



Republic Wealth Management Limited

NCB Financial Group Limited

31 December 2020 (Q1 2021)

Last Price	\$8.65 (TTSE) \$141.52 (JSE)	52 Week Range (TTSE)	\$7.15 - \$10.99	Market Cap \$MM	TT\$21,337.50 J\$354,054.35
Sector	Banking	52 Week Range (JSE)	\$128.01 - \$175.00	Dividend Yield TTM	1.34%
Payout Ratio	23.72%	EPS (TTM)	\$8.01	P/E (TTM)	20.43x
Total Return TTM	3.88%	Price Change TTM	3.88%	2021E P/E	17.12x

Net income for Q1 2021 falls 24% due to flat revenues and increases in operating expenses

Quarterly Highlights/ Key Update

- FYE 2020 reflected the first full year of the consolidation of GHL's performance, which reinforced NCBGF's footprint within the Caribbean.
- The group had made investments in robo-advisory and discretionary asset management business as well as loan portals and digital onboarding in order to aid clients with virtual banking processes.
- NCB's Board of Directors declared an interim dividend of \$0.50 on April 29, 2021. The dividend is payable on May 31, 2021 to stockholders on record as at May 14, 2021.

Table 1: NCBFG EPS, DPS and Dividend yield for fiscal year end (JMD)

	2016	2017	2018	2019	2020
Earnings per share	\$5.87	\$7.76	\$11.39	\$12.18	\$8.01
Dividends per share	\$2.35	\$2.70	\$2.70	\$3.40	\$1.90
Dividend Yield	5.66%	3.10%	2.17%	1.63%	1.45%

Figure 1: Net Operating Rev. from all activities by Segment (JMD\$MM)

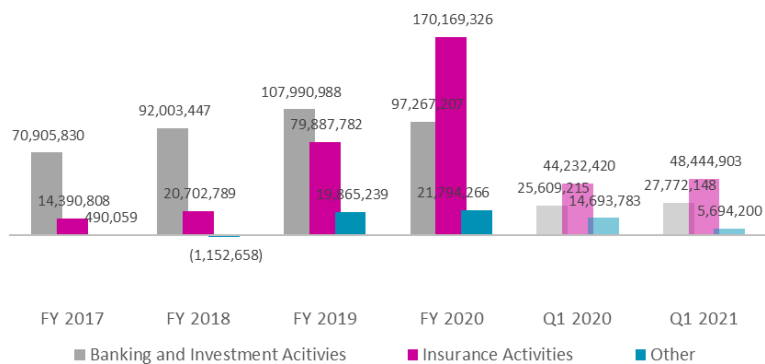


Table 2: Peer group comparable

	NCBFG	JMMB	FIRST	FCI	RFHL	SBTT	Group Avg
P/E	20.43	9.36	19.35	-	23.37	18.5	18.20
P/B	2.20	1.59	1.57	1.51	1.86	2.31	1.84
Div. Yield TTM	-	0.75%	2.78%	2.59%	2.04%	3.02%	2.24%

- Compared to its peer group (Table 2), which consists of other locally listed companies in the Banking sector, NCB is relatively overvalued on a P/E and on a P/B basis.
- NCB has not paid dividends over the past twelve months. This follows the Bank of Jamaica's suspension of dividends for FY 2020 in April 2020.

Performance Review/ Financials

Highlights (J\$ MM)	Annual		3-months end	
	Sep-20	Sep-19	Dec-20	Dec-19
Net Interest income	\$52,490	\$44,595	\$13,815	\$13,926
Net Banking Income	\$21,369	\$19,180	\$5,870	\$6,414
NI Investing Activities	\$2,512	\$12,359	\$5,507	\$4,946
NI Insurance Activities	\$32,456	\$14,432	\$8,591	\$8,004
Net Operating Income	\$108,827	\$90,565	\$33,784	\$33,291
Net Income	\$26,883	\$30,692	\$5,852	\$7,768
EPS to equity holders	\$8.01	\$12.18	\$1.66	\$2.46
Total Assets	\$1,800,260	\$1,610,101	\$1,797,615	\$1,604,499
Total Liabilities	\$1,600,055	\$1,423,067	\$1,585,071	\$1,414,468
Total Equity	\$200,205	\$187,034	\$212,544	\$190,031
ROE	13.90%	18.80%	2.80%	4.10%

