

National Commercial Bank (Jamaica)

All figures quoted in Jamaica Dollars unless otherwise stated

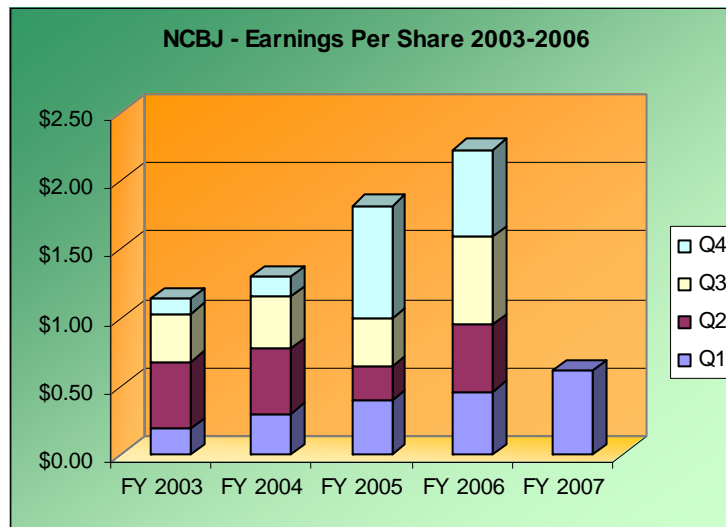
	NCBJ
RECOMMENDATION	BUY
Current Price	TT\$2.17
Running EPS	TT\$0.23
Projected EPS	TT\$0.26
P/E at Projected EPS	8.35 times
Projected Dividend	TT\$0.06
Dividend Yield	2.76 per cent
Return on Assets	2.62 per cent
Return on Equity	23.61 per cent

Results for the Three Months Ended December 31, 2006

Earnings Per Share

National Commercial Bank (Jamaica) (NCBJ) produced commendable results for the first quarter ended December 31, 2006 reporting Earnings Per Share (EPS) of 61 cents. This was 32.61 per cent more than the previous period's EPS and was as a result of strong income streams as the Group continues to grow revenue in all its major business segments. As can be seen from Figure 1, NCBJ's Q1 EPS has been continuously rising over the last five years.

Figure 1



Financials

Total Interest Income was up 10.27 per cent to \$6.201 billion as Interest Income from Loans rose 9.75 per cent to \$1.881 billion while Interest Income from Securities was up 10.49 per cent to \$7.321 billion. This was due mainly to sustained growth in loans, advances and investment securities. Loans and Advances (net of provision for credit losses) totaled \$44.908 billion as at December 31, 2006 compared to \$42.219 billion



West Indies Stockbrokers Ltd.
1st Floor, Albion Plaza,
22-24 Victoria Avenue,
Port of Spain.
Tel: 625-9473; Fax: 627-5002

Equity Research Team
Sreshtha Tewari (Ext 2225)
sreshthat@wisett.com
Gia Singh (Ext 2264)
gias@wisett.com

as at September 30, 2006. Net Interest Income was up by a smaller margin of 4.94 per cent to \$3.123 billion due to a 16.25 per cent increase in Interest Expense to \$3.079 billion.

Net Fee and Commission Income was up by a healthy margin of 25.44 per cent as Fee & Commission Income rose 24.51 per cent to \$1.090 billion while Fee & Commission Expense rose 20.56 per cent to \$199.735 million. Net trading income increased 48.34 per cent to \$704.403 million. This was most likely as a result of the positive momentum in its home market during that period. Dividend Income however fell 13.40 per cent to \$35.081 million while Other Operating Income rose 136.07 per cent to \$60.343 million. Ultimately, Operating Revenue increased 13.88 per cent to \$4.813 billion.

