

Scotiabank (T&T) Limited

	SBTT
RECOMMENDATION	BUY
Current Price	\$24.75
Running EPS	\$1.78
Projected EPS	\$2.05
P/E at Projected EPS	12.07 times
Dividend Yield	3.31 per cent
Return on Assets	3.52 per cent
Return on Equity	25.05 per cent

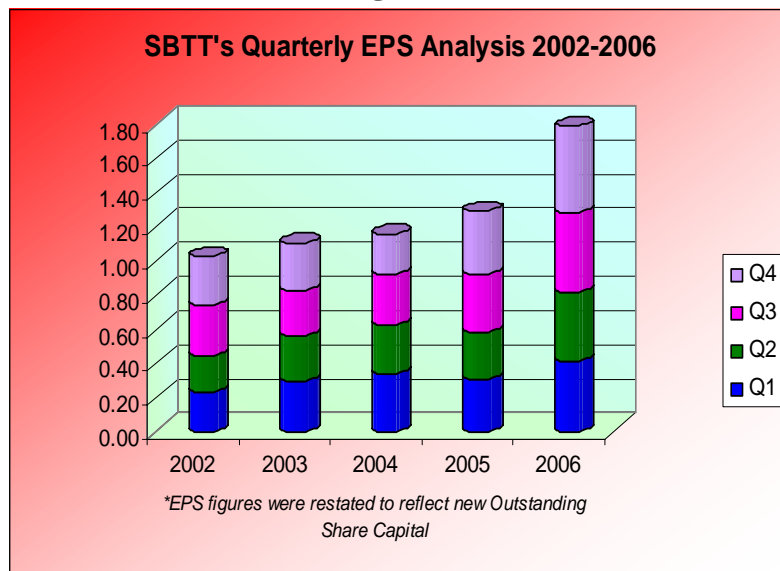
Results for the Year Ended October 31, 2006

Earnings Per Share

Scotiabank (T&T) Limited (SBTT) continued to report impressive results as its Earnings Per Share (EPS) increased 38.63 per cent to 178.7 cents for the year ended October 31, 2006. The comparative EPS of 128.9 cents was restated to reflect the additional shares outstanding as a result of the recent bonus issue. Scotiabank’s Managing Director, attributed the growth to the Bank’s “excellent execution of its strategic initiatives undertaken throughout the Group”.

As can be seen from Figure 1, over the past five years, the Bank’s EPS has been continuously growing. This year however has seen the largest growth the Bank has had since 2000 when it embarked on re-focusing the Company from product-driven to customer oriented.

Figure 1





Financials

The strong performance was driven by growth in its top line as Net Interest Income grew 24.24 per cent to \$520.546 million while Other Income increased by 19.05 per cent to \$193.939 million. Total Income increased 22.79 per cent to \$714.485 million in 2006.

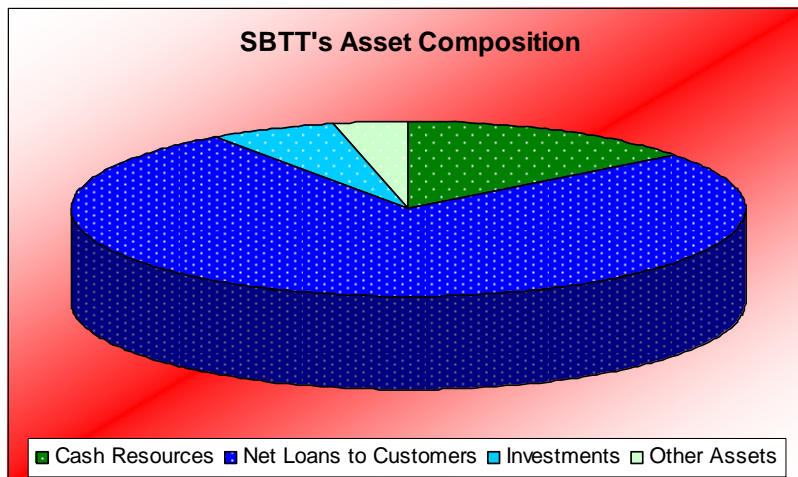
The top line growth was complimented by a relatively small increase in Non-Interest Expenses of 13.06 per cent to \$305.478 million. Salaries & Staff Benefits was the major component (45.87 per cent) of this expense and saw a marginal increase of 4.89 per cent. Premises and Technology also saw a small rise in expenses of 7.60 per cent to \$62.979 million. Other Non-Interest Expenses such as Communications & Marketing and Loan Loss Expenses rose by 40.34 per cent and 14.39 per cent respectively.

