



SCOTIABANK (T&T) LIMITED (SBTT)

	SBTT
RECOMMENDATION	HOLD
Current Price	38.48
Current Running P/E	16.88 times
Running EPS	\$2.279
Projected EPS	\$2.20-\$2.25
Projected Dividend	\$0.92
Dividend Yield FY 05	2.11%
Forecasted Y/E price	\$40.00

Results for the half-year ended April 30, 2006

Scotiabank (T&T) Limited (SBTT) continued to show the consistency which many have associated as a trademark with the local bank. In its unaudited half-year results SBTT reported an impressive EPS of \$1.224, which represents an improvement of 39.4% over the corresponding period last year (hy- 05: \$0.878). Based on the results posted, the Directors have resolved to pay a first interim dividend of \$0.23 cents per share, a 21% improvement over the amount paid for the same period last year (\$0.19). This brings the dividends for the year to date to \$0.46.

The improvement in earnings was driven by growth at the top line especially Net Interest Income, the main income stream. Net Interest Income increased by 23.25% from \$199 million to \$245.75 million. The top line growth was helped by a relatively small increase in Non-Interest Expenses (9.28%). The major components of expenses, Salaries and Staff Benefits, and Premises and Technology saw marginal increases, while the major relative increases were in the less significant areas. The combination of top line growth and expenditure control pushed the improvement in Income before Taxation to 30% from \$145 million to \$188 million. SBTT also benefited from a reduction in the effective tax rate, which moved from 29% to 23.5%. The resulting Income after Taxation was \$143.8 million, 39.3% higher than the corresponding prior year period (\$103.2 million).

The Asset Base of SBTT has grown from \$8.7 billion to \$9.2 billion over the six-month period under review (Oct 05-Apr 06). Total Liabilities of the Bank increased from \$7.5 billion to \$7.9 billion, with the majority of this growth coming from increased Deposits (\$6.16 billion to \$6.62 billion). Shareholders Equity was also enhanced, moving from \$1.16 billion to \$1.24 billion.

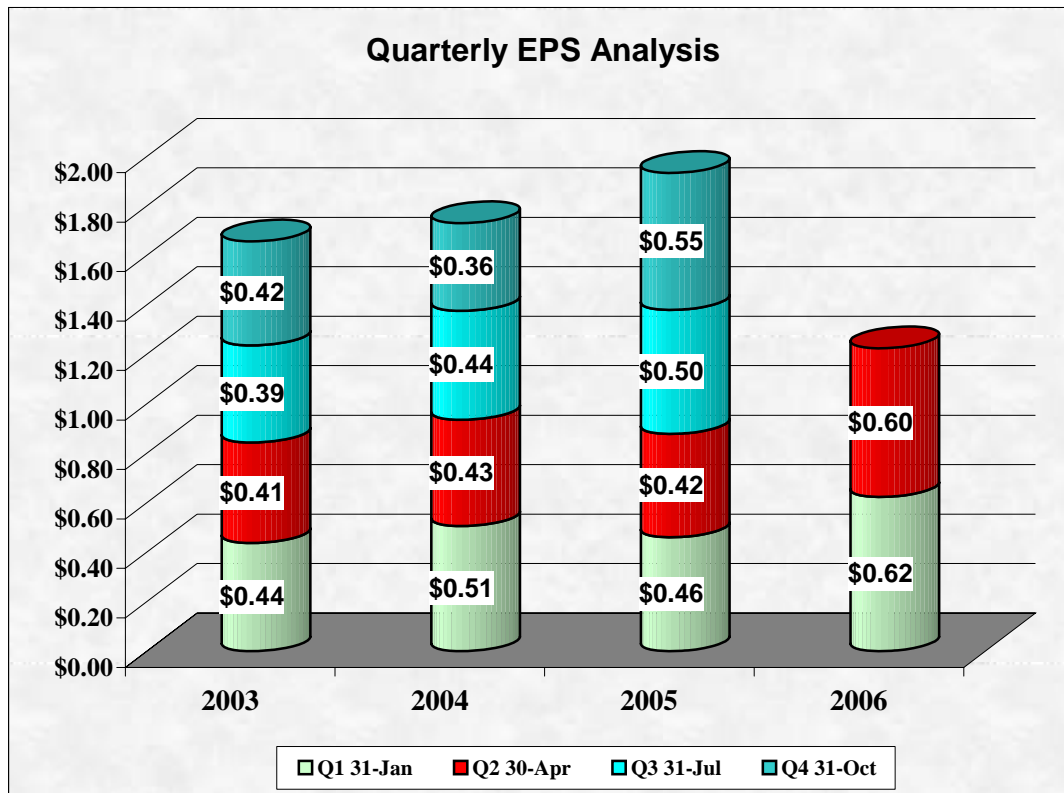
Given that the Company has achieved two consistent quarters of growth with earnings in each quarter of over \$0.60, the confidence placed in the stock should be maintained. The relatively small available float of shares combined with the impressive growth to date adds to the ability of the shares to trade at a relative premium to the rest of the market. Shareholders though, have approved a proposal by the Bank to increase the Issued and Fully Paid Shares from One Hundred and Seventeen Million Five Hundred (117,562,500) to One Hundred and Seventy-six Million Three Hundred and Forty-three Thousand Seven Hundred and Fifty (176,343,750), via a One (1) for Two (2) Bonus Issue. The date of the issue had not been finalized up to the date this report was prepared. Whether this increase in the number of shares will impact on the premium investors are willing to pay for the shares is uncertain.

