

RBTT Financial Holdings Limited (RBTT)

WISE is a subsidiary of RBTT Financial Holdings Limited

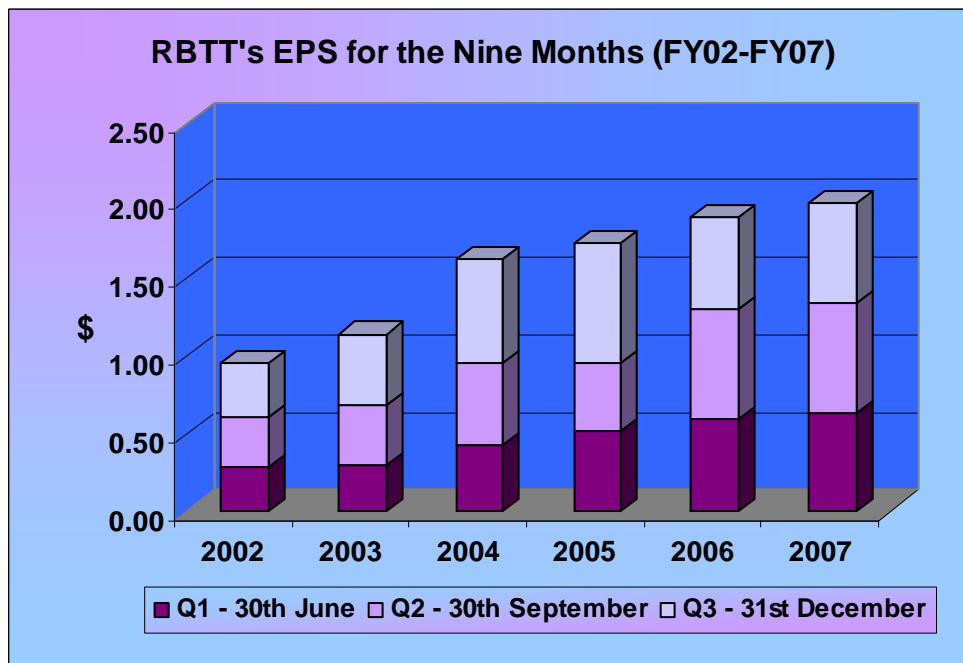
	<u>RBTT</u>
RECOMMENDATION	HOLD
Current Price	\$34.00
Running EPS	\$2.76
Projected EPS	\$2.80
P/E at Projected EPS	12.14 times
Dividend Yield	3.68%
Return on Assets	2.09%
Return on Equity	21.22%

Results for the Nine Months Ended December 31, 2006

Earnings Per Share

RBTT Financial Holdings Limited (RBTT) reported Earnings Per Share (EPS) of \$1.98 for the Nine Months ended December 31, 2006. This was an increase of 8 cents or 4.21 per cent on the corresponding period in 2005. For the third quarter (Q3 2007), the EPS stood at 64 cents which was up by 4 cents or 6.67 per cent on the comparable EPS of Q3 2006. However, Q3 2007 on Q2 2007 showed a negative growth of 7 cents or 9.86 per cent. RBTT's EPS has shown steady and consistent growth over the Nine Month period 2002 to 2007; however as can be seen from **Graph 1** below, the growth from year to year over the last four years has been fairly minimal.

Graph 1





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Financials

Net Interest Income for the Nine Months amounted to \$1.36 billion compared to \$1.34 billion in 2005, thus this figure showed a small growth of 1.57 per cent or \$21.08 million. However, Q3 2007 on Q3 2006, this figure increased by \$37.68 million or 8.51 per cent. Other Income also showed positive growth as the Group realized an increase of 6.83 per cent or \$54.63 million to end the Nine Month period at \$853.88 million. Q3 2007 on Q3 2006, Other Income grew by an outstanding 35.00 per cent or \$73.88 million. Thus, Total Net Income for the period amounted to \$2.21 billion up by 3.54 per cent on the corresponding Nine Months of 2005.