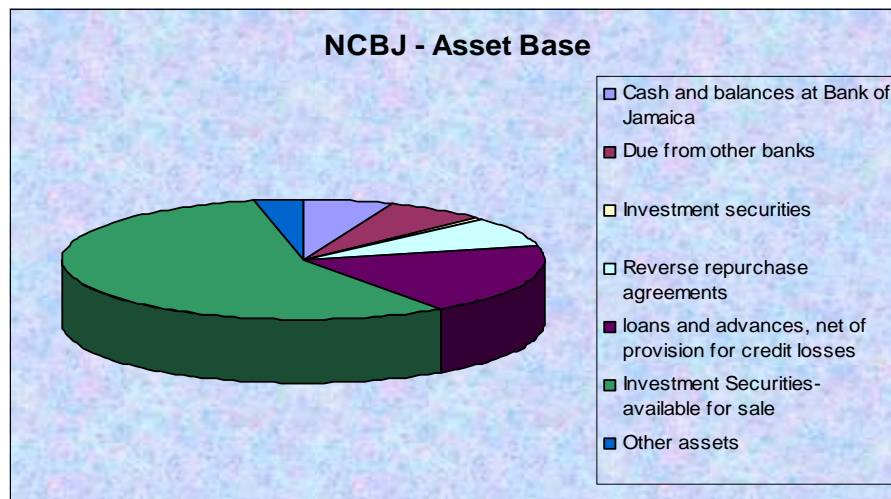
With the exception of Provision for Credit Losses, the Group was able to contain its Operating Expenses as this item rose by a small margin of 5.47 per cent to \$2.879 billion. The major component of these expenses was Staff Costs which rose 5.15 per cent to \$1.648 billion and made up over 57 per cent of operating expenses. The Group increased its Provision for Credit Losses by 190.21 per cent to \$45.380 million while Depreciation & Amortization dropped 12.93 per cent to \$223.761 million. In addition, Other Operating Expenses rose 4.69 per cent to \$926.311 million. There was also an Impairment loss on Investment Securities of \$30.380 million.

Ultimately, Operating Profit was up 29.13 per cent to \$1.939 billion. Profit Before Tax rose 30.13 per cent to \$1.982 billion while the Effective Tax Rate moved from 25.26 per cent (Q1-FY06) to 24.22 per cent (Q1-FY07). Net Profit ended 31.95 per cent higher than Q1-FY06 rising to \$1.502 billion.

Asset Base

The total asset base of the Group grew 4.71 per cent to \$233.656 billion. This growth was mainly due to a 20.96 per cent increase in Cash and Balances at the Bank of Jamaica to \$14.564 billion. Loans and Advances (net of credit losses) grew 6.37 per cent to \$44.908 billion while Reverse Repurchase Agreements fell 21.37 per cent to \$18.057 billion. The growth in asset base over the three month period was mainly funded by an increase in customer deposits of 9.80 per cent.

Figure 2

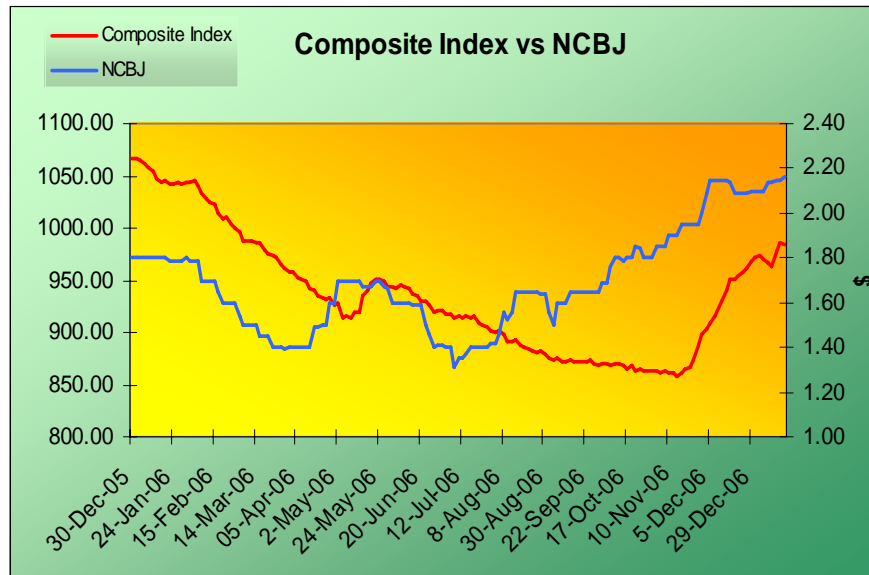




Share Price

Though NCBJ opened the year 2006 at a price of TT\$1.80 and was subsequently down after that, due to its consistently good performance through the year, its share price later surpassed TT\$1.80 to eventually end the year at TT\$2.10. This was an appreciation of 16.67 per cent for the year. Since the end of the year, NCBJ has closed as high as TT\$2.30. In Jamaica, it's current close is \$23.60 though it has traded as high as \$25.00.

