

**RBTT Financial Holdings Limited (RBTT)**

*WISE IS A SUBSIDIARY OF RBTT FINANCIAL HOLDINGS LIMITED*

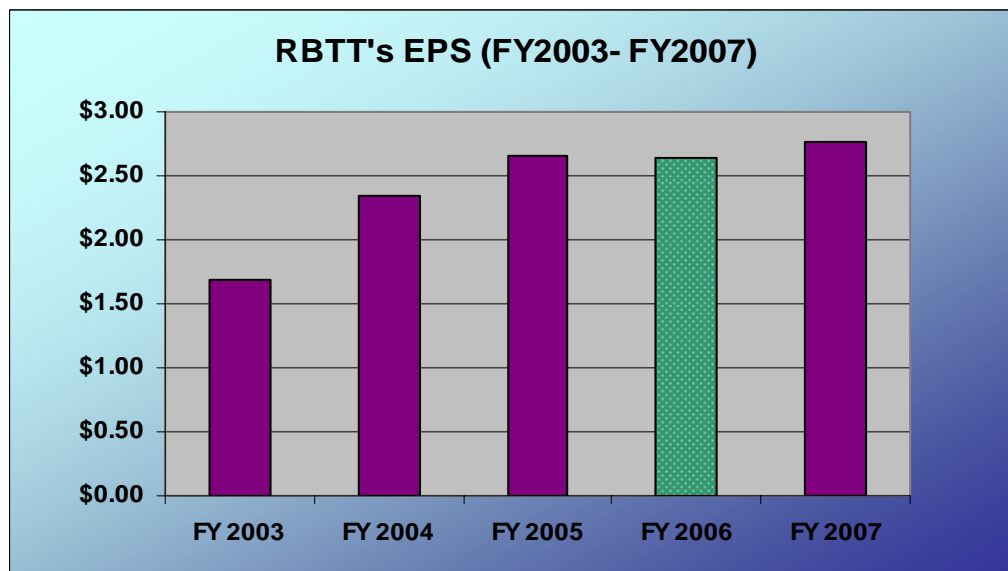
	<u>RBTT</u>
<b>RECOMMENDATION</b>	<b>BUY</b>
<b>Current Price</b>	<b>\$30.40</b>
<b>Running EPS</b>	<b>\$2.76</b>
<b>Projected EPS</b>	<b>\$3.00</b>
<b>P/E at Projected EPS</b>	<b>10.13 times</b>
<b>Dividend Yield</b>	<b>4.44%</b>
<b>Return on Assets</b>	<b>2.17%</b>
<b>Return on Equity</b>	<b>22.12%</b>

*Results for the Year Ended March 31, 2007*

*Earnings Per Share*

For the Year Ended March 31, 2007, RBTT Financial Holdings Limited (RBTT) reported Earnings Per Share (EPS) of \$2.76. This was up on the last financial year by 4.55 per cent or \$0.12. Also, it is important to note that the results for FY06 were restated to correct the recognition of deferred taxation. This had the effect of reducing the diluted EPS of fiscal 2006 from \$2.68 to \$2.64. Q407 on Q406, the growth was a similar 4.00 per cent or \$0.03 from an EPS of \$0.75 to \$0.78. However, when compared to Q307, the last quarter (Q407) was up by an outstanding 21.88 per cent or \$0.14 from an EPS of \$0.64. **Graph 1** below shows RBTT's Year End EPS over the period 2003 to 2007. (FY2006 is highlighted in green since the EPS was restated)

**Graph 1**





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### Financials

Net Interest Income ended the year at \$1.85 billion, up by a small margin of 3.27 per cent on fiscal 2006. For the last quarter, this figure stood at \$487.88 million and was up on the comparable period in 2006 by a larger margin of 6.20 per cent or \$28.48 million. Conversely, Other Income fell by 2.31 per cent or \$28.53 million to end FY07 at \$1.21 billion. This fall was mainly due to a gain of \$36.61 million on the sale of shares in FY06 which was not repeated in FY07 coupled with a large decline in Dividend Income. The drop in Dividend Income was due to the fact that Guardian Holdings Limited (GHL), in which RBTT holds a 14.9 per cent stake, did not pay a final dividend for FY06 compared to 40 cents in the previous financial year. Thus, Dividend Income fell by 84.4 per cent from \$26.24 million to \$4.09 million. As a result, Total Net Income rose by a marginal 0.69 per cent or \$21.03 million to end the year at \$3.06 billion.

