

**Dehring Bunting & Golding Limited (DBG)**

*All figures quoted in Jamaican Dollars unless otherwise stated*

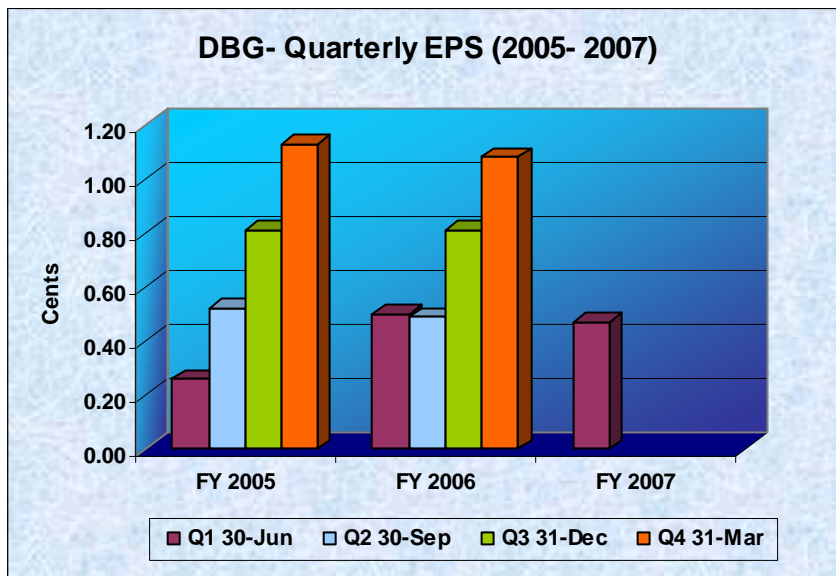
<b>SYMBOL</b>	<b>DBG</b>
<b>RECOMMENDATION</b>	<b>HOLD</b>
<b>Current Price</b>	<b>TT\$1.85</b>
<b>Running EPS</b>	<b>J\$2.85; TT\$0.27</b>
<b>Projected EPS</b>	<b>TT\$2.85; TT\$0.27</b>
<b>P/E at Projected EPS</b>	<b>6.85 times</b>
<b>Dividend Yield</b>	<b>4.47%</b>
<b>Return on Assets</b>	<b>1.88%</b>
<b>Return on Equity</b>	<b>21.38%</b>

*Results for the First Quarter Ended June 30, 2006*

**Earnings Per Share**

For the three months ended June 30, 2006 Dehring Bunting & Golding Limited (DBG) reported an Earnings Per Share (EPS) of \$0.47, which represents a minimal decline of \$0.03 or 6.00 per cent on the comparable period in the financial year ended 31 March, 2006. As can be seen from Graph 1 below, DBG's first quarter is usually the least profitable quarter for the financial year while the fourth quarter tends to be the most profitable. (See Graph 1)

**Graph 1**





### Financials

Interest Revenue for the quarter amounted to \$818.56 million, an increase of 4.72 per cent or \$36.92 million on the comparable period in fiscal 2006. The Chairman has attributed the increase in Interest Revenue to the 55 per cent growth in the loan portfolio driven by the Merchant Bank Operations; in addition to a strong customer diversification strategy which resulted in a more stable pool of funding and revenues. The Company's Interest Expenses also increased from \$586.05 million in Q1 2006 to \$618.85 million in the current period, which represents a 5.60 percentage increase. Thus, Net Interest Revenue for the quarter amounted to \$199.71 million, up by a minimal 2.10 percent on the comparable quarter in the previous financial year. The Chairman also pointed out that this 2.10 per cent growth was achieved despite the declining interest rate environment.

Other Operating Revenue which is made up of Gains on Securities trading; Gains on Foreign Exchange; and Fees and Other Income was down by 7.37 per cent or \$12.19 million to \$153.18 million. While this total figure was down, Gains on Foreign Exchange was the saviour in this group, as this figure was up by an outstanding 487.16 per cent or \$56.51 million from a loss of \$11.60 million (due to volatility in international currency markets) in the comparable period, to a gain of \$44.91 million in the current period. This superior gain made DBG one of the most profitable foreign exchange traders in its peer group. In effect, the Other Operating Revenue was hampered by depressed conditions in the local and regional equity markets as well as the emerging bond markets. Thus, gains on securities trading fell by a significant 47.82 per cent or \$53.76 million to \$58.67 million while Fees and Other Income fell by 23.15 percent to end the period at \$49.60 million.

