

# Capital & Credit Merchant Bank Limited

## UNAUDITED FINANCIAL RESULTS FOR

# THE THIRD QUARTER

- Ended SEPTEMBER 30, 2008

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The Directors of Capital & Credit Merchant Bank Limited (CCMB) are pleased to present the unaudited results for the third quarter ended September 30, 2008.

The Bank generated Net Profit after Tax for the quarter of \$72.15 million, an increase of 190.75% over the \$24.82 million for the comparative quarter of 2007 bringing the Year to date Profit to \$260.84 million, an increase of 19.61% compared to the \$218.08 million reported for the corresponding period in 2007. The improved result was earned primarily from Net Interest Income; Foreign Exchange Trading and Dividend Income.

### REVENUE

The Bank continues to benefit from its renewed strategy to increase sustainable income, with greater emphasis on higher interest bearing banking activities. For the nine months, the Bank benefited from improved margins resulting in a 140.79% growth in Net Interest Income (NII) to \$628.40 million compared to \$260.98 million for 2007. For the quarter, Net Interest Income (NII) increased by 114.64% to \$223.21 million when compared to the \$103.99 million for the corresponding period in 2007.

Net Interest Income now contributes 74.89% of Total Income when compared to 40.13% for the comparative nine months of 2007. The strategy employed has resulted in a 28.89% increase in Loan Interest Income which reported \$757.48 million up from \$587.72 million in the corresponding nine months of 2007. For the quarter, the trend was similar with Loan Income growing by 19.77% to \$259.74 million up from the \$216.87 million in 2007.

Other Revenue recorded a 32.96% increase to report \$54.36 million up from \$40.88 million for the corresponding quarter in 2007. The major components contributing to the improved performance includes increased Foreign Exchange Trading, Dividend Income, Commission and Fee Income which contributed an overall 88.98% of Total Other Revenue for the quarter. For the nine months, Other Revenue totaled \$210.68 million down from \$389.35 million in 2007. This is due mainly to the shift in business model to de-emphasise the security trading activities in the Merchant Bank, as well as unfavorable market conditions being experienced both locally and internationally.

Overall Net Interest Income and Other Revenue totaled \$277.57 million, an increase of 91.59% for the quarter when compared to \$144.87 million in 2007. Income to date totaled \$839.08 million, an increase of 29.02% up from the \$650.33 million reported for the comparative nine months in 2007.

### NON INTEREST EXPENSES

Non-Interest expenses to date totaled \$520.98 million up from \$384.35 million reported in 2007. The major components are increased Staff Costs, Loan Loss Expenses and Depreciation charges on the new T24 Core Banking system. Cost management remains a critical focus for the Bank as we continue to monitor, streamline and consolidate work flows and processes.

### EARNINGS PER STOCK UNIT

Earnings per Stock (EPS) Unit reported a year to date increase of 20.60%, moving to 41 cents when compared to 34 cents for the similar period in 2007. For the quarter EPS amounted to 11 cents compared to 4 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.

### BALANCE SHEET

Total assets as at September 30, 2008 stood at \$25.65 billion compared to \$32.28 billion in 2007. The reduction in the Balance Sheet is a reflection of the Bank's strategy to de-emphasise lower yielding treasury activities whilst, focusing on expanding its retail and corporate business lines. The Treasury Portfolio, investment in securities now stands at \$14.18 billion versus \$23.58 billion in the comparative period of 2007.

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 September 30, after provision for Loan Losses, stood at \$7.17 billion, an increase over the prior year's \$6.65 billion. Based on the increase in the Loan Portfolio as well as International Financial Reporting Standards (IFRS) requirement, Loan Loss Provision at September 30, 2008 stood at \$69.56 million, representing 0.98% of gross loans, as against \$47.00 million or 0.71% of Gross Loans in 2007. Non accrual loans as at September 30, 2008 totaled \$549.26 million. The Bank is at an advance stage in resolving the major components of this portfolio and is expected to make significant recoveries in the coming quarters.

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 September 30, 2008, in keeping with the mandatory requirement of Bank of Jamaica on credit, year to date provision stood at \$102.07 million, compared to \$62.35 million for the same period in the previous year. The provisions are considered adequate.

The Bank continues to have a strong capital base. At September 30, 2008, total Stockholders' Equity amounted to \$3.90 billion. The Bank's capital ratio (Qualifying Capital/Balance Sheet Assets) stood at 14.65%, which is more than twice the regulatory capital benchmark of 6.00%.


