

Dehring Bunting & Golding Limited (DBG)

All figures quoted in Jamaican Dollars unless otherwise stated

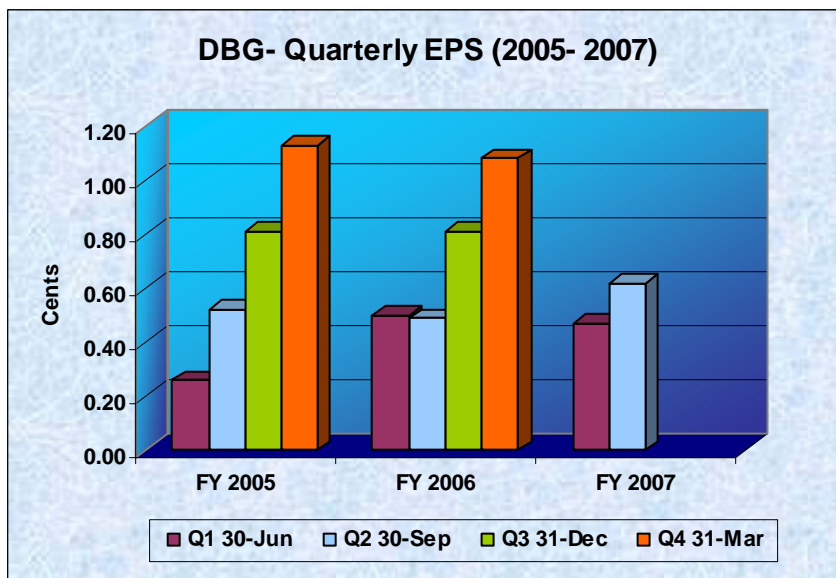
SYMBOL	DBG
RECOMMENDATION	HOLD
Current Price	TT\$1.85
Running EPS	J\$2.99; TT\$0.29
Projected EPS	J\$3.13; TT\$0.30
P/E at Projected EPS	6.17 times
Dividend Yield	4.86%
Return on Assets	2.12%
Return on Equity	22.31%

Results for the Half Year Ended September 30, 2006

Earnings Per Share

For the Half Year ended September 30, 2006, Dehring Bunting & Golding Limited (DBG) reported Earnings Per Share (EPS) of \$1.09, representing an increase of 10.10 per cent or 10 cents on the comparable Half Year EPS in 2005 (FY 2006). For the second quarter ended September 30, 2006 the EPS amounted to \$0.62, up 26.53 per cent or 13 cents on the comparable EPS in 2005 (FY 2006). Also interesting to note, is the fact that the EPS for the quarter under review was the highest that the Company has seen in a second quarter performance over the fiscal period 2005-2007. (See Graph 1) The Chairman stated that this overall performance was a reflection of a rebound in trading profits from the first quarter along with the continued stability of the net interest income business.

Graph 1





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Financials

Interest Revenue was up by 6.35 per cent to end the period at \$1.66 billion, driven by an expansion in the loan portfolio, which has almost doubled to \$3.06 billion when compared with the balance as at September 30, 2005. The Chairman has stated that the loan pipeline continues to be extremely encouraging and he has also pointed out that the Bank has recently launched a consumer finance initiative- *Easy Own*- through its wholly owned subsidiary, Asset Management Company Limited. Interest Expense also increased, up 8.12 per cent to end at \$1.26 billion. Thus, for the period under review, Net Interest Revenue stood at \$396.32 million, up by a marginal 1.09 per cent. This marginal increase was also reflected in the second quarter figures, as Net Interest Revenue increased by 0.08 per cent compared to the second quarter in 2005. The Chairman has pointed out that while the increase was marginal; the Bank was able to sustain this increase in a collapsing interest rate environment, where the Bank of Jamaica cut rates twice in the month of September. Spreads were maintained through a combination of increasing the sensitivity of liabilities to interest rate adjustments, while expanding the secured loan portfolio.

Gains on Security Trading were the major contributor to Other Operating Revenue and stood at \$199.29 million for the Half Year, showing an increase of 3.72 per cent or \$7.15 million on the comparable period in 2005. However, for the three months ended September 30, 2006 this figure amounted to \$140.62 million, up by a significant 76.42 per cent on the comparable three months in 2005. The improvement in Bond Trading is due to the recovery in prices on emerging market debt and on GOJ debt in particular. DBG believes that the bond prices will continue to move higher given the improvement in Jamaica's fiscal position, in addition to the considerable prospects for growth in the Construction, Mining and Tourism sectors. The Company is also awaiting regulatory approval to begin distributing a St. Lucia- registered *US\$ Caribbean- Global Bond Fund* in Trinidad and Tobago and Jamaica.