The combination of top line growth and expenditure control resulted in a 31.22 per cent improvement in Income Before Taxation to \$409.007 million. SBTT also benefited from a reduction in its Effective Tax Rate from 27.10 per cent in 2005 to 22.97 per cent in 2006. Ultimately, Income After Tax rose 38.65 per cent to \$315.060 million. Its four year Compound Annual Growth Rate with respect to Profit After Tax stands at 14.97 per cent.

Assets & Liabilities

The Bank's Asset Base grew 16.94 per cent to \$9.192 billion over the year with Net Loans comprising over 75 per cent of the Bank's Assets (see Figure 2). Net Loans actually grew 26.12 per cent from the previous year. Also boding well for the bank is the fact that its Return on Assets increased from 3.16 per cent to 3.52 per cent. On the Liabilities side, Total Liabilities (excluding Deferred Tax Liability) rose 17.13 per cent to \$7.815 billion. Deposits rose 13.01 per cent to \$6.773 billion.

Figure 2

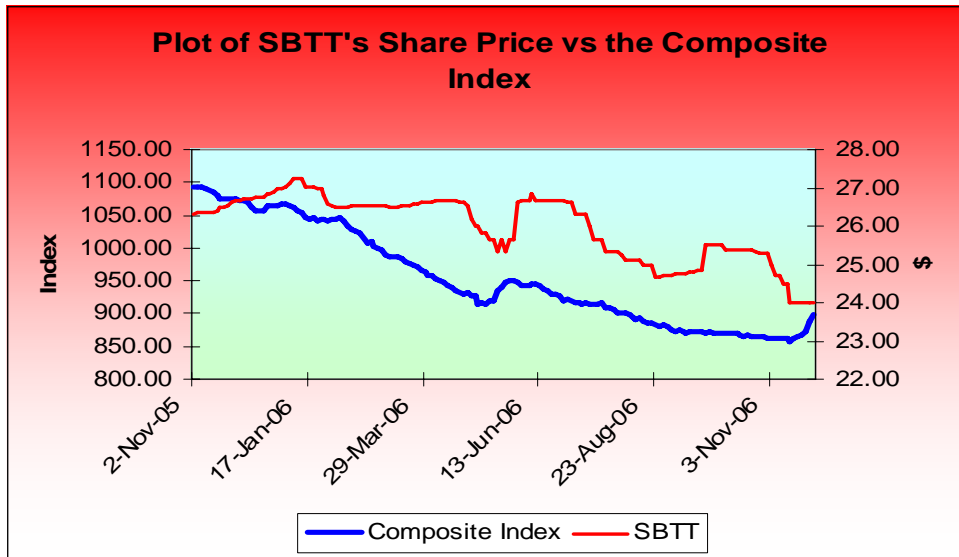


Share Price

For FY 2006, SBTT's share price (adjusted) showed little volatility trading within a small margin of \$24.67 and \$27.26 (See Figure 3). Since the end of FY 2006, it has traded as low as \$23.99.