The current global financial crisis will have an impact on the Jamaican economy. However, the proactive approach by the Central Bank in providing temporary lending facility to preserve stability is expected to mitigate any negative impact in the financial sector. Cognizant of these developments, the management team has been proactive in taking the necessary precautionary measures to reduce any significant impact the expected global recession might have and will continue to protect and provide guidance to its valued stakeholders.



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

CAPITAL & CREDIT MERCHANT BANK LIMITED BALANCE SHEET AS AT SEPTEMBER 30, 2008			
	Unaudited Sep-08 \$'000	Unaudited Sep-07 \$'000	Audited Dec-07 \$'000
<b>ASSETS</b>			
Cash resources	1,217,113	2,080,835	2,067,492
Investment in securities	14,176,996	23,583,486	20,847,643
Securities purchased under resale agreements	879,029	262,011	1,073,672
Investments in subsidiaries	-	305,406	305,406
Investment in associates	3,282	3,282	3,282
Loans (after provision for loan losses)	7,165,912	6,647,350	6,404,421
Intangible assets	254,000	310,079	304,323
Deferred tax assets	261,537	104,058	29,041
Accounts receivable	847,758	154,108	398,116
Customers' liabilities under acceptances, guarantees and letters of credit as per contra	776,097	779,886	354,989
Property, plant and equipment	68,614	51,477	49,634
<b>TOTAL ASSETS</b>	<b>25,650,338</b>	<b>34,281,978</b>	<b>31,838,019</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Deposit	9,371,031	6,910,596	7,675,437
Securities sold under repurchase agreements	9,470,973	19,431,767	16,267,343
Loan participation	1,029,944	1,549,042	1,959,561
Due to other financial institutions	832,959	1,484,599	1,194,851
Accounts payable	270,340	166,760	148,753
Customers' liabilities under acceptances, guarantees and letters of credit as per contra	776,097	779,886	354,989
	<b>21,751,344</b>	<b>30,322,650</b>	<b>27,600,934</b>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	1,732,888	1,732,888	1,732,888
Statutory reserve fund	408,601	362,678	408,601
Retained earnings reserve	1,515,442	1,515,442	1,515,442
Fair value reserve	(626,217)	(302,490)	(112,676)
Loan loss reserve	102,076	62,351	74,611
Unappropriated profits	766,204	588,459	618,219
	<b>3,898,994</b>	<b>3,959,328</b>	<b>4,237,085</b>
	<b>25,650,338</b>	<b>34,281,978</b>	<b>31,838,019</b>

Approved for issue by the Board of Directors on October 17, 2008 and signed on its behalf by:



Ryland T. Campbell  
 Chairman




Curtis A. Martin  
 President & CEO

CAPITAL & CREDIT MERCHANT BANK LIMITED PROFIT & LOSS ACCOUNT FOR NINE MONTHS ENDED SEPTEMBER 30, 2008					
	Unaudited 3 months Sep-08 \$'000	Unaudited 3 months Sep-07 \$'000	Unaudited 9 months Sep-08 \$'000	Unaudited 9 months Sep-07 \$'000	Audited 12 months Dec-07 \$'000
<b>Gross Operating Revenue</b>	<b>625,049</b>	<b>616,887</b>	<b>1,916,611</b>	<b>2,131,590</b>	<b>2,842,700</b>
Interest on investments	310,955	359,136	948,450	1,154,519	1,523,737
Interest on loans	259,739	216,871	757,482	587,717	807,006
	570,694	576,007	1,705,932	1,742,236	2,330,743
Interest expense	347,480	472,014	1,077,536	1,481,260	1,951,644
<b>Net interest income</b>	<b>223,214</b>	<b>103,993</b>	<b>628,396</b>	<b>260,976</b>	<b>379,099</b>
Commission and fee income	12,427	6,879	29,830	27,741	40,727
Net gains on securities trading	4,720	13,294	68,620	289,193	379,383
Foreign exchange trading and translation	19,844	7,798	52,004	33,066	37,082
Dividend income	16,096	8,752	57,308	32,076	48,033
Other income	1,268	4,157	2,917	7,278	6,732
	54,355	40,880	210,679	389,354	511,957
<b>Net interest income and other revenue</b>	<b>277,569</b>	<b>144,873</b>	<b>839,075</b>	<b>650,330</b>	<b>891,056</b>
<b>NON INTEREST EXPENSES</b>					
Staff costs	83,410	58,820	244,790	196,181	270,407
Loan loss expense	5,729	-	24,347	11,514	12,022
Depreciation and amortization	24,748	3,479	61,842	11,660	32,040
Other operating expenses	75,692	52,311	190,001	165,000	237,425
	<b>189,579</b>	<b>114,610</b>	<b>520,980</b>	<b>384,355</b>	<b>551,894</b>
Profit Before Taxation	87,990	30,263	318,095	265,975	339,162
Taxation	15,838	5,447	57,257	47,900	33,009
<b>Profit After Taxation</b>	<b>72,152</b>	<b>24,816</b>	<b>260,838</b>	<b>218,075</b>	<b>306,153</b>
<b>Earnings per stock unit (cents)</b>	<b>11</b>	<b>4</b>	<b>41</b>	<b>34</b>	<b>47</b>

