

Republic Bank Limited (RBL)

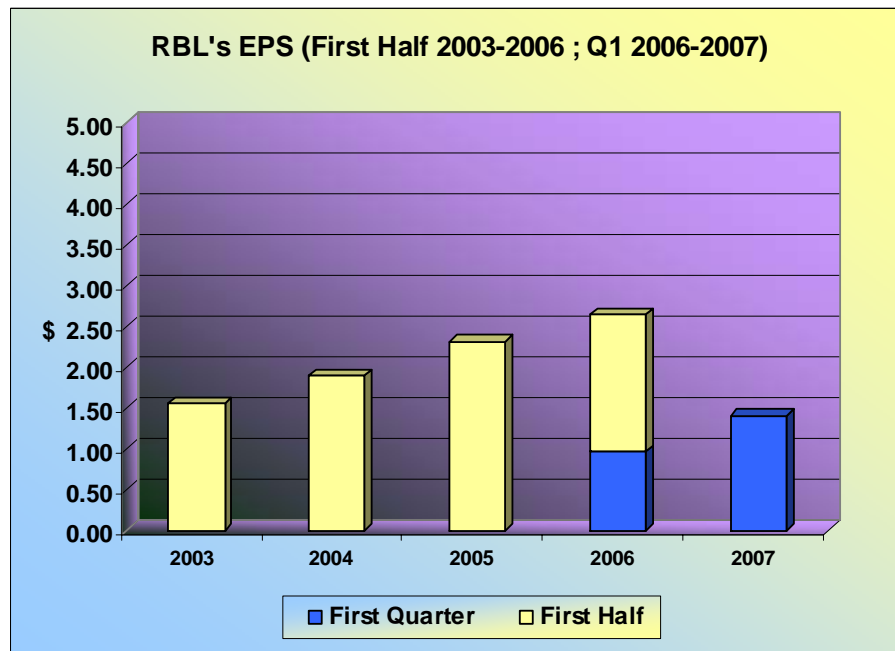
	RBL
RECOMMENDATION	HOLD
Current Price	\$79.39
Running EPS	\$4.43
Projected EPS	\$5.30
P/E at Projected EPS	14.98 times
Dividend Yield	3.34%
Return on Assets	2.80%
Return on Equity	23.32%

Results for the First Quarter Ended December 31, 2006

Earnings Per Share

Republic Bank Limited has commenced quarterly financial reporting and has reported commendable growth in its first quarter. Its Earnings Per Share (EPS) rose by a substantial 45.36 per cent to \$1.41 (Q1-FY07) from \$0.97 (Q1-FY06). Since this is the first time that RBL has produced quarterly results, we are only able to give a comparison of Q1 2006 and Q1 2007 in the graph below. However, we have also included the EPS for the First Half from 2003-2006, to give an indication of EPS growth over that period. As indicated by the graph, RBL's EPS has shown consistent growth over the First Half comparison (2003-2006) in addition to First Quarter comparison (Q1 2006-Q1 2007). (See Graph 1)

Graph 1





Financials

Net Interest Income for the period amounted to \$394.26 million and was up by notable 16.12 per cent on the comparable quarter in fiscal 2006. Other Income also increased significantly, up by 11.06 per cent or \$22.76 million to end the period at \$228.43 million. Thus, Total Income for the first quarter stood at \$622.69 million an increase of 14.21 per cent on the corresponding period in FY-06.

For the First Quarter ended 31 December, 2006, the Bank had an unrealized gain of \$29.69 million from its shareholding in First Caribbean International Bank Limited (FCIB). The shares of FCIB gained 5.71 per cent or 62 cents on the quarter, moving from a price of \$10.85 to \$11.47. The gain contributed approximately 18.5 cents or 13.12 per cent to the EPS of \$1.41 for the quarter under review. In contrast, the corresponding quarter in fiscal 2006 saw an unrealized loss of \$3.29 million; this would have had the effect of decreasing the EPS by 2 cents or approximately 2 per cent. Thus a fairer comparison of the EPS (\$1.23 - Q1-07 on \$0.99-Q1-06) would give an increase of 24.24 per cent compared to the reported 45.36 per cent.

The Bank also had a loan impairment recovery of \$13.07 million in this quarter compared to a recovery of \$14.39 million in the comparable quarter of 2006. This represented a fall in recoveries of 9.15 per cent or \$1.3 million.

Operating Expenses for the period increased by 5.70 per cent from \$294.50 million in Q1-FY06 compared to \$311.29 million in the current quarter. The Group reported Profit Before Taxation of \$328.01 million compared to \$233.03 million in the comparable first quarter of fiscal 2006. This showed an impressive growth of 40.76 per cent.

