

# Dehring Bunting & Golding Limited 1996

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## STATEMENT TO SHAREHOLDERS

The financial sector had clearly been growing at an unsustainable rate during the first half of the decade. Years of macroeconomic instability, followed by the sharp contraction in 1996, have damaged loan portfolios and exposed weaknesses in management and capitalisation of indigenous financial institutions. Three banking groups have been taken over by government regulators, and further interventions to support other banks and insurance companies are expected in 1997.

Reduced money supply growth with the consequent fall in inflation represents the silver lining in the current situation. This, combined with the actions being taken to strengthen supervision and regulation, should establish the foundations of a sound banking sector and contribute to economic growth in the medium term.

Dehring Bunting & Golding's financial performance for the year ending 31 December, 1996 was acceptable given the contraction in the economy and the fragility of the financial sector. Assets (including assets under management) continued to grow steadily moving from \$1,614 million in 1995 to \$2,188 million in 1996. Net profit attributable to members of \$8 million compares with 1995 profit before extraordinary item of \$19 million. The reduction in profits was primarily due to an increase in employee related expenses which is not expected to continue given the current downward trend in inflation.

Your company responded to the adverse economic environment by increasing its equity capital during the year by 62% to \$154 million. This was achieved primarily through a successful one for two rights issue in November 1996. In addition, we have allocated our assets more conservatively and have been paying particular attention to the management of our loan portfolio.

In 1996 we deepened our commitment to our clients by:

- . introducing a new product - the DB&G Government Securities Fund'
- . opening our fourth branch in Ocho Rios and
- . introduced our INVESTORS NIGHT series, a monthly entertainment package featuring the best in local entertainment from jazz to drama. Responding to popular demand, we will continue the Investors Night series on a quarterly basis.

Your company's outlook for 1997 is positive. While the economy may not show much growth this year, it is better positioned than it was a year ago. Some indicators of this are:

- . Inflation was single digit for fiscal year 1996/97 at 9% p.a., due to the strong technical management of the implementation of monetary policy
- . The festering problems now being addressed by the interventions of FINSAC should increase confidence in the financial sector.
- . Lower interest rates should contribute to a reduction in the non-performing loan portfolio of financial institutions and improve the realisability of collateral. Low interest rates from the development banks, in particular, when combined with the re-introduction of fixed rates for loans, should provide a strong stimulant for investment in productive assets.

We will continue to pursue a number of initiatives for business expansion that we commenced in 1996. These include:

- . the acquisition of Billy Craig Finance and Merchant Bank Ltd.
- . the acquisition of a seat on the Jamaica Stock Exchange
- . the establishment of a Money Market Unit Trust
- . the promotion of a 225 room hotel in Runaway Bay, St. Ann

. the development of an electronic transaction processing system.

We intend to see these through to successful implementation by the end of 1997.

Once again, I thank my fellow directors, management and staff for their commitment intreating with the affairs of your company. In particular, the Board extends its sincere appreciation to Christopher Dehring for his contribution to the development of DB&G. Mr. Dehring resigned as President at the end of 1996 to assume an overseas appointment with the West Indies Cricket Board. He continues, however, as a directorof the Company.

During the past year, we enjoyed the continued confidence of our clients, who entrusted us with the management of increasing amounts of their funds, as well as our shareholders, who expanded their share holdings in DB&G despite an inactive stockmarket. We sincerely appreciate your support and will continue to operate in a manner that is safe, sound, and deserving of your ongoing trust.

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