

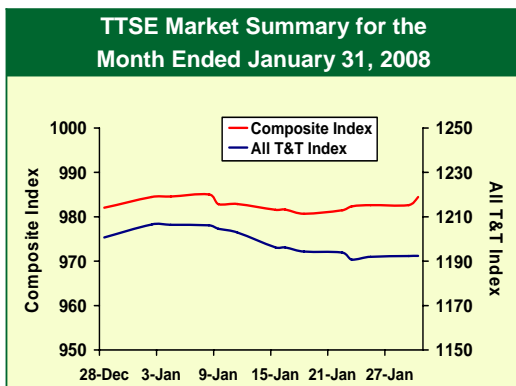


Securing Your Future Is Our Main Investment

## THE WISE CHRONICLE January 2008

### Local Market Summary

The local equity market started the year on slow footing. The Composite Index rose 0.25 per cent or 2.4090 points to close the month of January at 984.4411 while the All T&T Index ended the month at 1,192.4054 down 0.69 per cent or 8.2819 points.



Trading activity for January amounted to 5,062,958 shares traded, down 23.84 per cent when compared to December 2007 which saw 6,647,379 shares cross the floor. Additionally when compared to the same period in 2007, volumes for January were down a considerable 68.55 per cent from 16,100,966 shares traded.

The total value of shares was also down significantly, with January recording a total value of \$58,084,556.78 compared to \$206,088,986.15 in December 2007 (-71.82 per cent) and \$315,382,655.31 in January 2007 (-81.58 per cent).

### Volume Leaders

The volume leader for the month was National Commercial Bank (Jamaica) Limited (NCBJ) with 1,293,108 shares traded or 25.54 per cent of the market. Jamaica Money Market Brokers Limited (JMMB) followed with 940,498 shares changing ownership which accounted for 18.58 per cent of the total volume traded. Next was RBTT Financial Holdings Limited (RBTT) which saw 564,272 shares change hands or 11.15 per cent of all trades.

### Major Advances & Declines

January saw 11 stocks advancing while 13 declined. Jamaican shares dominated the advances this month with Capital & Credit Merchant Bank Limited (CCMB) emerging as the major advance, up 13.92 per cent or 11 cents to end the month at \$0.90. In Jamaica, this share closed the month at JMD11.98. GraceKennedy Limited (GKC) came in as the second major advance, rising 12.90 per cent or 80 cents to \$7.00. This share closed at JMD88.00 in Jamaica. Followed by JMMB, which advanced 11.11 per cent or 10 cents to \$1.00. In Jamaica, this share ended the month at JMD11.21.

Declines were led by National Enterprises Limited (NEL) this month, which fell 8.53 per cent or 61 cents to \$6.54. Sagicor Financial Corporation (SFC) followed declining 4.94 per cent or 78 cents to \$15.01. While Agostini's Limited (AGL) was the third major decline, down 4.67 per cent or 49 cents to \$10.00.

### Jamaica Market Summary

The Jamaican Market showed positive strides for January as all three Indices trended upwards. The JSE Market Index advanced 525.66 points or 0.49 per cent to close at 108,493.72; the JSE Select Index rose 58.37 points or 1.95 per cent to 2,987.34 and the JSE All Jamaican Composite gained 2,334.00 points or 2.14 per cent to 109,116.86. Advances outnumbered declines by a ratio of 33 to 8.

Trading activity resulted in 249,175,896 shares changing hands valued at over JMD3,770,278,023.76. Supreme Ventures Limited (SVL) was the volume leader commanding 21.16 per cent of the market with 52,737,923 shares traded. The major advance went to Ciboney Group Limited (CBNY) which rose an outstanding 100 per cent or JMD0.01 to close at JMD0.02 while the major decline was Lascelles, de Mercado and Company Limited (LAS) which fell 22.12 per cent or JMD125.00 to close at JMD440.00.

### NCBJ Releases First Quarter Results (Q108) Results for the Three Months Ended December 31, 2007

*All figures quoted in Jamaican Dollars unless otherwise stated*

National Commercial Bank (Jamaica) Limited (NCBJ) has once again produced commendable results, with Earnings Per Share (EPS) growing by a significant 25 per cent from \$0.61 in Q107 to \$0.76 in Q108. The Group has attributed the improved performance to its continued focus on core business which has resulted in higher earnings from the major income streams.

