



**National Commercial Bank Jamaica**

	<b>NCBJ</b>
<b>RECOMMENDATION</b>	<b>BUY</b>
<b>Current Price</b>	<b>TT\$1.70</b>
<b>Current Running P/E</b>	<b>8.21 times</b>
<b>Running EPS</b>	<b>JCA\$2.07</b>
<b>Projected EPS</b>	<b>JCA\$2.10</b>
<b>Dividend Yield FY 05</b>	<b>%</b>
<b>Forecasted Y/E price</b>	<b>\$2.03</b>
<b>Return on Average Assets</b>	<b>2.35%</b>
<b>Return on Average Equity</b>	<b>21.50%</b>

**Results for the half year ended 31 March, 2006**

*All figures quoted in Jamaica dollars*

National Commercial Bank Jamaica continued its excellent performance from the first quarter reporting Earnings Per Share of 96 cents which represents an increase of 52.38 per cent from the 2005's half year earnings of 63 cents. This big jump however was due to the fact that the half year of 2005 saw the impairment loss on investment in Dyoll of \$535.761 million which eroded approximately 21 cents from the Earnings Per Share for that period. Taking this into account the Earnings Per Share for the period under review actually grew 14.29 per cent and quarter and quarter, the growth would have been 11.36 per cent.

Revenue increased 4.89 per cent to \$13.733 billion in 2006 from \$13.092 billion in 2005. Total interest income grew 9.14 per cent to \$11.127 billion driven in large part from interest income from loans which grew 21.44 per cent which is a usual result of increased loan activity in a declining interest rate environment. Interest income from loans actually made up 68.23 per cent of the Total Interest Income with Interest Income from Securities comprising the balance. Interest expense grew minimally 0.09 per cent resulting in an increase in Net Interest Income of 18.75 per cent.

The Company's Net Fee and Commission Income grew healthily 30.00 per cent to \$1.499 million while Net Trading Income was down 37.57 per cent to \$1.013 billion due to the soft market conditions prevailing in Jamaica. The Company however reaped dividend income of \$71.676 million while Other Operating Income fell 64.43 per cent to result in total Operating Revenue of \$8.478 billion. (an increase of 8.11 per cent).

Expenses fell 3.67 per cent with Operating Expenses falling by 7.08 per cent in large part due to the impairment loss on investment in the Dyoll group discussed earlier. Had the Company not incurred this loss last year, expenses would have risen marginally by 2.38 per cent. In contrast to the first quarter, Provision for Credit Losses increased by 59.46 per cent while Other Operating Expenses fell 8.32 per cent to \$1.744 billion.

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Ultimately Operating Profit grew 51.32 per cent to \$5.392 billion while growth without the Dyoll expense would have still been a healthy 19.84 per cent. Profit Before Tax grew 47.75 per cent (18.21 per cent without the Dyoll expense) to \$3.168 billion. The Company's effective tax rate decreased from 25.58 per cent in 2005 to 27.69 per cent in 2006. The Company's Net Profit grew 52.06 per cent to \$2.357 billion which would have been an actual increase of 13 per cent if the Dyoll expense is backed out of 2005.

Despite healthy first quarter results, NCBJ showed no sharp appreciation in price due to the soft market conditions existing both in Trinidad and Jamaica. At the current price of TT\$1.70 and running earnings per share of \$2.07 (TT20.04 cents), NCBJ is trading at a relatively low price/earnings ratio of 8.21. Given that this share usually trades between 10 to 12 times earnings, this would suggest a price trading range of TT\$2.40 to TT\$3.01. In addition, at a projected Earnings Per Share of \$2.10 (TT 20.34 cents), suggests a target price of TT\$2.03 at the lower price/earnings multiple of 10 times earnings. Hence, we currently consider this share a BUY.

