



GLOBAL MOMENTUM



## TO OUR SHAREHOLDERS

*We are pleased to present the interim report of Dundee Bancorp Inc. for the nine months ended September 30, 1998. Net income for the nine and three months ended September 30, 1998 was \$20.6 million or \$0.74 per share and \$7.0 million or \$0.25 per share, respectively. This compares with net income of \$38.9 million or \$1.53 per share and \$19.0 million or \$0.75 per share for the same periods of the prior year. Total revenue for the nine months ended September 30, 1998 was \$131.9 million compared with \$128.0 million in the prior year. Investment income, which does not include unrealized gains and losses, was \$10.9 million for the quarter ended September 30, 1998 as compared with \$19.2 million in the prior year.*

*Management and administrative fee revenue totalled \$87.2 million as compared with \$82.9 million in the prior year, an increase of 5%. For the nine months ended September 30, 1998, Dundee Mutual Funds sales, including interfund exchanges, were \$1.7 billion, down 22% from September 30, 1997. Mutual fund redemptions and exchanges for the same period amounted to \$2.1 billion, creating negative net sales of approximately \$400 million. This amount, combined with market depreciation of approximately \$300 million, has reduced our mutual fund assets under management from \$6.1 billion at January 1, 1998 to \$5.4 billion at September 30, 1998. Nonetheless, average mutual fund assets managed for the nine months ended September 30, 1998 were 5% higher than that of the same period of 1997. As a result of stronger equity markets since the end of the quarter, mutual funds assets under management have recovered to \$5.6 billion at the time of writing.*

*Interest and selling, general and administrative expenses are significantly higher in the recent quarter than the same quarter in 1997. This is a direct result of the consolidation of Dundee Securities Corporation for the first time, and the interest expense on the outstanding debentures which were not in place in the previous year.*

*Dundee Bancorp Inc. is a leading investment management firm which provides investment management and administrative services to the Dynamic and Pow<sup>er</sup> Mutual Fund groups, institutional clients and private individuals. Dundee is also engaged in securities brokerage, investment banking, financial planning and advisory services to corporations and individuals and manages its own merchant banking portfolio.*

**Ned Goodman**

*Chairman, President and Chief Executive Officer*

*November 11, 1998*

**DUNDEE BANCORP INC.****CONSOLIDATED BALANCE SHEETS**

(expressed in thousands of Canadian dollars)

(unaudited)

	September 30, 1998	December 31, 1997
<b>ASSETS</b>		
Cash and short-term investments	\$ 57,323	\$ 20,258
Accounts receivable	50,884	22,171
Investment portfolio	473,305	540,910
Deferred sales commissions	79,583	108,333
Other assets	50,235	36,302
<b>TOTAL ASSETS</b>	<b>\$ 711,330</b>	<b>\$ 727,974</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 21,706	\$ 35,182
Corporate debt	154,500	156,996
Deferred income taxes	49,366	46,100
	225,572	238,278
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital – Common shares	316,041	323,399
– Preference shares	–	5,686
Retained earnings	169,717	160,611
	485,758	489,696
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 711,330</b>	<b>\$ 727,974</b>
<b>COMMON SHARES OUTSTANDING (CLASS A AND B)</b>	<b>27,289,839</b>	<b>27,095,014</b>

**DUNDEE BANCORP INC.****CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**

For the nine months ended September 30, 1998 and 1997

(expressed in thousands of Canadian dollars, except per share amounts)

(unaudited)

	Three Months		Nine Months	
	1998	1997	1998	1997
<b>REVENUE</b>				
Management and administrative fees	\$ 26,279	\$ 29,646	\$ 87,214	\$ 82,895
Financial services	2,659	480	7,989	2,513
	28,938	30,126	95,203	85,408
Investment income	10,884	19,246	36,655	42,635
	39,822	49,372	131,858	128,043
<b>EXPENSES</b>				
Selling, general & administrative	12,834	9,848	42,910	30,509
Amortization of deferred sales commissions	9,228	9,146	29,053	25,777
Trailer fees	5,464	6,390	18,495	17,357
Depreciation and amortization	1,172	819	3,408	2,413
Interest	3,159	358	7,902	518
	31,857	26,561	101,768	76,574
<b>OPERATING INCOME</b>	<b>7,965</b>	<b>22,811</b>	<b>30,090</b>	<b>51,469</b>
Provision for income taxes	(1,001)	(3,805)	(9,498)	(12,535)
<b>NET INCOME FOR THE PERIOD</b>	<b>6,964</b>	<b>19,006</b>	<b>20,592</b>	<b>38,934</b>
Retained earnings at beginning of period	168,401	145,689	160,611	126,162
	175,365	164,695	181,203	165,096
Premiums related to cancellation of share capital	(5,648)	(162)	(11,415)	(362)
Dividends	–	(71)	(71)	(272)
<b>RETAINED EARNINGS AT END OF PERIOD</b>	<b>\$ 169,717</b>	<b>\$ 164,462</b>	<b>\$ 169,717</b>	<b>\$ 164,462</b>
<b>EARNINGS PER SHARE</b>				
Basic	\$ 0.25	\$ 0.75	\$ 0.74	\$ 1.53
Fully diluted	\$ 0.25	\$ 0.68	\$ 0.73	\$ 1.40