The Effective Tax Rate for the period under review was 24.23 per cent compared to 24.97 per cent in the first quarter of fiscal 2006. Profit After Taxation amounted to \$248.54 up by 42.15 per cent on the corresponding period last financial year. While Profit Attributable to Shareholders stood at \$226.27 million up by \$71.52 million or 46.22 per cent on the comparable period for FY2006.

Table 1 shows a financial comparison of Q1 2007 on Q1 2006.

Table 1

Republic Bank Limited - First Quarter Results (2006-2007)				
	Q1 2007 \$'000	Change Q1-07 on Q1-06 \$'000	Change Q1-07 on Q1- 06 %	Q1 2006
Net Interest Income	394,264	54,729	16.12%	339,535
Other Income	228,426	22,756	11.06%	205,670
Total Income	622,690	77,485	14.21%	545,205
Unrealized Gain/Loss on FCIB	29,691	32,977	-1003.56%	(3,286)
Loan Impairment expense/recovery	(13,074)	1,317	-9.15%	(14,391)
Operating Expenses	(311,293)	(16,795)	5.70%	(294,498)
Profit Before Taxation	328,014	94,984	40.76%	233,030
Taxation	(79,478)	(21,290)	36.59%	(58,188)
Net Profit After Taxation	248,536	73,694	42.15%	174,842
EPS- Diluted	1.41	0.44	45.36%	0.97



Table 2 shows a comparison of Audited Year End Financials for the period 2004-2006.

Table 2

Republic Bank Limited - Audited Year End Financials (2004-2006)					
	YE 2006	% Change '05-'06	YE 2005	% Change '05-'04	YE 2004
Profit Before Taxation	963,927	-4.06%	1,004,743	13.20%	887,570
Taxation	227,266	57.33%	144,452	-18.60%	177,449
Profit After Tax	736,661	-14.37%	860,291	21.15%	710,121
Profit Attributable to Shareholders	640,257	-20.32%	803,500	21.06%	663,747
EPS- Diluted	\$3.99	-20.83%	\$5.04	21.15%	\$4.16
Market Price @ Financial Year End (TT\$)	\$85.95	-9.53%	\$95.00	19.18%	\$79.71
P/E Ratio @ Financial Year End	21.54		18.85		19.16
Dividend	\$2.50	11.11%	\$2.25	12.50%	\$2.00
Dividend Payout Ratio (%)	62.66		44.64		48.08
Dividend Yield (%)	2.91		2.37		2.51
Net Asset Value	\$30.74	7.90%	\$28.49	11.86%	\$25.47
Market to Book Ratio	2.80		3.33		3.13
Return on Equity (%)	14.79		20.39		18.93
Return on Assets (%)	1.92		2.67		2.44
Shares Outstanding	159,993,680		159,393,680		159,032,318

Geographic Performance (See Table 3)

➤ Trinidad and Tobago (T&T)

- This geographic segment showed the largest increase in Net Interest Income, up 24.41 per cent on the comparable quarter in fiscal 2006. However, other financials were not as positive with Other Income falling 19.40 per cent and Operating Expenses rising by 11.97 per cent. T&T saw the second highest increase in Operating Expenses when compared to all other regions. Operating Profit was down 10.57 per cent.

➤ Barbados (BDS)

- This segment showed a fair improvement in Net Interest Income of 6.13 per cent, while Other Income increased by 18.44 per cent. However, this segment also suffered from high Operating Expenses, showing an increase of 10.40 per cent (Q1 07 on Q106). Operating Profit was up by 8.98 per cent in this segment.

➤ Dominican Republic (DR)

- The DR continues to experience difficulties as can be seen from Table 3 below. However, one good point to note is the fact that this segment was the only segment to show a decrease in Operating Expenses. The decrease was also substantial representing 34.82 per cent (Q1-07 on Q1 06). This is most likely due to the fact that Republic Bank (DR) S.A. divested the Credit Card and Consumer Loans Portfolios as well as 14 of its 16 Retail Banking Branches. Going forward, this segment will be focused on a Corporate and Merchant Banking strategy in addition to the development of business in the Trade and Finance area. Q1-07 on Q1 06, Operating Profit increased by 9.32 per cent.



➤ **Cayman, Guyana & Eastern Caribbean**

- While this segment saw a small increase in Net Interest Income of 5.75 per cent, there was a substantial increase in Other Income of 239.67 per cent, Operating Income of 63.73 per cent and Operating Profit of 118.31 per cent. The main reason for the large increase in Other Income- is the fact that the Group holds a major portion of their holdings in FCIB in the St. Lucia subsidiary and as such most of the Fair Value Gains would have been accounted for in this region. Operating Expenses however, showed the second highest increase of 16.39 per cent when compared to the other regions.

Table 3 below shows the percentage change for each region on the items listed below using first quarter financials.

