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LOCAL EQUITY REPORT

JMMB GROUP LIMITED

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Barita
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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 across three segments: Financial and Related Services, Banking and Related Services, and Other services. Its Financial and Related Services segment offers securities brokerage, stock brokerage, 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 brokerage, 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 the Country.

Stock	JMMBGL
Last Closing Price	J$32.73
52 Week High	J$61.24
52 Week Low	J$32.00
YTD Return	-17.01%
Target Price	**J$40.47**
Potential Return	23.66%
Trailing P/E	5.69x
Trailing P/B	1.33x
Forward P/E	8.23x
Dividend Yield (TTM)	2.60%
Total Return	26.26%
Recommendation	**OVERWEIGHT**
(as at November 25, 2022)	

Analyst Insight

Among large-cap financial services companies, JMMBGL's performance has been one of the best in the industry during the pandemic. As highlighted in our previous analysis, the Group's growth for the year ended March 31, 2022, was driven by the realization of improved profit from Sagicor Financial Company (SFC), which the company acquired an associate stake in just prior to the pandemic.

In the first half of the 2023 financial year (ended March 31, 2023) JMMBGL saw a faster pace of growth in its operating expenses relative to revenue due to increased investment in staff and operations to benefit future processes. Despite the struggle with increased costs, lower interest income and lower trading profits, the company has shown growth in some segments and the underperformance in others is consistent with overall market conditions which are out of the control of the Group. The investment in SFC continued to bolster overall profitability, with a good calendar year-to-date performance in 2022, benefitting JMMBGL to the tune of $2.16 billion for the first 6 months of the financial year ending March 31, 2023. Similar to most of its industry peers, the exposure to Government of Jamaica bonds has caused a deterioration in the company's equity through losses sustained in other comprehensive income, and as a result, leverage has increased and regulatory capital ratios have seen a reduction. Against this backdrop, we expect management will be focused on optimizing leverage and bolstering liquidity.

The Group remains focused on diversification, through its operations in Jamaica, Trinidad and Tobago, the Dominican Republic and the United States, via its acquisition of SFC. During the first half of the 2023 financial year, growth came primarily from the Dominican Republic and Trinidad and Tobago. The Group has invested further in foreign markets, recently acquiring another bank in the Dominican Republic and improving the operating efficiency of the recent T&T start-ups such as JMMB Express Finance (T&T) Limited, a consumer financing entity launched in September 2018. Effectively, the Group's stalling Jamaican operation appears to be hedged by the diversification benefits of its investment in other regional territories. The company has successfully grown operating revenue in its Banking segment by a total of 119% between 2018 to 2022, attributing the performance to successful geographical diversification. Growth in the banking segment has partially offset the contraction of the financial services segment, which has largely suffered from market losses on investments held at fair value through profit and loss amidst the rising rate environment of the past 12 months. We also expect that the current interest rate hike cycle will continue into the first half of 2023, potentially suppressing the value of assets held by JMMBGL further and by extension, gains on investment securities, during the second half of the group's financial year.

In the same vein, for the six months ended September 30, 2022, JMMBGL's total equity fell by 15% to $48 billion, driven mainly by a $16.9 billion reduction in the investment revaluation reserve YoY, with $11.1 billion of that amount occurring during April 2022 - September 2022. These losses in the investment revaluation reserve were driven by losses on investment assets classified through other comprehensive income; in the case of JMMBGL, these securities are mostly US$ Government of Jamaica debt

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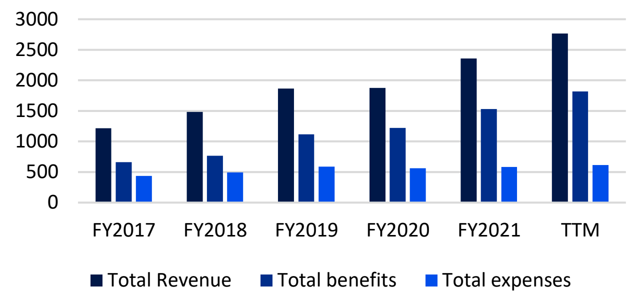
securities that account for ~40% of total investment securities. Consequently, there may be further headwinds to recovery in the company's capital adequacy ratio from another rout in these securities, leading to a net reduction in the equity base. Notwithstanding all the company's regulatory capital measures remain satisfactory relative to the regulatory minimum.

