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LOCAL EQUITY REPORT

JMMB GROUP LIMITED

Barita Investments Limited
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JMMB Group Limited

Company Overview

JMMB Group Limited (JMMBGL) provides a range of financial solutions for individual, business, corporate, and institutional clients in Jamaica, Trinidad and Tobago, and the Dominican Republic. The company operates in three segments: Financial and Related Services, Banking and Related Services, and Other. Its Financial and Related Services segment offers securities brokering, stock brokering, portfolio planning, funds management, and investment advisory services. The company's Banking and Related Services segment accepts deposits; and offers loans and other credit facilities, foreign currency trading, and remittance and related services. Its Other segment represents insurance brokering, investment, and real estate holdings. The company also provides merchant banking, funds transfer, fund and investment management, mutual and pension fund administration services. JMMB was founded in November 1992 as the first Money Market Broker in Jamaica.

Stock	JMMBGL
Close Price	J$37.68
Estimated Fair Value	J$47.07
Potential Upside	**24.92%**
Dividend Yield	0.66%
Total Return	**25.58%**
Year to Date Return	8.62%
Trailing P/B	1.24x
Trailing P/E	9.81x
Forward P/E	7.47x
Recommendation	**OVERWEIGHT**
Date: July 5, 2021	

Analyst Insight

Among large-cap financial services companies, JMMBGL's performance has been one of the best in the industry during this pandemic period. The Group's growth for the year ended March 31, 2021, was driven by sound balance sheet management, expense management, and the realization of increased profit from Sagicor Financial Company (SFC), which the Group acquired just prior to the pandemic.

As it relates to its balance sheet management, JMMBGL was able to derive robust growth in its earning assets through the targeted increase of its funding base. As a result, while spreads tightened over the period, net interest income grew by 12.7% for the Group. This improvement flowed to the bottom line as the Group managed its costs over the period, reducing its efficiency ratio considerably (from 73.9% in FY2020 to 64.2% in FY2021). Additionally, the addition of SFC to the Group bore fruit as Sagicor reported net profit growth at key points, between the June 2020 and March 2021 quarters, (JMMBGL's FY2021). As a result, significant losses reported by SFC in the March 2020 quarter (driven by the pandemic) were not reported by JMMBGL.

Going forward, we expect further robust growth from the Group, driven in large part by non-interest income which was flat in FY2021 and should improve amidst a strengthening economic backdrop. Further, despite the significant share of profit reported, SFC's financial performance for the 12 months ended March 31, 2021, was constrained by losses in the first half of the period, indicating that the share of profits should increase further as the pandemic recedes. As it relates to net interest income, the growth seen in FY2020 was driven largely by significant growth in the Group's funding base (particularly repurchase agreements) that could potentially slow given the elevated competitive forces in the industry for new funds. This increased competition puts further pressure on net interest income when coupled with the already low interest rate environment. To combat this, however, we believe a targeted approach to increasing lower-cost deposit funding could improve the Group's net interest margin as repurchase agreements (higher cost funding than deposits) were the main driver of the funding base in FY2021. With that said, we believe that despite the low interest rate environment, net interest income growth remains possible in FY2022. Moreover, our positive outlook on the Group is underpinned by expected improvements in non-interest income and share of profits from a rebounding SFC. Given the anticipated growth, we believe the market is pricing JMMBGL at a discount to our estimate of its fair value (forward P/E of 7.51x) and therefore affirm our **OVERWEIGHT** recommendation.

Definitions:
Sell = REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO
UNDERWEIGHT = REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 5% FOR THIS PARTICULAR ASSET
MARKETWEIGHT/HOLD = EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO
OVERWEIGHT/BUY = EXPOSURE TO THIS ASSET SHOULD BE BETWEEN 5% AND 10% OF YOUR TOTAL PORTFOLIO

Major Subsidiaries

Subsidiary	Principal Activities	Ownership
Jamaica Money Market Brokers Limited and its subsidiaries	Securities brokering	100%
JMMB International Limited	Investment holding and management	100%
JMMB Bank (Jamaica) Limited (formerly JMMB Merchant Bank Limited)	Commercial banking	100%
JMMB Money Transfer Limited	Funds transfer	100%
Jamaica Money Market Brokers (Trinidad and Tobago) Limited and its subsidiaries	Financial holding company	100%
JMMB Express Finance (T&T) Limited	Merchant banking and consumer financing	100%
JMMB Holding Company, SRL, and its subsidiaries	Investment holding and management	100%

Associate Companies

Associate	Principal Activities	Ownership
Sagicor Financial Company Limited	Life and health insurance. pension, banking, and investment management	22.73% (2020: 22.5%)

