

Scotiabank (Trinidad & Tobago) Limited

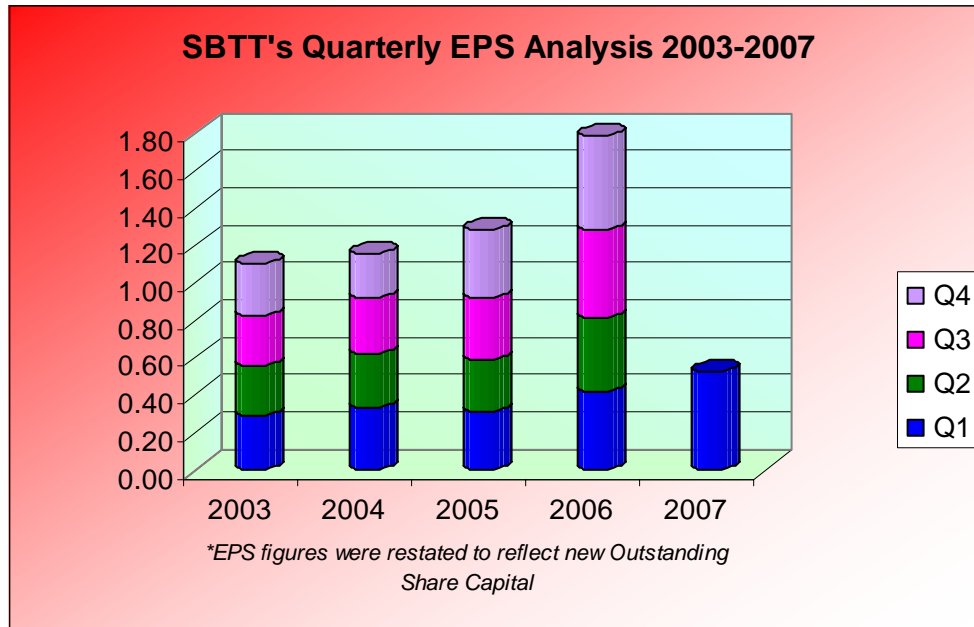
	<u>SBTT</u>
RECOMMENDATION	HOLD
Current Price	\$33.00
Running EPS	\$1.90
Projected EPS	\$2.15
P/E at Projected EPS	15.35 times
Projected Dividend	\$0.85
Dividend Yield	2.58 per cent
Return on Assets	3.81 per cent
Return on Equity	26.75 per cent

Results for the First Quarter Ended January 31, 2007.

Earnings Per Share

Scotiabank (Trinidad & Tobago) Limited (SBTT) continued to report commendable results for its First Quarter ended January 31, 2007. The Bank's Earnings Per Share (EPS) increased 26.02 per cent to 52.3 cents compared to Q1-FY06's EPS of 41.50 cents (See Figure 1). According to the Managing Director, the performance reflects a commitment to shareholders to a sound execution of SBTT's strategic initiatives. These initiatives comprise excellent sales and service, product diversification and an efficient operating platform leveraging technology.

Figure 1





Financials

SBTT's performance was driven by its top line as Net Interest Income rose 18.80 per cent to \$143.988 million. Other Income rose 25.63 per cent to \$53.646 million resulting in Net Interest & Other Income increasing 20.58 per cent to \$197.634 million.