Impairment Charges saw a significant decrease of 80.98 per cent or \$127.38 million, from \$157.30 million at the end of FY06 to \$29.92 million for FY07. This considerable decrease was also seen in the last quarter (Q407), where the figure was \$9.86 million compared to \$42.21 million for Q406. Year on Year, Operating Expenses saw an increase of 4.67 per cent or \$82.24 million to close the period under review at \$1.84 billion. Thus, Operating Profit amounted to \$1.18 billion, an increase of 5.92 per cent or \$66.17 million over the comparable period last year. Additionally, year on year, the Operating Efficiency Ratio has moved in the wrong direction from 58.0 per cent to 60.3 per cent.

Share of Profits of Associated Companies and Joint Ventures Before Tax was \$16.89 million, down on the previous financial year by 7.57 per cent or \$1.38 million. Q407 on Q406, this figure was down by a considerable 53.04 per cent or \$6.70 million from \$12.63 million to \$5.93 million. Consequently, Profit Before Taxation for the twelve month period stood at \$1.20 billion, up by 5.70 per cent or \$64.78 million.

The Effective Tax Rate for the fiscal year ended March 31, 2007 was 20.85 per cent compared to a Tax Rate of 20.58 per cent in the fiscal year ended March 31, 2006. Thus, Profit After Taxation was \$950.89 million for FY07 compared to \$902.68 million for FY06- an increase of 5.34 per cent or \$48.21 million.

*Table 1 shows a comparison of RBTT's Financials for Q407 on Q406 and Q307.*

**Table 1**

RBTT Financial Holdings Financials (Q407 on Q406; Q407 on Q307)							
	Q4 2007 \$'000	\$ Change Q4 07 - Q4 06	% Change Q4 07 - Q4 06	Restated Q4 2006 \$'000	Q3 2007 \$'000	\$ Change Q4 07 - Q3 07	% Change Q4 07 - Q3 07
Net Interest Income	487,879	28,476	6.20%	459,403	480,205	7,674	1.60%
Other Income	355,219	(83,156)	-18.97%	438,375	285,009	70,210	24.63%
Total Net Income	843,098	(54,680)	-6.09%	897,778	765,214	77,884	10.18%
Impairment Charges	(9,855)	32,359	-76.65%	(42,214)		(9,855)	
Operating Expenses	(501,080)	34,712	-6.48%	(535,792)		(501,080)	
Operating Profit	332,163	12,391	3.87%	319,772	282,131	50,032	17.73%
Share of Profits of Associated Companies and Joint Venture Before Tax	5,932	(6,699)	-53.04%	12,631		5,932	
Profit Before Taxation	338,095	5,692	1.71%	332,403	283,405	54,690	19.30%
Taxation	(68,120)	10,001	-12.80%	(78,121)		(68,120)	
Profit After Taxation	269,975	15,693	6.17%	254,282	219,899	50,076	22.77%
Profit Attributable to Shareholders	268,012	10,632	4.13%	257,380	218,324	49,688	22.76%
Earnings per Share (Diluted)	<b>0.78</b>	0.03	4.00%	<b>0.75</b>	<b>0.64</b>	0.14	21.88%



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Table 2 shows a comparison of RBT's Financials from FY2004 to FY2007.