Sagicor Financial Company

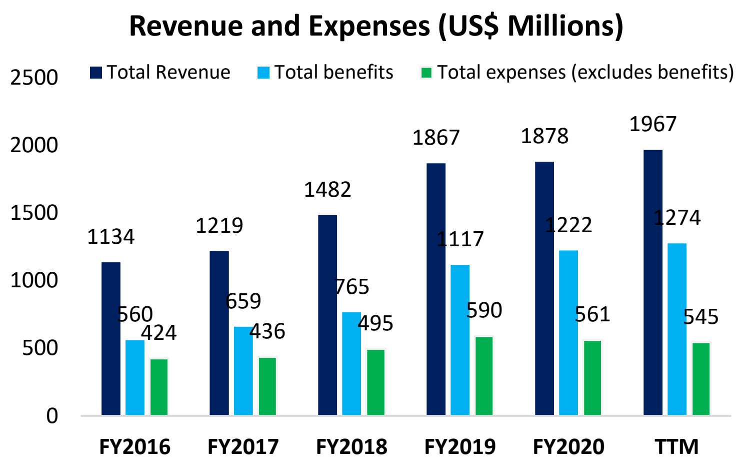
Company Overview: Sagicor Financial Company Ltd., (SFC) together with its subsidiaries, provides insurance products and related financial services in the Caribbean and the United States. It operates through Sagicor Jamaica, Sagicor Life, Sagicor Life USA, and Head Office & Other segments. The company offers life and health insurance, property and casualty insurance, and reinsurance products, as well as annuities and pension administration services. It also provides investment and asset management, investment and merchant banking, hospitality and real estate investment, microfinance, securities brokerage, mutual funds, farming, and real estate development, loan and lease financing, deposit taking, and commercial banking services. The company was founded in 1840 and is headquartered in St. Michael, Barbados.

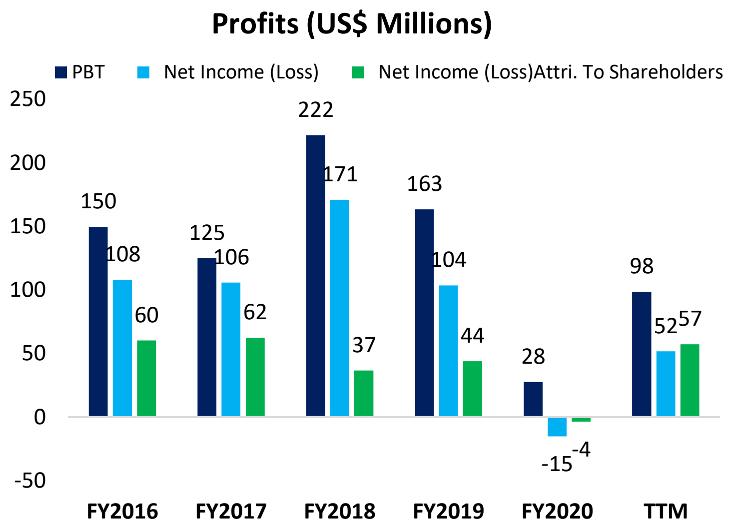
JMMBGL's Stake in SFC

The JMMB Group has indicated its intention to build a regional integrated financial services business to diversify earnings, strengthen maturing business lines, scale newer business lines for efficiencies and improve the Group's overall operations; while seizing opportunities to get accretive returns by acquiring stakes in solid companies. **The first "big win" coming out of this enhanced approach was the successful acquisition of 22.5% of Sagicor Financial Company Ltd. on December 5, 2019.** As noted in its 2020 Annual Report, the Group sees business development opportunities, such as this, as critical to providing shareholders with sustainable and attractive returns and **will continue to explore opportunities as a staple component of its strategy in the coming financial year.**

Sagicor Financial Company Financial Performance

The charts below provide a snapshot of the Group's five-year audited performance as well as the twelve trailing months of the Group. Notably, SFC reported a net loss attributable to shareholders in FY2020, largely due to the pandemic. Specifically, losses were reported in Q1 and Q2 of FY2020, predominantly reflecting lower net premium revenues, increased expected credit losses (ECL), and losses from investments measured at fair value through P&L. The reduction in revenue was coupled with losses arising from business combinations and share of loss from associate companies, all of which drove a decline in Group profitability.





In the second half of the financial year, the Group's financial performance improved amidst lower ECL's (i.e., impairment provisions) indicating a reduction of expected negative credit events, improvements in net premium growth, and gains from investments that were reporting losses in the first half of the year. The improvement in the second half of FY2020 has continued into 2021 with the first quarter ended March 31, 2021, reflecting major improvements, and driving heightened trailing twelve months performance (relative to FY2020), as reflected in the "Profits" chart.

Specifically, thus far, the Q1 results indicate improved **revenue** of US$ 431.45 million, an increase of US$88.28 million (25.7%). This largely reflects lower expected credit losses and increased investment income (relative to losses in the prior year). Notably, net premium revenue declined by US$41.61 million (13.1%) which the Group mainly attributes to its USA segment which experienced lower new annuity sales for the period when compared to the same period in 2020 as the segment suspended sales of its indexed annuities in response to the market volatility and increased costs of hedging the products. In our view, this suggests net premium income should improve once the suspension is lifted. Notwithstanding the decline, operating profit amounted to US$39.35 million relative to a loss in the previous year of US$12.69 million. Similarly, net income attributable to shareholders amounted to US$31.47 million relative to a loss of US$29.33 million in the prior year. This reflects an improvement relative to all 2020 quarters, resulting from a more favorable economic backdrop.

Expectations for Sagicor in FY2021

In FY2021, we expect continued improvement over the previous year, supported by continued risk reduction as the pandemic recedes which has the direct positive effect of reducing ECL. Further, with the stabilization of financial markets and further rebound in some markets, like Jamaica, we believe investment income over the upcoming quarters will be ahead of the prior year's losses. Notably, the company has reported reduced net premium revenue, much of which has been attributable to the suspension of the USA segment's sales of indexed annuities in response to heightened market volatility and increased costs of hedging the products. Going forward, we will have to monitor the progression of the company's net premium review; however, we believe the benefits from lower ECL, increased investment income, and renewed profitability from associate companies and joint ventures (as opposed to losses), will drive profit growth throughout 2021, as has been the case in Q1 2021.