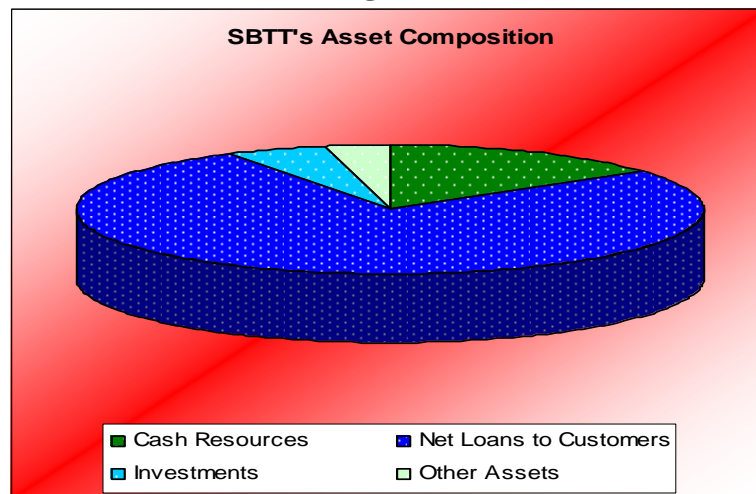
The growth in top line was complimented by expenditure control as the Group saw a relatively smaller increase in Non Interest Expenses of 13.53 per cent to \$77.465 million for Q1-FY07. Of this total, Salaries and Staff Benefits comprised 49.32 per cent remaining as the major component. Premises & Technology accounted for 21.35 per cent while Other Expenses made up 22.36 per cent. The Group also saw a 134.09 per cent drop in Loan Loss Expenses from a charge of \$2.370 million (Q1-FY06) to a credit of \$0.808 million (Q1-FY07).

The Bank's strong performance drove Income Before Taxation up 25.61 per cent to \$120.169 million. The Effective Tax Rate rose from 23.46 per cent (Q1-FY06) to 23.26 per cent (Q1-FY07) resulting ultimately in an increase in Income After Tax of 25.95 per cent to \$92.219 million.

Assets & Liabilities

On the Balance Sheet, the Bank's Assets grew 10.77 per cent to \$10.182 billion from its recent financial year ended October 31, 2006 with Net Loans to Customers contributing 76.44 per cent (See Figure 2). On the liabilities side, Total Liabilities (excluding Deferred Tax Liability) rose 12.01 per cent to \$8.753 billion over the same period. Of this total, Deposits comprised 82.57 per cent.

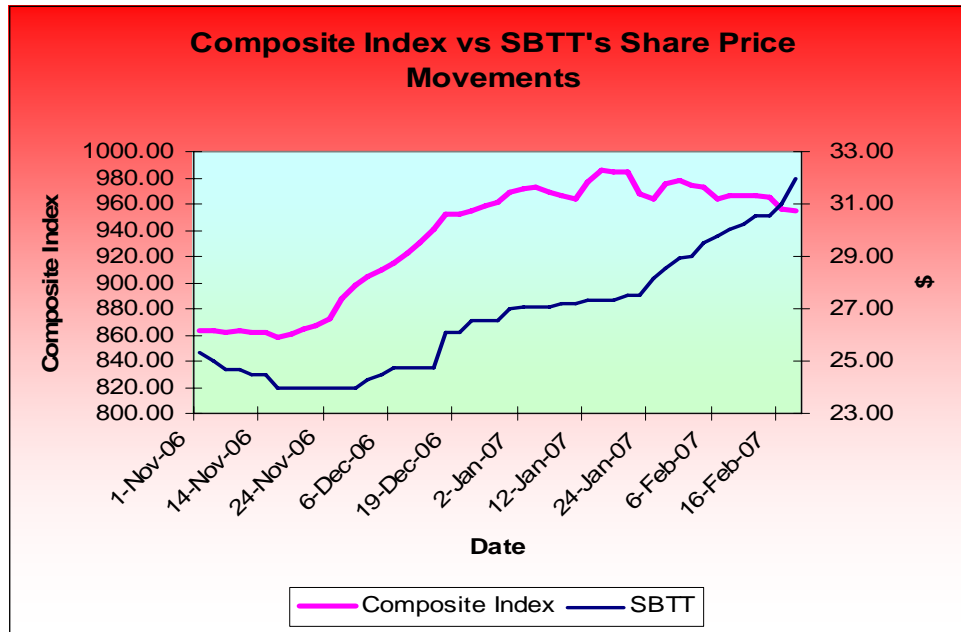
Figure 2



Share Price

Though SBTT's share price declined at the start of the first quarter, from the middle of November 2005, its share price exhibited positive strides for the rest of that period (See Figure 3). This was also a period when there was a lot of positive sentiment in the market as can be seen from the movement of the Composite Index. While upward movement in the Composite Index slowed, SBTT continued on its upward climb into its second quarter and is currently trading at its 52 week high of \$33.00.

