



Republic Wealth Management Limited

Republic Financial Holdings Limited (RFHL)

30 Sept 2021 (Full Fiscal 2021)

Last Price	\$137.28	52 Week Range	\$131.75 to \$148.98	Market Cap	\$22,859M
Sector	Banking	Dividend Yield TTM	2.93%	EPS (TTM)	\$8.05
PE Ratio (TTM)	17.14x	YTD Price Change	1.70%	PE (5 YR)	16.15x
Payout Ratio	49.67%	Total Return TTM	-1.81%	PB (5YR)	1.91x

RFHL's revenue profits continue to trend upwards

Quarterly Highlights/ Key Update

- RFHL's overall performance was bolstered by the full year's contribution of its new subsidiary in the British Virgin Islands (acquired in June 2020), notable improvements in Ghana and the Cayman Islands and lower levels of provisioning.
- Net Interest Income (NII) in T&T declined by 1% in FYE 2021, however in Non-T&T countries, NII increased y-o-y (Figure 3).
- In April 2021, RFHL joined a group of the leading global commercial banks as founding signatories to the United Nations-convened, Net-Zero Banking Alliance.
- In June 2021, RFHL announced TT\$1.3 billion Climate Finance Goal to finance activities that reduce the impact of climate change and create environmental solutions.
- In September 2021, RFHL declared a final dividend of \$3.00/sh., which brings the total dividend to \$4.00/sh. As compared to a final dividend in 2020 of \$2.10/sh.

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

	2017	2018	2019	2020	2021
Earnings per share	\$7.75	\$8.17	\$9.75	\$5.57	\$8.05
Dividends per share	\$4.40	\$4.40	\$4.50	\$2.70	\$4.00
Dividend Yield	4.33%	4.10%	3.43%	2.00%	2.91%

Figure 1: RFHL's FYE Revenue Performance (TT\$'000)

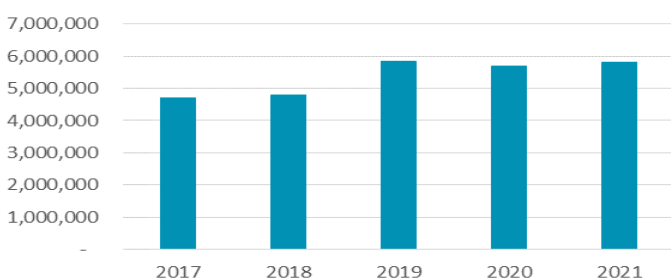


Table 2: Peer group comparables

	RFHL	FIRST	SBTT*	Group Average
P/E Ratio	17.14x	21.21x	19.13x	19.16x
P/B Ratio	1.92x	1.77x	2.73x	2.14x
Dividend Yield	2.93%	2.61%	3.36%	2.97%

- Compared to its peer group (Table 2), which consists of other locally listed companies in the Banking sector, RFHL is relatively undervalued on both a P/E basis and P/B basis. RFHL's dividend yield is slightly below the group average.

* SBTT paid a special dividend of \$0.85 on Oct-2021.

Performance Review/ Financials

Financial Highlights (TT\$' millions)	Annual			
	Sep-21	Sep-20	Sep-19	Sep-18
Revenue	\$5,803	\$5,700	\$5,832	\$4,787
Operating Profit	\$2,293	\$2,082	\$2,896	\$2,224
Profit before Tax	\$1,945	\$1,461	\$2,670	\$1,922
Profit after Tax	\$1,445	\$1,003	\$1,716	\$1,395
Total Assets	\$109,169	\$104,277	\$87,484	\$70,466
Total Liabilities	\$96,313	\$92,934	\$76,252	\$60,368
Total Equities	\$12,856	\$11,342	\$11,232	\$10,098
Operating Margin	39.51%	36.52%	49.66%	46.45%
Net Profit Margin	24.90%	17.60%	29.42%	29.42%
Return on Assets	1.32%	0.96%	1.96%	1.98%
Return on Equity	11.24%	8.84%	15.28%	13.81%
Efficiency Ratio	60.57%	63.57%	50.44%	57.12%
Net Interest Margin	3.72%	4.17%	4.83%	4.85%

