss account | - | - | - | - | - | - | - | - | - | - |
| Net income recognised directly in equity | - | - | - | - | 16,535 | - | 153,075 | 169,610 | 2,457 | 172,067 |
| Transfer to loan loss reserve | - | - | - | - | - | 14,152 | (14,152) | - | - | - |
| Transfer to retained earnings reserve | - | - | - | - | - | - | - | - | - | - |
| Transfer to statutory reserve fund | - | - | - | - | - | - | - | - | - | - |
| Transfer to retained earnings reserve | - | - | - | - | - | - | - | - | - | - |
| Transfer to share capital | 1,412,308 | (1,412,308) | - | - | - | - | - | - | - | - |
| Dividend paid | - | - | - | - | - | - | - | - | - | - |
| Dividend declared | - | - | - | - | - | - | - | - | - | - |
| 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 |
| Balance at December 31, 2007 | 1,732,888 | - | 408,601 | 1,515,442 | (216,516) | 74,611 | 2,246,978 | 5,762,004 | 18,685 | 5,780,689 |
| Net profit for the period | - | - | - | - | - | - | 164,597 | 164,597 | 1,236 | 165,833 |
| Transfer to loan loss reserve | - | - | - | - | - | 10,090 | (10,090) | - | - | - |
| Unrealised gain on available for sale investments net of taxes not recognised in profit and loss account | - | - | - | - | (103,740) | - | - | (103,740) | - | (103,740) |
| Dividend paid | - | - | - | - | - | - | - | - | - | - |
| Balance at March 31, 2008 | 1,732,888 | - | 408,601 | 1,515,442 | (320,256) | 84,701 | 2,401,485 | 5,822,861 | 19,921 | 5,842,782 |

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
SEGMENTS RESULTS AS AT MARCH 31, 2008

| | 2008 | | | |
|---------------------------------|--------------------------------------|--|-------------------------------------|-----------------|
| | Banking & Related Services \$'000 | Financial & Related Services \$'000 | Consolidation adjustments \$'000 | Group \$'000 |
| External revenue | 671,054 | 798,915 | (16,589) | 1,453,380 |
| Net revenue from other segments | 3,219 | - | (3,219) | - |
| | 674,273 | 798,915 | (19,808) | 1,453,380 |
| Operating expenses | 564,161 | 701,563 | (19,808) | 1,245,916 |
| Profit before tax | 110,112 | 97,352 | - | 207,464 |
| Taxation | - | - | - | 41,104 |
| Net profit after tax | - | - | - | 166,360 |
| Segment assets | 26,633,920 | 25,674,156 | (552,247) | 51,755,829 |
| Segment liabilities | 22,353,133 | 25,608,082 | (2,048,168) | 45,913,047 |
| | 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 |

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW AS AT MARCH 31, 2008

| | Unaudited Mar-08 \$'000 | Unaudited Mar-07 \$'000 |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Profit | 166,360 | 153,995 |
| Adjusted for operating assets and liabilities | 820 | (1,304,823) |
| Net cash (used in) / provided by operating activities | 167,180 | (1,150,828) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | 3,721,865 | (1,897,763) |
| CASH FLOWS PROVIDED BY FINANCING ACTIVITIES | (3,531,279) | 2,957,785 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 357,766 | (88,806) |
| OPENING CASH AND CASH EQUIVALENTS | 1,641,145 | 818,808 |
| CLOSING CASH AND CASH EQUIVALENTS | 1,998,911 | 730,002 |

CAPITAL & CREDIT MERCHANT BANK LIMITED AND ITS SUBSIDIARIES
NOTES TO REPORT AS AT MARCH 31, 2008

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) and have been prepared under the historical cost convention as modified by the revaluation of available for sale investment securities, investment securities held for trading and all derivative contracts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates.

IFRS 7 – Financial Instruments: Disclosures

The Group has adopted – IFRS 7 effective January 1, 2007, which introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosure about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

This report is made in Jamaican dollars.

2. Financial Assets

Financial assets 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 \$669,584,000 (2007 - \$578,047,000).

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.

7. Comparative Information

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