



**RBTT Financial Holdings Limited**

**WISE is a subsidiary of RBTT Financial Holdings Limited**

	<b>RBTT</b>
<b>RECOMMENDATION</b>	<b>BUY</b>
<b>Current Price</b>	<b>\$33.02</b>
<b>Current Running P/E</b>	<b>12.32</b>
<b>Running EPS</b>	<b>\$2.68</b>
<b>Projected EPS</b>	<b>\$3.05-\$3.10</b>
<b>Dividend Yield FY 05</b>	<b>4%</b>
<b>Forecasted Y/E price</b>	<b>\$36-\$37.50</b>

The results of RBTT Financial Holdings Limited (RBTT) for the financial year ended March 31, 2006 as presented appeared flat, with marginal growth in EPS (diluted) of 0.75%, from \$2.66 to \$2.68. The Chairman's Report sought to remind investors though that the results of 2005 were impacted significantly by non-recurring transactions. Among the non recurring items was a gain of \$229 million realized on the sale of part of the Group's shareholding in Guardian Holdings Limited." This one-off gain had been included in the Consolidated Income Statement for the financial year March 31, 2005, arising from a put-through transaction, which occurred on April 1, 2005.

The first two quarters of the 2006 financial year were periods of impressive growth. At that point, analysts believed that RBTT was set to deliver an EPS exceeding the \$3.00 mark. The third quarter results though, were where RBTT's performance lagged; contributing \$0.60, a 23% fall in comparison to the third quarter ended December 31, 2004 (\$0.78).

The Chairman's Report of the third quarter outlined "a number of factors which impacted the second and third quarters."

- The first was an impairment charge of \$39 million arising out of the restructuring of the Government of Grenada Debt. It should be noted that the amount attributable to the third quarter was \$14 million as \$25 million was allocated at the half year.
- Exclusive to the third quarter was the reversal of Interest accrued (\$19 million) on a loan that was re-categorized as a non-performing loan. This sort of re-classification is not uncommon and makes up part of the regular business activity of the Group; however, it is uncommon that this level of reversals would occur regularly.
- The adoption of the International Financial Reporting Standards that deals with Share-Based Payments (IFRS 2) resulted in a new charge to the financial statements that was absent in previous financial years of \$12 million to date, with \$4 million being attributed to the third quarter. It may be reasonable to assume that the same amount (\$4million) would have been ascribed to the fourth quarter as well, bringing the total to \$16 million for the financial year. This item would be a feature in the accounts going forward, but should be a consistent amount.
- Also affecting the Profit and Loss Account was "losses of \$46 million on structured products and other securities". The unfriendly investment environment in 2005 affected the investment portfolios of many companies, especially those that "mark to market". The combination of declining regional equities markets, which affected equity-based instruments, and rising interest

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rates, which would have affected fixed coupon rate instruments, would have contributed to the level of losses reported then. These conditions pervaded through to the fourth quarter as well, and though no dollar value could be determined from the preliminary report, we could assume that this affected the books significantly at the year-end. There is speculation in the current market that interest rates may not have come to a rest at the current level. Thus the losses on these products may re-appear in the financial statements of the 2007 financial year.

The Directors have declared a final dividend payment of \$0.65 cents per share, to be paid on June 9, 2006. This payment brings the total dividend payment for the year to \$1.20, compared to \$1.18 paid for 2005.

RBTT experienced an 11.2% increase in Net Interest Income, which was the main driver behind the Group's increase in Total Net Income from \$2.78 billion to \$3 billion. The Provision for Credit Losses net of Recoveries was the major increase in Expenses, jumping \$95.6 million, while the Non-Interest Expenses rose \$85.5 million. Another component of the flat performance was a falling away of The Share of Profits from Associates and Joint Ventures, which dropped from \$67.6 million to \$18 million (-73%). Profits Attributable to the Shareholders of the Group increased 0.85% from \$915 million to \$916 million.