Net Revenue for the period amounted to \$352.89 million a minimal 2.24 per cent decline on the comparable quarter for fiscal 2006. Operating Expenses for the period under review amounted to \$205.80 million, down by 2.33 per cent or \$4.90 million on Q1 2006. Thus, Profit before Taxation stood at \$147.09 million a decline of 2.12 per cent or \$3.18 million on the comparable figure for fiscal 2006.

The Effective Tax Rate for the period is a marginal 0.34 per cent while the Company benefited from a Tax Credit of 0.50 per cent in the comparable quarter, Q1 2006. At the end of the quarter, Net Profit after Taxation stood at \$146.59 million down by a minimal 2.94 per cent on the comparable period.

Table 1 Shows DBG's Financial Data Comparison for Q1 2007 on Q1 2006 and Q4 2006

	Q1 2007 J\$000's	% Change Q1 '06 - Q1 '07	Q1 2006 J\$000's	Q4 2006 J\$000's	% Change Q4 '06 - Q1 '07
Interest Revenue	818,560	4.72%	781,639	781,730	4.71%
Interest Expense	618,855	5.60%	586,046	595,977	3.84%
<b>Net Interest Revenue</b>	<b>199,705</b>	<b>2.10%</b>	<b>195,593</b>	<b>185,753</b>	<b>7.51%</b>
Gains on Securities Trading	58,674	-47.82%	112,438	288,443	-79.66%
Foreign Exchange Gains	44,911	487.16%	-11,600	66,592	-32.56%
Fees and Other Income	49,597	-23.15%	64,538	59,308	-16.37%
<b>Other Operating Revenue</b>	<b>153,182</b>	<b>-7.37%</b>	<b>165,376</b>	<b>414,343</b>	<b>-63.03%</b>
Net Revenue	352,887	-2.24%	360,969	600,096	-41.19%
<b>Operating Expenses</b>	<b>205,798</b>	<b>-2.33%</b>	<b>210,697</b>	<b>266,431</b>	<b>-22.76%</b>
<b>Profit Before Taxation</b>	<b>147,090</b>	<b>2.12%</b>	<b>150,272</b>	<b>333,665</b>	<b>-55.92%</b>
Taxation	-499	-166.18%	754	2,042	-124.44%
<b>Net Profit After Taxation</b>	<b>146,591</b>	<b>-2.94%</b>	<b>151,026</b>	<b>335,707</b>	<b>-56.33%</b>
<b>EPS</b>	<b>0.47</b>	<b>-6.00%</b>	<b>0.50</b>	<b>1.11</b>	<b>-57.66%</b>



Table 2 Shows DBG's Financial Data Comparison for 2006 on 2005

Table 2

DBG Financial Data Comparison 2006 on 2005			
	YE 2006 J\$000's	% Change '05 -'06	YE2005 J\$000's
Interest Revenue	3,115,428	2.41%	3,042,202
Interest Expense	2,341,584	-2.93%	2,412,238
<b>Net Interest Revenue</b>	<b>773,844</b>	<b>22.84%</b>	<b>629,964</b>
Gains on Securities Trading	682,486	32.05%	516,830
Foreign Exchange Gains	126,370	-34.89%	194,084
Fees and Other Income	232,743	-26.29%	315,768
<b>Other Operating Revenue</b>	<b>1,041,599</b>	<b>1.45%</b>	<b>1,026,682</b>
Net Revenue	1,815,443	9.59%	1,656,646
<b>Operating Expenses</b>	<b>929,014</b>	<b>9.85%</b>	<b>845,693</b>
<b>Profit Before Taxation</b>	<b>886,429</b>	<b>9.31%</b>	<b>810,953</b>
Taxation	4,110	-50.55%	8,311
<b>Net Profit After Taxation</b>	<b>882,319</b>	<b>9.93%</b>	<b>802,642</b>
<b>EPS (J\$)</b>	<b>2.84</b>	<b>7.17%</b>	<b>2.65</b>
<b>EPS (TT\$)</b>	<b>0.28</b>		<b>0.27</b>
Market Price @ Financial Year End (TT\$)	1.70	-24.44%	2.25
P/E Ratio @ Financial Year End	5.99		8.22
Dividend (J\$)	0.86		0.00
Dividend (TT\$)	0.09		0.00
Dividend Payout Ratio	30.28%		***
Dividend Yield	5.06%		***
Net Asset Value (J\$)	11.75	82.17%	6.45
Net Asset Value (TT\$)	1.18		0.67
Market to Book Ratio	1.45		3.38
Return on Equity	30.80%		45.28%
Return on Assets	2.99%		3.08%
Shares Outstanding	303,194,744		290,385,731

\*\*\* Currency Conversions were done through the use of [www.oanda.com](http://www.oanda.com) as at 31/03/2006 and 31/03/2007.

