

SCOTIABANK OF TRINIDAD & TOBAGO(SBTT)

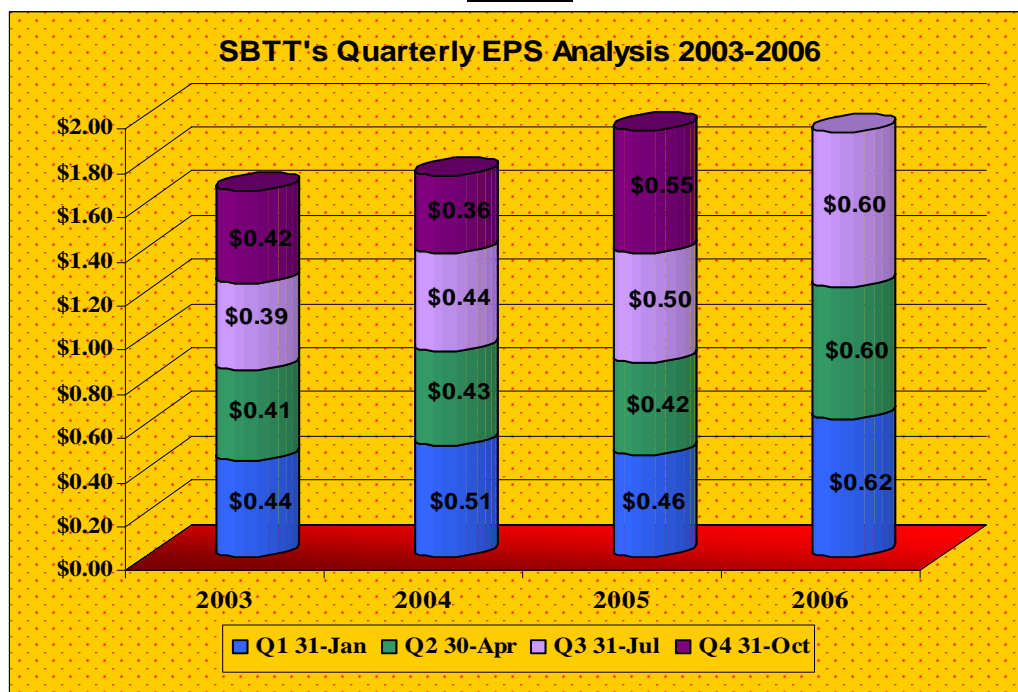
	SBTT
RECOMMENDATION	Medium to Long Term BUY
Current Price	\$37.05
Running EPS	\$2.47
Projected EPS	\$2.60
P/E at Projected EPS	14.25
Dividend Yield (FY 2005)	2.03%
Return on Assets	3.29%
Return on Equity	24.46%

Results for the Nine Months Ended July 31, 2006

Earnings Per Share

For the Nine Months Ended July 31, 2006 Scotiabank of Trinidad and Tobago (SBTT) reported Earnings per Share (EPS) of \$1.92, which represents an impressive increase of 39.13% or \$0.54 on the comparable EPS of 2005. For the three months ended July 31, 2006 this represents an increase of \$0.20 or 40.00 % on the comparable period, as the EPS for Q3 2006 amounted to \$0.70. Over the period 2003- 2006, the EPS of SBTT has seen a steady and strong growth pattern, with each year being better than the previous. The EPS to date for 2006 (\$1.92) is already on par with the EPS for the entire year of 2005 (\$1.93). (See Graph 1)

Graph 1





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Financials

Net Interest Income for the period stood at \$380.79 million, an increase of 23.92% on the prior comparable period. Contributing to this increase is the fact that the Loan Portfolio grew at a faster rate than the Deposit Book (nine months on nine months). Such that, Net Loans to customers increased by 25.75% or \$1.38 billion, while Deposits from customers increased by 20.00% or \$1.2 billion. The overall loan increases for the period have been attributed to strong growth in the areas of Retail, Commercial and Corporate Lending.

Other Income contributed \$129.46 million to the Total Income of \$510.25 million. Nine months on nine months, Total Income grew by 20.02% or \$85.12 million while Non-Interest Expenses increased by a meager 8.47%. The major contributor to Non- Interest Expenses was Salaries and Staff Benefits (47.26%). As a result of the Bank's continued discipline in controlling Non- Interest Expenses, the bottom line was able to realize the substantial gains from Total Income. Thus Income Before Taxation benefited by a notable increase of 30.09% to end at \$295.59 million.

The Effective Tax Rate for the period ended July 31, 2006 amounted to 23.73%, while the Rate in the comparable period of 2005 stood at 28.68%; this is no doubt the result of the 5% reduction in the Corporation Tax Rate. Thus, Income After Tax amounted to \$225.44 million, an overall increase of \$63.34 million or 39.10%.