RBTT's Operating Profit for the period under review was \$852.36 million and this was up by 6.73 per cent on the comparable period in 2005. However, the Group continues to struggle with Operating Expenses, mainly due to high costs associated with the rolling out of the Recast Program. Nine Months on Nine Months, this figure rose by 10 per cent. It has resulted in the Efficiency Ratio moving in the wrong direction from 57.3 per cent for the Nine Months ended December 31, 2005 to 60.6 per cent for the Nine Months ended December 31, 2006

The Bank's Income Before Taxation, which includes- Share of Profits from Associate Companies and Joint Ventures, stood at \$863.32 million, up by 7.35 per cent on the Nine Month period ended December 31, 2005.

The Effective Tax Rate for the Nine Month period was 21.13 per cent compared to a tax rate of 19.38 per cent in the corresponding period in 2005. As a result, the Income After Taxation figure totaled \$680.92 million and was up by 5.01 per cent on the comparable period of 2005. Profit Attributable to Shareholders grew by 4.24 per cent to end the period at \$218.32 million.

Table 1 shows Financial Data for RBTT over the Periods (Q3: 2006 & 2007; Nine Months 2005-2007; Year End 2004-2006)



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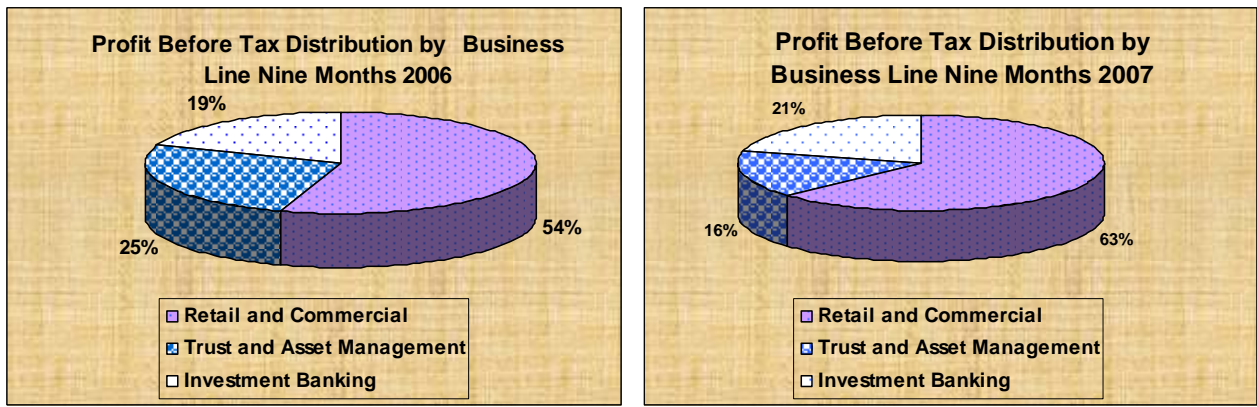
Table 1

