

**Ansa Merchant Bank Limited (AMBL)**

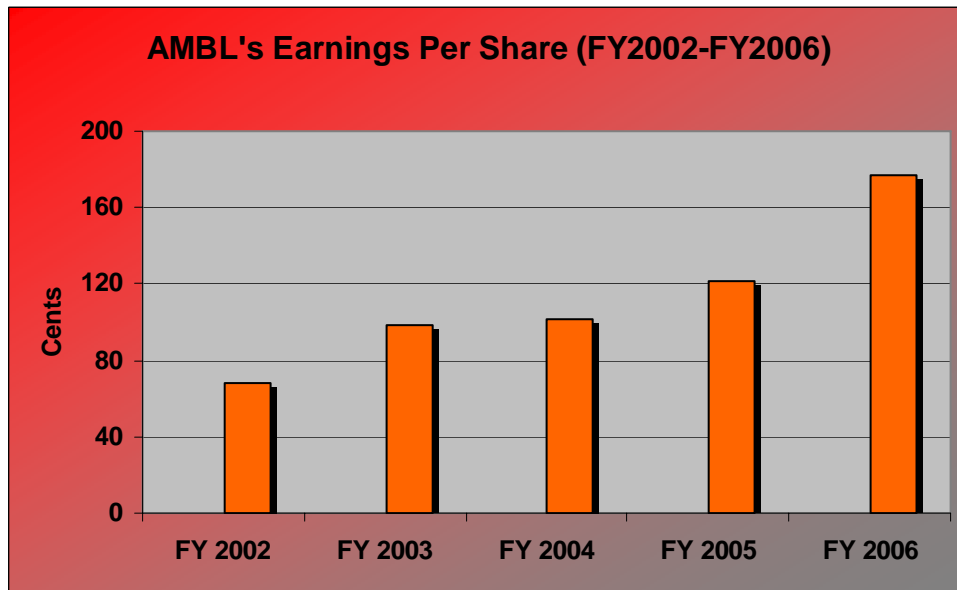
	<b>AMBL</b>
<b>RECOMMENDATION</b>	<b>BUY</b>
<b>Current Price</b>	<b>\$22.00</b>
<b>Running EPS</b>	<b>\$1.87</b>
<b>Projected EPS</b>	<b>\$2.15</b>
<b>P/E at Projected EPS</b>	<b>10.23 times</b>
<b>Dividend Yield @ Estimated Dividend</b>	<b>4.09%</b>
<b>Return on Assets</b>	<b>4.52%</b>
<b>Return on Equity</b>	<b>15.23%</b>

*Results for the Year Ended December 31, 2006*

*Earnings Per Share*

For the Year Ended December 31, 2006, Ansa Merchant Bank Limited (AMBL) reported Earnings Per Share (EPS) of \$1.77 which was up by an outstanding 47.50 per cent on the corresponding period in FY2005. **Graph 1** below shows AMBL's Year End EPS over the period 2002 to 2006.

**Graph 1**





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### Financials

Total Income for the period under review increased by a significant 31.96 per cent or \$127.75 million to \$527.42 million when compared to the comparable figure in FY2005. Net Premiums Earned and Contributions Received was the largest component of Total Income and stood at \$214.11 million at the end of the twelve month period. This figure was up by 12.63 per cent or \$24.02 million on the previous financial year. Investment Income amounted to \$203.72 million and was up by an outstanding 75.26 per cent or \$87.48 million on FY2005. The Company's Finance Charges, Loan Fees and Other Interest Income totaled \$79.42 million and showed growth of 16.32 per cent or \$11.14 million on the corresponding period in the last financial year, while Other Income was the smallest component of Total Income and contributed \$30.18 million to the Company an increase of 20.40 per cent or \$5.11 million on 2005.

Total Expenses also increased significantly, moving from \$283.39 million in FY2005 to \$366.86 million for the current period- an increase of 29.45 per cent or \$83.47 million. Net Insurance Benefits and Claims Incurred was the largest expense faced by the Company and stood at \$134.17 million after increasing by 22.21 per cent or \$24.39 million. While General Administrative and Selling Expenses amounted to \$107.35 million up by 24.98 per cent or \$21.45 million. Interest Expense for the period totaled \$91.59 million up by a notable 47.39 per cent or \$29.45 million while Net Change in Insurance Contract Liabilities amounted to \$33.75 million an increase of 32.00 per cent or \$8.18 million.