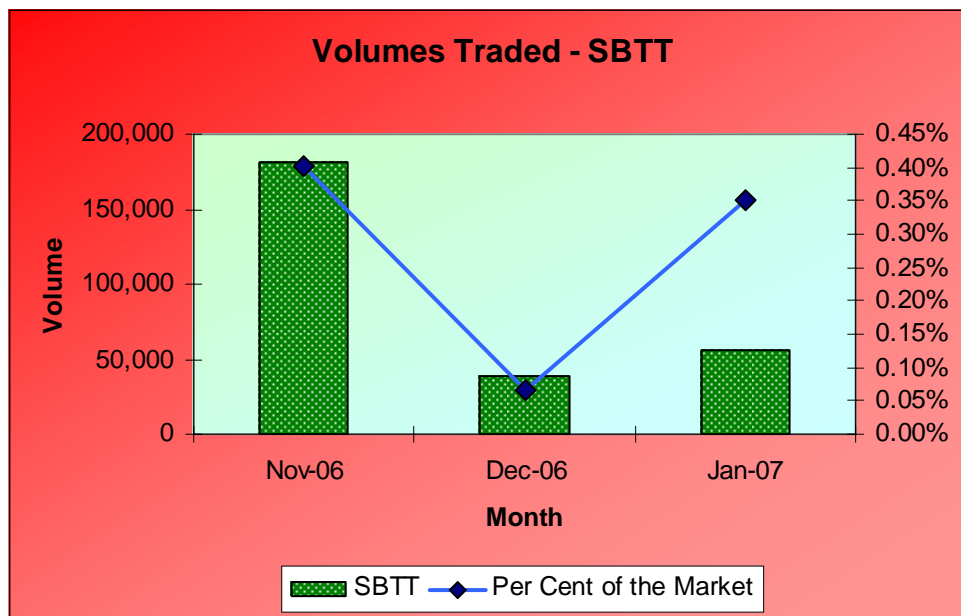
Figure 3



Market Activity

Despite consistently trending upward with regard to price, SBTT has continued to trade a small per cent of the market volume. The Company in fact accounted for less than 0.45 per cent of market activity in a given month in its first quarter (See Figure 4). This share remains a fairly illiquid share with approximately 70 per cent held by substantial interests.

Figure 4





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Dividends

The Directors have resolved to pay a first interim dividend of 21 cents per ordinary share on March 27, 2007 to shareholders on record as at March 06, 2007.

Outlook & Recommendation

As a result of this performance, we are revising our forecasted EPS from \$2.05 to \$2.15. At the current price of \$33.00 and this forecasted EPS, SBTT is trading at a price/earnings ratio of 15.35 times. Given that this share usually trades within the range of 13 to 15 times earnings, this share is fully valued at its current price and so we recommend a HOLD.

Figure 5

SBTT Historic Financial First Quarter Data (2003-2006)					
	Q1 FY 2007 \$'000	% Change	Q1 FY 2006 \$'000	% Change	Q1 FY 2005 \$'000
Net Interest and Other Income	197,634	20.58%	163,901	17.68%	139,276
Non-Interest Expenses	77,465	13.53%	68,235	3.86%	65,698
Income Before Taxation	120,169	25.61%	95,666	30.02%	73,578
Provision for taxation	-27,950	24.53%	-22,445	12.87%	-19,885
Income After Taxation	92,219	25.95%	73,221	36.37%	53,693
EPS (adjusted cents)	52.3	26.02%	41.5	35.18%	30.7
SBTT Historic Financial Year End Data (2003-2006)					
	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

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