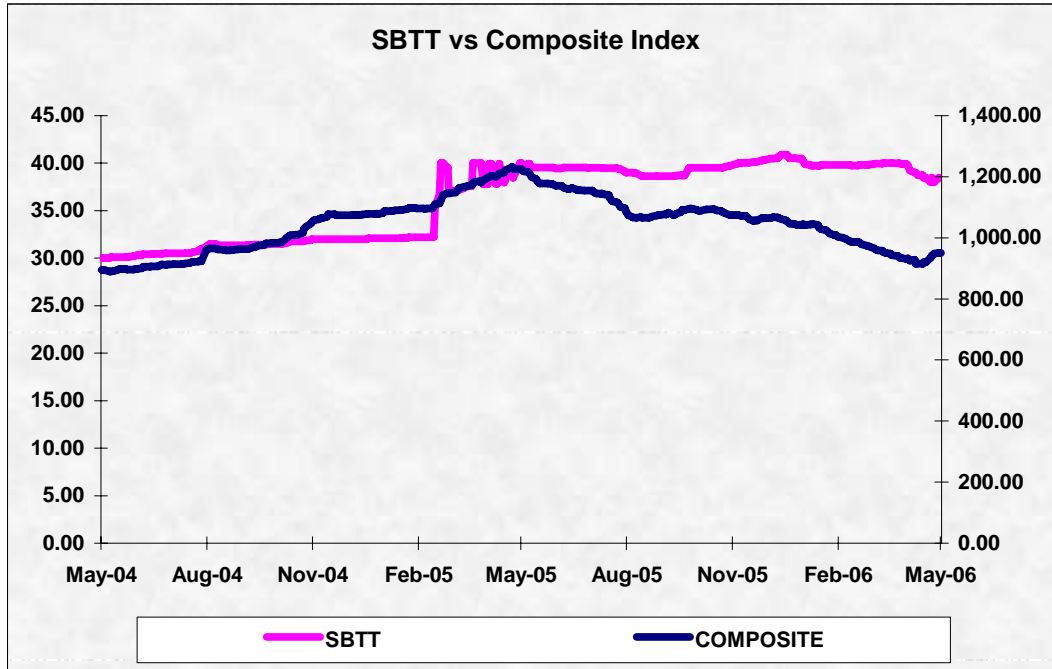


However when the issue takes place, the average number of shares used to calculate the EPS would increase. Thus, even with the strides the Bank is making with growth to date above 30%, the actual EPS achieved would be restricted by the increase in the number of shares.

At the current price of \$38.48 and the running EPS of \$2.279, the shares of SBTT are trading at a multiple of 16.88 times. The initial forecast we targeted for the EPS at the year-end was based on a conservative growth rate of 17%, however, given the half-year performance, we have increased the projection rate to 25%. Using the growth rate of 25%, the new estimated EPS for the 2006 financial year is in the range of \$2.40 to \$2.45, without accounting for the Bonus Issue, which would translate to a multiple in the 15 times range. Assuming that the new shares would be available by the fourth quarter, the new weighted average number of shares would be in the range of 132 million shares (117 million*9/12+176 million*3/12). This would bring our projected EPS down to \$2.20 to \$2.25.

We maintain our recommendation as a HOLD.





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.