Trafalgar Development Bank 1997

Financial Highlights

The Group registered a net profit after tax of $61.1 million for the 1997 financial year, a decline of 27% compared with the previous year. This profit performance resulted in a return on average stockholders equity of 13% and a return on average total assets of 3%. At the end of the year, stockholders equity for the Group was $490.7 million, an increase of 10% over the previous year.

THE DEVELOPMENT BANK

The development bank ended the year with a net profit of $69.5 million which provided a return on average shareholders funds of 15% and a return of 4% on average total assets. Earnings per share decreased by 13% from $0.69 in 1996 to $0.60 in 1997.

Total revenue for the year was $282 million compared with $276.9 million for 1996 and is broken down as follows:

> Interest on loans/leases increased to $186.2 million or 11% over the previous year:
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> Interest on liquid investments decreased by 47% in 1997 from $96.9 million in 1996 to $51.5 million, due to the decline in interest rates and the level of funds available for investments,

Other revenue, which includes fees and foreign exchange gains increased by 256% from $12.4 million in 1996 to $44.3 million.

Financial charges on borrowings were recorded at $83.8 million down from $88.6 million in 1996, reflecting a decline in the average cost of long term borrowings. These charges absorb 45% of the revenue from lending activities. Operating expenses including salaries and benefits increased by 17% to $86.7 million which was in line with budget.

In comparison with 1996, total assets increased by 11% from $1.66 billion to $1.85 billion. This increase was due largely to the net increase in both loan and equity investments ($252.9 million) as a result of the bank's expanded operations. Total long term borrowings increased by 18% over the previous year resulting in a debt to equity ratio of 2.4:1 compared to 2.3:1 at the end of 1996.

THE COMMERCIAL BANK

Trafalgar Commercial Bank reported a net loss of $8.4 million for 1997 compared to the after tax profit of $7.2 million for the previous year.

Gross revenue decreased by 14% to $158.3 million compared with $ 184.2 million for 1996. Income from loans decreased by 22%, investment income decreased by 17%, while fee income increased by 38%.

Total expenses decreased by 6% from $176.8 million in 1996 to $166.7 million for 1997. This reduction in overall expenses was achieved in spite of the significant increase in loan loss provisions. During 1997 TCB experienced a growth in the level of non-performing loans necessitating increased provisions for doubtful loans of $28.2 million compared with $4.4 million in 1996. However, the ongoing policy of aggressively pursuing debt recoveries along with close monitoring and a proactive strategy in the management of new risks, will altogether assure reduced loan losses for 1998.

Total assets at the end of the year were $702.1 million, an increase of 11% over 1996. The loan portfolio (net of provision) increased by 25%, from $267 million in 1996 to $333.4 million at the end of 1997. Deposit liabilities decreased marginally by 3% at the end of the year while loans and notes payable increased by 213%, from $37.4 million for 1996 to $ 117.3 million for 1997, reflecting the bank's strategy to reduce its cost of funds.

During the year the two shareholders, Trafalgar Development Bank and Grace Kennedy & Company Limited subscribed for one (1) additional share for each three (3) shares held by them, while maintaining the existing ratio of ordinary to preference shares.
The additional paid in capital and the net loss on operation resulted in an increase in shareholders equity of 18% from $65.5 million in 1996 to $77.1 million at the end of the year.