



Republic Wealth Management Limited

SCOTIABANK TRINIDAD AND TOBAGO (SBTT)

July 2021 (Q3 2021)

Last Price	\$61.50	52 Week Range	\$53.92 - \$61.50	Market Cap	\$10,413M
Sector	Banking	Dividend Yield TTM	5.37%	EPS (TTM)	\$3.50
PE Ratio (TTM)	17.45x	YTD Price Change	1.72%	P/E (5 YR)	16.16x
Payout Ratio (TTM)	94.41%	Total Return	13.28% (28-Sept-21)	P/B (5 YR)	2.59x

SBTT Profitability Continues its recovery from COVID-19 impact

Quarterly Highlights/ Key Update

- In September 2021, Scotiabank Trinidad and Tobago Limited (SBTT) declared an interim dividend of \$0.60/share (payout ratio 67.27%) for the 3-month ended July 2021. The Group's directors also approved an additional special dividend of \$0.85/sh. Both of these dividends will be payable in October 2021.
- The TTM dividend yield is 5.37% (TTM payout ratio: 94:41%), inclusive of the special dividend being paid out by SBTT and 3.98% (TTM payout ratio: 70.09%) when the special dividend is not taken into account.
- The Group remains cautiously optimistic as it relates to the recovery of the economy. SBTT's core earning streams remain resilient and its strong capital position allows for the continued support of its customers during the pandemic.

Performance Review/ Financials

Financial Highlights (TT\$' millions)	Annual		9 months ended	
	Oct-20	Oct-19	Jul-21	Jul-20
Revenue	\$1,778	\$1,861	\$1,303	\$1,345
Profit before Tax	\$791	\$949	\$701	\$553
Profit after Tax	\$521	\$668	\$462	\$366
Total Assets	\$27,504	\$25,413	\$27,058	\$26,994
Total Liabilities	\$23,332	\$21,231	\$22,734	\$22,921
Total Equities	\$4,172	\$4,182	\$4,324	\$4,073
Net Profit Margin	29.29%	35.92%	35.45%	27.23%
Return on Assets	2.88%	3.74%	1.71%	1.36%
Return on Equity	18.96%	22.70%	10.68%	8.99%
Efficiency Ratio	55.52%	48.98%	46.16%	58.90%

Table 1: SBTT EPS, DPS and Dividend yield for fiscal year end

	2016	2017	2018	2019	2020
Earnings per share	\$3.54	\$4.33	\$4.42	\$3.79	\$2.95
Dividends per share	\$3.00	\$3.00	\$3.00	\$3.00	\$2.25
Dividend Yield	5.11%	5.13%	4.71%	4.89%	3.99%

Figure 1: SBTT Revenue by Operating Segment (TTD \$'000)

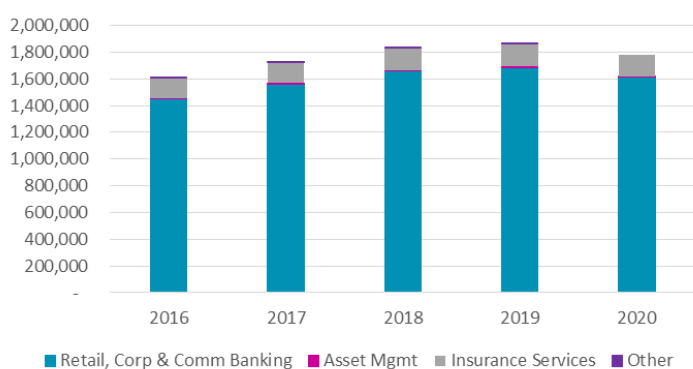


Table 2: Peer group comparables

	RFHL	FIRST	SBTT	Group Average
P/E Ratio	18.89x	18.86x	17.45x	18.40x
P/B Ratio	2.06x	1.66x	2.41x	2.04x
Dividend Yield	2.27%	2.88%	5.37%	3.51%

- Compared to its peer group (Table 2), which consists of other locally listed companies in the Banking sector, SBTT has a relatively undervalued P/E and overvalued P/B ratio compared to the group average. SBTT dividend yield also exceeds the group average.