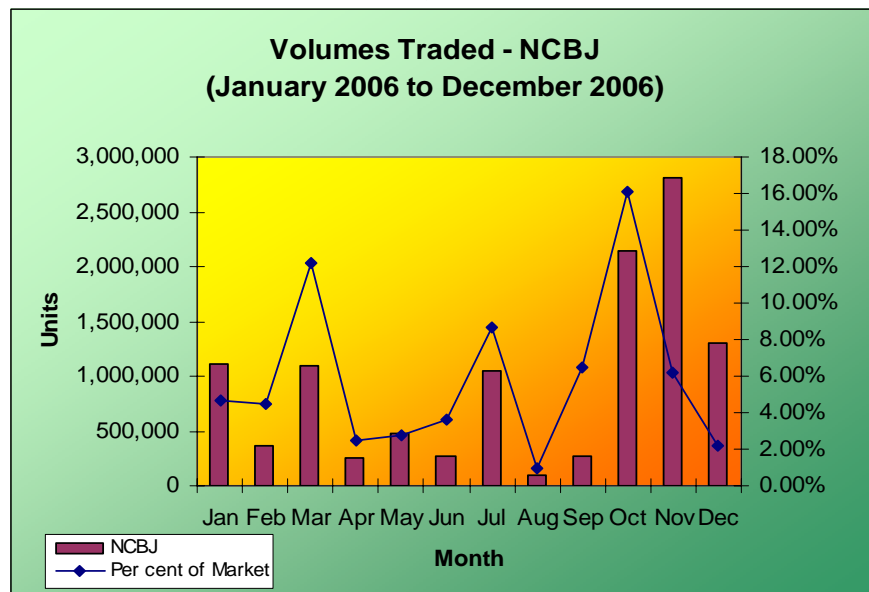
Figure 3



Volumes Traded

NCBJ traded the largest volumes in the last quarter of 2006 accounting for as much as 16.09 per cent of market volume in October. NCBJ however generally traded less than 10.00 per cent of the market during the year.

Figure 4





West Indies Stockbrokers Ltd.
1st Floor, Albion Plaza,
22-24 Victoria Avenue,
Port of Spain.
Tel: 625-9473; Fax: 627-5002

Equity Research Team
Sreshtha Tewari (Ext 2225)
sreshthat@wisett.com
Gia Singh (Ext 2264)
gias@wisett.com

Dividends

The Directors have declared a dividend of 13 cents per share to be paid on February 23, 2007.

Recommendation

Given these results WISE has revised its forecast from TT\$0.24 to \$TT0.26. At the current price of TT\$2.17 and WISE's forecasted EPS of TT\$0.26, NCBJ is trading at a price/earnings multiple of 8.34 times earnings. Given that NCBJ usually trades as high as 10 times earnings, this multiple is attractive for this share and so we recommend a BUY.



West Indies Stockbrokers Ltd.
1st Floor, Albion Plaza,
22-24 Victoria Avenue,
Port of Spain.
Tel: 625-9473; Fax: 627-5002

Equity Research Team
Sreshtha Tewari (Ext 2225)
sreshthat@wisett.com
Gia Singh (Ext 2264)
gias@wisett.com