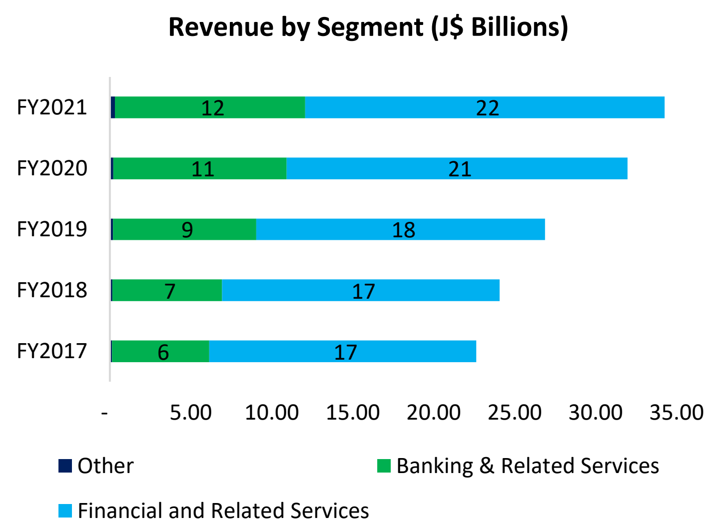
Business Segments

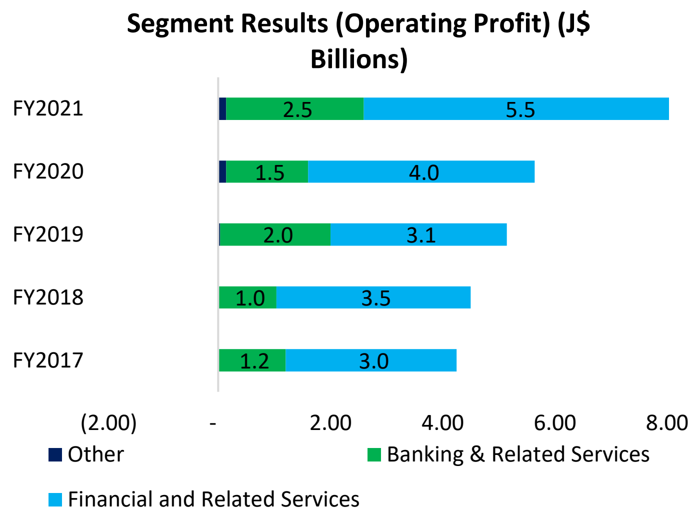
The Group's activities are organized into three main business segments:

1. **Financial and related services:** Includes securities brokering, stock brokering, portfolio planning, funds management, and investment advisory services.

2. **Banking and related services:** Includes taking deposits, granting loans and other credit facilities, foreign currency trading and remittance, and related services.
3. **Other:** Represents insurance brokering, investment, and real estate holding.

As indicated in the charts below, financial and related services represent the largest Group segment followed by Banking and related services. The "Other" segment provides negligible revenue and profits (see navy blue color in charts).





Business Strategy

JMMBGL's core strategy, the "regional integrated financial services strategy", broadly entails the following elements:

1. **New Growth – New and Enhanced Business Lines**
   - Under this arm of its strategy, JMMBGL intends to roll out new solutions including:
     - New Private Equity Funds and
     - New Investment Management Solutions.

   The Group also intends to target new markets for growth.
2. **Financial Inclusion**
   - The financial inclusion strategy has started and is expected to continue as the Group deepens its Trinidad and Tobago market penetration of JMMB Express Finance (T&T) Ltd. by:
     - Expanding client location access
     - Increasing strategic partnerships, and
     - Exploring technology-based product enhancement and expansion.
3. **Growth in Existing Business Lines**
   - This involved the scaling of startups, expanding market share, and solidifying market dominance.

The acquisition of SFC is in keeping with the regional integrated financial services strategy which has benefited the Group in FY2021. As noted in its FY2020 Annual Report, as the Group rebounds from the COVID-19 disruption, the focus will be on driving core revenue growth and pushing to maintain or take market share across all markets in existing business lines and expanding inorganically across the region.

Industry Overview

The Financial Services Industry has been severely affected by the Covid-19 pandemic and in many cases, more so than most other industries due to the decline in asset prices both locally and globally. As a consequence of market volatility and decline, many companies reported losses from investment activities, while lower trading volumes affected fees and commission income. Additionally, the significant contraction in the real economy increased credit risk, which led to higher Expected Credit Losses (ECL) that, in turn, reduced incomes and dampened profitability during this period. While aspects of the underlying economics surrounding their business have improved since the worst period of the pandemic, industry earnings have collectively remained depressed relative to 2019 (pre-pandemic) levels. Further, asset quality for the overall financial system remains below prior periods. In particular, the ratio of non-performing loans (NPLs) to total loans (gross), as at March 31, 2021, increased by 0.5 percentage points to 2.9% relative to 2.4% in March 2020 and March 2019, as indicated in the table below. Liquidity also remains below the pre-pandemic level as indicated by the average domestic cash reserve and liquid asset ratios.