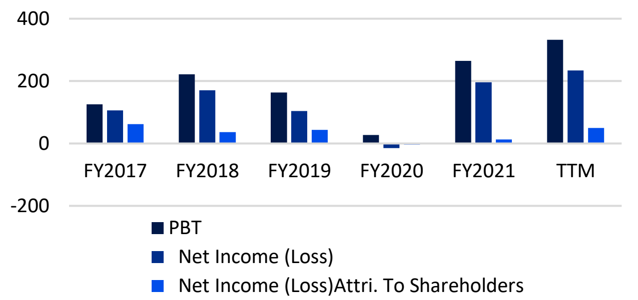
considering the findings above, we see the Dominican market as a key driver of growth for the group, particularly through its banking operation. Notwithstanding, in our view, the market is pricing JMMBGL at a discount to its fair value and as such, we affirm our **OVERWEIGHT** recommendation.

Sagicor Financial Company

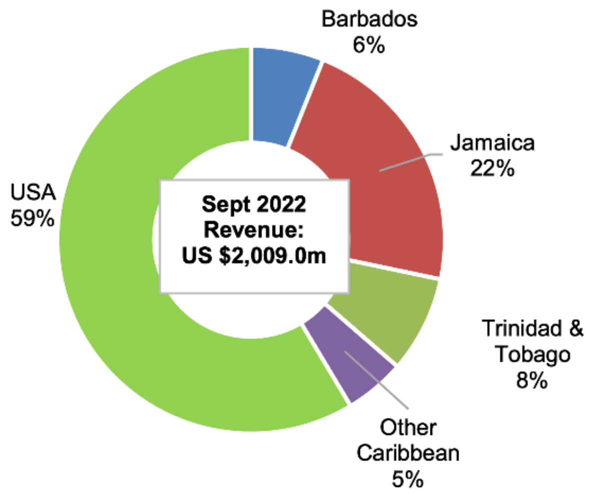
Revenue and Expenses



Profits (US$ Millions)



Revenue by Geographical Segments
For the nine-month ended September 30, 2022



Financial Performance

Following a return to profitability in FY 2021, SFC has continued to build on this performance through the first three quarters of its 2022 financial year (ended December 31). Total revenue reached US$2.01 billion for the nine months ended September 2022, representing an increase of US$279.4 million or 16% year-over-year. The rebound in revenue was driven by net insurance premium revenue, which increased 34% YoY to US$1.70 billion, attributable to significant net premium growth in the company's USA segment.

Net investment income declined by US$144.6 million, totalling US$177.4 million for the first 9 months of FY 2022, compared to US$322.0 million, for the corresponding period in 2021. Net investment income included realised and unrealised losses on financial assets categorised as FVTPL of US$166.7 million (inclusive of a loss of US$32.3 million associated with the mark-to-market movements on the investment in Playa Hotels and Resorts). The mark-to-market decline on financial assets was primarily due to rising interest rates.

All benefits (life, annuity, health and property/casualty benefits) totalled US$1.33 billion for the nine-month period ended September 30, 2022, a US$192.2 million or 17% increase year-over-year. Life and annuity benefits totalled US$1.15 billion for the period under review, of which US$415.2 million was related to policy benefits and US$736.4 million was related to net changes in actuarial liabilities. Increases in policy benefits were mainly due to higher mortality outcomes in the Sagicor Life and Sagicor Jamaica segments and growth in annuity business in force in the USA segment.

Interest expense totalled US$43.3 million for the 9 months YTD, US$12.3 million above the US$31.0 million reported for the nine-month period ended September 30, 2021. Ultimately, net income attributable to shareholders was US$102.49 million, a 12.34% increase year-over-year. ***As a result, JMMBGL booked a share of profits from SFC of $2.16 billion for the 6 months ending September 30, 2022, a 3.8% increase year-over-year.***

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Despite the overall increase in the share of profit for JMMBGL's first half year, **for the second quarter ending September 30th, 2022, JMMBGL saw their share of profit from associates fall by 48.79% year-over-year to $900.90 million for the quarter.** This reduction came on the back of a US$125.74 million fall in premium revenues, outpacing the US$97.50 million decline in total benefits, combined with increased expenses by $9.89 million. In deconstructing the net income attributable to shareholders, it was notable that the growth in income from the Sagicor life USA segment (largest by revenue) appeared strong on the surface, rising 82% to US$42 million. **However, this was due to the impact of a reduction in expenses due to changes in actuarial liabilities of US$134.7 million, which offset the impact of the decline in revenue of $108.8 million (sales were noted to be unusually high in Q3 2021).** All other segments reported steep declines with Sagicor life contributing a loss of US$5.1 million (+ US$7.0 million in Q1 2021 and Sagicor Jamaica contributing US$12.6 million (down 54% year-over-year).

