



COMPANY UPDATE

**Dehring, Bunting & Golding**

	<b>DBG</b>
<b>RECOMMENDATION</b>	<b>HOLD</b>
<b>Current Price</b>	<b>TT\$1.73</b>
<b>Current Running P/E</b>	<b>6.30</b>
<b>Running EPS (Jca)</b>	<b>JCA\$2.84</b>
<b>Projected EPS</b>	<b>JCA\$3.00</b>
<b>Dividend Yield (FY 2005)</b>	<b>4.97%</b>
<b>Return on Assets</b>	<b>2.89%</b>
<b>Return on Equity</b>	<b>24.76%</b>

**Year ended March 31, 2006**

*All figures quoted in Jamaica Dollars*

Dehring, Bunting & Golding (DBG), reported Earnings Per Share (EPS) of \$2.84 for the year ended March 31, 2006. This represented a 7.17 per cent increase over 2005's year end EPS of \$2.65. The two main drivers of revenue continued to be its interest differential business and gains made on securities trading (See Figure 1). A quarterly analysis however reveals that the growth in EPS was driven by the Company's performance in its first quarter as the three following quarters were generally flat in relation to the previous fiscal year. See Figure 2

**Figure 1-Contributor to Revenue**

	<b>2006</b>	<b>2005</b>
<b>Net Interest Revenue</b>	42.63%	38.03%
<b>Gains on Securities Trading</b>	37.59%	31.20%
<b>Foreign Exchange Gains</b>	6.96%	11.72%
<b>Fees and Other Income</b>	12.82%	19.06%

**Figure 2**

	<b>EPS</b>	<b>EPS</b>
	<b>FY 2005</b>	<b>FY 2006</b>
<b>Q1</b>	0.26	0.50
<b>Q2</b>	0.52	0.49
<b>Q3</b>	0.81	0.81
<b>Q4</b>	1.13	1.08



Despite a declining interest rate environment, a number of strategic decisions resulted in Net Interest Revenue growing 22.84 per cent to \$773.844 million as Interest Income rose 2.41 per cent to \$3.115 billion while Interest Expense fell 2.93 per cent to \$2.342 billion. The growth in Interest Income arose from the targeting of a desired customer base of medium and high net worth individuals, institutions and other discerning investors as the Company continues on its bid to incorporate a healthy clientele of individual investors into its customer base. This strategy has resulted in a more stable pool of funding and revenues which has enabled the Merchant Bank to double the size of its loan portfolio as loan activity increases in a declining interest rate environment.

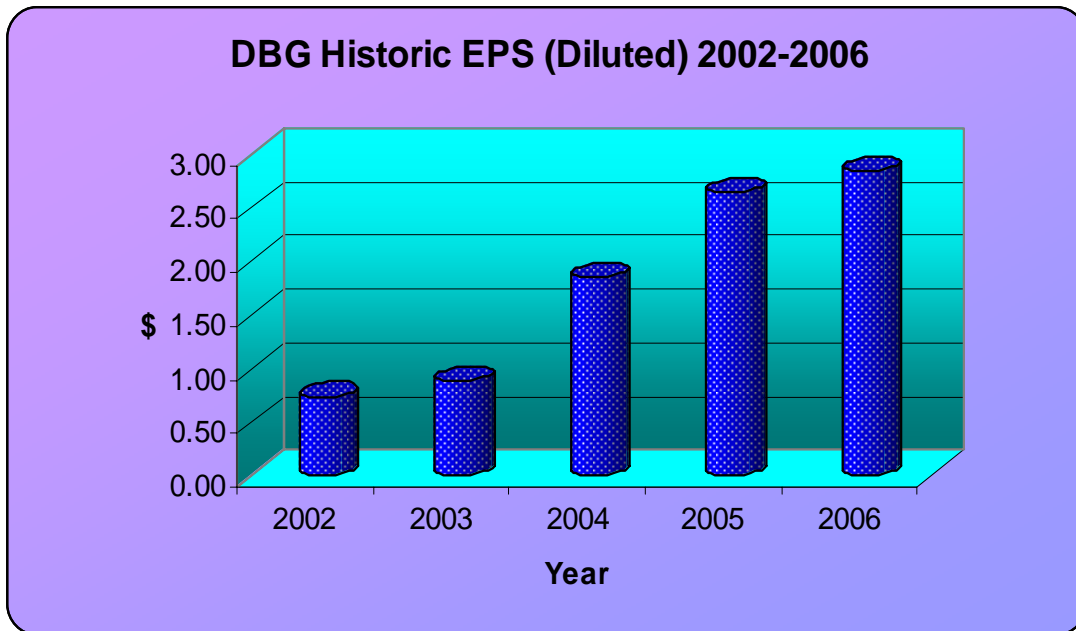
Other Operating Revenue was driven primarily by Gains on Securities trading as this category raked in over 65 per cent of Other Operating Revenue. In actuality, Gains on Securities Trading rose 32.05 per cent to \$682.486 million with the fourth quarter being the strongest contributor to the gains.

Foreign Exchange Trading which recorded a loss in the first quarter of the financial year under review, ended the year as a positive figure, as promised by the Chairman, namely \$126.370 million. Though year on year these gains fell 34.89 per cent, quarter on quarter Foreign Exchange Gains rose 112.03 per cent. Fees and Other Income also declined 26.29 per cent to \$232.743 million partially due to the fact that the Brokerage fee component was impacted by soft market conditions. Net Revenue ultimately grew 9.59 per cent to \$1.815 billion while Operating Expenses grew 9.85 per cent to \$929.014 million. Profit Before Tax grew 9.31 per cent while the Company's effective tax rate fell from 1.20 per cent to 0.46 per cent. Overall, Net Profit After Taxation rose 9.93 per cent to \$882.319 million.