Relevant Ratios (Total Financial System)	Mar-21	Mar-20	Mar-19
Capital Adequacy Ratio [CAR]	14.3%	14.2%	14.7%
Income Assets : Expense Liabilities	102.1%	102.2%	104.3%
NPLs (3 mths & over)/Total Loans (gross)	2.9%	2.4%	2.4%
Average Domestic Currency Cash Reserve /Average Prescribed Liabilities	4.7%	6.5%	8.3%
Average Domestic Currency Liquid Assets/Average Prescribed Liabilities	25.7%	27.5%	27.5%
Source: Bank of Jamaica (BoJ)			

Despite these pandemic-induced effects, the financial system remains well-capitalized as reported by the Bank of Jamaica (BoJ) as the systemwide capital adequacy ratio (14.3%) is well above the regulatory requirement of 10%. This is further supported by the BOJ's recently published Financial Stability Report, which highlighted some key factors summarized below:

- **Increased Resilience:** The results of DTIs' aggregate stress tests showed that the sector was more resilient to hypothetical shocks applied at the end of 2020.
- **Reduced Contagion Risk:** Network analysis revealed a reduction in the risks to the financial system from interconnectivity. Specifically, there were improvements in the systemic risk score which indicated a reduction in contagion.
- **Regulatory Compliance:** Despite the deterioration in the overall local economic environment caused by COVID-19, subsequently leading to a large GDP contraction, institutions broadly remained compliant with all regulatory measures including but not limited to the capital, liquidity, and concentration limits. There remains adequate liquidity within the financial system and sufficient capital buffers in place.

Industry Outlook

The profitability decline of the industry over this period is highly consistent with the underlying economics of financial services companies. Essentially, the services provided by banking and financial institutions are inextricably linked to the strength of the economy. The recent decline in the economy, therefore, affects several areas of the banking business including tightened credit spreads that reduced net interest income, reduced capital market activity that weighs on trading income as well as fees and commissions, heightened credit risk of borrowers which, in turn, require that banks report a provision for the expected losses given the enhanced risk exposure, etc. **With that said, the cyclical nature of these companies has played a significant role in the industry's fairly weak performance throughout the pandemic. But at this juncture, however, it's important to note that the industry is stable and not at risk of any systemic failures, which has been acknowledged by the BoJ.**

Against that backdrop, it's important to note that the cyclical nature of the financial services industry which characterized its decline in 2020 should support its rebound once the economy picks up. Specifically, the Bank of Jamaica estimates that real GDP contracted in the range of 5% - 7% in the March 2021 quarter, markedly better than the three previous quarters. The bank projects that following this contraction, the economy should rebound in subsequent quarters.

Consequently, for FY2021/22, the BoJ projects real GDP growth in the range of 5% - 8% and a return to pre-pandemic real GDP by the March 2022 quarter. This indicates that, barring any material adverse events such as a catastrophic hurricane or unforeseen delays in the vaccination program, Jamaica is on track to retrace its pre-pandemic growth trajectory.

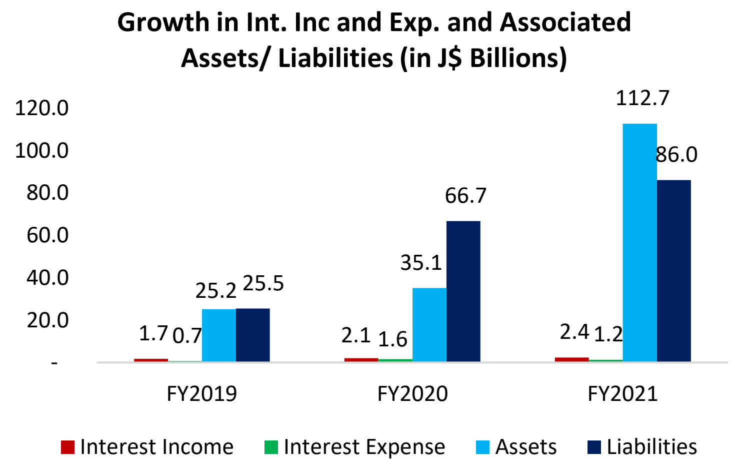
Financial Results (Financial Year Ended March 31, 2021)

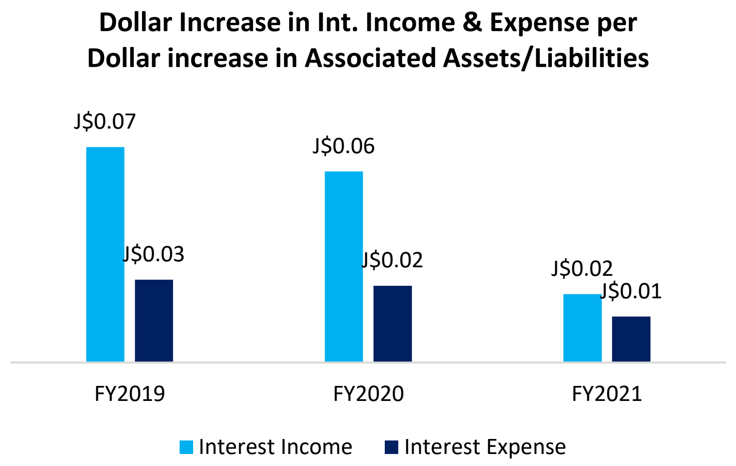
Income Statement

Profitability Summary: For the year ended March 31, 2021, JMMBGL reported Net profit attributable to shareholders of $7.51 billion, an increase of approximately $2.59 billion (52.7%) when compared to the prior year's normalized (removing non-recurring gain on acquisition of associate) net profit. Earnings per share (EPS) amounted to $3.84, relative to the previous year's normalized EPS of $2.81.