Figure 1

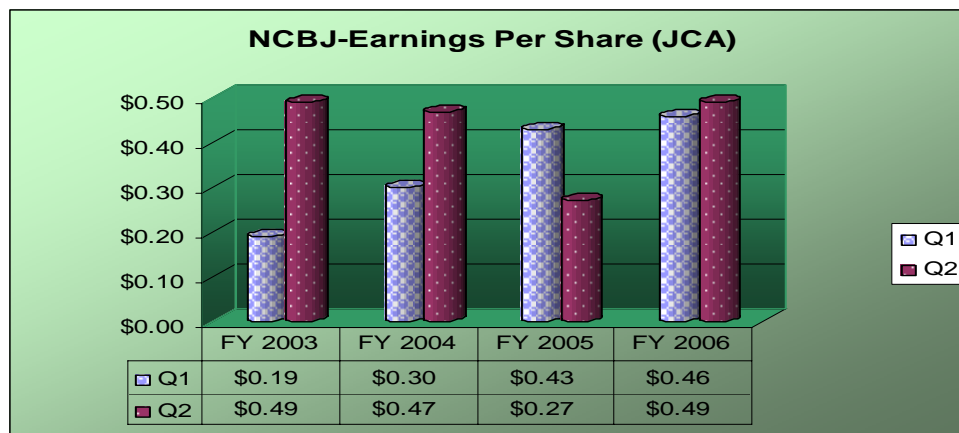


Figure 2

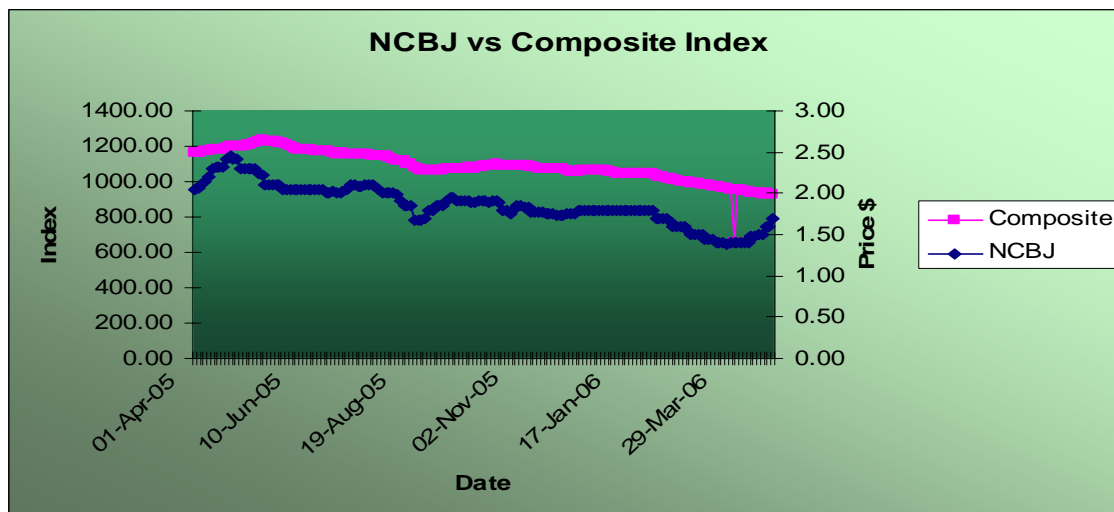




Figure 3

<b>Year End Sep 30</b>	<b>F.Y 2003</b>	<b>F.Y 2004</b>	<b>F.Y 2005</b>	<b>HYE 31/03/06</b>
<b>Profit Before Tax JCA\$M</b>	3,463	3,860	5,712	3,167
<b>% Change Per Period</b>	102%	11%	48%	
<b>Profit After Tax JCA\$M</b>	2,804	3,217	4,287	2,357
<b>% Change Per Period</b>	82%	15%	33.00%	
<b>Profit Attributable to Shareholders JCA\$M</b>	2,804	3,216	4,287	2,357
<b>% Change Per Period</b>	90%	15%	33.00%	
<b>EPS Restated</b>	\$1.14	\$1.30	\$1.74	\$0.96
<b>% Change Per Period</b>	90%	14%	13.00%	
<b>Price / Earnings Multiple</b>		18.5	10.7	10.25
<b>Dividend per Share</b>	\$0.39	\$0.57	\$0.48	
<b>Dividend Payout Ratio %</b>	34.21%	43.85%	27.59%	
<b>Dividend Yield %</b>		2.21%	2.45%	
<b>Net Asset Value (JCA\$)</b>	\$5.22	\$6.61	\$8.53	\$27.72
<b>Market to Book</b>		3.98	2.28	2.37
<b>Total Assets '000</b>		175,872,017	193,575,162	206,801,613

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