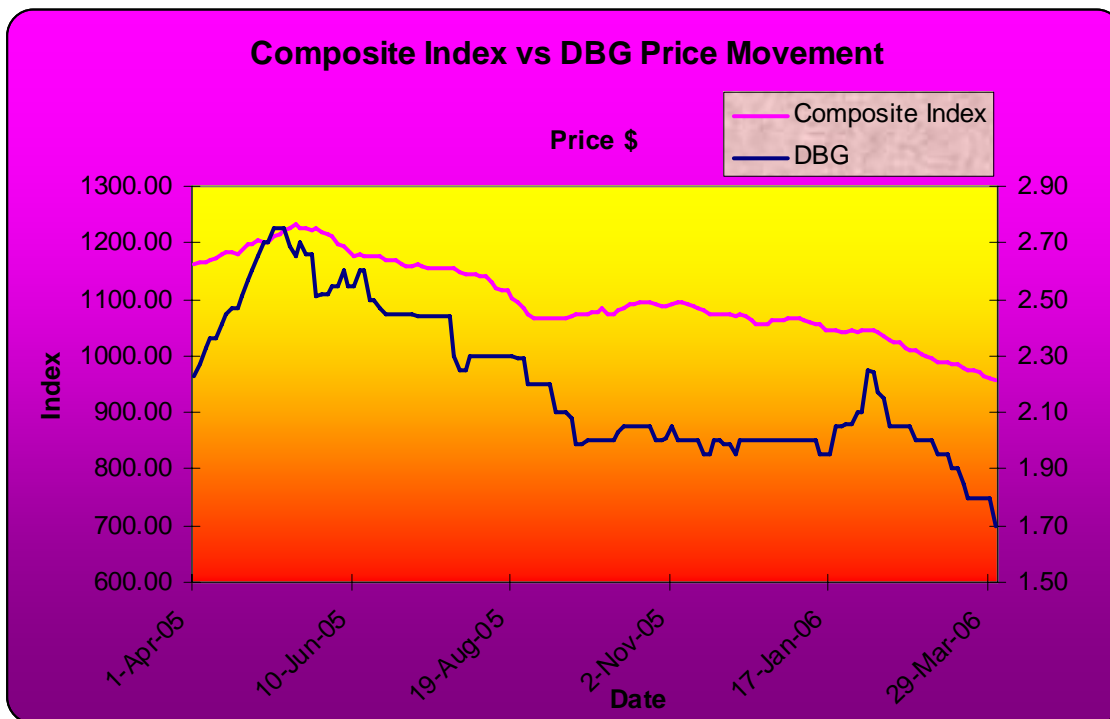
At the current price of TT\$1.73, DBG is trading at a price/earnings ratio of 6.41. In Jamaica, it is trading at \$19.90 and has traded as high as \$26.50 and as low as \$17.80 in the past 52 weeks. Though the low price/earnings ratio suggests a buy for this share and Trinidad's share price is lower than that in Jamaica, due to the uncertainty surrounding this share and the volatility of this share in the Jamaican market, we caution buying at the current price and currently recommend a HOLD on this share.

The Company declared an interim dividend of 71 cents to be paid on June 2, 2006.

**Figure 3**



**Figure 4**





<b>Year Ended Mar 31</b>	<b>F.Y 2005</b>	<b>F.Y 2006</b>
<b>Profit Before Tax Jca \$M</b>	810.953	886.429
<b>% Change Per Period</b>	48	9
<b>Profit After Tax Jca \$M</b>	802.642	882.319
<b>% Change Per Period</b>	49	10
<b>Profit Attributable to Shareholders Jca \$M</b>	802.642	882.319
<b>% Change Per Period</b>	49	10
<b>EPS (Jca cents)</b>	2.65	2.84
<b>% Change Per Period</b>	43	7
<b>Price / Earnings Multiple</b>	7.9	6.3
<b>Dividend per Share (Jca cents)</b>	31	86
<b>Dividend Payout Ratio %</b>	11.2	30.3
<b>Dividend Yield %</b>	1.4	4.7
<b>Net Asset Value Jca</b>	\$7.31	\$11.75
<b>Market to Book</b>	3.20	1.49
<b>Shares Outstanding</b>	290,385,731	303,194,744

This document is based on information obtained from sources, which we believe to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, West Indies Stockbrokers Limited. Expressions of opinion herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell securities. West Indies Stockbrokers Limited and or their officers, directors, and employees may own or have positions in any of the securities mentioned herein, and may from time to time add or dispose of any such securities. This document is for the information of clients only and is not for publication in the Press or elsewhere without the permission of West Indies Stockbrokers Limited. WISE is a subsidiary of RBTT Financial Holdings Limited

West Indies Stockbrokers Limited, 1<sup>st</sup> Floor Albion Plaza, 22-24 Victoria Avenue, Port of Spain, Trinidad (868) 623-4861 Fax (868)-627-5002 e-mail: [info@wisett.com](mailto:info@wisett.com)  
Member of the Trinidad and Tobago Stock Exchange Ltd.