

DEHRING, BUNTING & GOLDING

All Figures Quoted in Jamaica Dollars Unless Otherwise Stated

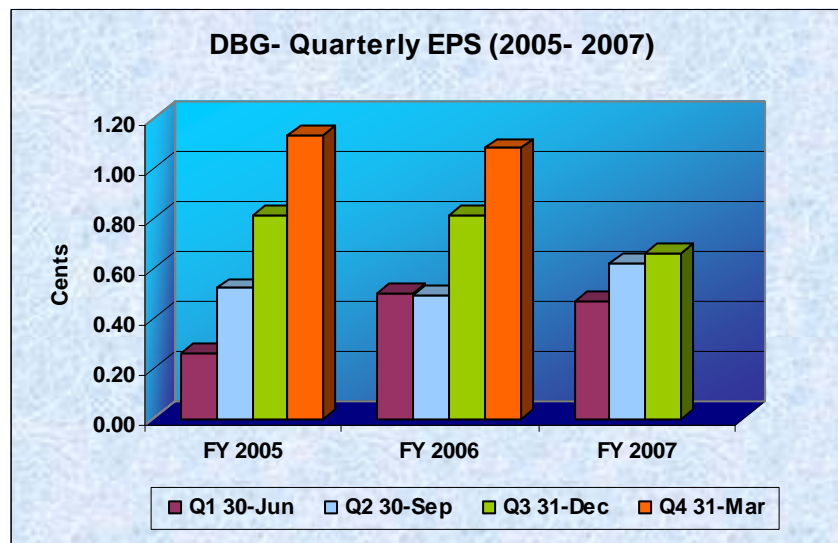
	DBG
RECOMMENDATION	SELL
Current Price	TT\$2.55
Running EPS	TT\$0.27
Projected EPS	TT\$0.26
P/E at Projected EPS	9.81 times
Return on Assets	2.10 per cent
Return on Equity	19.04 per cent

Results for the Nine Months Ended December 31, 2006

Earnings Per Share

Dehring, Bunting & Golding (DBG) reported Earnings Per Share (EPS) of \$1.75 for the nine months ended December 31, 2006. This was 2.78 per cent less than the corresponding period for 2005. Quarter 3 in particular was down by a bigger margin of 18.52 per cent from 81 cents (Q3-FY'06) to 66 cents (Q3-FY'07) (See Figure 1). The Company stated that reduced bond trading and commission income outweighed improved foreign exchange trading and net interest income on a comparative year to date basis. With respect to the quarter, it was stated that Q3-FY'06 was a phenomenal quarter for Bond Trading Income when some exceptional gains were realized due to the elimination of its Held to Maturity investment classification. Despite this, Q3-FY'07 was the best quarter this Company has had so far for this fiscal year.

Figure 1





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It is also interesting to note that while the Company was down for the period under review, there was a tax write-back which cushioned the bottom line by \$6.402 million. Without this write-back, the EPS would have been down a further 2 cents to \$1.73.

Financials

Despite a 9.33 per cent increase in Interest Revenue to \$2.551 billion, an 11.72 per cent increase in Interest Expense to \$1.950 billion resulted in growth in Net Interest Revenue of 2.24 per cent to \$601.247 million for the nine month period. With respect to Quarter 3, Net Interest Revenue was up 4.53 per cent. This slight improvement came in a falling interest rate environment. DBG also stated that it has continued to improve its interest differential business by growing its managed funds portfolio, maintaining the sensitivity of its liabilities to interest rate adjustments and expanding its portfolio of secured loans.

With respect to Other Operating Revenue, Gains on Securities Trading and Fees & Other Income was down 18.81 per cent to \$319.907 million and 12.91 per cent to \$151.036 million respectively. Foreign Exchange Gains however rose 147.07 per cent to \$147.691 million. Quarter 3 contributed the most to Foreign Exchange Gains. The Foreign Exchange Gains were as a result of end of year volatility in the US Dollar, as well as from DBG's distribution, aggressive pricing and the multiple currency options offered to clients. DBG's Fee & Commission business though down for the nine month period, was up 28.66 per cent for the Quarter. This was as a result of a rebound in performance of its Unit Trust and Brokerage business as additional liquidity from high profile stock market transactions e.g. the sale of Courts and DBG, flowed into regional markets.

Ultimately, Other Operating Revenue was down 1.37 per cent to \$618.634 million for the nine months resulting in a minimal increase of 0.37 per cent for Net Revenue to \$1.220 billion. Operating Expenses rose 3.18 per cent to \$683.663 million.