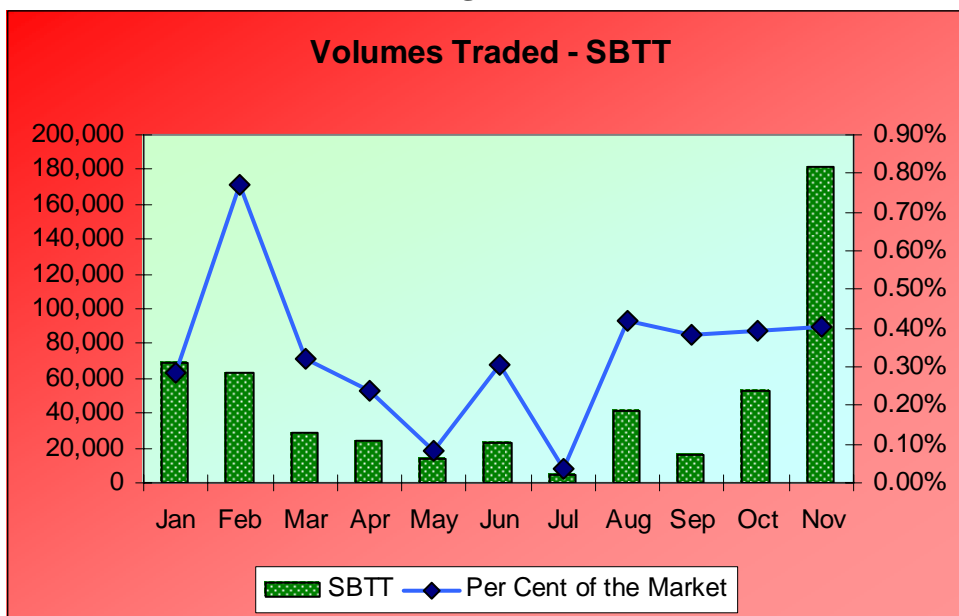
Figure 3



Volumes Traded

This year SBTT has seen small trades relative to the rest of the Stock Market (See Figure 3). This is partly because SBTT is a tightly held share and therefore is not as liquid as other shares on the market.

Figure 4



Recommendation

Given this strong performance, we are forecasting Earnings Per Share of \$2.05 for the year ended October 31, 2007. At the forecasted EPS and the current price of \$24.75, SBTT is trading at a price earnings ratio of 12.07 times earnings. This ratio is considered low for this Company which



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usually trades at a premium to the market. Hence, at the current price and forecasted EPS, we maintain our recommendation of a BUY.

Bonus Issue

In April 2006, the Board of Directors recommended a bonus issue of 58,781,250 shares to be distributed among shareholders in the proportion of one ordinary share for every two ordinary shares held. The proposal was later approved by shareholders and the requisite regulatory bodies. The Ex-Bonus date was September 26, 2006.

Dividends

The Directors have declared a final dividend of 24 cents per share to be paid on December 27, 2006. This brings the total dividends earned for the year to 70 cents per share.

Figure 5

SBTT Financial Data (2003-2006)							
	YE 2006 \$'000	% Change '05-'06	YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000	% Change '03-'04	YE 2003 \$'000
Net Interest and Other Income	714,485	22.79%	581,880	7.12%	543,193	2.27%	531,114
Non-Interest Expenses	305,478	13.06%	270,184	2.95%	262,436	1.77%	257,878
Income Before Taxation	409,007	31.22%	311,696	11.02%	280,757	2.75%	273,236
Provision for taxation	-93,947	11.23%	-84,463	9.36%	-77,231	-1.72%	-78,580
Income After Taxation	315,060	38.65%	227,233	11.65%	203,526	4.56%	194,656
EPS (Adjusted) (cents)	179	38.76%	129	12.17%	115	4.55%	110
Market Price (Adjusted) at Financial Year End	25.30	-3.91%	26.33	25.38%	21.00	15.64%	18.16
P/E Ratio	14.13	-30.75%	20.41	11.77%	18.26	10.61%	16.51
Dividend per Share (Adjusted) (cents)	70	31.33%	53.3	8.78%	49.0	4.93%	46.7
Dividend Payout Ratio	39.11%		41.32%		42.61%		42.45%
Dividend Yield	2.77%		2.02%		2.33%		2.57%
Net Asset Value	\$7.81	-21.03%	\$9.89	12.77%	\$8.77	13.02%	\$7.76
Market to Book Ratio	3.24		3.99		3.59		3.51
Return on Equity	25.05%		20.72%		20.95%		22.75%
Return on Assets	3.52%		3.16%		2.71%		2.61%
Shares Outstanding	176,343,750		117,562,500		117,562,500		117,562,500

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