Net Interest Income: Gross interest income represents a large part of the Group's Income Statement and includes income from investment securities (58.5% of gross int. inc.), loans (39.7%), resale agreements (1.3%), and cash/equivalents (0.5%). For the year, **gross interest income** amounted to $22.12 billion, an increase of $2.42 billion (12.3%), largely due to income from loans which increased by $1.66 billion (23.3%). Interest expense totaled $11.66 billion, a YoY increase of $1.25 billion (12.0%). Given the slower increase in interest expense relative to gross interest income, **net interest income** grew by $1.18 billion (12.7%) to a total of $10.46 billion.

Net Interest Income Assessment:
The charts below demonstrate the Group's earning assets and interest-bearing liabilities relative to the associated gross interest income and interest expense between FY2019 and FY2021. The dollar increase chart is a synthesized version of the Growth chart. It indicates that for every dollar increase in earning assets that materialized in FY2021, the Group generated a $0.02 increase in gross interest income, markedly less than previous years. Additionally, if we look at the growth in earnings assets in FY2020, it is significantly more than prior years, indicating that it took more assets to generate a relatively lower per dollar increase in gross interest income in FY2021.





On the opposite side, the Group's interest expense management has improved. Specifically, while its interest-bearing liabilities have grown each year, the increase in interest expense per dollar of interest-bearing liability growth has fallen annually. With that said, what the charts indicate is that while JMMBGL's net interest income has grown. This comes within the context of many other industry rivals witnessing a decline in net interest income. Notably, however, the growth has been difficult, requiring significant increases in its funding base. This largely reflects the current low interest rate environment and competitive forces in the market that has resulted in net interest margin declining from 2.90% in FY2020 to approximately 2.64% in FY2021.

Notwithstanding the difficult environment, it's important to note that the Group's ability to generate heightened net interest income during the pandemic while most of the industry has been reporting declines, indicates that its capital management, as well as the ability to capture new money, has been very good. Within that vein, we believe this capital management and ability to capture new money should be beneficial in subsequent quarters, less plagued by the pandemic. Additionally, an analysis of the last eight quarters revealed that JMMBGL's bank deposits have increased at a faster pace than repo liabilities (100.6% v.s. 38.9%). That slowed during the pandemic but as economic activity begins to improve, deposits are likely to grow and consequently, this would bode well for JMMBGL's ability to strengthen its net interest margin and net interest income in FY2022.

The table below highlights key financial metrics of the Group

FINANCIAL METRICS	FY2017	FY2018	FY2019	FY2020	FY2021
BALANCE SHEET	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**
Total assets	251,556,110	291,715,730	319,823,215	399,697,135	513,706,879
Investment in associate				35,009,306	38,930,751
Investment securities	171,571,803	194,905,868	205,972,359	192,270,521	262,392,047
Loans and notes receivables	47,133,134	55,625,743	67,947,268	98,841,073	119,456,147
Repurchase agreements	156,647,595	158,167,289	163,907,891	179,589,980	227,730,286
Customer deposits	49,087,517	52,165,066	63,947,279	104,183,074	128,303,836
Stockholders' equity	26,794,699	29,003,747	31,104,276	41,179,154	61,211,558
Stockholders' equity less NCI	25,906,070	27,911,494	30,065,944	40,226,971	59,648,511
PROFITS AND DIVIDENDS	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**
Operating revenue net of interest expense	14,650,056	15,840,957	18,036,406	21,516,491	22,439,850
Operating expenses	10,446,222	11,240,284	12,989,242	15,929,810	14,527,393
Profit before tax	4,156,046	4,352,989	4,870,549	7,216,523	7,960,698
Net profit attributable to shareholders	3,312,838	3,555,260	3,820,119	6,993,567	7,505,902
Dividends paid	652,221	701,138	782,665	867,221	488,888
Retained Earnings	11,922,100	14,776,222	16,981,202	23,107,548	30,124,562
FINANCIAL RATIOS	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**
Earnings per stock unit (J$)	2.03	2.18	2.34	3.99	3.84
Dividends per stock unit (J$)	0.40	0.43	0.48	0.50	0.25
Dividend payout ratio	19.7%	19.7%	20.5%	12.4%	6.5%
Return on average shareholders' equity	13.9%	13.2%	13.2%	19.9%	15.0%
Return on average assets	1.4%	1.3%	1.3%	2.0%	1.7%
Book value per stock unit (J$)	15.89	17.12	18.44	22.99	30.50
Net interest margin	2.94%	2.98%	3.03%	2.90%	2.64%
Efficiency ratio (Admin. exp/ Revenue)	71.09%	70.54%	71.62%	73.9%	64.2%

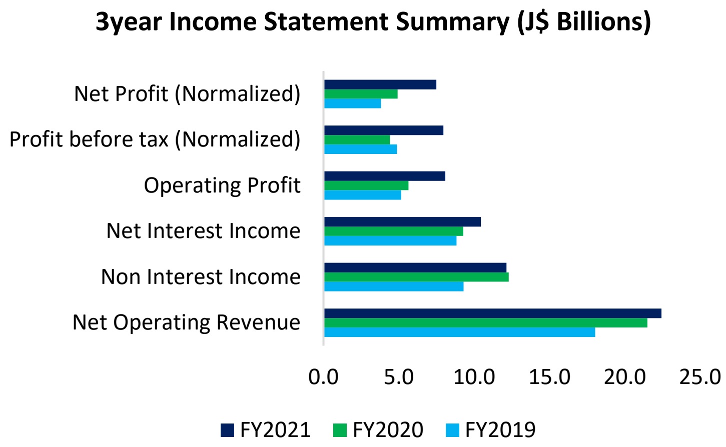
Non-Interest Income: Non-interest income includes net gains on securities trading (55.8%), FX margins from Cambio trading (15.9%), fees and commission income (14.2%), Fees earned from managing funds on behalf of clients (12.3%), dividend income (1.0%), others (0.5%) and Net gain/(loss) from financial assets at FVTPL (0.4%).

