

**RBTT Financial Holdings Limited (RBTT)**

*WISE is a Subsidiary of RBTT Financial Holdings Limited*

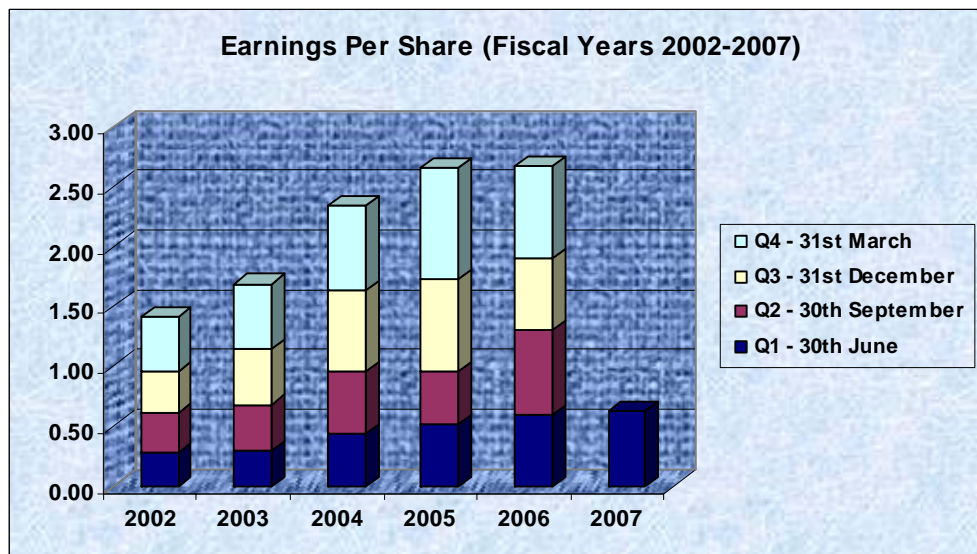
	<u>RBTT</u>
<b>RECOMMENDATION</b>	<b><u>BUY</u></b>
<b>Current Price</b>	<b>\$30.75</b>
<b>Running EPS</b>	<b>\$2.72</b>
<b>Projected EPS</b>	<b>\$2.95</b>
<b>P/E at Projected EPS</b>	<b>10.42</b>
<b>Dividend Yield (FY 2006)</b>	<b>3.83%</b>
<b>Return on Assets</b>	<b>2.12%</b>
<b>Return on Equity</b>	<b>21.31%</b>

*Results for the First Quarter Ended June 30, 2006*

***Earnings Per Share***

For the first quarter ended June 30, 2006, RBTT Financial Holdings Limited (RBTT) reported a diluted EPS of \$0.63, an increase of 6.8% on the comparable EPS for the fiscal year ended 2006. Over the last five years, RBTT has managed to increase its EPS from \$1.42 (FY2002) to \$2.68 (FY2006), an increase of 88.73%. Although there was marginal growth in EPS from 2005 to 2006, this was attributed to non-core and non-recurring items occurring in both years. Without these items, the Bank would have shown a year on year increase of 13.5%. Also, interesting to note is the fact that the EPS for the quarter ended June 30, 2006 (Q1 2007), was the highest that the Bank has seen for a first quarter in the last five years.

**Graph 1**





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**Financials**

RBTT's Net Interest Income for the period amounted to \$441.62 million, a minimal increase of 2.7% over the comparable period in 2005. However, due to Other Income falling by 10.2% to \$241.47 million, Total Net Income of \$683.09 million was lower than the comparable period in 2005 by 2.3%.

The main contributor to the Bank's increase in Earnings for the Quarter was a Recovery in the Provisions for Credit Losses account. Thus, the Provision for Credit Losses Net of Recoveries ended the period in a favorable position, with a positive turn of \$43.77 million, to end at \$17.88 million. Although, Non- Interest Expenses rose by \$13.95 million (3.37%), the Operating Profit benefited from the Recovery and increased by 5.3% to \$273.62 million. Thus, without the impact of the Recovery on Credit Losses the Bank would have actually had lower Earnings, year-on-year.

Also contributing to the Bank's improved Earnings was the increase of \$1.52 million or 96.13% in Share of Profits of Associate Companies and Joint Venture before Tax. This figure increased from \$1.58 million in Q1 2006 to \$3.09 million in the current period.