Figure 5

National Commercial Bank (Jamaica) - First Quarter Results for Fiscal Year 2007								
	Q1 31/12/06	Q1 31/12/05	Change					
	JMD \$'000	JMD \$'000	%					
Revenue	8,091,541	7,040,675	14.93%					
Expense	6,152,271	5,538,854	11.07%					
Operating Profit	1,939,270	1,501,821	29.13%					
Share of Profits fo associates	42,315	20,945	102.03%					
Profit Before Taxation	1,981,585	1,522,766	30.13%					
Taxation	-479,968	-384,721	24.76%					
Net Profit	1,501,617	1,138,045	31.95%					
EPS	0.61	0.46	32.61%					
National Commercial Bank (Jamaica) - Audited Year End Financials (FY 2004-FY 2006)								
	YE 2006	JMD	% Change '05-	YE 2005	JMD	% Change '05-	YE 2004	JMD
	'000	'000	'06	'000	'000	'04	'000	'000
Interest Income from Loans	7,345,494		15.38%	6,366,474		27.86%	4,979,253	
Interest Income from Securities	15,669,297		7.32%	14,600,558		-11.15%	16,433,184	
Total Interest Income	23,014,791		9.77%	20,967,032		-2.08%	21,412,437	
Interest Expense	-11,236,655		7.78%	-10,425,519		-11.72%	-11,809,339	
Net Interest Income	11,778,136		11.73%	10,541,513		9.77%	9,603,098	
Net Fee and Commission Income	3,174,605		29.44%	2,452,546		38.33%	1,772,921	
Net Trading Income	2,356,046		1.27%	2,326,485		74.02%	1,336,873	
Dividend Income	98,768		-26.11%	133,672		31.65%	101,539	
Loan Provision Recovered	0		-100.00%	609,716				
Other Operating Income	565,215		1.73%	555,630		195.64%	187,940	
Operating Income	17,972,770		8.14%	16,619,562		27.82%	13,002,371	
Staff Costs	5,955,835		5.14%	5,664,701		22.09%	4,639,585	
Provision for Credit Losses	155,786		153.75%	61,393		-85.46%	422,341	
Depreciation and Amortisation	1,028,085		-4.02%	1,071,135		9.74%	976,029	
Impairment Loss on Investment	244,257		3.34%	236,359			0	
Other Operating Expenses	3,776,238		0.39%	3,761,474		18.60%	3,171,532	
Operating Expenses	11,160,201		3.38%	10,795,062		17.22%	9,209,487	
Operating Profit	6,812,569		16.96%	5,824,500		53.56%	3,792,884	
Profit Before Taxation	6930554		21.32%	5,712,706		47.99%	3,860,114	
Net Profit	5,486,625		27.98%	4,286,981		33.27%	3,216,738	
EPS cents	2.23		28.16%	1.74		33.85%	1.30	
Price at Year End (TT)	\$ 1.65		-8.33%	\$ 1.80		-23.40%	\$ 2.35	
Price/Earnings Multiple	7.64		-28.48%	10.69		-42.77%	18.67	
Dividend (cents)	50		31.58%	38		-2.56%	39	
Dividend Payout Ratio %	22.42%			21.84%			30.00%	
Dividend Yield %	3.03%			2.11%			1.66%	
Net Asset Value	\$9.96		16.76%	\$ 8.53		29.05%	\$ 6.61	
Market to Book Ratio	1.66			2.11			3.56	
Return on Assets	2.65			2.44			2.00	
Return on Equity	23.96			23.83			22.05	
Shares Outstanding	2,466,762,828			2,466,762,828			2,466,762,828	

This document is based on information obtained from sources, which we believe to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, West Indies Stockbrokers Limited. Expressions of opinion herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell securities. West Indies Stockbrokers Limited and or their officers, directors, and employees may own or have positions in any of the securities mentioned herein, and may from time to time add or dispose of any such securities. This document is for the information of clients only and is not for publication in the Press or elsewhere without the permission of West Indies Stockbrokers Limited. WISE is a subsidiary of RBTT Financial Holdings Limited

West Indies Stockbrokers Limited, 1st Floor Albion Plaza, 22-24 Victoria Avenue, Port of Spain, Trinidad (868) 623-4861 Fax (868)-627-5002 e-mail: info@wisett.com Member of the Trinidad and Tobago Stock Exchange Ltd.