Table 2

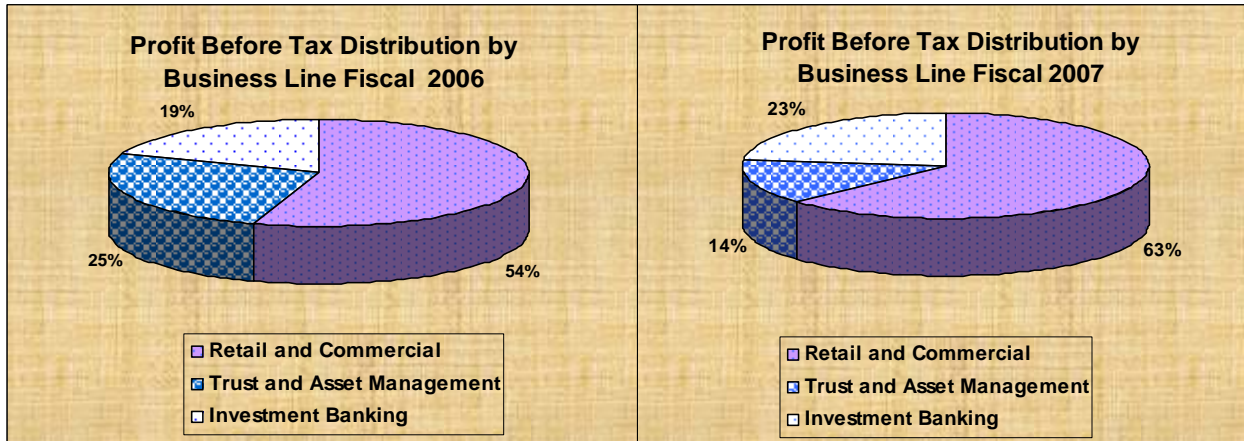
RBT Financial Holdings Limited - Audited Year End Financials (FY 2004-FY 2007)							
	YE 2007	% Change '06-'07	Restated YE 2006	% Change '05-'06	YE 2005	% Change '05-'04	YE 2004
Net Interest Income	1,847,689	3.27%	1,789,135	10.64%	1,617,058	10.49%	1,463,596
Other Income	1,209,095	-2.31%	1,237,623	6.59%	1,161,053	10.05%	1,055,032
Total Net Income	3,056,784	0.69%	3,035,758	9.27%	2,778,111	10.30%	2,518,628
Impairment Charges	(29,919)	-47.79%	(57,300)	705.79%	(7,111)	-80.01%	(35,572)
Operating Expenses	(1,842,341)	4.67%	(1,760,101)	5.11%	(1,674,581)	17.79%	(1,421,663)
Operating Profit	1,184,524	5.92%	1,118,357	7.35%	1,041,815	12.08%	929,520
Profit Before Taxation	1,201,416	5.70%	1,136,632	2.45%	1,109,424	13.89%	974,160
Profit After Tax	950,894	5.34%	902,684	-2.31%	924,061	13.83%	811,768
EPS	\$2.76	4.55%	\$2.64	-0.75%	\$2.66	13.19%	\$2.35
Market Price @ Financial Year End	\$32.00	2.24%	\$31.30	6.72%	\$29.33	-35.25%	\$45.30
P/E Ratio @ Financial Year End	11.59		11.86		11.03		19.28
Dividend	1.25	4.17%	1.20	1.69%	1.18	18.00%	1.00
Dividend Payout Ratio (%)	45.29		45.45		44.36		42.55
Dividend Yield (%)	3.91		3.83		4.02		2.21
Net Asset Value	\$13.19	10.19%	\$11.97	-5.45%	\$12.66	36.86%	9.25
Market to Book Ratio	2.43		2.61		2.32		4.90
Return on Equity (%)	22.12		22.12		24.82		28.32
Return on Assets (%)	2.17		2.36		2.59		2.56
Shares Outstanding	343,676,370		343,464,591		342,831,285		341,136,406

### Segmental Performance

The Retail and Commercial Banking Units performed considerably well, increasing their profit contribution by 26 per cent, while the Investment Banking activities showed moderately better earnings this year, up 2 per cent. Although the Merchant Bank Business underperformed in the first two quarters of the year, it closed fiscal 2007 very strong after booking transactions. The pipeline remains healthy for this segment and it is expected to have a stellar year going forward. However, earnings from the Trust and Asset Management Units fell off by a significant 30 per cent compared with the prior year. This was primarily the result of the decline in stock market activity in Trinidad and Tobago which negatively impacted fee income.

Figure 1 below shows the contribution by Business Line to Profit Before Tax for Fiscal 2006 and 2007, respectively.