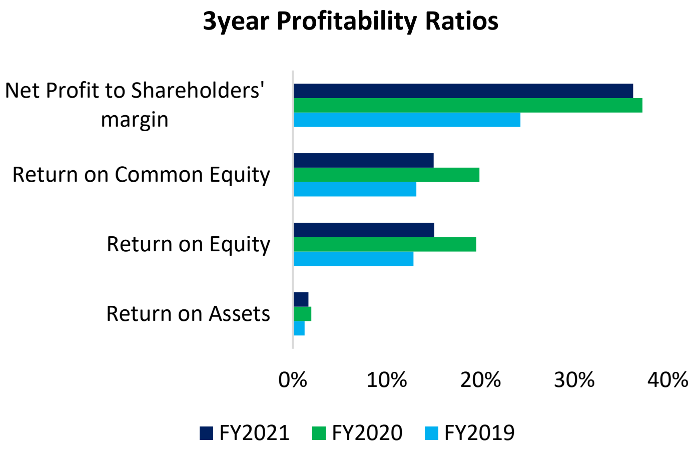
For the year, non-interest income totalled $12.16 billion, a YoY decline of $133.58 million (1.1%). Notably, only two line items shrunk; namely FX margins from Cambio trading which fell significantly by $880.85 million (31.3%), and fees and commission income which declined by $383.02 million (18.2%). All other non-interest income improved for the year with the largest increases stemming from net gains on securities trading $616.56 million (10.0%) and Net gain/(loss) from financial assets at FVTPL which grew by $315.06 million, reversing a loss incurred in the previous year.

Non-Interest Income Expectations

It's important to note that non-interest income reported during FY2021 was affected by the pandemic. For example, **net gains on trading securities** were $1.31 billion in Q1 2021, $2.16 billion in Q1 2020, and $1.60 billion in Q1 2019. The decline in 2021 is linked to the pandemic and therefore a strengthening economic backdrop should create heightened market stability and predictability which should support trading gains. Notably, in FY2021, Q2, Q3, and Q4 (Based on our calculations) have all shown increased gains relative to the prior year, which gives credence to this view as these quarters were less impacted by pandemic-related issues. This implies a continuation into FY2022 will be above Q1 FY2021. The main headwind to this expectation would be the fact that bond prices have increased significantly since the pandemic, which makes trading gains more difficult but tactical opportunities are still available in the market.

Similar to net gains on trading securities, **net fees and commission income** declined in Q1 2021 relative to the previous year but showed improvements in subsequent quarters. Fee and commission income is directly linked to capital market activities and so a decline prompted by the pandemic is normal and a resurgence of economic activity, and in turn, capital market activities, should support increased fee and commission income. This also supports an improvement in "**Fees earned from managing funds on behalf of clients**". On a quarterly basis, **FX margins from Cambio trading,** reported YoY decline in each quarter, hence why this was the single largest decline in the Group's audited report. We expect this to also improve on the back of a stronger economy, particularly as the tourism industry rebounds which should provide an increase in FX inflows. Notably, however, the potential exists for remittance inflows to soften in the coming year as the US personal savings rate has declined from its peak of 33.7% in April 2020 to 12.4% in May 2021. On balance, we expect non-interest income to be a significant driver of revenue growth in FY2022 amidst reopening efforts but we acknowledge that some risks to the downside remain particularly as the pandemic is still ongoing.



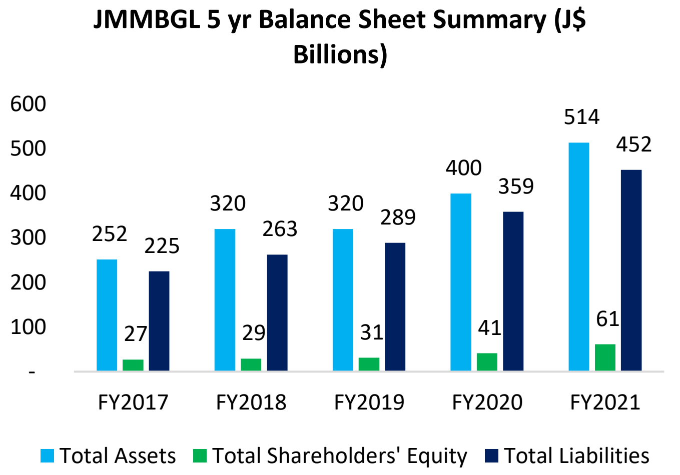


Total Revenue, Operating Expenses, and Impairment Loss: Total revenue net of interest expense for the year amounted to $22.62 billion, increasing relative to FY2020 by $1.05 billion (4.9%). To strengthen its profitability, operating expenses were well managed, declining by $1.40 billion (8.8%) and resulting in operating profit of $8.09 billion, an increase of $2.45 billion (43.4%). This result was softened by an impairment loss on financial assets which amounted to $2.01 billion, growing by $601.32 million (42.8%). Notwithstanding, operating profit from the core business grew by $1.85 billion (43.6%).