Thus, after all expenses were deducted from income the Company's Profit Before Taxation stood at \$160.56 million and showed significant growth of 38.08 per cent or \$44.28 million on the previous financial year. The Effective Tax Rate for the period under review was 7.19 per cent compared to a Tax Rate of 13.36 per cent in FY2005. Consequently, AMBL's Profit After Taxation ended the twelve month period at \$149.01 million up by a considerable 47.91 per cent or \$48.27 million on the comparable period in FY2005.

Table 1 shows AMBL's Year End Financial Data Comparison from 2003 to 2006

Table 1

Ansa Merchant Bank Limited Year End Financial Data (2003-2006)							
	YE 2006	% Change '05-'06	Restated YE 2005	% Change '04-'05	YE 2004	% Change '03-'04	YE 2003
Total Income	527,415	31.96%	399,664	19.19%	335,329	509.28%	55,037
Total Expenses	366,856	29.45%	283,385	20.90%	234,401	1245.20%	17,425
Profit Before Taxation	160,559	38.08%	116,279	15.21%	100,928	168.34%	37,612
Profit for the Period	149,007	47.91%	100,740	17.10%	86,027	183.01%	30,397
EPS	\$1.77	46.28%	\$1.21	18.63%	\$1.02	4.08%	\$0.98
Market Price @ Financial Year End (TT\$)	\$18.70	-13.02%	\$21.50	28.36%	\$16.75	46.93%	\$11.40
P/E Ratio @ Financial Year End	10.56		17.77		16.42		11.63
Dividend	\$0.75	50.00%	\$0.50	11.11%	\$0.45	7.14%	\$0.42
Dividend Payout Ratio	42.37%		41.32%		44.12%		42.86%
Dividend Yield	4.01%		2.33%		2.69%		3.68%
Net Asset Value	\$12.00	9.89%	\$10.92	7.91%	\$10.12	-29.62%	\$14.38
Market to Book Ratio	1.56		1.97		1.66		0.79
Return on Equity	15.23%		11.27%		18.33%		24.39%
Return on Assets	4.52%		3.75%		5.28%		3.43%
Shares Outstanding	85,605,263		85,605,263		85,605,263		31,000,000

\*AMBL acquired TATIL Group by issue of 54,605,263 shares on January 1, 2004.



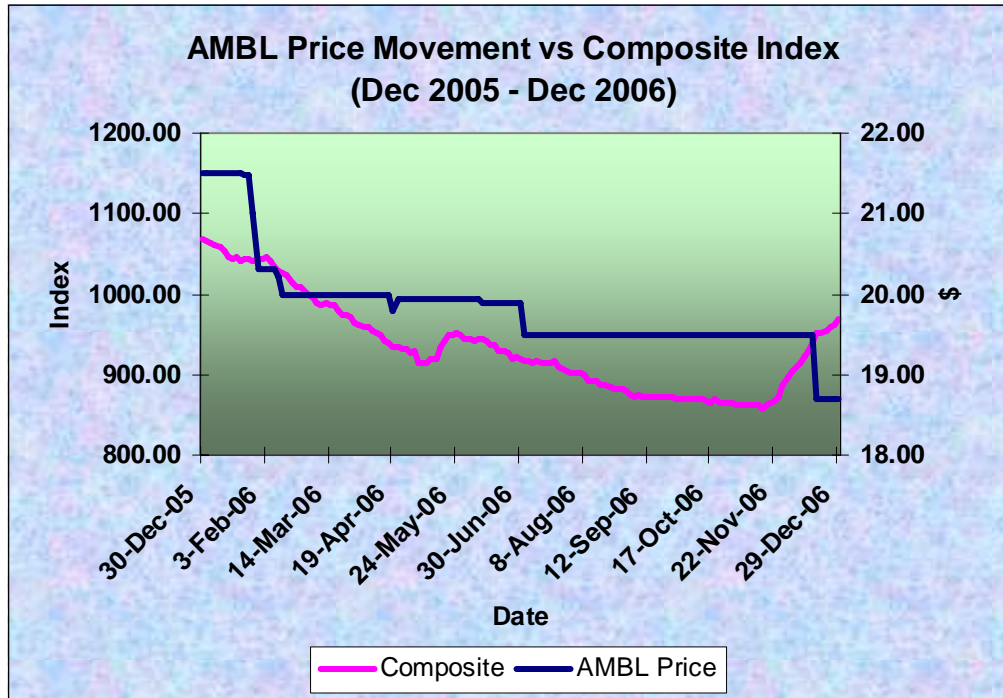
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**Share Price**