Table 1 Shows Financial Data for SBTT over the period 2003-2006

Table 1

SBTT Financial Data (2003-2006)								
	YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000	% Change '03-'04	YE 2003 \$'000	Nine Months 2006 \$'000	Nine Months 2005 \$'000	% Change Nine Months on Nine Months
Net Interest and Other Income	581,880	7.12%	543,193	2.27%	531,114	510,250	425,129	20.02%
Non-Interest Expenses	270,184	2.95%	262,436	1.77%	257,878	214,661	197,902	8.47%
Income Before Taxation	311,696	11.02%	280,757	2.75%	273,236	295,589	227,227	30.09%
Provision for taxation	-84,463	9.36%	-77,231	-1.72%	-78,580	-70,150	-65,161	7.66%
Income After Taxation	227,233	11.65%	203,526	4.56%	194,656	225,439	162,066	39.10%
EPS	193.3	11.67%	173.1	4.53%	165.6	191.8	137.9	39.09%
P/E Ratio	20.43	12.25%	18.20	10.57%	16.46			
Dividend	80.0	8.11%	74.0	5.71%	70.0			
Dividend Payout Ratio	41.39%	-3.19%	42.75%	1.13%	42.27%			
Dividend Yield	2.03%	-13.62%	2.35%	-8.56%	2.57%			
Net Asset Value	\$9.89	12.77%	\$8.77	13.02%	\$7.76			
Market to Book Ratio	3.99	11.14%	3.59	2.28%	3.51			
Shares Outstanding	117,563	0.00%	117,563	0.00%	117,563			

Dividends and Bonus Share Issue

On the basis of performance to date, the Board of Directors has resolved that the Bank pay a third Interim Dividend of \$0.23 per ordinary share on September 26, 2006 to shareholders on record as at September 05, 2006. With respect to the Bonus Share Issue, Managing Director, Mr. Richard Young, has advised that it was approved by shareholders and is still seeking Regulatory Approval.



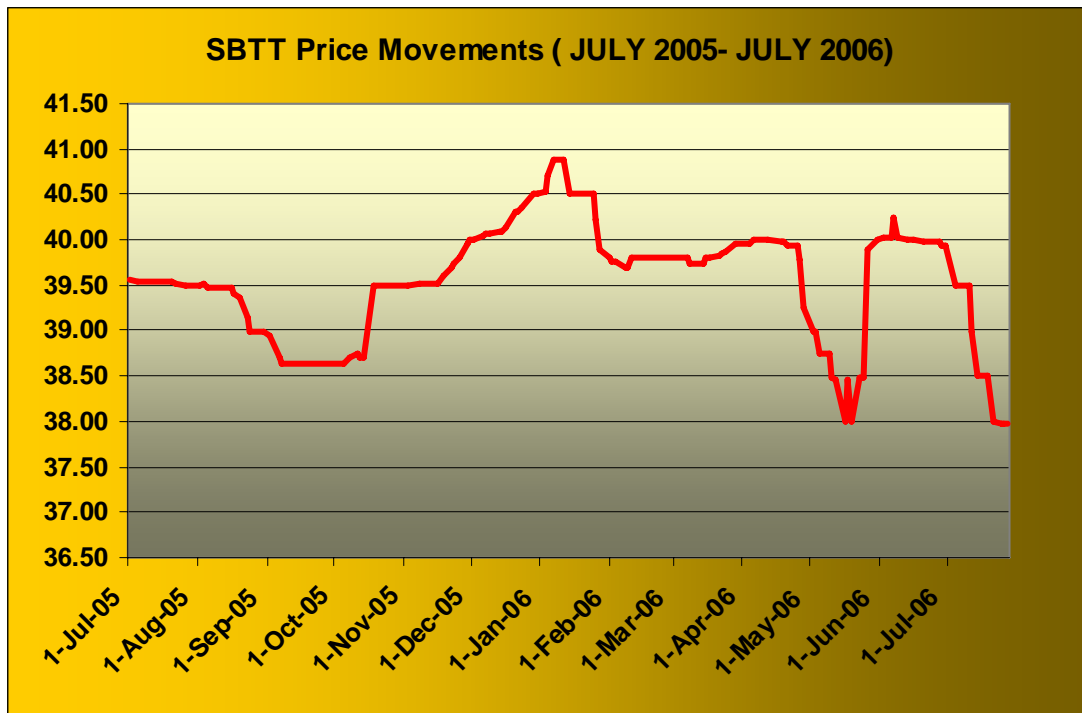
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Share Price

SBTT's share price has traded in a fairly small range over the last year, reaching a high of \$40.89 and a low of \$37.97. The share price of SBTT currently stands at \$37.05. (See Graph 2)

Graph 2



Recommendation

Based on the current results, we have revised our forecasted EPS to \$2.60. At the current price of \$37.05 and the revised forecasted EPS of \$2.60, this share is trading at a multiple of 14.25 times. This P/E multiple is just beyond the average for the Banking Sector of 13 times. Also, SBTT shares are very illiquid and as such, usually trade in the high range of 19 to 20 times. Thus, there is potential for price appreciation in the medium to long term. Hence, based on this fundamental analysis we recommend a **Medium to Long Term BUY** on this stock.

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