

Scotiabank (Trinidad and Tobago) Limited (SBTT)

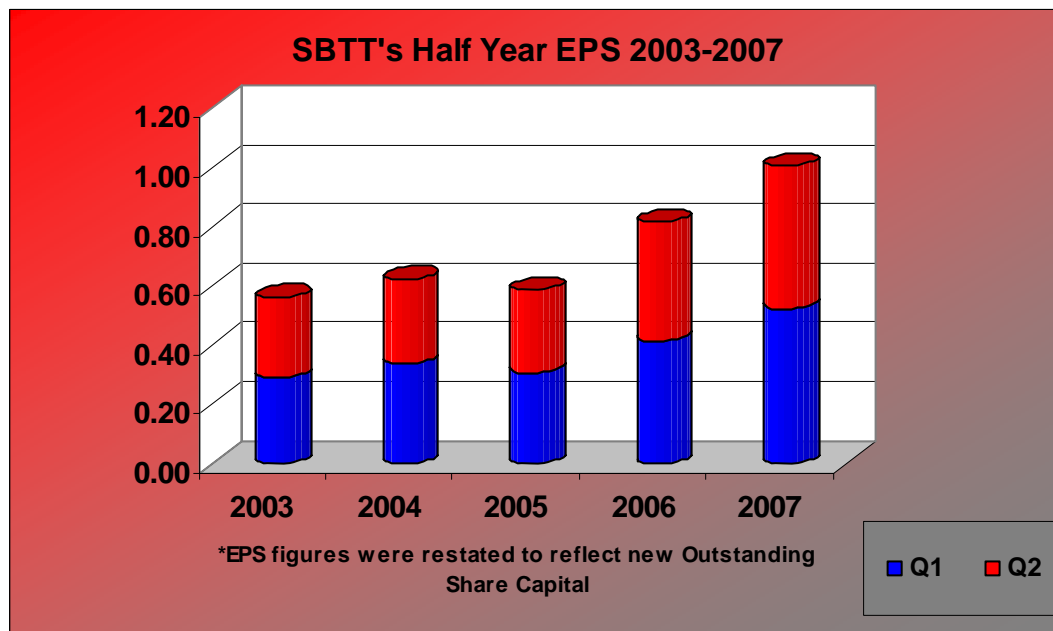
	SBTT
RECOMMENDATION	HOLD
Current Price	\$29.76
Running EPS	\$1.98
Projected EPS	\$2.15
P/E at Projected EPS	13.84 times
Dividend Yield @ Estimated Dividend	2.86%
Return on Assets	3.57%
Return on Equity	25.23%

Results for the Half Year Ended April 30, 2007

Earnings Per Share

Scotiabank Trinidad and Tobago Limited (SBTT) for the Half Year Ended April 30, 2007 reported Earnings Per Share (EPS) of 100.6 cents. This represented a significant increase of 23.28 per cent or 19 cents on the comparable figure in 2006. Additionally, the Group reported another successful quarter as Q207 on Q206, this figure was up 20.45 per cent or 8.20 cents from 40.10 cents in Q206 to 48.30 cents in Q207. **Graph 1** below shows SBTT's Half Year EPS over the period 2003 to 2007. Generally, the Group's EPS has show consistent growth with 2005 being the only exception.

Graph 1





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Financials

For the period under review, Net Interest Income rose 18.98 per cent or \$46.634 million to \$292.385 million. Other Income also saw a considerable increase of 19.58 per cent or \$16.194 million to close the quarter at \$98.921 million. Thus, Net Interest & Other Income amounted to \$391.306 million for Q107 and was up \$62.828 million or 19.13 per cent on the corresponding figure in 2006.

Non-Interest Expenses increased 13.55 per cent or \$19.024 million to end the Half Year at \$159.473 million. The major contributor was Salaries and Staff Benefits of \$77.542 million, up 15.49 per cent or \$10.400 million on the same period in the prior financial year. Premises and Technology was up a substantial 30.02 per cent or \$8.485 million to \$36.747 and Other Expenses grew 21.84 per cent or \$6.345 million to \$35.392 million. Conversely, Communications and Marketing Expenses dropped 16.69 per cent or \$2.018 million to \$10.074 million while Loan Loss Expenses fell from \$3.906 million in HY06 to - \$0.282 million HY07.

Income Before Taxation for the Half Year stood at \$231.833 million, an outstanding increase of 23.30 per cent or \$43.804 million. The Effective Tax Rate for the six month period was 23.51 per cent compared to a similar Tax Rate of 23.50 per cent in HY06. As a result, Income After Taxation was \$177.323 million, an increase of \$33.477 million or 23.27 per cent on the comparable period of the previous financial year. According to the Managing Director, Mr. Richard Young, in addition to the strong earnings over the period, SBTT saw significant improvements in key performance metrics such as revenue growth, customer satisfaction and loyalty, new customer acquisition, productivity ratio and loan loss experience.

Table 1 below shows a Financial Comparison on SBTT's Half Year Financials in addition to Q207 on Q206 and Q107.



