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WISE

Equity Research: Trinidad & Tobago

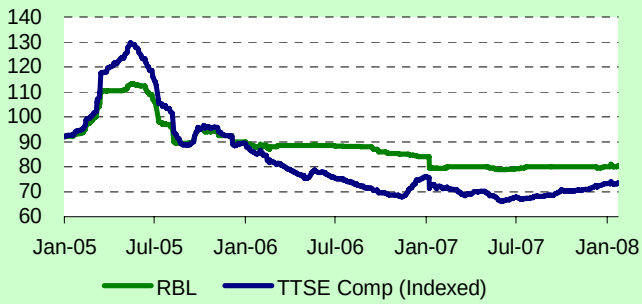
Republic Bank Ltd.
RBL

YE07 Results

Date	1-Feb-08
Recommendation	**BUY**
Price (TT$)	80.51
Target Price (TT$; 12 months)	101.50
52 week high - low (TT$)	78.80-84.00
Market cap. (TT$MM)	12,820
Float cap. (TT$MM)	3,195

Price/Indexed TTSE Comp

Daily Jan 05 to date, 1/4/05 = $92.00



On 12/31/04 the TTSE Comp was at 1,074.

Earnings Per Share

For the financial year ended September 30th, 2007, Republic Bank Limited (RBL) reported outstanding results with Earnings Per Share (EPS) of $8.33, up a significant 109.82 per cent on the comparable EPS for fiscal 2006. This phenomenal growth is largely due to the fact that the Bank sold its investment in FirstCaribbean International Bank.

If we exclude this component for both years and compare year on year growth in core earnings, the Bank was still up a healthy 18.70 per cent from an EPS of $5.08 (FY06) to $6.03 (FY07). This growth in core earnings was fuelled mainly from the growth in the Loans and Advances Portfolio of $2.61 billion or 15.1 per cent, year on year. Added to this, the bank's non-performing loans stood at 2.3 per cent of gross loans which is the best that this indicator has been in the last five years.

Financials

Net Interest Income showed solid improvement on the previous financial year, up 17.6 per cent or $250 million to $1.7 billion. The Bank's Trinidad and Tobago operations accounted for $1.1 billion of this figure, showing an improvement of 22.1 per cent on fiscal 2006.

Operating Expenses ended the fiscal year at $1.2 billion, up $132.5 billion or 12.4 per cent on 2006, with staff costs being the largest expense for the Bank.

Return on Assets and Return on Equity (excluding the impact of the gain on the sale of FCIB) was 2. 7 per cent and 20.9 per cent respectively. These performance indicators showed a great improvement over the previous years ratios which stood at 1.9 per cent (R.O.A) t and 14.8 per cent (R.O.E).

Dividends

The Board declared a final dividend of $2.00 which was paid on November 30th 2007. This brings the total dividend for the year ended September 30th, 2007 to $2.94 (2006:$2.50).

Recommendation

RBL last closed at a price of $80.51 on the local exchange. We are forecasting an EPS of $7.25 for fiscal 2008, which is 20 per cent up on the core EPS for FY07. At the current price and this forecast, RBL is trading at a multiple of 11.10 times which is low for this Bank. Additionally, using a multiple of 14 times and the forecasted EPS of $7.25, this share has an estimated return of approximately 26 per cent or a Target Price of $101.50. Thus, we recommend a **BUY** on this share.

Period	**YE08E**	YE07A	YE06A	Change
($MM)				
Net Interest Income	**1,915**	1,666	1,417	17.6%
Other Income	**1,095**	953	827	15.2%
Total Revenue	**3,010**	2,619	2,244	16.7%
Expenses	**(1,325)**	(1,205)	(1,072)	12.4%
PBT	**1,162**	1,725	1,020	69.1%
EPS (cents)	**725**	833	397	109.8%
-Q1	**166**	141	97	45.4%
-Q2	**129**	368	71	418.3%
-Q3	**180**	146	101	44.6%
-Q4	**250**	178	128	39.1%

Period	**Q108A**	Q407A	Q307A	Change
($MM)				
Net Interest Income	**466**	433	426	1.6%
Other Income	**257**	215	230	-6.5%
Total Revenue	**723**	648	656	-1.2%
Expenses	**(342)**	(245)	(323)	-24.1%
PBT	**381**	403	333	21.0%
EPS (cents)	**166**	178	146	21.9%

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