



Republic Wealth Management Limited

Scotiabank Trinidad and Tobago Limited (SBTT)

June 30th (Q2 2023)

Last Price TT	\$75.19	52 Wk. Range (TTSE):	\$74.00-88.60	Market Cap (TTSE):	\$13,294
YTD Price Change:	-3.74%	EPS (TTM):	\$3.81	Dividend Yield (TTM):	4.51%
Sector:	Banking	P/E (5 YR):	18.04x		

SBTT Profitability Falls as Inflation Weighs on Non-Interest Expenses

Key Information

- In July 2023, Scotiabank Trinidad and Tobago Limited (SBTT) declared an interim dividend of \$0.70/share, 7.69% higher than the interim dividend of \$0.65/share in the prior year. The TTM dividend yield is 4.51% while the TTM payout ratio is 89.32%, indicative of the upward trend in the company's payout ratio shown in **Table 3** below.
- As part of its digital push and enhancing its customer service, SBTT launched Scotia eCom+ in October 2022, a new digital-payment acceptance solution for businesses that allows customers to accept online payments from anywhere in the world.

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

	2018	2019	2020	2021	2022
Dividends per share	3.00	3.00	2.25	3.50	3.30
Earnings per share	4.42	3.79	2.95	3.42	3.87
Dividend Yield	4.67%	4.92%	3.88%	4.64%	4.39%

Table 2: Peer to group comparable

	FCI	FCGFH	NCBFG	RFHL	SBTT	Average
P/E Ratio	6.40	15.27	8.58	12.37	19.43	12.41
P/B Ratio	1.26	1.51	0.92	1.62	2.92	1.65
Dividend Yield	3.86%	3.26%	-	3.60%	4.51%	3.81%

- For the quarter ended April 2023, SBTT reported a 9.54% decline in after tax profits at \$154.7M as compared to \$171.0M during the same period in 2022, driven by higher non-interest expenses and lower other income that offset a 20.58% increase in net interest income.
- SBTT's net revenue remained relatively flat, decreasing by a meagre 0.25% when compared to net revenue in the comparable period of fiscal 2022. As aforementioned, there was a 20.58% increase in net interest income driven by higher loan volumes across SBTT's retail and commercial portfolios coupled with increases in yields on the company's investment portfolio. However, the rise in net interest income was offset by a 33.52% decline in other income. Due to the lack of information provided in quarterly reports, we were not able to fully ascertain the drivers of the lower other income. However, SBTT did indicate that the decline was primarily attributed to lower trading income.
- Net interest margin for the quarter decreased to 1.05% from 1.10% for the quarter ended April 2021. Total liabilities also grew, increasing by 3.32% to \$24.4B compared to last year's \$23.6B, reflective of higher customer deposits which rose by \$0.5B or 1.65% to \$21.3B.

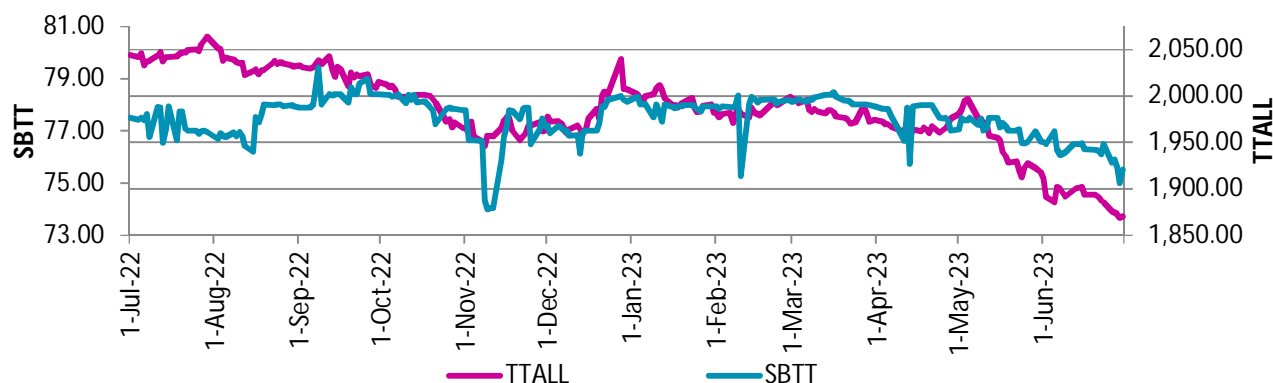
Performance Review/ Financials

Financial Highlights (TT\$' millions)	Quarterly		Annual
	Apr-22	Apr-21	Oct-22
Net Revenue	\$476	\$478	\$1,898
Profit before Tax	\$236	\$262	\$1,051
Profit after Tax	\$155	\$171	\$684
Total Assets	\$28,778	\$27,922	\$28,058
Total Liabilities	\$24,386	\$23,602	\$23,744
Total Equity	\$4,392	\$4,321	\$4,314
Net Profit Margin	32.47%	35.81%	36.02%
Return on Assets	0.54%	0.61%	2.44%
Return on Equity	3.52%	3.96%	15.85%
Efficiency Ratio	50.55%	45.07%	44.65%

- The bank's non-interest expenses increased by 11.87% to \$240.8M. This increase in expense was driven by the impact of inflation on the financial institution's direct and activity-based costs and resulted in an efficiency ratio of 50.55%, a marginal deterioration from the previous year's 45.07%.
- The credit quality of SBTT's loan portfolio continues to be stable with the ratio of non-accrual loans to total loans moving to 1.79% at the end of April 2023 from 1.86% at the end of April 2022.
- For the quarter ended April 2022, SBTT's total assets experienced moderate growth of 3.06%. Total assets grew to \$28.8M from \$27.9M at the end of April 2022. Loans to Customers, the Bank's largest interest earning asset, ended the quarter at \$18.2B, reflecting an increase of \$1.45B or 8.68% compared to Q2/2022.

Key Risks

- Muted local economic growth and elevated unemployment rates due to the rising inflation, driving lower consumer spending which are expected to negatively impact net interest margin.
- The domestic banking sector faces headwinds of foreign exchange difficulties and a low interest rate environment (which has shown improvement recently), coupled with rising central government debt levels as well as downward pressure on loan and mortgage rates locally due to competition.


Republic Wealth Management Limited
Scotiabank Trinidad and Tobago Limited (SBTT)
June 30th (Q2 2023)
Figure 1: SBTT's share price vs ALL T&T Index

Table 3: SBTT's Historical payout ratio

	2018	2019	2020	2021	2022	TTM
Payout Ratio	67.88%	79.16%	76.19%	96.42%	87.69%	89.32%

Table 4: Historic Dividend Payments (TTD)

		Payment Dates	Interim Dividends	Total Dividend per share
2020	Interim	Apr-20	\$0.60	\$2.25
	Interim	Jul-20	\$0.40	
	Interim	Oct-20	\$0.40	
	Final	Jan-21	\$0.85	
2021	Interim	Apr-21	\$0.60	\$3.50
	Interim	Jul-21	\$0.60	
	Interim	Oct-21	\$0.60	
	Interim	Oct-21	\$0.85	
	Final	Dec-21	\$0.85	
2022	Interim	Apr-22	\$0.65	\$3.30
	Interim	Jul-22	\$0.65	
	Interim	Oct-22	\$1.00	
	Final	Jan-22	\$1.00	
2023	Interim	Apr-23	\$0.70	\$2.10
	Interim	Jul-23	\$0.70	
	Interim	Aug-23	\$0.70	

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.