Table 3

Geographic Performance (Q1 2007 on Q1 2006)				
	T&T	Barbados	Dominican Republic	Cayman, Guyana & Eastern Caribbean
Net Interest Income	24.41%	6.31%	-37.92%	5.75%
Other Income	-19.40%	18.44%	-61.52%	239.67%
Operating Income	-4.01%	9.63%	-53.80%	63.73%
Operating Expenses	11.97%	10.40%	-34.82%	16.39%
Operating Profit	-10.57%	8.98%	9.32%	118.31%

Assets and Liabilities

Total Assets of the Bank stood at \$35.76 billion an increase of 1.81 per cent or \$636.43 million over the quarter. Of these Assets, Loan Advances represented \$18.37 billion- an increase of \$1.06 billion over the three months from September 30, 2006- December 30, 2006.

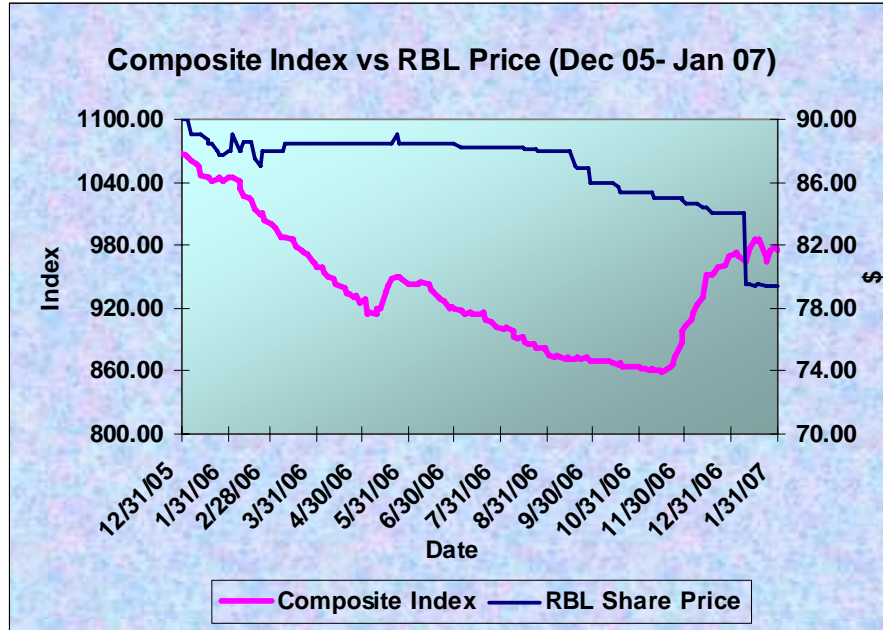
Liabilities, which include- customer deposits and other funding instruments, debt securities in issue, due to bank and other liabilities- stood at \$30.92 billion. Of this, customer deposits and other funding instruments stood at \$27.76 billion for the period and represented an increase of \$1.21 billion over the three month period.

Share Price

The shares of RBL started the year 2006 at a price of \$90.00 after which there was short period of volatility before the price traded steadily around \$88.00. Then, from September 15, 2006 to January 9, 2007 the share price fell slowly from a price of \$87.95 to a price of \$84.00. This was followed by a fall to a price of \$79.50 on January 10, 2007- representing a 5.36 per cent drop in share price, in one day. In the last few trading days of January, the price traded down to a low of \$79.40. (See Graph 3)



Graph 3



Chairman’s Statements

The Chairman has noted that the growth in core operations was a healthy 24.4 per cent (adjusting for change in value of shareholding in FirstCaribbean International Bank (FCIB)). He also pointed out that the strong performance in core operations was a reflection of the Bank’s focus on service and the Retail and Banking business.

Recommendation

The shares of RBL are currently trading at a price of \$79.39. We have forecasted an EPS of \$5.30 for the fiscal year ended September 30, 2007. Thus, at this forecasted EPS and the current price, these shares are trading at a multiple of 14.98 times. At this time we continue to recommend a HOLD on this share.

This document is based on information obtained from sources, which we believe to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, West Indies Stockbrokers Limited. Expressions of opinion herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell securities. West Indies Stockbrokers Limited and or their officers, directors, and employees may own or have positions in any of the securities mentioned herein, and may from time to time add or dispose of any such securities. This document is for the information of clients only and is not for publication in the Press or elsewhere without the permission of West Indies Stockbrokers Limited. WISE is a subsidiary of RBTT Financial Holdings Limited

West Indies Stockbrokers Limited, 1st Floor Albion Plaza, 22-24 Victoria Avenue, Port of Spain, Trinidad (868) 623-4861 Fax (868)-627-5002 e-mail: info@wisett.com Member of the Trinidad and Tobago Stock Exchange Ltd.