Profit Before Tax fell 2.99 per cent to \$536.218 million while it was down 17.68 per cent for the Quarter. The Effective Tax Rate stood at 1.11 per cent for FY 2006 while the Company had a tax write-back of \$6.402 million for FY 2007 as previously mentioned. Profit After Tax was down minimally 0.73 per cent to \$542.620 million while for the Quarter it declined 16.74 per cent to \$204.448 million. (See Figure 2)

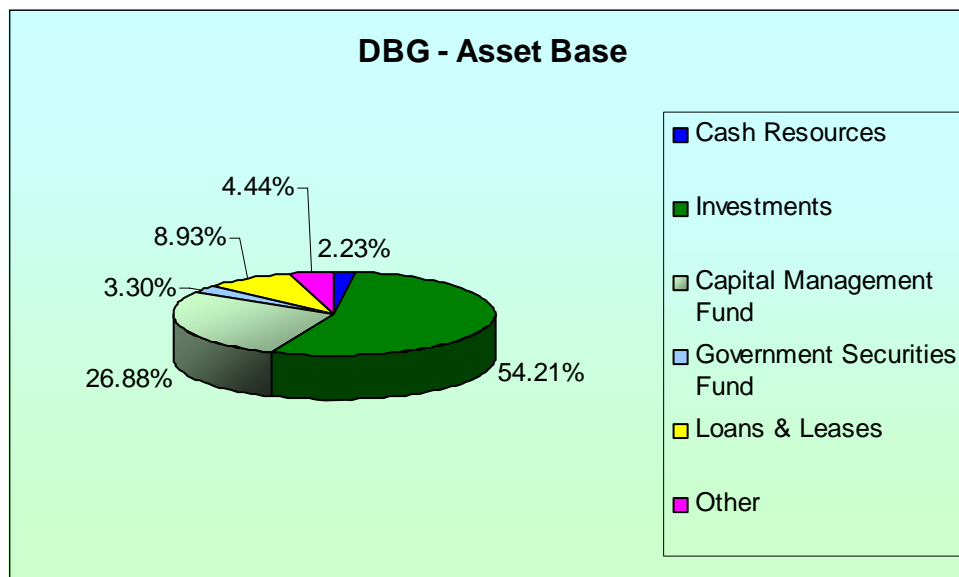
Figure 2

DBG Financial Data Comparison							
	Nine Months 2007 J\$000s	Nine Months 2006 J\$000s	Change %	Q3 2007 J\$000s	Q3 2006 J\$000s	Change %	Q3/Nine Months 2007 J\$000's
Interest Revenue	2,551,365	2,333,698	9.33%	895,724	776,927	15.29%	35.11%
Interest Expense	-1,950,119	-1,745,607	11.72%	-690,798	-580,887	18.92%	35.42%
Net Interest Revenue	601,247	588,091	2.24%	204,927	196,040	4.53%	34.08%
Gains on Securities Trading	319,907	394,043	-18.81%	120,618	201,900	-40.26%	37.70%
Foreign Exchange Gains	147,691	59,778	147.07%	62,505	44,595	40.16%	42.32%
Fees and Other Income	151,036	173,435	-12.91%	55,793	43,363	28.66%	36.94%
Other Operating Revenue	618,634	627,256	-1.37%	238,916	289,858	-17.57%	38.62%
Net Revenue	1,219,881	1,215,347	0.37%	443,843	485,898	-8.66%	36.38%
Operating Expenses	-683,663	-662,583	3.18%	-240,775	-239,231	0.65%	35.22%
Profit Before Taxation	536,218	552,764	-2.99%	203,068	246,667	-17.68%	37.87%
Taxation	6,402	-6,152	-204.06%	1,380	-1,103	-225.11%	21.56%
Net Profit After Taxation	542,620	546,612	-0.73%	204,448	245,564	-16.74%	37.68%
EPS	1.75	1.80	-2.78%	0.66	0.81	-18.52%	37.71%

Assets & Liabilities

DBG saw growth of over 28 per cent over the past twelve months as total funds under management rose to approximately \$39.407 billion (including trust assets of \$6 billion). It experienced growth across all of its investment products, but managed to retain a substantial amount of the DBG sale proceeds, which led to Capital Management Fund growth of 75.16 per cent to \$10.296 billion from December 2005. The present composition of DBG's asset base is shown in Figure 3.