Year on Year the Effective Tax Rate increased marginally, standing at 21.5 % in the current period from 20.9% in 2005. After-Tax Profits stood at \$217.19 million, an increase of 5% or \$10.41 million over the comparable period in the previous year.

Table 1 shows a Financial Comparison over the period 2004-2006.

**Table 1**

Financial Data (2004-2006)								
	YE 2006 \$'000	% Change '05-'06)	YE 2005 \$'000	% Change '04-'05)	YE 2004 \$'000	Q1 2006 \$'000	Q1 2005 \$'000	% Change (HY '05- HY '06)
Net Interest Income	1,789,135	10.64%	1,617,058	10.49%	1,463,596	441,620	430,161	2.66%
Total Net Income	3,035,758	9.27%	2,778,111	10.30%	2,518,628	683,088	699,079	-2.29%
Operating Profit	1,118,357	7.35%	1,041,815	12.08%	929,520	273,621	259,789	5.32%
Profit Before Taxation	1,136,632	2.45%	1,109,424	13.89%	974,160	276,712	261,365	5.87%
Profit After Taxation	915,578	-0.92%	924,061	13.83%	811,768	217,186	206,779	5.03%
Earnings per Share	2.68	0.75%	2.66	13.19%	2.35	0.63	0.59	6.78%
Price/Earnings Ratio	11.68	-20.44%	14.68	-23.86%	19.28	11.76	13.58	-13.40%
Dividend	1.20	1.69%	1.18	18.00%	1.00			
Dividend Payout Ratio	44.78	0.95%	44.36	4.25%	42.55			
Dividend Yield	3.83	27.67%	3.00	35.75%	2.21			
Net Asset Value	11.97	-5.45%	12.66	36.86%	9.25			
Market to Book Ratio	2.62	-18.63%	3.22	-35.34%	4.98			
Shares Outstanding	343,465	0.68%	341,136	0.00%	341,136			



### Segmental Performance

The Retail and Commercial Segment experienced a year on year increase of 15% in Profit before Tax (PBT). This was driven by solid loan growth and strong performances in Trinidad & Tobago (T&T) and Jamaica. Unfortunately, this was offset by declines in the other two segments: Trust and Asset Management (30%) and Investment Banking (26%).

The Trust and Asset Management Segment had a challenging quarter. All of the T&T businesses in this group were affected due to declines in equity prices which led to reduced brokerage activity and declines in asset management fees. This sector was also affected by reduced sales in mutual funds (reduced fees) and spread compression.

The Investment Banking Segment's PBT was lower than last year as a result of a \$23 million decline in Net Interest Revenue (reduced balance sheet intermediation earnings) and a similar decline in Non Interest Revenue (unrealized mark-to-market losses on the Derivative Portfolio, realized losses on Bond Trading and lower fee income due to delays in closing planned deals within the quarter).

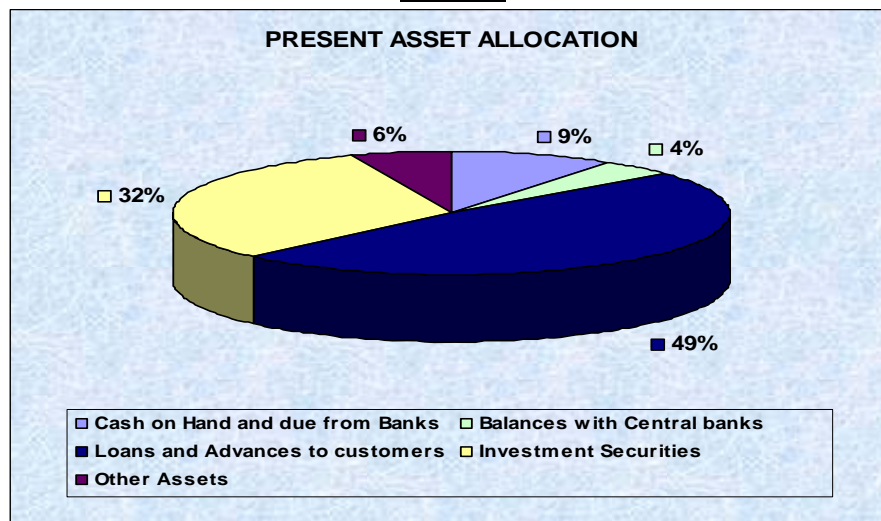
### Assets

Total Assets increased by \$416.80 million or 1.02% over the period, with Loans and Advances to customers increasing by \$522.68 million or 2.68%. However the increase in Loans and Advances was offset by a decrease in the Investment Securities Portfolio of \$113.69 million or 0.86%.