- Group Level:** NCB's net profit decreased by 24.7% for Q1/2021 to J\$5.9B when compared to the prior year's first quarter results (Q1/2020). This was partially due to operating expenses increasing by 9% to J\$25.6B (as a result of a 16% increase in staff costs) coupled with flat revenues which is seen by net operating income increasing by 1.5%.
- Banking:** Total income from banking and investment activities declined by J\$94M to J\$25.2B when compared to Q1/2020. Though interest income grew by J\$1B (5%), this was offset by a J\$1.1B (20%) increase in interest expense resulting in a 1% reduction in net interest income.
- Insurance:** Net income from insurance activities increased by 7% over the prior year to J\$8.6B. There were improvements in life, health and pension segment performance. Further, net underwriting income improved by \$2.2billion or 8% over the prior year. This growth was tempered by gross insurance benefits and claims that increased in total by J\$1.4B (9%).

Key Risks

- A prolonged global recession driving lower consumer spending and higher unemployment rates may affect demand for insurance products and can result in NCBGF's clients experiencing credit events.
- The geographic concentration of NCB and GHL within the Caribbean basin exposes the company to the effects of natural disasters.



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Chart 2: NCBFG share price (TTSE & JSE)

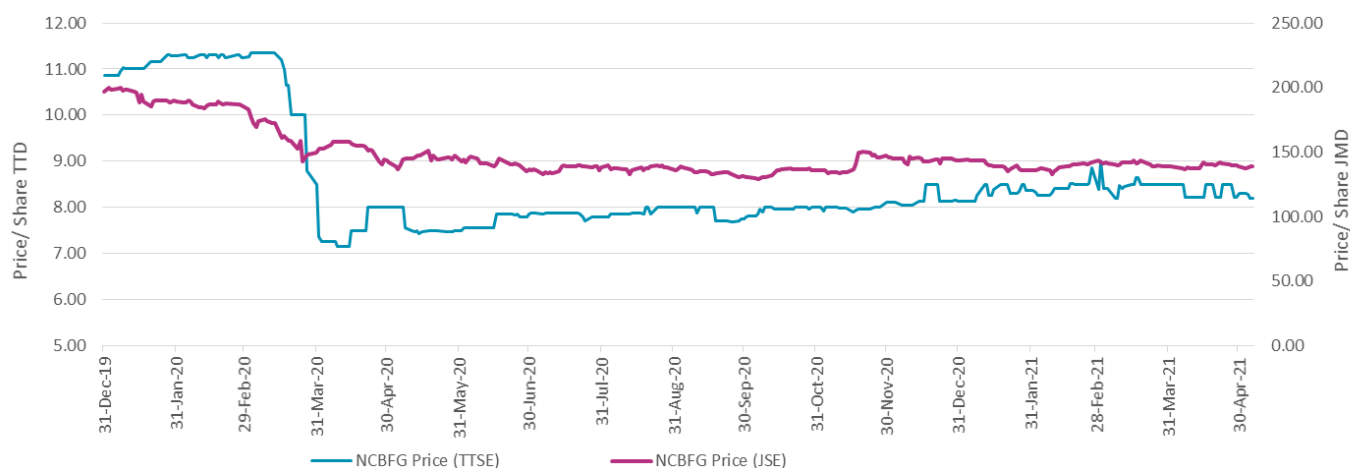


Table 3: Historic Dividend Payments (JMD)

	Interim Dividends	Payment Dates	Total Dividend per share
2016	\$0.85	Dec-15	\$2.35
	\$0.50	Feb-16	
	\$0.50	May-16	
	\$0.50	Aug-16	
2017	\$0.90	Dec-16	\$2.70
	\$0.60	Feb-17	
	\$0.60	May-17	
2018	\$0.60	Dec-17	\$2.70
	\$0.70	Feb-18	
	\$0.70	May-18	
2019	\$0.70	Dec-18	\$3.40
	\$0.90	Feb-19	
	\$0.90	May-19	
2020	\$0.90	Dec-19	\$1.90
	\$1.00	Mar-20	

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