RBTT Financial Holdings Limited - Third Quarter Results (FY 2006- FY 2007)					
	Q3 2007 \$'000	Change Q3 2007- Q3 2006	Q3 2006 \$'000	Change Q3 2007- Q2 2007	Q2 2007 \$'000
Net Interest Income	480,205	8.51%	442,526	9.64%	437,985
Other Income	285,009	35.00%	211,125	10.71%	319,205
Total Net Income	765,214	17.07%	653,651	-0.02%	765,384
Operating Profit	282,131	10.12%	256,205	-4.88%	296,609
Income Before Taxation	283,405	9.78%	258,149	-6.53%	303,204
Income After Taxation	219,899	7.80%	203,991	-9.82%	243,834
Profit Attributable to Shareholders	218,324	7.31%	203,443	10.57%	244,121
EPS	0.64	6.67%	0.60	-9.86%	0.71
RBTT Financial Holdings Limited - Nine Months Results (FY 2005-FY 2006)					
	Nine Months 2007 \$'000	Change NM 2007- NM 2006	Nine Months 2006 \$'000	Change NM 2006- NM 2005	Nine Months 2005 \$'000
Net Interest Income	1,359,810	1.57%	1,338,732	12.89%	1,204,577
Other Income	853,876	6.83%	799,248	28.78%	663,062
Total Net Income	2,213,686	3.54%	2,137,980	18.53%	1,867,639
Operating Profit	852,361	6.73%	798,585	17.76%	723,806
Income Before Taxation	863,321	7.35%	804,229	18.21%	730,325
Income After Taxation	680,919	5.01%	648,402	14.72%	593,539
Profit Attributable to Shareholders	680,054	4.24%	652,407	15.35%	589,543
EPS (diluted)	1.98	4.21%	1.90	15.12%	1.72
RBTT Financial Holdings Limited - Audited Year End Financials (FY 2004-FY 2006)					
	YE 2006	% Change '05-'06	YE 2005	% Change '05-'04	YE 2004
Net Interest Income	1,789,135	10.64%	1,617,058	10.49%	1,463,596
Other Income	1,237,623	6.59%	1,161,053	10.05%	1,055,032
Total Net Income	3,035,758	9.27%	2,778,111	10.30%	2,518,628
Operating Profit	1,118,357	7.35%	1,041,815	12.08%	929,520
Profit Before Taxation	1,136,632	2.45%	1,109,424	13.89%	974,160
Profit After Tax	915,578	-0.92%	924,061	13.83%	811,768
EPS	2.68	0.75%	2.66	13.19%	2.35
Market Price @ Financial Year End (TT\$)	\$31.30	6.72%	\$29.33	35.25%	\$45.30
P/E Ratio @ Financial Year End	11.68		11.03		19.28
Dividend	1.20	1.69%	1.18	18.00%	1.00
Dividend Payout Ratio (%)	44.78		44.36		42.55
Dividend Yield (%)	3.83		4.02		2.21
Net Asset Value	\$11.97	-5.45%	\$12.66	36.86%	9.25
Market to Book Ratio	2.61		2.32		4.90
Return on Equity (%)	22.12		24.82		28.32
Return on Assets (%)	2.36		2.59		2.56
Shares Outstanding	343,464,591		342,831,285		341,136,406

Segmental Performance

The Chairman has noted that the Retail and Commercial Segments of the Bank continue to produce strong growth and earnings across all the markets. This unit of the Bank saw an increase in Income Before Tax of 21 per cent, led by strong performances in Trinidad and Tobago and the BES (Barbados, Eastern Caribbean and Suriname) region. He also noted that the earnings from the Investment Banking Segment were up on the previous year. At an analyst meeting, this was confirmed to be a 19 per cent increase on Before Tax Profits. While the Trust and Asset Management division saw a 32 per cent fall in Income Before Tax, mainly as a result of declines in equity prices, which adversely affected asset management fees and brokerage activity. This segment was also affected by reduced sales of mutual funds and spread compression of interest rates. **Figure 1** below shows the contribution by business line to Profit Before Tax for the Nine Months ended December 31, 2006 and 2007, respectively.

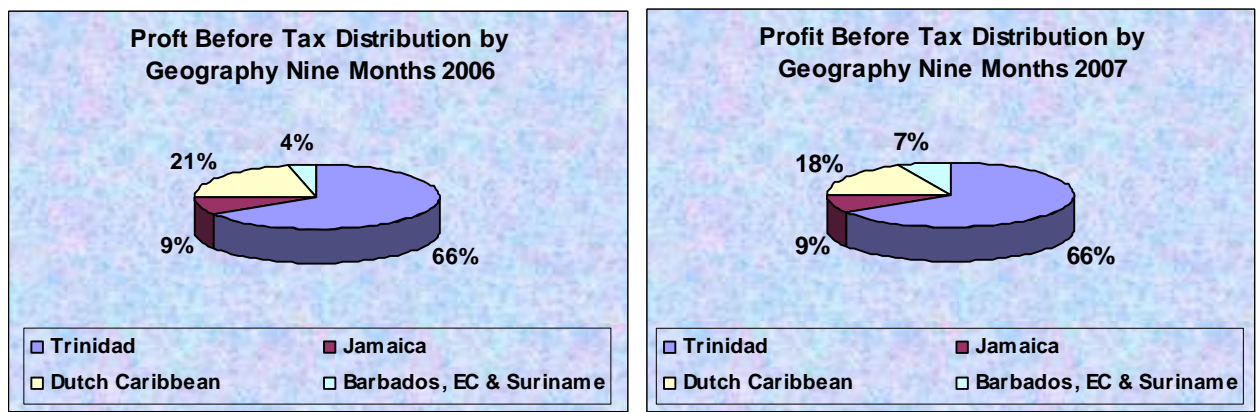
Figure 1



Geographic Performance

Trinidad and Tobago continues to be the major contributor to Profit Before Tax, maintaining a 66 percentage contribution Nine Months on Nine Months. The Dutch Caribbean also continues to be the second major contributor; however there was a fall off in percentage from 21 per cent in 2006 to 18 per cent in 2007. This fall off was nevertheless picked up by Barbados, the Eastern Caribbean and Suriname which increased their contribution from 4 per cent in 2006 to 7 per cent in 2007, just under Jamaica's 9 per cent which remained constant, Nine Months on Nine Months. (See **Figure 2**)

