NCB Financial Group (NCBFG) Limited Equity Analysis – Q1 2025

VM Wealth Management Limited

NCB FINANCIAL GROUP

Target Price: $ 101.68

Current Price: $47.99

Recommendation:

BUY (Conditional)

Company Overview:

NCB Financial Group, Jamaica's largest financial group with over $2 trillion in assets, offers diverse services including banking, payments, asset management, and insurance. Subsidiaries include NCBJ, Clarien Group, NCB Global Holdings, and TFOB (2021) Limited. AIC (Barbados) Ltd., which owns 52.46% of NCB, is a subsidiary of Portland Holdings Inc., controlled by Hon. Michael Lee-Chin O.J. This ownership structure makes Portland Holdings the ultimate parent company of NCBFG. NCBFG trades on the Jamaica and Trinidad & Tobago Stock Exchanges, offering investors access to a leading Caribbean financial institution.

Investment Positives

- **Consistent Dividend Income:** Steady cashflow from consistent quarterly dividend payments at 50 cents a share.
- **Strong Financial Performance:** Achieved a 174% increase in net profit for FY2024, reaching $23.3 billion, with a 357% surge in profit attributable to stockholders.
- **Strategic Focus and Efficiency:** Emphasizes efficiency, governance, and customer experience, with a 10% reduction in operating expenses.
- **Regional Powerhouse:** Presence in over 20 Caribbean territories with assets exceeding $2.2 trillion, offering cost-effective financial solutions.
- **Diversified Financial Services:** Offers a wide array of services, including banking, wealth management, insurance, and investments through subsidiaries like NCBJ and NCB Capital Markets.
- **Innovation and Digital Transformation:** Invests in cutting-edge digital tools, such as mobile banking apps and online platforms, to enhance efficiency and deliver world-class customer experiences.
- **Projected Reduction of Interest Expense:** The general downward trend of the central bank policy rates should translate to a reduction in the interest expenses of the company.

Investment Negatives

- **Poor Investor Sentiment:** Perceived poor investor sentiment as evidenced by the undersubscription of NCBFG's APO in 2024, and significantly poor performance of the stock price for a number of years.
- **Poor Consumer Perception:** Consumer perception has been poor in recent years due to several incidents of fraud in recent years, and continuous complaints of poor customer service.
- **Highly Leveraged:** NCBFG also has a high debt burden, with a debt-to-equity ratio of 112%, making investors cautious of its ability to manage its debt obligations.
- **Adoption of Basel III framework:** the implementation of Basel III will result in higher risk weighted assets, higher capital standards and additional capital buffers which will require greater capital efficiency.
- **Higher Reinsurance Costs:** Increase in reinsurance costs is underscored by increasing market uncertainty.

Financial Performance:

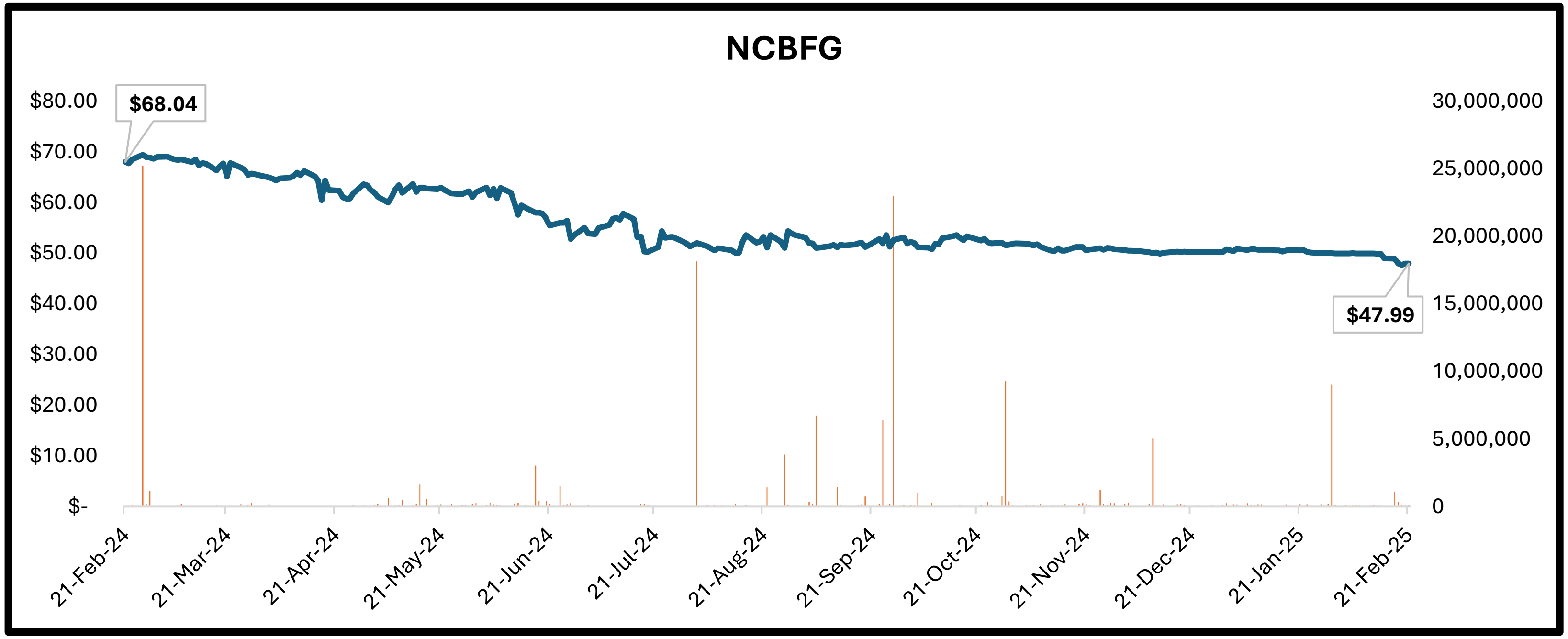
J$'000	FY 2022/23	FY 2023/24	Q1 2023/24	Q1 2024/25
Net Interest Income	59,137,812	60,442,469	17,933,000	20,005,000
Operating Profit	10,942,756	25,325,702	5,086,000	7,425,000
Net Profit to Parent	2,507,191	13,340,354	1,225,000	2,625,000
Total Assets	2,199,090,398	2,316,010,845	2,294,097,000	2,213,093,000
Shareholder Equity to parent	142,122,840	172,294,502	168,171,000	157,983,000
Total Liabilities	2,028,344,052	2,105,268,037	2,085,842,000	2,025,644,000
BVPS	55.84	67.69	66.07	62.07
EPS	1.06	5.62	4.67*	8.09*

***Annualized I/S figures**

Financial Analysis:

- Growth Trend: Both revenue and profit showed healthy growth year-on-year in Q1 2025, consistent with the trends observed over the previous years (2020–2024), though credit impairments are increasing.
- Profitability: Strong net profit growth (73%) in Q1 2025 highlights operational efficiency despite rising expenses and provisions.
- Risk Exposure: The higher credit impairments in Q1 2025 suggest emerging risks, which could be exacerbated by the high-interest rate environment.
- Expense Management: Operating expenses are increasing, but revenue growth is outpacing these increases, supporting the company's ability to maintain profitability.
- Liquidity: The company is well-capitalized, with strong liquidity and a growing equity base, suggesting it is well-positioned to weather potential future economic fluctuations.

52 Week	Price	Volume
High	$69.45	25,228,874
Low	$47.70	1,539
Average	$55.74	567,329
Current	$47.99	90,559



Recommendation

NCB Financial group is poised for improved financial performance as global and domestic interest rates decline, reversing the challenges faced during the high-rate environment between 2020 and 2024. The Q1 2025 results already reflect stronger net interest income, higher gains from investment activities, and improved overall profitability. As borrowing costs decrease, loan demand and capital market activity are expected to recover, further boosting earnings. This favourable macroeconomic shift, combined with the company's diversified operations, positions it for long-term growth.

However, despite the positive outlook, poor investor and consumer sentiment is likely to suppress the stock price in the short to medium term. The lingering effects of high interest rates, including increased credit impairment losses and volatile investment returns, have dampened market confidence. Additionally, cautious consumer behaviour and potential reputational concerns could slow the pace of recovery. While financial performance is expected to improve, the stock may trade at a discount until sustained earnings growth and strategic execution restore investor trust.

As such we believe that while NCBFG is a stock that will reap gains in the future this would be for an investor with a medium to long term view, especially institutional and high profile client that wish to purchase the a large number shares at a discount while also taking advantage of the consistent dividend income that the financial conglomerate has dedicated to providing to its shareholders, which has lead us to provide a **CONDITIONAL OVERWEIGHT** recommendation.