

# DEHRING BUNTING & GOLDING

## INVESTMENT BANKERS

### STATEMENT TO SHAREHOLDERS

Peter Bunting, Chairman

The financial performance for the year ending December 31, 1995 was a satisfactory one for your company despite the volatile economic environment which prevailed in the second half of the year and which had an adverse impact on the financial sector. The net profit attributable to members of \$24.6 million (including an extraordinary item of \$5.4 million) represents an increase of over 50% when compared with that of 1994. Assets, including assets under management, grew at a similar rate moving from \$1,058 million in 1994 to \$1,614 million in 1995.

This year has seen a continuation and, in some respects, an intensification of the difficulties of 1995 with continued high interest rates putting pressure on many companies. The financial sector has responded in many cases by downsizing and/or merging. The recent appointment of a temporary manager at the Century National entities has delivered a further shock to the sector.

Not all developments are negative, however. Bauxite and Alumina, Export Agriculture and Tourism are performing well. For example, stopover tourist arrivals for the first six months of 1996 are up by 7% over the corresponding period in 1995. The Bank of Jamaica has demonstrated for the first half of 1996, a welcomed ability to control money supply, and the rate of inflation has moderated accordingly. The Minister of Finance has indicated that interest

rates will gradually decline in response to the lower rate of inflation. This should have a positive impact on the financial sector for the following reasons:

- i) Borrowers will have interest costs lowered and this should eventually translate into a reduced loan delinquency level for lenders.
- ii) the cost to financial institutions of carrying non-performing loans and real estate will be reduced.
- iii) the demand for and price of real estate should increase. This will assist financial institutions in their efforts to realise their collateral.
- iv) economic growth will be stimulated and translated into increased business.

Your company has not been complacent and has responded to this challenging environment in a number of creative ways:

- . We have moved to consolidate our position as a substantial player in the foreign exchange market. The latest initiative in this regard has been the establishment of a fourth office in Ocho Rios, which expands our ability to source foreign exchange for our clients. Our growing presence in the foreign exchange market is resulting in a diversification of our income sources which should increase the stability of our revenues.
- . The "DB&G Government Securities Fund" was launched earlier this year in answer to our investors' demand for a low risk yet high yielding product. The Fund invests primarily in money market securities issued or guaranteed by the Government of Jamaica; however, the investor enjoys liquidity and other advantages which would not be available from a direct investment in these securities. The response to this product has been excellent.
- . We continue to work at differentiating ourselves from the competition through improving our customer service. Recent enhancements to our technology allow us to complete all documentation within ten minutes of the customer deciding on a product. Other innovations this year include

our well received "Investors Night" series - a monthly entertainment package held exclusively for DB&G investors and featuring the best in local entertainment from jazz to drama - and the establishment of an Investor's Suite at our office on Dumfries Road where clients are welcomed with fresh pastries and Blue Mountain coffee in a comfortable living room atmosphere.

- . Whilst many other institutions have been downsizing to reduce staff costs, we believe that our staffing levels are appropriate for our current operations, and are needed to manage future growth. Accordingly, rather than cutting staff we are increasing our commitment to them by recommending to our shareholders the implementation of a ESOP scheme this year. We are confident in our team's ability to grow your company and are giving them the opportunity to share in this growth.

The Directors have resolved to increase the equity base of your company by way of a Rights Issue. DB&G is considering certain strategic investments in the near future, and the Rights Issue will place it in a position to make those investments. These include the acquisition of a deposit-taking institution in Jamaica and the establishment of a deposit-taking institution in the Eastern Caribbean.

The Company is presently finalising the financing package for the construction of a 225-room hotel at Runaway Bay in St. Ann, and arrangements with a major hotel operator for the hotel to be operated and marketed as part of its successful chain. This is a medium to long term investment, and the Rights Issue will provide appropriate funding for this aspect of your company's balance sheet.

Finally, in the current difficult economic environment the Directors are of the view that it is desirable to expand DB&G's equity base. This will give the Company a further competitive advantage in the marketplace and strengthen its ability to withstand the recessionary pressures of the Jamaican economy.

We extend a warm welcome to the Reverend Marjorie Lewis-Cooper who was appointed to the Board of Directors of DB&G earlier this year.

I would like to thank my fellow directors, management, and staff for the responsible enthusiasm and initiative which they demonstrate in treating with

the affairs of your company and to express, on all our behalf, appreciation to our clients and shareholders for their continued support.