CAPITAL & CREDIT MERCHANT BANK LIMITED CASH FLOW FOR NINE MONTHS ENDED SEPTEMBER 30, 2008		
	Unaudited Sep-08 \$'000	Unaudited Sep-07 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit	260,383	291,245
Adjusted for operating assets and liabilities	(498,342)	(281,378)
<b>Net cash (used in) / provided by operating activities</b>	<b>(237,959)</b>	<b>(63,303)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
	5,632,639	1,132,397
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>		
	(6,392,285)	(249,229)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(997,150)</b>	<b>819,865</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>1,447,441</b>	<b>627,576</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>450,291</b>	<b>1,447,441</b>

 **CAPITAL & CREDIT MERCHANT BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR NINE MONTHS ENDED SEPTEMBER 30, 2008**

	Share Capital \$'000	Statutory Reserve Fund \$'000	Capital Reserve \$'000	Retained Earnings \$'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 gains on available for sale investments net of taxes not recognised in profit and loss account	-	-	-	-	(203,774)	-	-	(203,774)
Net profit for the period	-	-	-	-	-	-	218,210	218,210
Transfer to loan loss reserve	-	-	-	-	-	<u>22,610</u>	<u>(22,610)</u>	-
<b>Balance at September 30, 2007</b>	<b><u>1,732,888</u></b>	<b><u>-</u></b>	<b><u>362,678</u></b>	<b><u>1,515,442</u></b>	<b><u>(302,490)</u></b>	<b><u>62,351</u></b>	<b><u>588,459</u></b>	<b><u>3,959,328</u></b>
Balance at December 31, 2007	1,732,888	-	408,601	1,515,442	(112,676)	74,611	618,319	4,237,184
Net profit for the period	-	-	-	-	-	-	260,838	260,838
Transfer to loan loss reserve	-	-	-	-	-	27,465	(27,465)	-
Unrealised gain on available for sale investments net of taxes not recognised in profit and loss account	-	-	-	-	(513,541)	-	-	(513,541)
Redeemable Preference Shares	-	-	-	-	-	-	<u>(85,488)</u>	<u>(85,488)</u>
<b>Balance at September 30, 2008</b>	<b><u>1,732,888</u></b>	<b><u>-</u></b>	<b><u>408,601</u></b>	<b><u>1,515,442</u></b>	<b><u>(626,217)</u></b>	<b><u>102,076</u></b>	<b><u>766,204</u></b>	<b><u>3,898,994</u></b>

 **CAPITAL & CREDIT MERCHANT BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT SEPTEMBER 30, 2008**

**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.

This report is made in Jamaican dollars.

All other accounting policies remain in effect as per our 2007 audited report. For further information on these accounting policies, please refer to our website: [www.capital-credit.com](http://www.capital-credit.com)

**Our values haven't changed**  
**...we've just grown larger to serve you better!**

With a proven track record for being **Solid, Safe and Secure**, along with consistent **Financial Focus** and performance, Capital & Credit Merchant Bank is now part of a tailored group of companies, designed to

**Provide Total Financial Solutions:**

 <b>CAPITAL &amp; CREDIT</b> <b>MERCHANT BANK LIMITED</b> <b>FINANCIALLY FOCUSED</b> <i>Banking Services</i>	 <b>CAPITAL &amp; CREDIT</b> <b>SECURITIES LIMITED</b> <i>Investment &amp; Securities</i>	
 <b>Capital &amp; Credit</b> <b>Remittance Limited</b> <i>Remittance Services</i>	 <b>CAPITAL &amp; CREDIT</b> <b>FUND MANAGERS LIMITED</b> <i>Unit Trust Funds</i>	 <b>CAPITAL &amp; CREDIT</b> <b>INTERNATIONAL INC</b> <i>International Broker/Dealer Services</i>

**Together we can do Great Things!**



**Capital & Credit Financial Group Limited**  
*Providing Total Financial Solutions*

Want to know more? Please contact us!

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