Figure 2



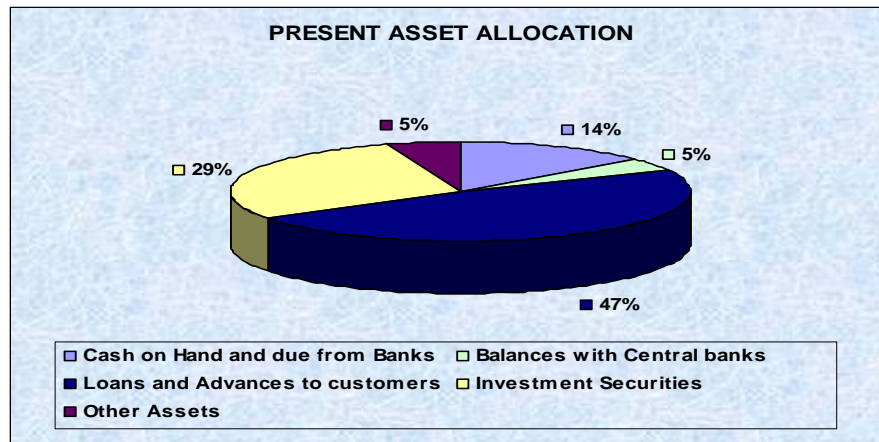


Asset Allocation & Balance Sheet Growth Rates

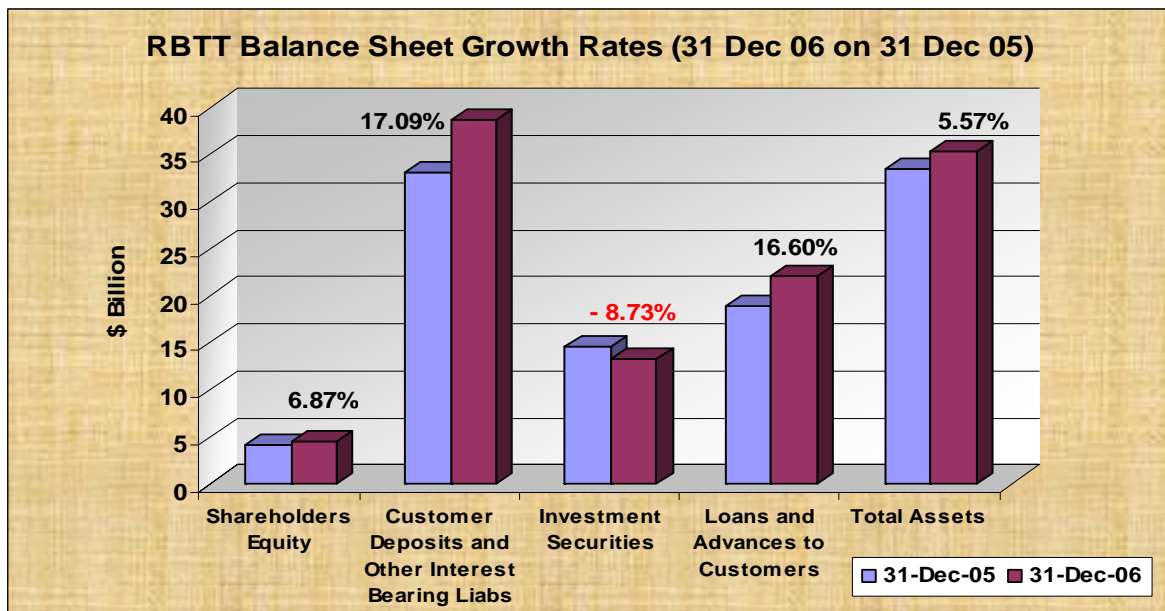
Total Assets for the period under review amounted to \$46.10 billion an increase of 5.57 per cent on the comparable period in 2005. Loans and Advances to customers which make up 47 per cent of the asset base of RBTT showed a 16.60 per cent growth rate (nine months on nine months) and a Compound Annual Growth Rate of 19.19 per cent over the period 2002-2006. Additionally, the Bank has been able to improve its Credit Quality or ratio of Non-Productive Loans to Total Loans from 3.9 per cent to 2.8 per cent (nine months on nine months). While Investment Securities, the second largest asset class (29 per cent) showed a negative increase of 8.73 per cent. (See Graph 2 and Graph 3)