Gross Revenue for the quarter stood at \$9.1 billion, up \$1.0 billion or 13 per cent on the corresponding period in fiscal 2007. The Banking and Wealth Management Businesses contributed 73 per cent and 20 per cent respectively to the overall Group Revenue.

### Revenue Highlights:

- Total Interest Income up 11 per cent or \$695.2 million, due to continued growth in the loan and investment portfolios.
- Net Fee and Commission Income increased by 28 per cent or \$248.9 million. This was mainly attributable to fees generated from card and other retail banking related products.
- Premium Income from the Insurance segment increased by \$38.5 million or 58 per cent over the prior year due to increased sales of both retail and group life insurance products.

Operating Expenses (excluding interest and fee and commission expense) for the quarter totaled \$3.2 billion, up 10 per cent or \$286.5 million on the corresponding period in fiscal 2007. Staff costs were up by 11 per cent or \$176.0 million mainly due to negotiated increases in salary and allowances for the current financial year. Provision for credit losses stood at \$129.7 million, up a significant 186 per cent or \$84.4 million over comparable quarter in the last financial year. This increase was attributable to the 34 per cent growth in the loan portfolio.

The total assets of the group ended the period at \$259.3 billion representing an increase of \$24.6 billion or 10 per cent on Q107.

On January 24, 2008 the Board declared an interim dividend in respect of 2008 of \$0.15 per ordinary stock

unit. The dividend is payable on February 22, 2008 for stockholders on record as at February 11, 2008.

NCBJ ended the month under review at a price of TT\$2.15 on the local exchange. We have forecasted an EPS of TT\$0.28 for fiscal 2008 and at this forecast and the current price this share is trading at an attractive multiple of 7.7 times. Additionally, using a multiple of 9 times and the forecasted EPS of TT\$0.28, NCBJ has an expected return of 17 per cent or a target price of TT\$2.52. Thus, we continue to recommend a **BUY** on this share.

### **RBTT Releases Nine Months Results (NM08)** **WISE is a subsidiary of RBTT Financial Holdings Limited**

#### **Results for the Nine Months Ended December 31, 2007**

#### **Earnings Per Share**

For the Nine Month period ended December 31, 2007, RBTT Financial Holdings Limited (RBTT) reported Earnings Per Share (EPS) of \$1.95, down 1.52 per cent or 3 cents on the comparable EPS for fiscal 2007. The Chairman has stated that the Group's EPS was affected by: a higher effective Tax Rate (from 21 per cent to 25 per cent) due to changes to the tax legislation in one jurisdiction; increased provisions for tax assessments and higher taxable income generated by the retail banking entities. However, without taking these taxation charges into account the Bank's core pre tax performance was only up a small 5 per cent on the corresponding period last year. Also, when compared to the rest of the Banking sector RBTT's growth year on year is below average.

#### **Segmental Performance**

The Retail Banking business performed strongly with earnings moving ahead of the previous year by 32 per cent. However the Investment Banking and Trust and Asset Management Business are down by 17 per cent and 19 per cent respectively, year over year. The Chairman has stated that the trend is expected to continue through the fourth quarter of fiscal 2008.

#### **Financials**

Net Interest Income was up 12.54 percent, NM08 on NM07, while Q308 on Q307 this figure was up 9.43 per cent. The Bank saw a large decline in Impairment Expense on Loans moving from \$20.06 million for

NM07 to \$6.43 million for the Nine Months under review. Profit Before Taxation ended the period at \$907.88 million compared to \$863.32 million in the comparable period in the last financial year, an increase of 5.16 per cent, year on year. While Profit After Taxation was down a marginal 0.40 per cent from \$680.92 million to \$678.18 million

#### **Pending Transaction**

On October 2, 2007 RBTT and Royal Bank of Canada (RBC) reached an agreement to combine their Retail Banking operations. The deal is subject to shareholder and regulatory approval. The Bank has stated that the date for the Special Meeting of Shareholders will be announced shortly. The consideration offer is combination of cash and RBC shares which would be determined by an exchange ratio. Also, the number of RBC shares received by RBTT shareholders is subject to a plus or minus 10 per cent collar. RBC closed at a price of US\$50.09 on January 29, 2008.

