Trafalgar Development Bank 1997

Shareholders' Report

1997 was a most challenging year for Trafalgar Development Bank as financial institutions continued to encounter increased pressures in their operations. During the year, we continued to see developments which seriously threatened the viability of businesses in the productive sector. These developments speak to the onset of an economic environment which exposes businesses to the intense pressures of the demanding and unforgiving nature of the international marketplace.

Against this background, the Group recorded another year of profitable performance. However, this was tempered by a significant increase in loan loss provision and write-back of interest income which, together, totalled some $46.93 million compared with S22.21 million in the prior year. This is largely reflective of the liquidity crunch that faces the productive sector. It also reflects the conservative income recognition policy of the Bank and the stringent measures employed to protect the quality of its loan portfo1io.

Although total revenue, net of income expense, of the Group grew by some 14%, up from $243.7 million in 1996 to $278.8 million in 1997, the net profit attributable to shareholders of TDB for the year declined by some 19%, from $80.3 million to $65.2 million. The decline in net profit resulted in a fall in earnings per share which fell from 70 cents in 1996 to 57 cents in 1997. The return on average equity and return on average assets declined from 19.48% and 3.93% in 1996 to 13.98% and 2.82% respectively in 1997.

At the end of the year, total assets were $2.46 billion compared with $2.18 of the previous year, while stockholders equity of $490.7 million represented an increase of 10% over the $444.5 million recorded in 1996. The loan portfolio grew by 15% to $1.5 billion compared with $1.3 billion of the previous year.

Given the increased levels of competition, the productive sector need to be focused, proactive, market driven and efficient. The challenge therefore for a development financial institution such as TDB, at this time, is to give greater emphasis to the management of risk while expanding its core business. This calls on the Bank to be increasingly customer focused, providing new and innovative services to its clients which add value, improve efficiency and foster economic growth and development. To this end, the Bank intends to further expand its project lending activities, albeit cautiously, as well as offer additional products and services such as corporate restructuring, financial advisory services and infrastructure financing. These initiatives will be supported by a strong marketing campaign aimed at re-establishing TDB's image and gaining increased market share.

TDB operates as an Approved Venture Capital Company for purposes of the Income Tax Act. The current status will expire on December 5, 1997. We have applied for a renewal for another four years and await a response from the Minister of Finance.

As we look towards the future, may we once again, on behalf of the Board of Directors, thank all our shareholders, customers, employees and the public at large for their continued loyalty and support. We give our assurance that we will continue to strive towards achieving our vision of being the premier development financial institution in the region.

A.R. Diaz
Chairman

V.H. Rhone
President