Foreign Exchange Gains showed the largest percentage increase for the period, moving up 461.06 per cent or \$70 million to end at \$85.19 million. While the increase is substantial, the figure of \$85.19 million shows a return to consistency of earnings derived from this activity, when compared to the prior year's uneven performance.

Fees and Other Income was the only negative contributor to Other Operating Revenue, falling by 26.78 per cent to \$95.24 million. The Chairman has pointed out that this performance reflects the fact that the local and regional equity markets continue to struggle through a period of sustained disinterest. Thus, Other Operating Revenue for the Half Year period amounted to \$379.72 million up by 12.54 per cent or \$42.32 million on the comparable period in 2005.

Net Revenue for the period stood at \$776.04 million up by 6.39 per cent on the comparable Half Year period in 2005. Operating Expenses was also up (4.61 per cent), standing at \$442.89 million for the current period compared to \$423.35 million in the same period last financial year. Thus, Profit before Taxation amounted to \$333.15 million, up by 8.85 per cent or \$27.08 million on the comparable period in 2005.

The Effective Tax Rate for the period was a minimal 1.51 per cent while the Company benefited from a Tax Credit of 1.65 per cent in the comparable period in 2005. Thus, Net Profit after Taxation for the Half Year stood at \$338.17 million up by 12.33 per cent on the same period in 2005.



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Table 1 Shows DBG's Financial Data Comparison- HY 2007 on HY2006; Q2 2007 on Q2 2006 and Q1 2007

Table 1

DBG Financial Data Comparison (HY 2007 on HY 2006) and (Q2 2007 on Q2 2006 and Q1 2007)								
	HY 2007 J\$000's	HY 2006 J\$000's	% Change HY '06 - HY '07	Q2 2007 J\$000's	Q2 2006 J\$000's	% Change Q2 '06 - Q2 '07	Q1 2007 J\$000's	% Change Q1 '07 - Q2 '07
Interest Revenue	1,655,641	1,556,771	6.35%	837,081	775,132	7.99%	818,560	2.26%
Interest Expense	1,259,321	1,164,720	8.12%	640,446	578,674	10.67%	618,855	3.49%
Net Interest Revenue	396,320	392,051	1.09%	196,615	196,458	0.08%	199,705	-1.55%
Gains on Securities Trading	199,289	192,143	3.72%	140,615	79,705	76.42%	58,674	139.65%
Foreign Exchange Gains	85,186	15,183	461.06%	40,275	26,783	50.38%	44,911	-10.32%
Fees and Other Income	95,243	130,072	-26.78%	45,646	65,534	-30.35%	49,597	-7.97%
Other Operating Revenue	379,718	337,398	12.54%	226,536	172,022	31.69%	153,182	47.89%
Net Revenue	776,038	729,449	6.39%	423,151	368,480	14.84%	352,887	19.91%
Operating Expenses	442,888	423,352	4.61%	237,090	212,655	11.49%	205,798	15.21%
Profit Before Taxation	333,150	306,067	8.85%	186,061	155,825	19.40%	147,090	26.49%
Taxation	5,022	-5,049	-199.47%	5,521	-5,803	-195.14%	-499	-1206.41%
Net Profit After Taxation	338,172	301,048	12.33%	191,582	150,022	27.70%	146,591	30.69%
EPS	1.09	0.99	10.10%	0.62	0.49	26.53%	0.47	31.91%



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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
Net Interest Revenue	773,844	22.84%	629,964
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
Other Operating Revenue	1,041,599	1.45%	1,026,682
Net Revenue	1,815,443	9.59%	1,656,646
Operating Expenses	929,014	9.85%	845,693
Profit Before Taxation	886,429	9.31%	810,953
Taxation	4,110	50.55%	8,311
Net Profit After Taxation	882,319	9.93%	802,642
EPS (J\$)	2.84	7.17%	2.65
EPS (TT\$)	0.28		0.27
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 as at 31/03/2005 and 31/03/2006.