SFC – Capital Adequacy

It is notable that Sagicor met all of its regulatory capital requirements as illustrated below:

	September 30, 2022	December 31, 2021	Minimum
Sagicor Consolidated MCCSR	204%	269%	150%
Sagicor Life Jamaica Limited MCCSR	185%	162%	150%
Sagicor Investments Capital to Risk-Weighted Assets	13%	18%	10%
Sagicor Bank Capital to Risk-Weighted Assets	13%	14%	10%

Sagicor Financial Corporation recently initiated steps to acquire Ivari, a leading middle-market individual life insurer in Canada. The expected consideration to be paid in cash at closing is C$325 million. Ivari provides individual life and critical illness solutions for the Canadian middle-market with over 700,000 policyholders. This is a transformational acquisition for SFC, expanding geography and accelerating growth. The acquisition will add the following to the SFC business:

- Expansion of SFC's offering of protection and wealth management solutions into Canada
- Positioning SFC as a leading provider of protection and savings products to the middle-market in North America
- Ivari is the second largest provider of universal life insurance in Canada
- Ivari adds C$13.9 billion to Sagicor's existing assets; Pro-forma debt securities are expected to move from 69% to 83% investment grade as of year-end 2021.
- The transaction is immediately accretive to earnings per share (EPS) and book value per share (BVPS) by double-digit percentage points.
- Improvement to minimum continuing capital and surplus requirement (MCCSR) ratio and the debt-to-capital ratio will be approximately unchanged

Acquisition of Banco Multiple Bell Bank, SA

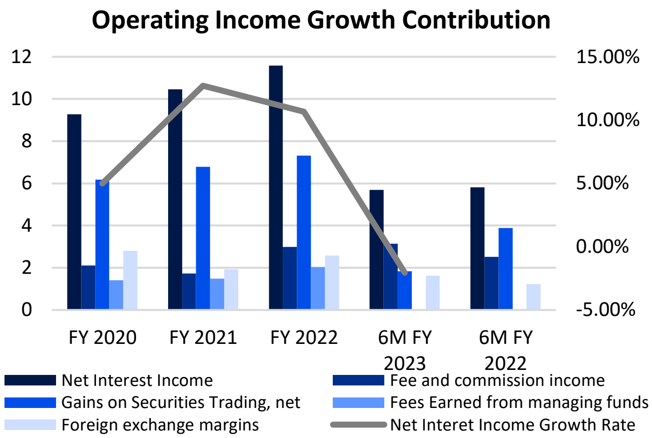
In July 2022, JMMB Group Limited received final regulatory approval for the purchase of 100% of the shares in Banco Múltiple Bell Bank, S.A. in the Dominican Republic as well as to merge the entity with Banco Rio De Ahorro y Crédito, JMMB Bank, SA of which JMMBGL holds a 90% controlling stake. This serves as JMMB Group's first commercial bank in the Dominican Republic, further exposing the Group to the nation's US$43 billion banking sector. Banco Múltiple was formed in October 2007 and had US$30.54 million in assets at the end of 2021 financed by US$3.99 million in capital at the end of 2021. The bank saw US$2.31 million in interest income and maintains a loan portfolio of US$24 million. The bank operates at an operating loss of US$719.59 thousand and generated a net loss of US$451.14 thousand at the end of 2021.

The Bank has not been profitable since 2018, and JMMBGL intends to introduce new systems and open more branches of the bank in order to return to profitability. We cannot yet assess how likely it is that JMMBGL will realise the anticipated synergies from its Dominican acquisition, and therefore this will be a key item of focus in future financials, the full effects of which will be reflected by the March 2023 financial reporting period.

Financial Results (6 Months Ended September 30, 2022)

Operating Revenue

Net operating income decreased 7.96% in the first half of FY 2023 to $12.39 billion. This can be primarily attributed to a fall-off in gains on securities trading and a contraction in net interest income. Net interest income (NII) contracted by 2.05% year-over-year to $5.7 billion, which reflected a 47.47% increase in total interest expenses offsetting a 25.49% rise in total interest income. This contraction in NII is expected given that JMMB's funding profile is predominantly composed of repurchase agreements ($254 billion), followed by customer deposits ($140 billion). This means JMMB's cost of funds is likely repricing upwards more quickly than its interest income on its interest-earning assets (predominantly loans and notes receivable of $130 billion and investments and resale agreements of $302 billion). Gains on securities trading also fell by 52.57% to $1.84 billion, as a result of rising rates and particularly, the impact on emerging market assets including those traded by JMMBGL.