- RFHL reported net revenue of \$5,803M for the fiscal year 2021, a 1.79% increase when compared to fiscal 2020 (\$5,700M). This was primarily attributable to a 7.46% increase in other income which offset a 0.62% decrease in net interest income.
- Other income increased by 24.72% primarily due to increased credit card fees and commissions. Moreover, an increase in net gains from investments at fair value contributed to the increase.
- Net interest margin decreased to 3.72% in 2021 as compared to 4.17% in 2020 due to a \$44 million decline in Net Interest Income, which has been negatively impacted by the persistent low interest rate environment in Trinidad and Tobago. During the fiscal, interest income decreased by \$121 million whereas Interest expense fell by a smaller sum of \$77 million.
- Profit after tax for 2021 increased by 44.03% when compared to 2020, primarily due the aforementioned positive impact of the Group's acquisition of the BVI operations in June 2020.

Key Risks

- The geographic concentration of RFHL within the Caribbean basin exposes the company to the effects of natural disasters.
- The local banking sector faces headwinds of foreign exchange difficulties and a persistent low interest rate environment, coupled with rising central government debt levels as well as downward pressure on loan and mortgage rates locally due to competition.
- Similarly, the US is encountering a low interest environment.
- Political interference in Trinidad and Tobago or any of the acquired territories.



Republic Wealth Management Limited

Republic Financial Holdings Limited (RFHL)

30 Sep 2021 (Full Fiscal 2021)

Figure 2: RFHL share price vs ALL T&T Index



Figure 3: RFHL's Net Interest Income by geographpy for FYE 2020 & 2021

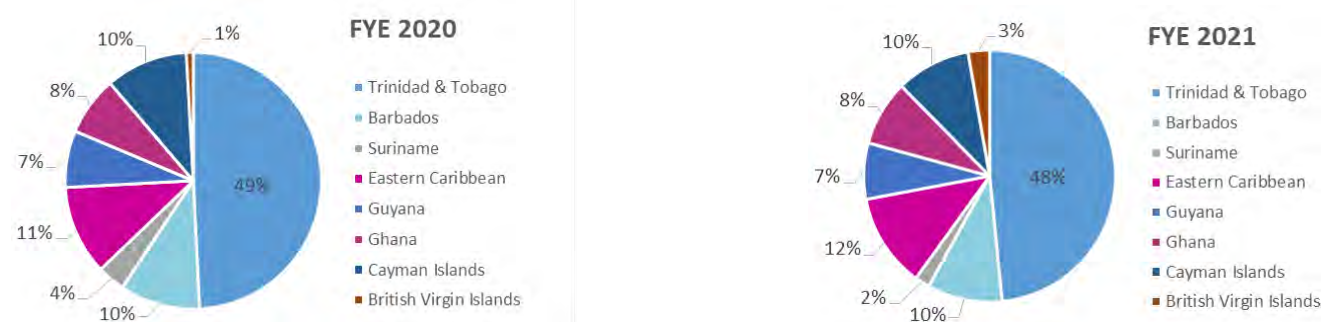


Table 3: Historic Dividend Payments (TTD)

	Payment Dates	Interim Dividends	Total Dividend per share
2017	Jun-17	\$1.25	\$4.40
	Dec-17	\$3.15	
2018	Jun-18	\$1.25	\$4.40
	Dec-18	\$3.15	
2019	May-19	\$1.25	\$4.50
	Dec-19	\$3.25	
2020	Jun-20	\$0.60	\$2.70
	Dec-20	\$2.10	
2021	May-21	\$1.00	\$4.00
	Dec-21	\$3.00	

DISCLAIMER: This information has been provided by Republic Wealth Management Limited ('RWML') and is for informational purposes only. It is not intended to provide investment, financial or other advice and such information should not be relied upon for providing such advice. RWML takes reasonable steps to provide up-to-date, accurate and reliable information, and believes the information to be so when printed. Any investment and economic outlook information contained in this article has been compiled by RWML from various sources. Information obtained from third parties is believed to be reliable, but no representation or warranty, express or implied, is made by RWML, its affiliates or any other person as to its accuracy, completeness or correctness. RWML and its affiliates assume no responsibility for any errors or omissions. The contents of this article should not be considered an offer to sell to, or a solicitation to buy securities from, any person in Trinidad & Tobago where such offer or solicitation is considered unlawful. When making an investment decision, you should consult with a qualified financial advisor who can provide advice on the suitability of any investment for you based on your investment objectives, investment experience, financial situation and needs, or other relevant information.