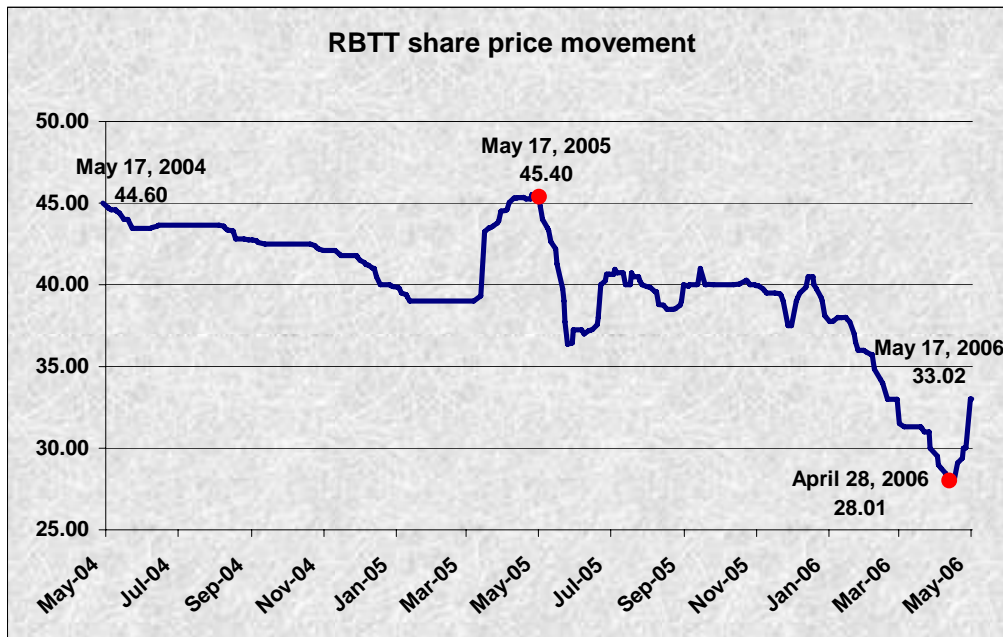
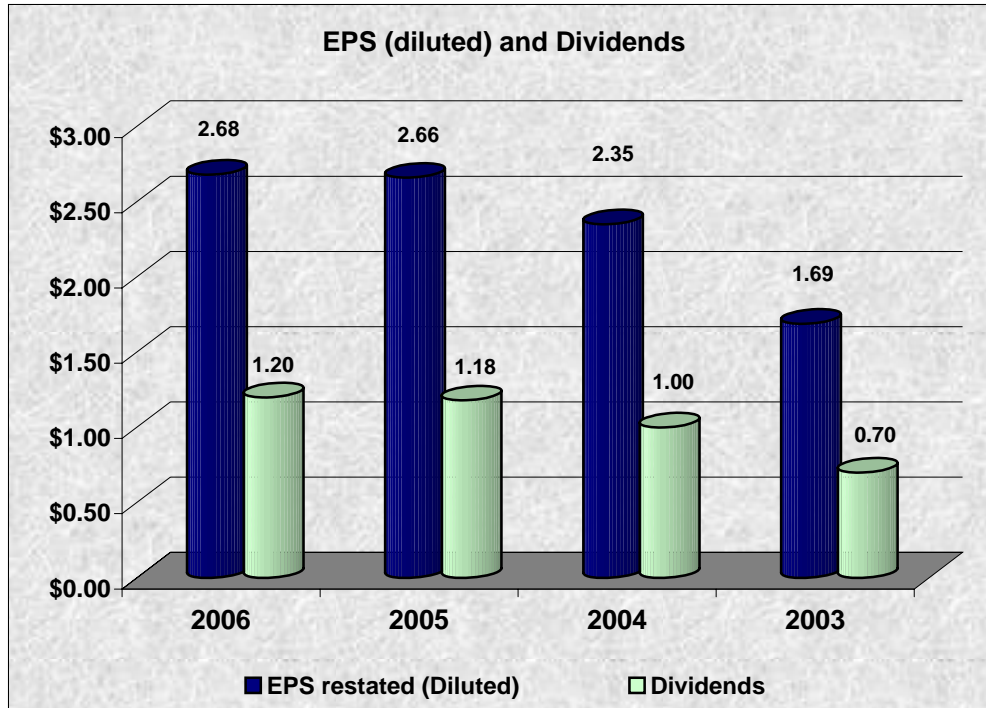
The Asset Base of RBTT has grown from \$37 billion to \$41 billion, driven by an increase in Loans and Advances of \$2.5 billion (14%). A noteworthy improvement is the level of Customers' Deposits and Other Interest Bearing Liabilities, which has moved from \$28.6 billion to \$33.1 billion (15.74%). Losses arising out of changes in fair value weighed heavily on the Equity of the Group. These losses amounted to \$576 million.