- For the 9 months ended July 2021, SBTT reported a 26% increase in after tax profits at \$462M as compared to \$366M during the same period in 2020, driven by lower expected credit losses and strong expense management.
- SBTT total revenue reported a 3% decline (\$42M) during the nine month period ended July 2021 as compared to the first nine months in 2020, primarily attributable to the decline in net interest income of 6% in July 2021 driven by lower loan balances as customers continued to be cautious as a result of the pandemic
- The Group's performance was driven by a reduction in net impairment losses which fell by \$144M (69%) as compared to the prior year due to the measures taken by the bank in 2020 to mitigate credit losses.
- For the 9-month ended July 2021, SBTT's total assets remained relatively flat at \$27.1B as compared to the prior year. Loans declined by \$909M (5%) due to reduced economic activity. To soften the shortfall in lending, the Group has deployed surplus liquidity into treasury bills and investment securities which has collectively increased by over \$1.7B.

Key Risks

- Muted local economic growth and elevated unemployment rates due to the COVID-19 pandemic driving lower consumer spending which are expected to negatively impact net interest margin.
- The domestic banking sector's faces the headwinds of foreign currency difficulties and the low interest rate environment.



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Chart 2: SBTT share price vs ALL T&T Index

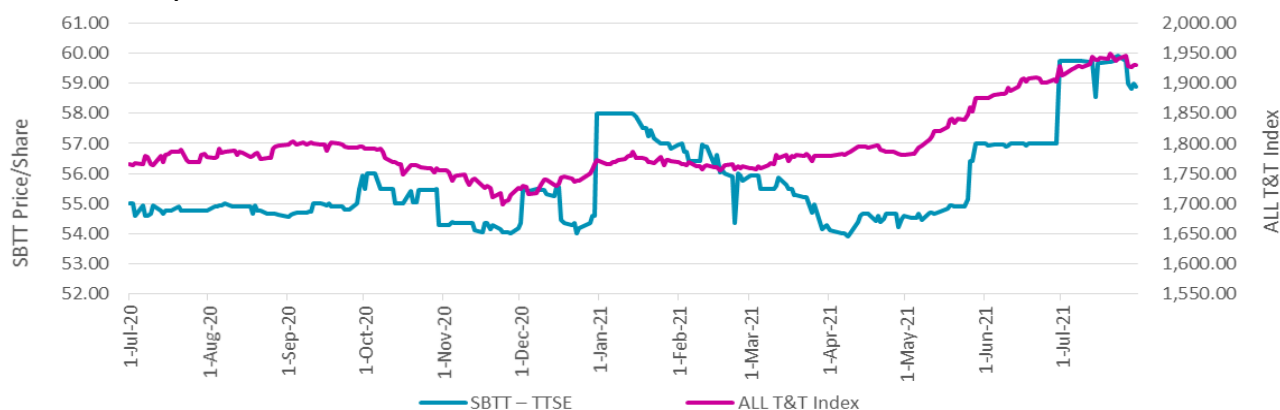


Table 3: Historic Dividend Payments (TTD)

	Payment Dates	Interim Dividends	Total Dividend per share
2016	Apr-16	\$0.40	\$3.00
	Jul-16	\$0.40	
	Oct-16	\$0.40	
	Jan-17	\$1.00	
	Jan-17	\$0.80	
2017	Apr-17	\$0.50	\$3.00
	Jul-17	\$0.50	
	Oct-17	\$0.50	
	Jan-18	\$1.00	
	Jan-18	\$0.50	
2018	Apr-18	\$0.50	\$3.00
	Jul-18	\$0.50	
	Oct-18	\$0.50	
	Jan-19	\$1.50	
	Jan-19	\$0.50	
2019	Apr-19	\$0.50	\$3.00
	Jul-19	\$0.50	
	Oct-19	\$0.50	
	Jan-20	\$1.50	
	Jan-20	\$0.50	
2020	Apr-20	\$0.60	\$2.25
	Jul-20	\$0.40	
	Oct-20	\$0.40	
	Jan-21	\$0.85	
	Jan-21	\$0.85	
2021	Apr-21	\$0.60	\$2.65
	Jul-21	\$0.60	
	Oct-21	\$0.60	
	Oct-21	\$0.85	
	Oct-21	\$0.85	

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