Share of Profits, Gains on Acquisition, and Net Profit: Share of profit from associate amounted to $1.88 billion for the year, an increase of $1.69 billion (865.5%). This, coupled with the Group's operating profit of $6.08 billion and a small loss on disposal of PPE of $8.19 million, resulting in profit before tax of $7.96 billion, a YoY increase of $744.18 million (10.3%). **Notably, profit before tax in the previous year benefited from a one-off gain on acquisition of associate. Removing this gain, profit before tax increased YoY by $3.54 billion or 80.2%.** Net profit attributable to shareholders for the year totalled $7.51 billion, an increase over the previous year's normalized profit of approximately 52.7%.

Balance Sheet and Cash Flow

Summary



Total Assets: Amounted to $513.71 billion, a YoY increase of $114.01 billion (28.5%) driven predominantly by increased investment securities (up by $70.12 billion or 36.5%), cash and equivalents (up by $24.66 billion or 57.8%) and loans and notes receivables (up by $20.62 billion or 20.9%). **Notably, as indicated in the 5yr Balance Sheet Summary Chart, FY2021 represents the largest single-year increase in the Group's asset base in the last 5 years. This significant increase was funded largely by increased liabilities in addition to growth in the Group's equity base.**

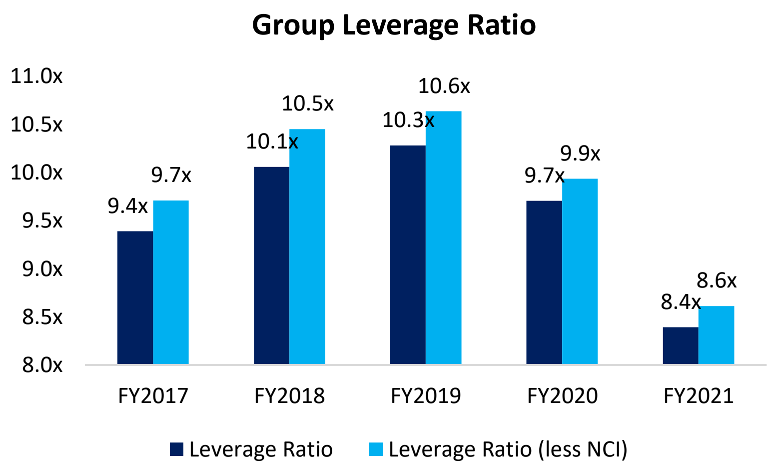
Total Liabilities and Cash Growth: Total Liabilities grew 26.2% YoY ($93.98 billion) to a total of $452.50 billion. The increase in total liabilities was driven predominantly by an increase in repurchase agreements of $48.14 billion (26.8%), customer deposits which increased by $24.12 billion (23.2%), redeemable preference share which grew by $10.90 billion (63.7%), and due to other financial institutions, which increased by $5.82 billion (an increase of 28-folds).

Given the increases in its funding base, the sum of the Group's operating assets and liabilities (working capital), added $61.52 billion in cash, bolstering its operating cash flow which amounted to $69.28 billion for the year. This was a sharp increase of $45.59 billion (192%) in the Group's operating cash flow relative to the prior year. **This, in turn, partly drove the increase in investment securities ($70.12 billion as noted above) as the Group purchased $55.13 billion in investment securities.**

Total Equity: The equity base totaled $61.21 billion, a YoY increase of $20.03 billion (48.6%) driven predominantly by the investment revaluation reserve which increased by $11.48 billion, reversing the loss of $6.92 billion incurred in the previous year. The loss reversal reflects increased unrealized gains from investment securities measured at Fair Value through OCI and underscores the rebound in financial markets and assets as well as the sound management of the Group's securities measured at fair value. The equity base was further bolstered by retained earnings which grew by $7.02 billion (30.4%).

Capital

The Group Leverage Ratio chart indicates that the Group's leverage is at its lowest level in the last five years. This underscores strong capital management by the team, largely driven by the management of assets measured at fair value through OCI which increased sharply during the year, coupled with strong retained earnings. Noteworthy, while the performance of the Group has been commendable during FY2021, the underlying macroeconomic environment remains burdened by the pandemic. With that said, we believe a further strengthening of the equity base could materialize which supports a less restrictive (high) leverage position which has largely been the case for the Group in previous years, as demonstrated by the chart.



As it relates to capital adequacy, all entities within the Group maintain regulatory capital adequacy requirements comfortably above the regulatory minimum requirements for each territory.

