Capital & Credit Merchant Bank Limited

CAPITAL & CREDIT MERCHANT BANK LIMITED

UNAUDITED FINANCIAL RESULTS FOR

THE SECOND QUARTER

- Ended JUNE 30, 2008

A Member of the Capital & Credit Financial Group

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CAPITAL & CREDIT MERCHANT BANK LIMITED

UNAUDITED FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED JUNE, 30, 2008

The Directors of Capital & Credit Merchant Bank Limited (CCMB) are pleased to present the unaudited results for the second quarter ended June 30, 2008. The Bank recorded a 17% increase in Net Profit after Tax amounting to $98.40 million for the second quarter compared to $84.06 million for the corresponding period in 2007.

NET INTEREST INCOME

For the quarter, the Bank benefited from improved Net Interest Income (NII), which grew by 132% to $210.10 million when compared to $90.44 million in 2007. For the half year, Net Interest Income also reported an increase of 158% to $405.18 million compared to $156.98 million for 2007.

Net Interest Income, which represents our core business line, now contributes 76.47% of Total Income, when compared to 37.60% for the comparative period of 2007. This is a reflection of the renewed strategy to increase the Bank's sustainable income line, with greater emphasis on higher interest bearing banking activities.

We continue to see significant improvements in Loan Interest Income. For the quarter under review, Income from Loan grew by 20.33% to report $250.99 million up from $208.58 million in the corresponding quarter of 2007. For the six months period this trend was similar with Loan Income increasing by 34.21% moving to $497.74 million from $370.84 million in 2007.

OTHER REVENUE

The bearish market conditions currently being experienced, both locally and internationally, have impacted the Bank's other revenue. For the six months, other revenue reported $156.33 million down from $348.61 million in 2007, resulting mainly from a decline in bonds trading income. Income from bonds trading fell from $275.90 million in 2007 to $63.90 million in 2008. For the quarter, total Other Revenue contributed $64.65 million when compared to $150.10 million for the corresponding period in 2007. Other factors contributing to the performance includes Commission and Fee income; Dividend Income and Foreign Exchange Trading. Overall, Net Interest Income and Other Revenue totaled $561.51 million, an increase of 11.06% over the $505.59 million for the comparative half year and Profit after Tax of $188.69 million compared to $193.39 million for 2007.

NON INTEREST EXPENSES

Non-Interest expenses totaled $154.75 million up from $141.35 million in 2007, representing a 9.48% increase over the corresponding quarter last year. The major component of Non Interest expense is Staff Costs which totaled $80.81 million compared to $69.05 million in 2007, this was due primarily to salary increases for 2008. We continue to focus on cost management by streamlining and consolidating work flows, processes along with increased benefits from the new core banking systems across the Group in order to improve operational efficiencies.

EARNINGS PER STOCK UNIT

Earnings per Stock (EPS) Unit for the quarter amounted to 15 cents, an increase of 15.38% when compared to 13 cents for the comparable quarter of 2007. EPS Unit is based on the Net Profit after Tax and the 641,159,682 stock units in issue for both the current and comparative quarters under review.

RE-ORGANIZATION

The Capital & Credit Financial Group Limited (CCFG) restructuring exercise, which was finalized during this quarter, allows the Group to own 100% of Capital & Credit Merchant Bank Limited (CCMB), Capital & Credit Securities Limited (CCSL) and Capital & Credit Fund Managers Limited (CCFM). This resulted in the de-listing of the Bank's Ordinary Shares, the listing of CCFG's Ordinary Shares and CCMB's Preference Shares. In light of the restructuring CCSL & CCFM are no longer subsidiaries of the Bank, hence the quarter result highlighted is that of CCMB.