Figure 3

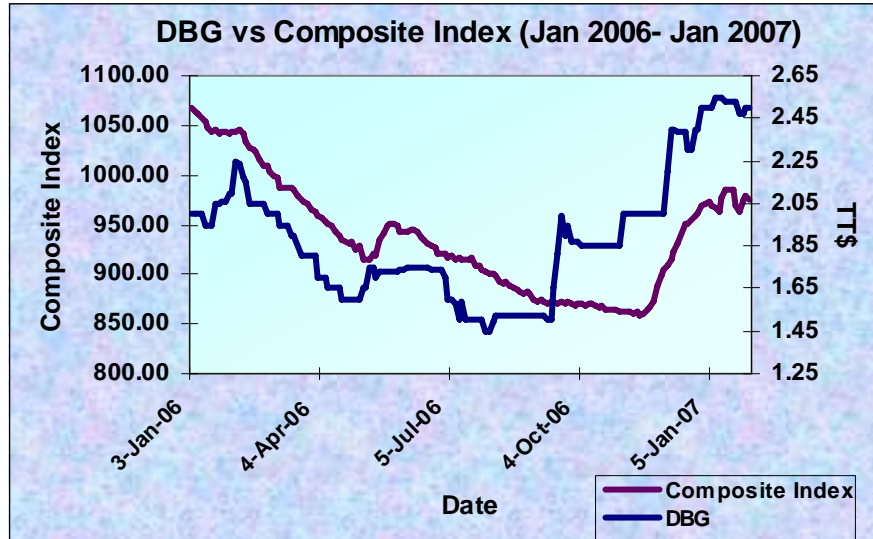




Share Price

DBG opened the year 2006 at a price of TT\$2.00. DBG was trading at TT\$1.85 when Scotiabank and Scotiabank Jamaica announced that they were going to jointly bid for up to 80 per cent of DBG shares at a price of TT\$2.00. The price subsequently closed the year at TT\$2.50 which represented a year on year advance of 25 per cent. (See Figure 4) Similarly, in Jamaica, this share advanced 24.44 per cent over the year to close at \$28.00.

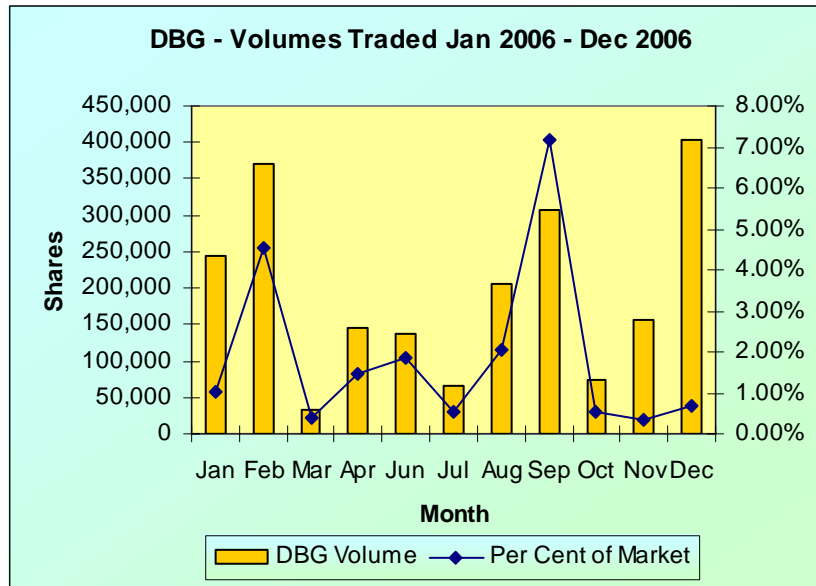
Figure 4



Volumes

DBG has seen relatively small volumes traded in comparison to the rest of the market. Volumes generally accounted for less than 5 per cent of total monthly trades. (See Figure 5)

Figure 5





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Acquisition of DBG

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 was a cash bid and was priced at JMD21.08 or TT\$2.00. On December 14, 2006, payment was issued for tendered shares resulting in a 68.54 per cent shareholding in DBG for the bidders. The stake was acquired as follows: Bank of Nova Scotia obtained 52.76 per cent while Bank of Nova Scotia Jamaica acquired 15.80 per cent.

Since that time, according to an article printed in the Jamaica Observer on Friday, February 9, 2007,"a deal has been structured in a manner to allow repayment of Bank of Nova Scotia Canada for its participation in the acquisition of the DBG shares and transfer control of DBG to Bank of Nova Scotia Jamaica. It was proposed that a Holding Company will be set up called Scotia Group in which Bank of Nova Scotia Canada will own 71.6 per cent. The Holding Company will then own 100 per cent of Bank of Nova Scotia Jamaica and 68.54 per cent of DBG. In this way, risk of potential future conflicts concerning control of DBG will be mitigated.

Recommendation

Given these results, we are revising our estimated EPS from TT\$0.30 to TT\$0.26 (JMD2.70). At this revised EPS and the current price of TT\$2.55, DBG is trading at a price/earnings ratio of 9.81 times earnings. Given that DBG usually trades between 5 to 7 times earnings, we currently recommend a SELL on this share.



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Figure 6

DBG Historical 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

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