Customer Deposits and other interest bearing Liabilities increased by \$985.56 million or 2.98%, while Total Liabilities increased by \$413.61 million or 1.13%. Thus, the Net Assets over the period increased marginally by \$3.19 million or 0.08% to \$4.11 billion.

The Present Asset Allocation of RBTT is such that Loans and Advances to customers make up almost half of the Total Assets. This should be positive for the Bank's Interest Income in the increasing Interest Rate Environment. Investment Securities make up the second largest share (32%) of Total Assets followed by Cash on Hand and due from Banks (9%), Other Assets (6%) and Balances with Central Bank (4%). (See Chart 1)

**Chart 1**





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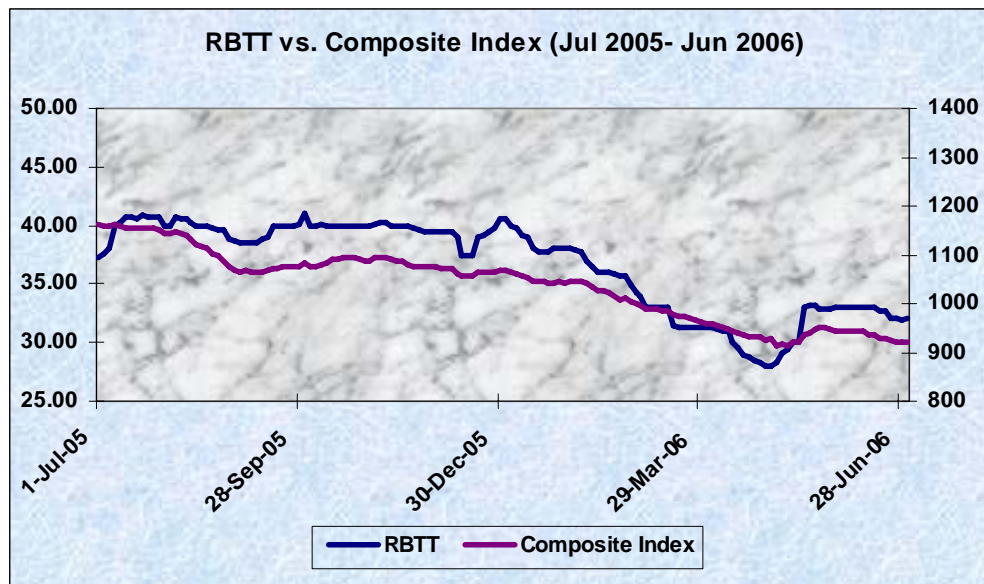
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### Share Price

At the beginning of the fiscal year 2007, the share price of RBTT stood at \$31.30, which is \$0.70 or 2.24% lower than the price at the end of the first fiscal quarter of 2007. During this three month period, the RBTT share saw a high of \$33.25 and a low of \$28.01. The share price currently stands at \$30.49, suffice to say, there is a relative amount of volatility in this share.

Interesting to note, is the fact that movements in share price of RBTT and movements of the Composite Index, mirror each other (See **Graph2**). The reason for this would be the fact that RBTT has one of the largest share capitalizations on the local market and there are many investors which hold this share. Thus any movements in the share price significantly affect the Composite Index.

**Graph 2**



### Outlook

The Chairman is positive about the remaining quarters in the fiscal year and expects earnings momentum to increase as a result of a healthy investment deal pipeline and the consistent growth in the Loans and Advances Book. Additionally, the Group is moving into the next phase of its Recast Project- which is to deliver new, standardized operating processes throughout the jurisdictions of the Bank, using a new Information Technology Platform.

### Recommendation

At the current price of \$30.75, the shares of RBTT are trading at a trailing P/E multiple of 11.31 times, which is the lowest for the sector. In light of the current results, we have revised our forecasted EPS to \$2.95. At this revised forecasted EPS and the current price, the shares are trading at an attractive multiple of 10.42 times. Additionally, these shares usually trade in the band of 11 to 15 times, which leaves a fair margin for growth in the share price. Thus, based on this, we maintain our recommendation of a BUY.

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