Figure 1

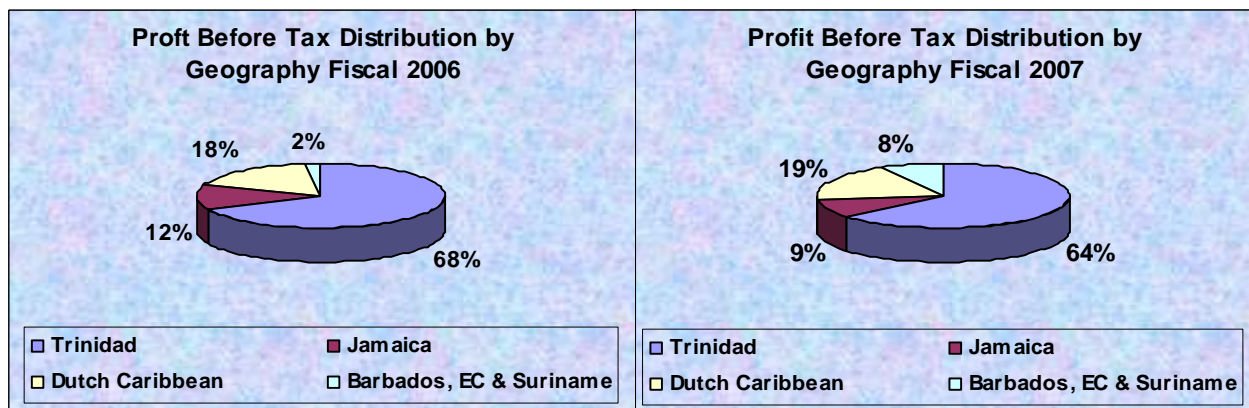


**Geographic Performance**

Geographically, Jamaica was the worst performing with a negative Profit Before Tax Growth of 15.8 per cent, year on year. This was a direct result of an increase in Operating Expenses from increased staff costs in an effort to bring salaries in line with the market. Barbados, Eastern Caribbean & Suriname on the other hand performed exceptionally well, up by 266.3 per cent on the prior year. The Dutch Caribbean saw a 12.5 per cent growth rate, while Trinidad and Tobago was up by a marginal 2.5 per cent on account of the fact that the Trust and Asset Management segment’s core business is in Trinidad and Tobago.

Figure 2 below shows the contribution by Geography to Profit Before Tax for Fiscal 2006 and 2007, respectively.

Figure 2





### Assets & Liabilities

On the Balance Sheet side, Assets increased by 15.60 per cent or \$6.36 billion to \$47.09 billion, of which Loans and Advances was the largest contributor, up 13.81 per cent to \$22.17 billion. This asset class had a Compound Annual Growth Rate of 19.19 per cent over the fiscal period 2003 to 2007. Additionally, the Bank's Non-Productive Loans to Total Loans improved year on year, moving from 3.6 per cent (FY06) to 2.9 per cent (FY07). Liabilities also saw an increase, up 16.06 per cent to \$42.55 billion. Customer Deposits and Other Interest Bearing Liabilities stood at \$39.67 billion, up 19.94 per cent on the same period last year.