**DUNDEE BANCORP INC.****CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

For the nine months ended September 30, 1998 and 1997

(expressed in thousands of Canadian dollars)

(unaudited)

	1998	1997
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Operating income	\$ 30,090	\$ 51,469
Items not affecting cash from operations:		
Depreciation and amortization	32,461	28,190
Net investment gains	(10,742)	(19,168)
Share of unremitted equity earnings	(13,030)	(21,744)
	38,779	38,747
Changes in other non-cash working capital items	(54,684)	3,653
	(15,905)	42,400
<b>FINANCING</b>		
Increase in corporate debt	2,635	148,313
Issuance of Class A subordinate shares, net of costs	2,072	1,717
Acquisition of Class A subordinate shares	(29,505)	(525)
Redemption of Series Y preference shares	(5,166)	-
Preference share dividends	(71)	(272)
	(30,035)	149,233
<b>INVESTING</b>		
Proceeds on sales of portfolio investments	198,216	35,949
Acquisition of portfolio investments	(108,761)	(33,296)
Sales commissions paid on distribution of mutual funds – net	(303)	(36,231)
Other	(6,147)	(10,932)
	83,005	(44,510)
<b>INCREASE IN CASH AND SHORT-TERM INVESTMENTS</b>	<b>37,065</b>	<b>147,123</b>
<b>CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD</b>	<b>20,258</b>	<b>7,674</b>
<b>CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD</b>	<b>\$ 57,323</b>	<b>\$ 154,797</b>

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## BOARD OF DIRECTORS

**Ned Goodman**  
*Chairman, President and  
Chief Executive Officer  
Dundee Bancorp Inc.*

**Normand Beauchamp**  
*President and  
Chief Executive Officer  
Radiomutuel Inc.*

**Norman Bengough**  
*President  
Goodman & Company,  
Investment Counsel*

**Robert M. Buchan**  
*Chairman and  
Chief Executive Officer  
Kinross Gold Corporation*

**Paul A. Carroll**  
*Chairman and  
Chief Executive Officer  
World Wide Minerals Ltd.*

**Jonathan Goodman**  
*Partner  
Goodman & Company,  
Investment Counsel*

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Chief Executive Officer  
Zemex Corporation*

**Garth A.C. MacRae**  
*Vice Chairman  
Dundee Bancorp Inc.*

**Richard J. Renaud**  
*Chairman  
MPACT Immedia Corporation*

**K. Barry Sparks**  
*President  
Torvan Capital Group Inc.*

**Harry R. Steele**  
*Chairman and  
Chief Executive Officer  
Newfoundland Capital  
Corporation Limited*

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## OFFICERS

**Ned Goodman**  
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Chief Executive Officer*

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*Vice Chairman*

**Ray Benzinger**  
*Executive Vice President and  
Chief Financial Officer*

**Donald K. Charter**  
*Executive Vice President*

**Jonathan Goodman**  
*Executive Vice President*

**Carole Colbert**  
*Vice President and Secretary*

**Aaron H. Gropper**  
*Vice President*

**Lucie Presot**  
*Controller*

**Lori E. Beak**  
*Assistant Secretary*

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## SHAREHOLDER INFORMATION

**EXECUTIVE OFFICE**  
*Scotia Plaza, 55th Floor  
40 King Street West  
Toronto, Ontario  
M5H 4A9*

**STOCK SYMBOLS**  
*Subordinate Voting – DBC.A  
Common – DBC.B*

**STOCK LISTING**  
*The Toronto Stock Exchange*

**TRANSFER AGENT**  
*Montreal Trust Company  
8th Floor, 151 Front Street West  
Toronto, Ontario  
M5J 2N1  
Tel: (416) 981-9633  
Fax: (416) 981-9800*