The share price of RBTT has displayed a great deal of volatility over the last two years, even more so since the advent of Electronic Trading in Trinidad and Tobago. Since reaching the low price of \$28.01, investors have apparently been seeking to capitalize on the relative cheapness of the share. The demand for the shares at that price level outstripped the supply leading to the quick upward movement seen. At the current price of \$33.01, the shares of RBTT are trading at a P/E multiple of 12.32 times, which is still a significant discount to the other local banks.

Based on an estimated growth in earnings of 15%, we forecast the earnings for the 2007 financial year-end to be in the range of \$3.05 to \$3.10. We believe that a more realistic multiple for RBTT lies in the 12.5 to 15 times range, which leaves a healthy margin for growth from the current share price. There are two considerations though for the investor in RBTT. The first is that this share should be sought for the long term, as a short-term focus would possibly lead to frustration because of the volatility associated with the share price. Secondly, it would be imprudent to buy this or any other share because of recent price rises, with the expectation of further short-term price increases. A target price level should be set, else the demand could drive this share to levels which make it over-valued in the short run, which in the current uncertain investment climate, may lead to price falls. These two caveats given, we view the current price still as a bargain in the short and long term and maintain our BUY recommendation on this stock.



Details	Financial Year Ended March 31			
	2006	2005	2004	2003
<b>Net Interest Income (TT\$ millions)</b>	<b>1,798</b>	<b>1,617</b>	<b>1,464</b>	<b>1,243</b>
% change	11.19%	10.45%	17.70%	23.90%
Other Income (TT\$ millions)	1,238	1,161	1,055	793
Net Income (TT\$ millions)	3,036	2,778	2,519	2,036
% change	9.29%	10.28%	23.70%	22.50%
<b>Operating Profit (TT\$ millions)</b>	<b>1,118</b>	<b>1,042</b>	<b>930</b>	<b>664</b>
% change	7.29%	12.04%	40.10%	26.30%
Share of Profits from Associated Companies and Joint Ventures (TT\$ millions)	18	68	45	29
% change	-73.53%	51.11%	53.60%	-29.10%
<b>Profit before Taxation (TT\$ millions)</b>	<b>1,137</b>	<b>1,109</b>	<b>974</b>	<b>693</b>
% change	2.52%	13.86%	40.70%	22.30%
<b>Profit after Taxation (TT\$ millions)</b>	<b>916</b>	<b>924</b>	<b>812</b>	<b>585</b>
% change	-0.87%	13.79%	38.70%	19.10%
<b>Profit Attributable to Shareholders (TT\$ millions)</b>	<b>923</b>	<b>914</b>	<b>803</b>	<b>576</b>
% change	0.98%	13.82%	39.40%	19.30%
<b>EPS restated (Diluted)</b>	<b>2.68</b>	<b>2.66</b>	<b>2.35</b>	<b>1.69</b>
% change	0.75%	13.19%	39.10%	19.00%
<b>Dividends</b>	<b>1.20</b>	<b>1.18</b>	<b>1.00</b>	<b>0.70</b>
% change	1.69%	18.00%	42.90%	16.70%
<b>Dividend Payout Ratio</b>	<b>44.78%</b>	<b>44.36%</b>	<b>42.55%</b>	<b>41.42%</b>
Market Price as at Y.E.	31.30	39.33	45.3	21.4
<b>Price to Earnings Ratio</b>	<b>11.68</b>	<b>14.68</b>	<b>19.28</b>	<b>12.66</b>
Total Assets	40,727	37,341	33,404	29,331
% change	9.07%	11.79%	13.90%	5.70%
Total Liabilities	36,617	34,414	30,250	26,726
% change	6.40%	13.77%	13.20%	4.70%
Weighted Average Number of Shares	343,465	342,491	340,579	341,048
<b>Shareholders' Equity</b>	<b>4,074</b>	<b>4,183</b>	<b>3,107</b>	<b>2,565</b>
% change	-2.61%	34.63%	21.10%	18.20%
Minority Interest	36	53	47	40
<b>Return on Average Shareholders' Equity</b>	<b>22%</b>	<b>25%</b>	<b>28%</b>	<b>25%</b>
Return on Average Assets	2.36%	2.60%	2.60%	2.00%
Book Value per Share	11.97	12.20	9.10	7.54
<b>Market to Book</b>	<b>2.62</b>	<b>3.22</b>	<b>4.98</b>	<b>2.84</b>



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