CAPITAL & CREDIT MERCHANT BANK LIMITED

BALANCE SHEET AS AT JUNE 30, 2008

HIGHLIGHTS

	Unaudited Jun-08 $'000	Unaudited Jun-07 $'000	Audited Dec-07 $'000
ASSETS			
Cash resources	1,272,218	1,241,238	2,067,492
Investment in securities	14,416,876	22,517,299	20,847,643
Securities purchased under resale agreements	792,913	421,882	1,073,672
Investment in subsidiaries	-	305,406	305,406
Investment in associates	3,282	3,282	3,282
Loans (after provision for loan losses)	7,088,570	6,409,477	6,404,421
Intangible assets	277,769	304,272	304,323
Deferred tax assets	147,171	156,285	29,041
Accounts receivable	801,302	424,435	398,116
Customers' liabilities under acceptances, guarantees and letters of credit as per contra	510,131	447,060	354,989
Property, plant and equipment	55,834	51,475	49,634
TOTAL ASSETS	25,366,066	32,282,111	31,838,019
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposit	8,877,100	7,468,585	7,675,437
Securities sold under repurchase agreements	9,706,802	17,703,815	16,267,343
Loan participation	1,074,042	1,653,035	1,959,561
Due to other financial institutions	826,176	1,106,254	1,194,851
Accounts payable	196,300	62,412	148,753
Redeemable Preference shares	88,259	-	-
Acceptances, guarantees and letters of credit as per contra	510,131	447,060	354,989
	21,278,810	28,441,161	27,600,934
STOCKHOLDERS' EQUITY			
Share capital	1,732,888	1,732,888	1,732,888
Statutory reserve fund	408,601	362,678	408,601
Retauned earnings reserve	1,515,442	1,515,442	1,515,442
Fair value reserve	(365,808)	(396,052)	(112,676)
Loan loss reserve	88,730	67,532	74,611
Unappropriated profits	707,403	558,462	618,219
	4,087,256	3,840,950	4,237,085
	25,366,066	32,282,111	31,838,019

Approved for issue by the Board of Directors on July 25, 2008

and signed on its behalf by :

Ryland T. Campbell
Chairman

Curtis A. Martin
President & CEO

BALANCE SHEET

Total assets as at June 30, 2008 amounts to $25.37 billion compared to $32.28 billion in 2007. The reduction in the Balance Sheet represents the company's strategy to de-emphasize lower yielding treasury activities whilst, focusing on expanding its retail and corporate business lines. This has led to a 10.59% increase in the credit portfolio to $7.09 billion up from $6.41 billion for 2007. Expansions in the credit portfolio have been facilitated mainly by increases in the Deposit Portfolio, as well as reinvested earnings. The Treasury Portfolio investment in securities now stands at $14.42 billion versus $22.52 billion in the comparative period of 2007.

LOAN PORTFOLIO

As part of the strategy to invest in higher yielding assets and improve sustainable income, the Bank has focused on growing both its retail and corporate loan portfolios. Loans at year end, after provision for Loan Losses, amounted to $7.09 billion, an increase over the prior year $6.41 billion. This also resulted in a 34.22% increase in loan income to $497.74 million up from $370.85 million in 2007. As required under International Financial Reporting Standards (IFRS), the Loan Loss Provision at June 30, 2008 stood at $65.49 million, represen00ting 0.93% of gross loans, compared to Loan Loss Provision of $34.72 million, or 0.66% of Gross Loans for the comparable period of 2007. Non accrual loans as at June 30, 2008 totaled $521.05 million. The Bank continues to review and monitor its credit quality, these, along with the renewed focus of the Loan Recovery Unit; is expected to make significant strides in the second half of 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 June 30, 2008, In keeping with the mandatory requirement of Bank of Jamaica on credit, additional provision amounted to $88.73 million, compared to $67.53 million for the same period in the previous year. The provisions are considered adequate.

CAPITAL BASE

The Bank continues to have a strong capital base. At June 30, 2008, total Stockholders' Equity amounted to $4.09 billion - an increase of 6.41% over the comparative period of $3.84 billion in 2007. The strengthening of the Capital Base has been facilitated primarily through the retention of 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.

FORWARD LOOKING

The Bank expects to see continued growth and expansion in the current business lines and has implemented a strong Debt Recovery Service Unit to improve its credit management effectiveness. CCMB is on target to meet its business performance goals for 2008.

The Directors of Capital & Credit Merchant Bank would like to take this opportunity to express sincere gratitude and appreciation to all our valued customers, shareholders and business associates for their continued confidence and support. We would also like to thank our dedicated and committed management and staff for the continued professionalism and integrity in their business conduct under their fiduciary responsibilities.