Shareholder’s Equity increased by 6.87 per cent, nine months on nine months- while Customer Deposits and Other Interest Bearing Liabilities increased by 17.09 per cent with a Compound Annual Growth Rate of 13.80 per cent over the period 2002-2006. (See Graph 3)

Graph 2



Graph 3

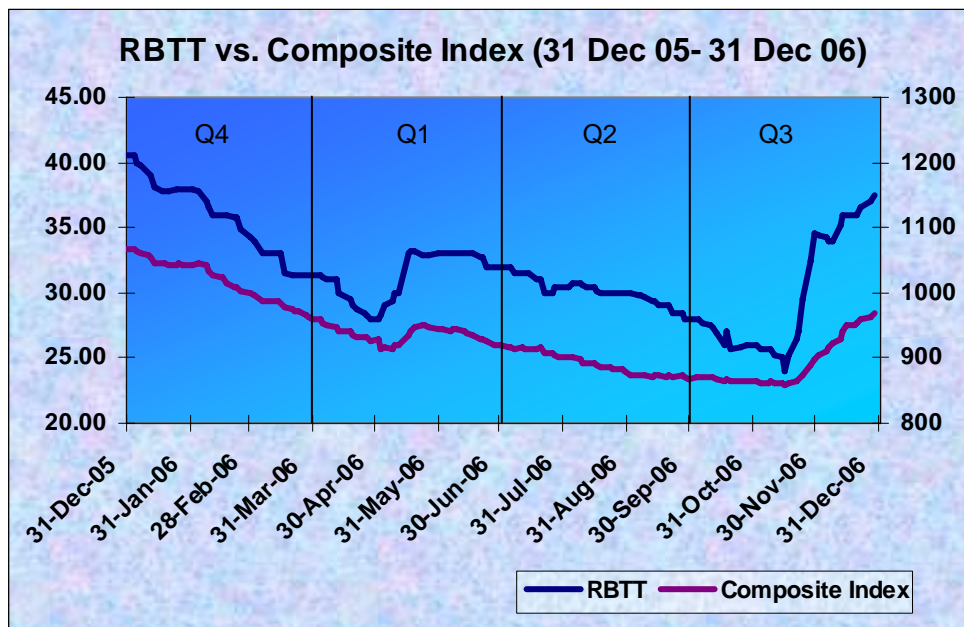




Share Price

Like the Stock Market, the year 2006 was no ordinary year for RBTT. Investors saw this share start the year at a price of \$40.50 and trend downwards to what appeared to be a bottom of \$28.01 on April 28, 2006. However after the share made its way back to thirties, it slowly but surely found its new and final low of \$24.00 for 2006, on November 15, 2006. The \$24.00 was short lived however as the price shot up to \$34.49 in just seven trading days- an increase in value of 43.71 per cent. This sharp movement in price was a direct result of the speculation of the Bank being acquired by a Canadian entity. RBTT closed the year at a price of \$37.50 down by \$3.00 or 7.41 per cent on its opening price of \$40.50. (See Graph 4)

Graph 4



Chairman’s Outlook and Recommendation

The Chairman has stated in his report that the Group expects to sustain the trend of improved earnings in the final quarter. Currently, the shares of RBTT are trading at a price of \$34.00. Based on the current results, we have revised our forecasted EPS to \$2.80. At the current price and the revised forecasted EPS, these shares are trading at price to earnings multiple of approximately 12.14 times. RBTT usually trades in the band of 10 to 15 times and as such we recommend a **HOLD** at this time.

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