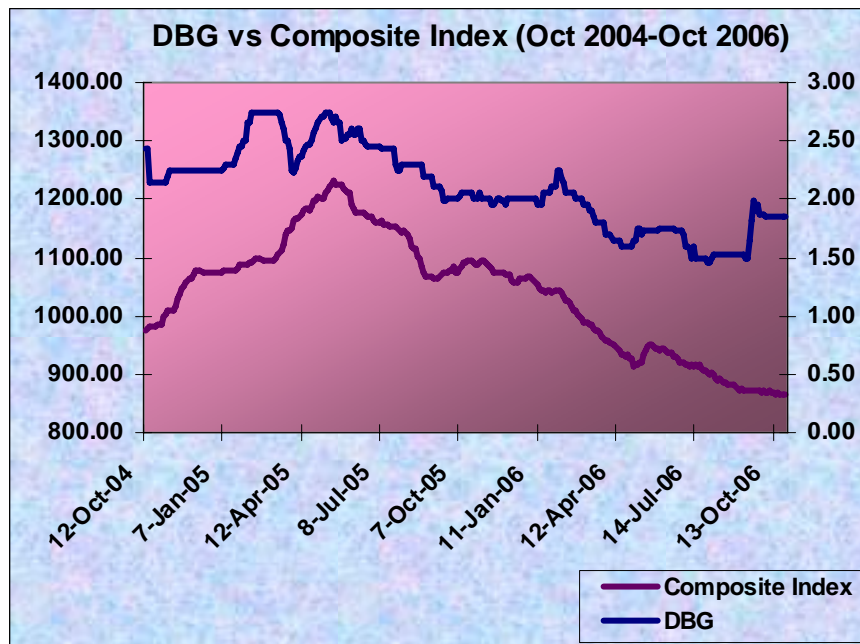
Share Price

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. In Jamaica this share is currently trading at a price of \$21.00.

DBG is one of the small 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

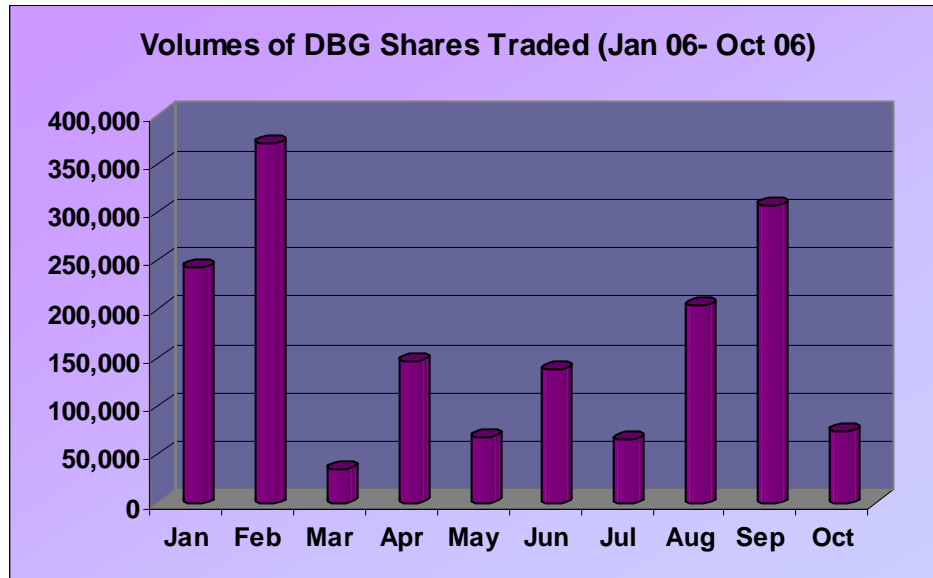


Volumes

DBG has traded constantly throughout the months January 2006 to October 2006, with the month of February seeing the highest volume traded while March saw the lowest volumes being traded. (See Graph 3)



Graph 3



Transaction

On October 20, 2006, the Bank of Nova Scotia and the Bank of Nova Scotia Jamaica Limited (collectively, “BNS”) announced their intention to make an offer to purchase a controlling interest (up to 80% , minimum 75%) in DBG. The Offer was launched on October 23, 2006 with the closing date on November 27, 2006. The Offer is a cash bid and will be priced at JMD21.08 or TT\$2.00.

Recommendation

DBG’s second quarter performance has been exceptional when compared to the same period in both fiscal 2006 and fiscal 2005. Thus, we are revising our forecasted EPS up to TT\$0.30. At the current share price of TT\$1.85 and the revised forecasted EPS of TT\$0.30, these shares are trading at a price to earnings multiple of 6.17 times. DBG usually trades in the range of 5 to 7 times and as such, at the current P/E ratio of 6.17 times we would recommend a HOLD.

It should also be noted that this share is currently trading at the higher end of its usual range because of the current environment around the transaction with BNS. The Directors of DBG have recommended that its shareholders accept BNS’s Offer.

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