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Table 1

SBTT Financials for Half Year and Q207 on Q206 and Q107								
	HY07 \$'000	% Change	HY06 \$'000	Q207 \$'000	% Change	Q206 \$'000	% Change	Q107 \$'000
NET INTEREST AND OTHER INCOME								
Net Interest Income	292,385	18.98%	245,751	148,397	19.14%	124,552	3.06%	143,988
Other Income	98,921	19.58%	82,727	45,275	13.12%	40,025	-15.60%	53,646
Net Interest & Other Income	391,306	19.13%	328,478	193,672	17.68%	164,577	-2.00%	197,634
NON-INTEREST EXPENSES								
Salaries and staff benefits	77,542	15.49%	67,142	39,340	16.72%	33,705	2.98%	38,202
Premises and technology	36,747	30.02%	28,262	20,207	30.40%	15,496	22.17%	16,540
Communications and marketing	10,074	-16.69%	12,092	3,869	39.17%	6,360	-37.65%	6,205
Loan loss expense	-282	107.22%	3,906	526	65.76%	1,536	165.10%	-808
Other	35,392	21.84%	29,047	18,066	19.51%	15,117	4.27%	17,326
Non-Interest Expenses	159,473	13.55%	140,449	82,008	13.56%	72,214	5.86%	77,465
INCOME BEFORE TAXATION								
Provision for taxation	-54,510	23.37%	-44,183	-26,560	22.18%	-21,738	-4.97%	-27,950
INCOME AFTER TAXATION								
Earnings Per Share (Cents)	100.60	23.28%	81.60	48.30	20.45%	40.10	-7.65%	52.30

Table 2 below shows SBTT's Historic Year End Financial Data over the period 2004-2006.

Table 2

SBTT Historic Financial Year End Data (2004-2006)					
	YE 2006 \$'000	% Change '05-'06	YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000
Net Interest and Other Income	714,485	22.79%	581,880	7.12%	543,193
Non-Interest Expenses	305,478	13.06%	270,184	2.95%	262,436
Income Before Taxation	409,007	31.22%	311,696	11.02%	280,757
Provision for taxation	-93,947	11.23%	-84,463	9.36%	-77,231
Income After Taxation	315,060	38.65%	227,233	11.65%	203,526
EPS (adjusted cents)	179	38.76%	129	12.17%	115
Market Price (Adjusted) at Financial Year End	25.30	-3.91%	26.33	25.38%	21.00
P/E Ratio	14.13	30.75%	20.41	11.77%	18.26
Dividend per Share (Adjusted) (cents)	70	31.33%	53.3	8.78%	49.0
Dividend Payout Ratio	39.11%		41.32%		42.61%
Dividend Yield	2.77%		2.02%		2.33%
Net Asset Value	\$7.81	21.03%	\$9.89	12.77%	\$8.77
Market to Book Ratio	3.24		3.99		3.59
Return on Equity	25.05%		20.72%		20.95%
Return on Assets	3.52%		3.16%		2.71%
Shares Outstanding	176,343,750		117,562,500		117,562,500



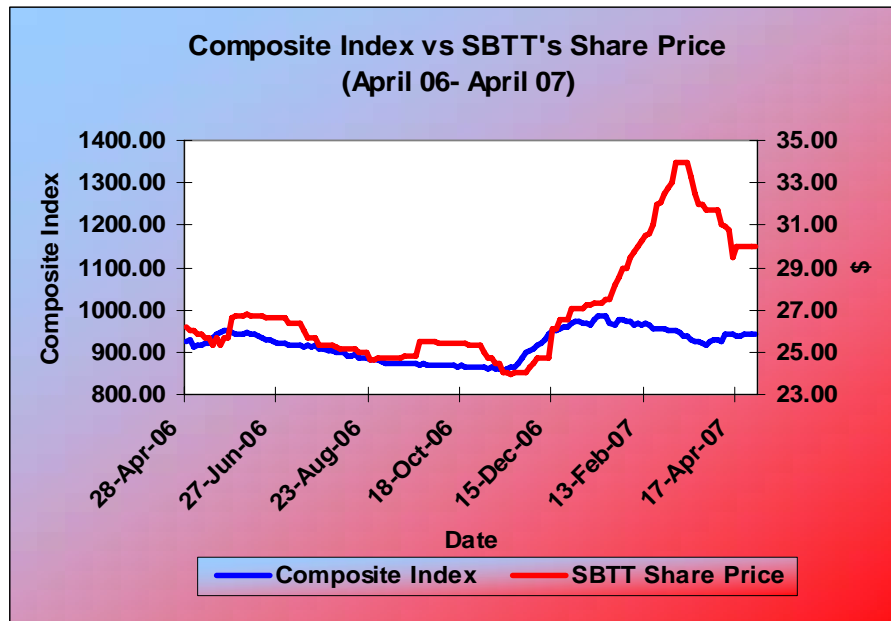
Dividends

The Directors have resolved to pay a second interim dividend of 21 cents per ordinary share (2006–15.3 cents) on June 26, 2007 to shareholders on record as at June 5, 2007.

Share Price

Over the period April 28, 2006 to April 27, 2007, SBTT's share price moved from \$26.00 to \$30.00. During this period the price dipped as low as \$23.99 on November 21, 2006 and peaked as high as \$34.00 on March 6, 2007. The upward trend in price movement from October to March came after the Company posted exceptional year end results with an EPS of \$1.79, up on the corresponding period in FY2005 by 38.63 per cent. Also important to note is the fact that on September 26, 2006 the Group had a 1 for 2 bonus issue and as such the price movements shown in **Graph 2** below reflect the price adjustment.

Graph 2



Recommendation

Currently SBTT is trading at a price of \$29.76 and at our current forecasted EPS of \$2.15 this share is trading at a price to earnings multiple of 13.84 times. Thus, at this time we continue to recommend a **HOLD** on this share.

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