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RYLAND T. CAMPBELL
CHAIRMAN
On behalf of the Board of Directors

CAPITAL & CREDIT MERCHANT BANK LIMITED

PROFIT & LOSS ACCOUNT

FOR THE SIX MONTHS ENDED JUNE 30, 2008

HIGHLIGHTS

	Unaudited 3 months Jun-08 $'000	Unaudited 3 months Jun-07 $'000	Unaudited 6 months Jun-08 $'000	Unaudited 6 months Jun-07 $'000	Audited 12 months Dec-07 $'000
Gross Operating Revenue	**617,291**	**743,446**	**1,291,565**	**1,514,838**	**2,842,700**
Interest on investments	301,658	384,769	637,496	795,383	1,523,737
Interest on loans	250,986	208,580	497,743	370,846	807,006
	552,644	593,349	1,135,239	1,166,229	2,330,743
Interest expense	342,545	502,910	730,055	1,009,246	1,951,644
Net interest income	**210,099**	**90,439**	**405,184**	**156,983**	**379,099**
Commission and fee income	8,721	7,844	17,403	20,862	40,727
Net gains on securities trading	20,797	104,611	63,901	275,899	379,383
Foreign exchange trading and translation	12,948	19,949	32,160	25,268	37,082
Dividend income	18,226	13,907	34,694	17,761	48,033
Other income	3,955	3,786	8,168	8,819	6,732
	64,647	150,097	156,326	348,609	511,957
Net interest income and other revenue	**274,746**	**240,536**	**561,510**	**505,592**	**891,056**
NON INTEREST EXPENSES					
Staff costs	80,805	69,049	161,381	137,361	270,407
Loan loss expense	12,078	11,514	18,618	11,514	12,022
Depreciation and amortization	18,438	4,103	37,093	8,181	32,040
Other operating expenses	43,428	56,686	114,308	112,689	237,425
	154,749	141,352	331,400	269,745	551,894
Profit Before Taxation	119,997	99,184	230,110	235,847	339,162
Taxation	21,599	15,120	41,419	42,453	33,009
Profit After Taxation	**98,398**	**84,064**	**188,691**	**193,394**	**306,153**
Earnings per stock unit (cents)	15	13	29	30	69

CAPITAL & CREDIT MERCHANT BANK LIMITED

STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED JUNE 30, 2008

	Unaudited Jun-08 $'000	Unaudited Jun-07 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit	188,691	193,394
Adjusted for operating assets and liabilities	(492,197)	(257,639)
Net cash (used in) / provided by operating activities	**(303,506)**	**(64,245)**
CASH FLOWS USED IN INVESTING ACTIVITIES	5,991,842	591,984
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	(6,613,072)	(453,916)
INCREASE IN CASH AND CASH EQUIVALENTS	(924,737)	73,823
OPENING CASH AND CASH EQUIVALENTS	1,447,441	627,576
CLOSING CASH AND CASH EQUIVALENTS	**522,704**	**701,399**

CAPITAL & CREDIT MERCHANT BANK LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2008

	Share Capital $'000	Statutory Reserve Fund $'000	Retained Earnings Reserve $'000	Fair value Reserve $'000	Loan loss Reserve $'000	Unappropriated Profits $'000	Total $'000
Balance at December 31, 2006	1,732,888	362,678	1,515,442	(98,716)	39,741	392,859	3,944,892
Unrealised loss on available for sale investments net of taxes not recognised in profit and loss account	-	-	-	(297,336)	-	-	(297,336)
Net profit for the period	-	-	-	-	-	193,394	193,394
Transfer to loan loss reserve	-	-	-	-	27,791	(27,791)	-
Balance at June 30, 2007	**1,732,888**	**362,678**	**1,515,442**	**(396,052)**	**67,532**	**558,462**	**3,840,950**
Balance at December 31, 2007	1,732,888	408,601	1,515,442	(112,676)	74,611	618,319	4,237,185
Net profit for the period	-	-	-	-	-	188,691	188,691
Transfer to loan loss reserve	-	-	-	-	14,119	(14,119)	-
Unrealised gain on available for sale investments net of taxes not recognised in profit and loss account	-	-	-	(253,132)	-	-	(253,132)
Redeemable Preference shares	-	-	-	-	-	(85,488)	(85,488)
Balance at June 30, 2008	**1,732,888**	**408,601**	**1,515,442**	**(365,808)**	**88,730**	**707,403**	**4,087,256**

CAPITAL & CREDIT MERCHANT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 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 $749,514,000 (2007 - $539,839,000).

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 primary business segments are based on the company's management and reporting structure. Segment information is presented in respect of the Group's business of which the Bank is one such function.

7. Comparative Information

Where necessary, comparative figures have been restated to conform to changes in presentation with the present Group structure.