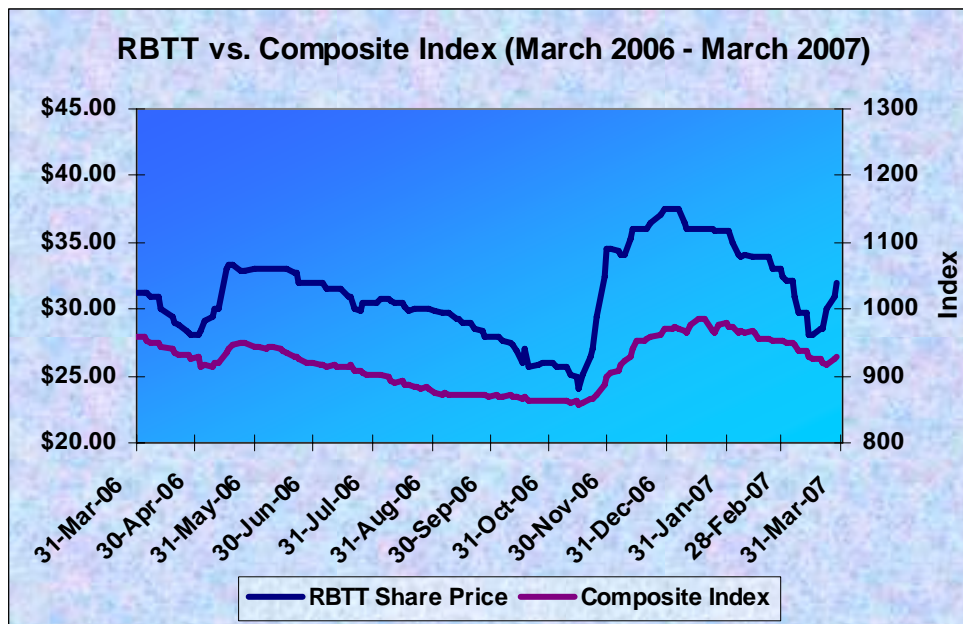
### Dividends

The Board of Directors has declared a final dividend of 65 cents per share, payable on June 18, 2007 to shareholders on record as at June 4, 2007. This will bring the full year dividend to \$1.25 per share (\$1.20-FY06).

### Share Price

RBTT's share price started fiscal 2006 at a price of \$31.30 and after a few dips and peaks ended the period at \$32.00. On November 15, 2006 the share price fell to a low of \$24.00 before shooting up to a high of \$37.50 on December 29, 2006. This sharp rise in price was the main result of speculation of the Bank being acquired by a Canadian entity. After maintaining the high of \$37.50 for three trading days, the price began a slow but steady decline falling to \$28.01 on March 14, 2007 before trending upwards to its close of \$32.00 on March 31, 2007. (See Graph 2)

Graph 2





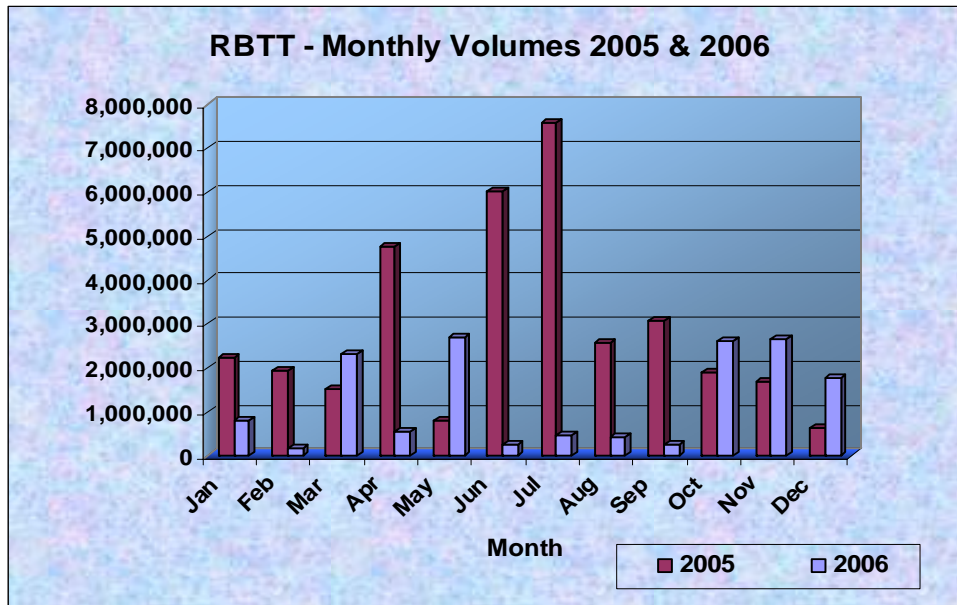
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### Volumes

The volume of RBTT shares traded for 2006 was considerably less than that for 2005; in fact, the total volume traded was down 57 per cent year on year. May saw the largest volume of shares traded for 2006 (2.69 million shares); while July saw the largest volume for 2005 (7.60 million shares). Conversely, February was the slowest month in 2006 for RBTT trades (0.18 million shares), while December had the lowest number of trades for 2005 (0.63 million shares). (See Graph 3)

Graph 3



### Recommendation

The shares of RBTT last closed at a price of \$30.40 on the local stock market. We are forecasting an EPS of \$3.00 for fiscal 2008. At this forecast and the current price, these shares are trading at a multiple of 10.13 times, which is attractive given that this share usually trades between 10 to 13 times. Additionally, using a multiple of 12 times and the forecasted EPS of \$3.00, this share has an expected return of approximately 18 per cent on the current price or a target price of \$36.00. Thus, based on this analysis we continue to recommend a **BUY** on this share.

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