AMBL's share price started fiscal 2006 at a price of \$21.50, the highest price traded for the year, and was on a general decline to end the period at \$18.70. From January 27 to February 14, 2006 the share price saw a sharp drop to \$20.00 and continued to trade around this price until July 4 where the price saw a further decline to \$19.50. AMBL then traded flat until December 15 when the price trended downward to the low of \$18.70 (See Graph 2)

**Graph 2**

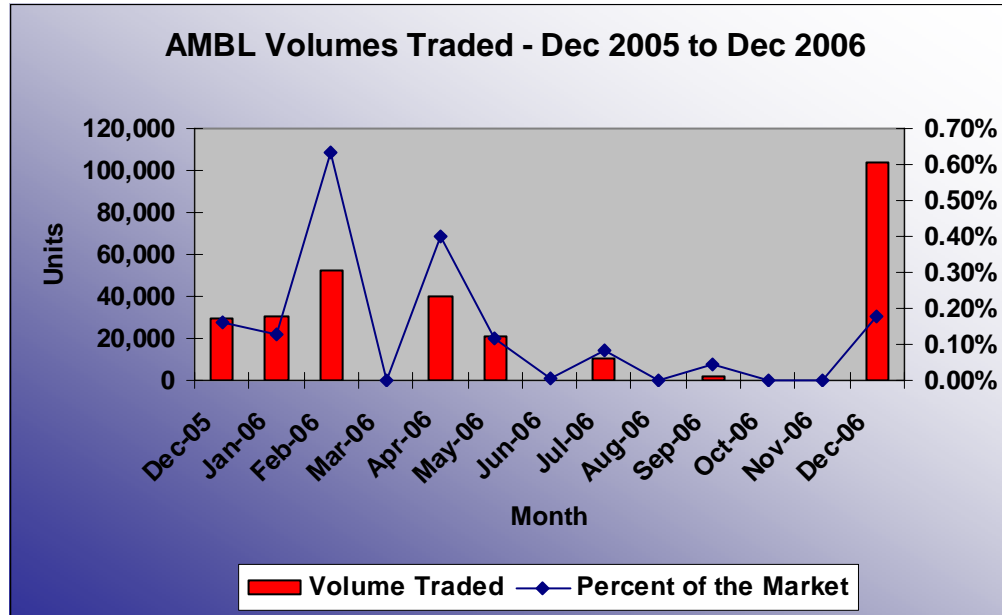




**Volumes**

Fiscal 2006 saw 289,436 shares change hands with December 2006 being the most active as 104,118 shares changed ownership. March was the slowest month with a minimal 100 shares crossing the floor. February saw the largest percentage (0.64 per cent) of AMBL shares traded in relation to the market while September saw the lowest percentage (0.05 per cent). (See Graph 3)

**Graph 3**



**Recommendation**

The shares of AMBL are currently trading at a price of \$22.00. In light of these commendable results we are forecasting an EPS of \$2.15 for FY2007. At this forecasted EPS and the current price, these shares are trading at an attractive price to earnings multiple of 10.23 times. Additionally, using a multiple of 12 times and the forecasted EPS of \$2.15, this share has an expected return of approximately 17 per cent on the current price or a target price of \$25.80. Based on these fundamentals we would recommend a **BUY** on this share. However, while this buying opportunity may be very attractive, it is important to note that the shares of AMBL are very tightly held. ANSA McAL Limited holds approximately 82 per cent of the share capital of this Company and hence there is limited availability and liquidity of these shares on the market.

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