#### **Recommendation**

RBTT closed January at \$34.95 on the local exchange. In light of these results we do not believe that RBTT will be able to meet our previous Forecasted EPS of \$2.80 for fiscal 2008. Thus, we are revising this figure down to \$2.70. At this forecast and the current price, this share is trading at a price to earnings multiple of approximately 13 times. Based on these fundamentals and the pending transaction with RBC, we are recommending a **HOLD** on this share.

A Member of the  **RBTT FINANCIAL GROUP**

*West Indies Stockbrokers Limited (WISE) is a subsidiary of RBTT Financial Group. From time to time WISE and/or its staff may take positions in some or all of the shares mentioned in our report. WISE welcomes your comments. Please e-mail us at [info@wisett.com](mailto:info@wisett.com).*

## **WISE STOCK MARKET QUOTATIONS AS AT JANUARY 31, 2008**

	Hist Eps	Est Eps	Est Div	Curr Price	Est Yield %	Est P/E Ratio
<b>Bank</b>						
FirstCaribbean	107.0	85.0	30.0	13.00	2.31	15.29
NCB Jca	25.0	28.0	7.0	2.15	3.26	7.68
RBTT Fin Hold	276.0	280.0	125.0	34.95	3.58	12.48
Republic Bank	833.0	725.0	300.0	80.50	3.73	11.10
Scotiabank	210.4	230.0	90.0	30.00	3.00	13.04
<b>Non-Bank Fin</b>						
ANSA Fin & Merch	177.0	200.0	85.0	23.00	3.70	11.50
Capital & Credit	11.0	8.0	1.8	0.90	2.00	11.25
DB&G	29.0	30.0	12.0	2.20	5.45	7.33
Guardian Holdings	-114.0	0.00	15.0	23.00	0.65	0.00
JMMB	7.0	8.0	1.8	1.00	1.80	12.50
National Enterprises	46.0	80.0	70.0	6.54	10.70	8.18
Sagicor Financial Corp	158.0	190.0	48.0	15.01	3.20	7.90
<b>Conglomerates</b>						
Ansa Mcal Ltd	276.0	350.0	95.0	47.48	2.00	13.57
Bdos Ship & Trad	150.0	165.0	66.0	27.93	2.36	16.93
GraceKennedy	53.3	70.0	13.0	7.00	1.86	10.00
Neal and Massy	415.0	475.00	140.0	47.94	2.92	10.09
<b>Trading</b>						
Agostini's Ltd	103.0	115.0	46.0	10.00	4.60	8.70
Furness Trinidad	68.0	80.0	0.0	6.15	0.00	7.69
L J Williams Ltd. - 'A'	0.8	0.5	0.2	0.60	0.33	120.00
L J Williams Ltd. - 'B'	15.0	25.0	9.0	1.20	7.50	4.80
Prestige Holdings	23.9	36.0	20.0	5.49	3.64	15.25
<b>Property</b>						
PLIPDECO	372.00	410.0	20.0	8.00	2.50	1.95
Valpark	47.3	47.3	0.0	5.00	0.00	10.57
<b>Manufacturing</b>						
Angostura Holdings	91.0	0.0	0.0	5.00	0.00	0.00
Berger Paints	-27.0	7.0	19.0	3.50	5.43	50.00
Flavorite Foods	67.0	80.0	35.0	5.12	6.84	6.40
National Flour Mills	-45.0	0.0	0.0	0.87	0.00	0.00
One Caribbean Media	131.0	140.0	77.0	17.32	4.45	12.37
Readymix WI	129.0	305.0	3.0	7.50	0.40	2.46
Trinidad Cement	60.0	75.0	8.0	7.50	1.07	10.00
Trinidad Publishing	117.0	145.0	60.0	19.00	3.16	13.10
Unilever Caribbean Ltd	133.0	153.0	125.0	17.45	7.16	11.41
WITCO	171.0	190.0	186.0	27.51	6.76	14.48

#### **Head Office**

1<sup>st</sup> Floor Albion Plaza, 22-24 Victoria Avenue, P.O.S.  
Tel: 625-WISE (9473) • Fax: 627-5002  
Email: [info@wisett.com](mailto:info@wisett.com) • Website: [www.wisett.com](http://www.wisett.com)