



Stock Market Weekly



Stacey Ramjattan, Research Analyst

stacey.ramjattan@mycmmmb.com

RBTT Showing Potential

RBTT Financial Holdings Ltd recorded a net profit of TT\$923 million for the fiscal year ending 31 March 2006, an increase of TT\$ 8 million over the comparable period in 2005. The brand has held firm throughout the region with its branch network extending in 16 countries and 12 jurisdictions in the Caribbean. RBTT's pre-tax earnings grew by 2.5% to TT\$1.1 billion while total assets grew by TT\$3.4 billion or 9%, with loans and advances increasing by TT\$2.5 billion or 14% to TT\$19.5 billion.

In 2005, RBTT's results were influenced by the non recurring transaction of a gain on the sale of shares in GHL, in which the Group has a 15% shareholding. In 2006, with the adoption of International Accounting Standard 39, RBTT's investment holdings are now classified as available for sale and marked to market on the balance sheet, thereby affecting shareholder's equity. Due to the overall decline in the stock market, GHL shares fell significantly over 2005/2006 decreasing RBTT's shareholders' equity by TT\$192 million to TT\$4.1 billion, and reflecting an adjustment of TT\$457 million due to the mark-to-market revaluation of the Group's shareholdings in GHL. To better reflect the company's core operations, adjustments were made for the non-recurring and non-core transactions in each year. As a result, RBTT's core pre-tax earnings would have totaled TT\$1.2 billion in 2005/2006, an increase of TT\$116 million, or 10.9%.

ROA as measured by profits to shareholders divided by average total assets declined from 2.6% to 2.3% while ROE declined from 25% to 21%. This compares favorably to its peer Republic Bank whose ROA stands at 2.6% and ROE at 18%. The Group's fully diluted earnings per share rose 0.8% from a restated TT\$2.66 in 2005 to TT\$2.68 in 2006 while its year end dividend was TT\$1.20. RBTT is currently trading at a Price to Earnings Ratio of 13.4, far below the current market P/E of 15.8 and below its peer Republic Bank, whose P/E stands at 18.6. This makes RBTT an attractive investment as there is potential for capital gains and with the increase in dividend yield from 3% to 3.8%, the company bears a positive future.

Over the coming year, the Group intends to upgrade its customer service through an improved technological platform, an initiative which is anticipated to cost over US \$50 million and will be employed in every territory that RBTT operates. This is seen as a unifying platform for the retail-banking platform for all the banks operations in the various jurisdictions. Other major operations for the Group include upgrading its risk

management system while the Trust company has also implemented a technology upgrade with a view to drawing mutual fund and retail business, which is a major profit generator.

Regional Market Review

In the past week on the TTSE there were 8 declines, 9 advances and 17 stocks trading firm. Leading the gainers, NFM by 31%, GHJ advanced by over 30%, and RBTT by 13%. The largest decline came from PHL which fell by 7%, OCM 2% and NCBj 2%. The local market showed some signs of life as it advanced by 2.8% compared to declines since the beginning of the year. The week ended with the composite closing at 941.13 while the All T&T closed at 1,169.25 points. Total volume traded over the period topped 6 million, a 190% increase over the previous week. The volume leaders were Sagicor, RBTT, and NML with a total of approximately 2.5 million, 1.4 million and 0.6 million shares traded, respectively. Companies issuing earnings reports included NML, JMMB and Agostini. Though the market has begun to show some signs of a rebound, traders are reluctant to say that there has been a definite turnaround as some stocks are still suffering with heavy supply.

On the Jamaican stock market, indices were pressured with declines leading advances 28 to 6 and with 6 stocks holding firm. Posting the largest decline, Doyll fell 16%, followed by Mobay Ice losing 15% and Jamaican Producer shedding 15%. Major advances came from Salf 46%, GHJ 13% and RJR 6%. In Jamaica, Pan Caribbean Financial Services (PCFS) announced that the company has been granted permission by the JSE to convert its merchant bank licence to a commercial bank operation and will receive the requisite licence once the appropriate change of name is effective. There are currently six commercial banks operating in Jamaica and five merchant banks.

On the BSE, the BSE Local Index marginally advanced 0.03% from 3,888.66 to 3,889.80 with 3 advances, 5 declines and 17 stocks trading firm. The major advances came from SFC 13%, ICBL 9%, AMCL 5% and BFL 2%.

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	941.13	2.867	0.162	-11.78	-19.718
All Trinidad	1,169.25	4.37	2.44	-11.59	-20.566
JSE Index	88,079.53	0.23	4.31	-15.10	-23.305
All Jamaica	85,191.60	-3.107	0.207	-17.580	-30.956
JSE Select	2,339.20	-2.80	0.23	-17.85	-29.029
BSE Local	3,889.80	0.01	-0.26	-1.03	0.082

Current Happenings

- Laqtel: New partner soon
- NCBJ expands into health services
- TCL: Cement not short
- Pan Caribbean to operate as commercial bank

Table:1 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,270.32	-4.137	3.570	0.12	7.54
Nasdaq Composite	22,195.80	-6.09	4.21	-2.14	10.22
Dow Jones	11,205.61	-3.73	3.10	3.30	7.25
German Dax	5,652.72	-7.95	-4.49	3.52	28.59
FTSE 100	5,675.50	-12.47	-11.36	-5.94	14.12
Nikkei 225	16,307.67	-5.14	-4.07	1.22	38.84

International Market Review

As the latest report on inflation shocked investors, U.S. stocks were hard hit retracing gains since January 2006. Exxon Mobil Corp. and Alcoa Inc. this year's top market performers, fell after data showed consumer prices rose more in April than economists forecasted. Goldman Sachs Group Inc., Merrill Lynch & Co. and Morgan Stanley lead declines among financial companies, whose earnings are sensitive to rate changes while General Motors Corp. tumbled after its chief accounting officer resigned. Losses among technology stocks sent the Nasdaq Composite Index lower for the year. The week ended with the S&P 500 Index losing 21.76 points or 1.7%, to 1,270.32 with all 10 industry groups losing more than 1%. The NASDAQ decreased 33.33 points or 1.5%, to 2,195.80 and is now recording a 0.4% decline for 2006. The index's seven-day losing streak is its worst seen since June 2001. The same concern lingered in Europe as European stocks fell the most in three years after the release of the consumer price report. The Stoxx 600 has dropped 6.8% after its five-year high on May 9.

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.