### Dividends and Dividend Yield

The Company paid a dividend of 71 cents per share on June 2, 2006 to shareholders on record as at May 15, 2006. This brought the total dividend paid for the year to 86 cents per share. Based on the share price of TT\$1.70 as at June 30, 2006, the dividend yield was 4.79 per cent.



### Possible Transaction

It was reported on September 13, 2006 by the Jamaica Business Observer that Bank of Nova Scotia (BNS) is set to acquire DBG. However DBG did not comment on the matter and as such there is a lot of speculation in the market at present. After the story broke on Wednesday, DBG's share price in Jamaica moved from \$16.10 to \$18.50, an increase of 14.91 per cent. The following day, the Jamaican Stock Exchange suspended trading for the day in both BNS and DBG shares to allow the market to absorb the information. While in Trinidad, the price jumped 10 per cent from \$1.50 to \$1.65 after the announcement of the possible acquisition.

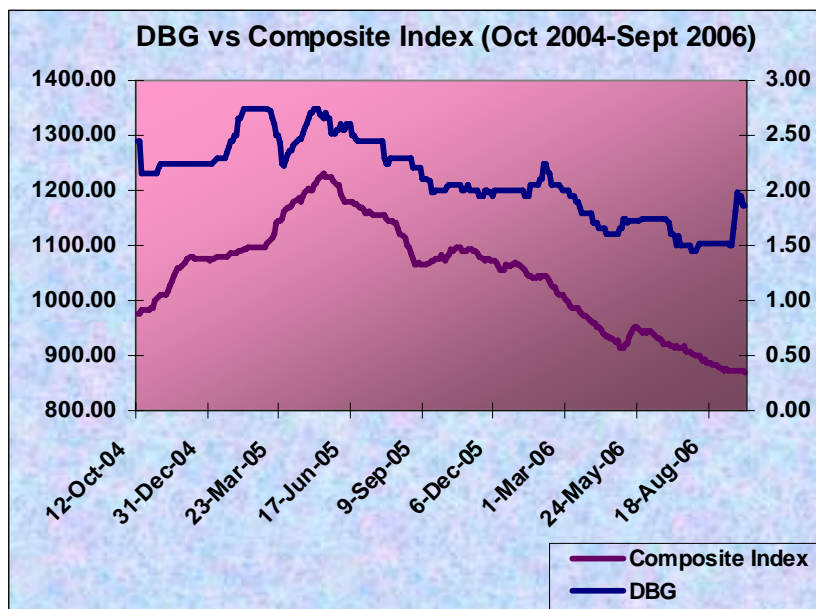
Additionally, on October 11, 2006 it was also reported by the Jamaica Business Observer that BNS could face a bidding war with other financial institutions interested in acquiring a majority stake in DBG. The speculated offer price is somewhere between \$18.00 and \$20.00. On Tuesday 10, October, 2006 the shares of DBG closed at a price of \$19.00 in Jamaica.

It should be noted that DBG is widely held with the principals of the firm- Chris Dehring, Peter Bunting and Mark Golding controlling approximately 28 per cent of the outstanding shares while the remaining shares are in the hands of minority shareholders. Thus, BNS would have to convince not just the original founders but institutional investors with large holdings to sell in order for the deal to close.

### Share Price

The shares of DBG listed on the Trinidad and Tobago Stock Exchange on October 12, 2004 and closed at a price of TT\$2.44 per share. Since then the price had a short period of growth reaching a high of TT\$2.75 after which there was slight volatility as the price moved in a slow but evident decline. The shares of DBG are currently trading at TT\$1.85, which is 24.18 per cent below the closing price on October 12, 2004. DBG is one of the smaller cap stocks on the local exchange and as such movements in the share price do not have a significant impact on the Composite Index. (See Graph 2)

Graph 2





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### ***Recommendation***

DBG's performance for the first quarter although not disappointing has not been impressive, thus we are forecasting an EPS of TT\$0.27 which is flat based on the previous year's EPS. At the current price of TT\$1.85 and the forecasted EPS of TT\$0.27, these shares are trading at a price to earnings multiple of 6.85 times. DBG usually trades in the range of 5 to 7 times and as such at the current P/E ratio of 6.85 we would normally recommend a SELL. However, this share is currently trading at the higher end of its usual range because of the current speculative environment around the transaction with BNS. Thus, if we use a more realistic price of \$1.50 (the price before the transaction announcement) the shares would be trading at a multiple of 5.56 times.

Suffice to say, at this time, given the current speculation around this share, we recommend a HOLD.

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