



Cherelyn Elbourne, Research Analyst

cherelyn.elbourne@mycmmmb.com

RBTT – Off to a Good Start

In an environment of rising interest rates at least on the lending side and persisting demand for loans, the Banking Sector continues to thrive. This however is not reflected on the Sector's market performance on the TTSE as the sector has already recorded a loss of 17% year to date. Despite this the local banking institutions continue to record profits. Most recently RBTT released earnings for the first quarter of fiscal year 2007 of TT\$.63 which represents an increase of 6.8% when compared to an EPS of TT\$.60 in the prior period. Net Profits inched up 6.5% to TT\$217 million compared to TT\$209 million in the prior period.

Although Net Interest Income improved by 2.5%, the fall in other income resulted in a 2.3% fall in Net Income. Operating Profit for the period climbed by \$14 million, buoyed by the improvement in Provisions for credit losses which recorded a positive contribution of TT\$17.9 million. Share of Profits from Associated companies also improved from \$1.5 million to \$3 million; an astounding 96% increase.

There was minimal change in the Group's profitability indicators as ROA remained flat at 2% and ROE inched up to 19.2% from 18.5%. These ratios seem to be on par with its Industry peer Republic Bank who's ROA and ROE stand at 2.6% and 18%. Shareholders' Equity declined by \$39 million which was mainly attributable to a loss of 80% in Other Reserves reflecting a mark to market revaluation of the Group's investment in GHL. This investment is now classified as available for sale on the balance sheet therefore fluctuations in the value of GHL impacts Shareholders' Equity. In terms of the company's debt position the Total debt to Assets grew marginally and Total debt to Equity grew from 8.1% to 9%.

The stock is currently trading at a trailing P/E of 10.89 times, which is lower than its Industry peers Republic Bank and Scotiabank which are currently at 18.57 and 18.13 times respectively. As the Group stays its course of regional organic expansion coupled with the rising interest rate environment, improved earnings are expected for the ensuing quarters. The stock is currently trading at TT\$30.49; we are projecting a full year EPS of \$2.95. Given that the stock trades at a low P/E currently relative to the Sector, we believe there is room for capital appreciation. RBTT also maintains one of the better Dividend Payout Ratios in the Banking Industry and is on par with Republic at 44% and remains an attractive investment.

Regional Market Review

Locally the TTSE Composite closed at 901.90 points on July 28th which marks a fall of 15.5% for year to date. RBTT recorded the largest gain of 1.8% while Plipdeco had the biggest decline of 3.6%. The Central Bank pushed the Repo rates up a further 25 basis points to 7.50% with a further increase expected at the end of August this marks the 7th increase for the year, however the liquidity overhang persists. Adding to the slow down in market activity, half year and nine month results from companies like BS&T, TCL and RML were disappointing compared to the prior periods.

The BSE Composite ended the period with a marginal gain of .1%. Trading volumes remained low with 68, 610 shares changing hands. However Barbados Light and Power's stirred some interest as trading in the company's rights issue commenced on 2nd August. The company is hoping to raise B\$28 million to fund the company's investment in TeleBarbados Inc and Savoy Properties Limited through its subsidiary, LPH Telecom Ltd. The company is offering 1 share for every 5 at B\$10.00; LPH is currently trading at B\$11.25.

Price appreciation in several heavily weighted stocks like FCIB, Lascelles and BNSJ stimulated a gain of 334 points on the JSE Composite which closed with 82,335.48 points on July 31st. These stocks improved the advance decline ratio to 24/7. Market volume amounted to 23,705 818 shares as stocks like BNS and LOJ were among the most favoured. Stocks topping the market in terms of price appreciation were Pegasus (25%), Courts (18.1%) and Jamaica Broilers (16%), while Guardian Holdings and Gleaner lost the most value. In other news Caribbean Cement made further losses in its half year results of J\$44 million bringing the total 12 month loss to J\$842 million. Although there was a 15% hike in cement prices in July the run up in energy costs and the impact of the cement recall in the first quarter the company incurred operating losses. The company intends to issue a further price hike in the 4th quarter to combat rising energy costs.

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	907.79	-0.94	-1.33	-14.91	-21.38
All Trinidad	1138.35	-1.39	-2.61	-13.93	-21.11
JSE Index	82,335.48	0.02	-4.02	-20.64	-24.00
All Jamaica	78,757.24	0.05	0.20	-23.80	-28.35
JSE Select	2,190.47	0.02	1.34	-23.07	-24.77
BSE Composite	980.47	-0.45	0.99	-5.26	-4.47

Current Happenings

- Conrad Enill: No labour shortage

- Prime lending rate in Trinidad up to 11.25%
- Cable and Wireless investments paying off
- Caribbean Cement Company loses J\$340 m in 4 months
- GraceKennedy seeks salvation through consolidation

Table:1 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1270.92	0.19	-0.72	0.17	-8.10
Nasdaq Composite	2061.99	-0.41	-5.86	-8.10	-6.08
Dow Jones Industrial	11125.73	0.21	-0.91	2.57	4.73
German Dax	5596.74	0.24	-2.03	2.49	14.43
FTSE 100	5880.80	0.06	-0.06	3.51	11.15
Nikkei 225	15440.91	3.74	-0.84	-4.16	29.25

International Market Review

The Standard and Poor's 500 and Dow Jones continued to outshine the Nasdaq with gains of .2% as Proctor and Gamble and Time Warner recorded profits in recently released results. On the other hand two heavily weighted technology stocks Amazon.com Inc and Yahoo! Inc released lower earnings than expected forcing the Nasdaq down by .4% at the close of Trade on August 1st. Asian Indices were in positive territory in this period as Japanese exporters Toyota Motor Corp. and Canon Inc. rose in anticipation of earnings increase in the U.S. The Nikkei improved by 3.7% and the Hang Seng gained 1.8%. The Both the FTSE 100 and Eurostoxx recorded flat returns seemingly in response to an increase in interest rates by the European Central Bank who was also joined by the Bank of England causing concern that economic growth will fade.

DISCLAIMER

The information contained in this documentation is for your information only. All information contained in this documentation has been obtained from and is based on sources, including but not limited to, newspaper and magazine articles that CMMB believes to be accurate and reliable. However such information, facts, calculations, methodology, assumptions and estimates contained in this documentation have not been verified by us. All opinions and estimates constitute the Author's judgment as of the date of the documentation which are subject to change; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this documentation is given or made by CMMB in any form whatsoever. Consequently, CMMB assumes no liability for the accompanying information, which is being provided to you solely for general information.