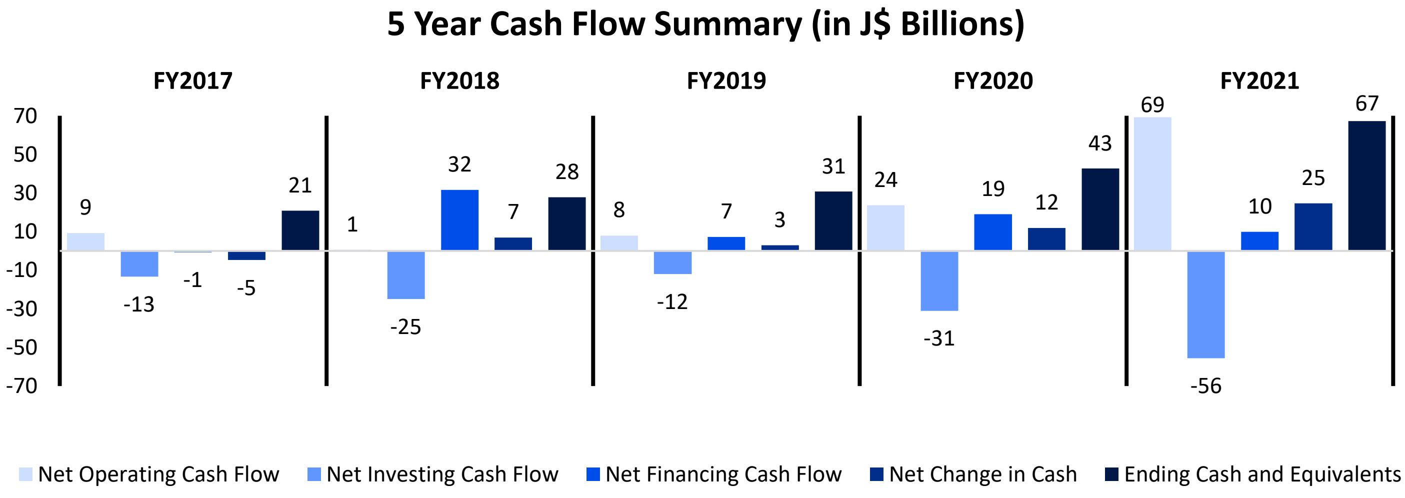
Cash Flow

Operating Cash Flow: For the year, net operating cash inflow amounted to $69.28 billion, an improvement over the prior year's $23.69 billion of $45.58 billion. This improvement was driven by net interest income of $10.06 billion coupled with positive working capital changes of $61.52 billion, largely underpinned by an increase in repurchase agreements ($48.14 billion), deposits ($24.12 billion), and a lower increase in loans and notes receivables relative to the previous year ($22.20 billion v.s. $32.07 billion).

Net Investing Cash Flow: For the period, investing cash outflow amounted to $55.56 billion, an increase over the prior year of approximately $24.59 billion (79.4%%). **The increase was driven by heightened investments during the period ($55.1 billion) and was possible as a result of the Group's ability to grow its funding base.**

Net Financing Cash Flow: There was an inflow of $9.82 billion, reflecting the proceeds from notes payable and the issuance of redeemable preference shares matched against the repayment of notes payable, payment of dividends, and payment of lease liabilities. Net cash movement for the period was an inflow of $24.66 billion. Net cash position improved from $42.64 billion at the beginning of the year to $67.29 billion at the end of the year.

5 Year Cash Flow: The five-year cash flow summary below indicates that FY2021 represents the best year for the company's cash flow in five years. Specifically, net operating cash flow was significantly more than the previous years, which, in turn, supported a robust increase in the group's net investing cash outflows. Further, while financing cash flows supported its cash position, this was much lower than operating cash flows. This is important as redeemable preference shares and notes payable (both financing cash inflows), are more expensive funding sources than repurchase agreements and customer deposits (operating cash inflows). Finally, despite a significant increase in its investing cash outflow relative to previous years, the Group managed to increase its net cash position by $24.66 billion, again much higher than prior years. Consequently, ending cash and equivalents was $67.29 billion, much higher than previous years, and a great cash position to start FY2022.



Valuation Summary

To determine a fair value for JMMBGL, a 5-year dividend discount and a Price to Earnings (P/E) valuation methods were used.

Stock	JMMBGL
Close Price	J$37.68
Estimated Fair Value	J$47.07
Potential Upside	24.92%
Dividend Yield	0.66%
Total Return	25.58%
Year to Date Return	8.62%
Trailing P/B	1.24x
Trailing P/E	9.81x
Forward P/E	7.47x
Recommendation	OVERWEIGHT
Date: July 5, 2021	

Dividend Discount Model (DDM)

Our dividend discount model utilized a dividend payout ratio of 21.1% coupled with our estimate of the Group's earnings over the 5-year forecast period. We determined a cost of equity of 9.65%. Our long-term growth rate was determined using the sustainable growth rate formula to arrive at 6.48%. Using these assumptions, we arrived at an intrinsic value per share of **$39.98**.

Price to Earnings Value (P/E)

Our dividend discount model was coupled with a P/E valuation approach. We estimated a FY2022 earnings per share of $5.04. Our P/E multiple was determined using the harmonic mean of the Group's P/E multiple over a 4-year historical period from 2018 to 2021. The average multiple determined was 10.74x; resulting in an intrinsic value per share of **$54.15**.

Fair Value

Averaging both values results in our fair value estimate for the stock of **$47.07**. This represents an upside of **24.92%** relative to the July 5, 2021 close price of $37.68 and underpins our **OVERWEIGHT** recommendation.

Definitions:
Sell = REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO
UNDERWEIGHT = REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 5% FOR THIS PARTICULAR ASSET
MARKETWEIGHT/HOLD = EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO
OVERWEIGHT/BUY = EXPOSURE TO THIS ASSET SHOULD BE BETWEEN 5% AND 10% OF YOUR TOTAL PORTFOLIO