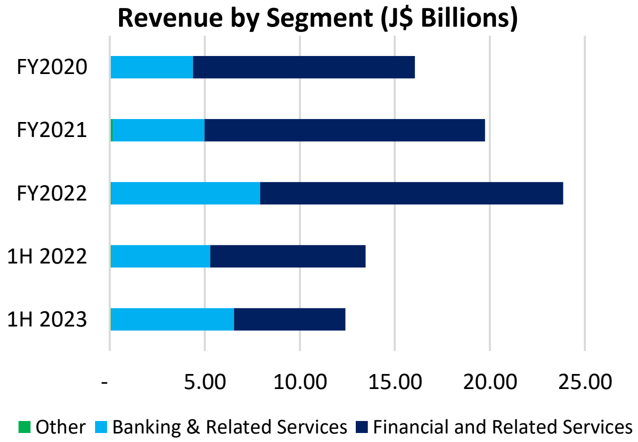


The Group recorded growth in fees and commission income of 24.55% over the corresponding period of the prior year, to $3.14 billion. This was driven by increased economic activity in all the territories in which the Group operates, as well as growth in managed funds (3.28% YoY to $185.46 billion), collective investment schemes and capital market activities across the Group. The foreign exchange margin from Cambio trading increased from $1.22 billion to $1.62 billion, which reflects an increase of 32.7% over the comparable period of the prior year. It's important to note that JMMB is now capable of offering a full range of investment management services, pension funds management and commercial banking services in the Dominican Republic, which has already recovered to pre-pandemic economic levels. Therefore, JMMBGL is being positioned to extract faster and larger growth in both revenues and earnings from this regional diversification strategy into larger and faster-growing economies than Jamaica.

Segment Contribution

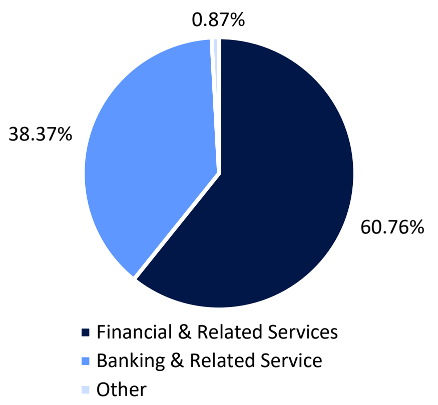
The Group saw a significant change in the contributions of the various segments to net operating revenue.

Banking and related services contributed $6.42 billion for the first half of 2022 (51.8% contribution), relative to $5.17 billion (38.4% contribution) for the first half of 2021. Growth in loans extended (increasing 23.3% year-over-year to $161.45 billion), which resulted in greater net interest income, as well as increased FX trading gains were responsible for the growth in the segment. Interest income attributable to the segment grew 28.2% year-over-year, to $7.29 billion.

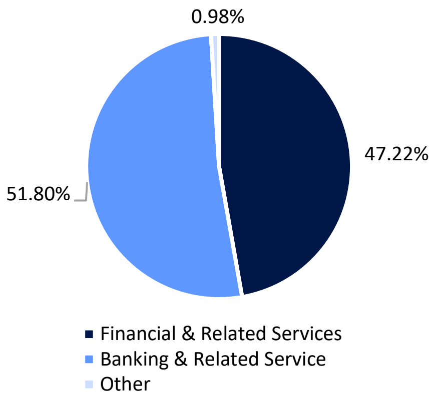


Financial and related services contributed $5.85 billion (47.2% contribution) relative to $8.18 billion (60.8% contribution) for the first half of 2021. Contraction in this segment was reflective of lower gains on securities trading in the period. Notably, in examining total gross external revenue, the banking and related services segment was responsible for 94.8% of the $2.43 billion increase to $23.23 billion.

Segment Results 6M FY2022



Segment Results 6M FY2023



Country Contribution

We recall that at the end of FY 2022 (March 31, 2022), the company generated 48% of its operating profits from Jamaica, 35% from the Dominican Republic and 17% from Trinidad and Tobago. This compares to a breakdown of 79%, 14% and 7%, respectively, at the end of FY 2021. The significant increase in the contribution of profits from Trinidad and the Dominican Republic was attributable to faster growth in the operation in these markets due to the successful execution of various initiatives in the two countries. In the Dominican Republic, all revenue lines posted double-digit growth of over 40%, contributing $5.4 billion to the Group's operating revenues. Trinidad saw a contribution of $4.6 billion, growing 34% overall, with all revenue lines increasing over the year. Jamaica's decline in relative contribution was a result of stagnant net operating revenue growth since FY 2020.

The rapid growth seen in Trinidad and the Dominican Republic continued through the first half of FY 2023 with the company citing growth in operating revenues and increased overall contribution to Group profitability from Trinidad and Tobago, as well as the Dominican Republic (DR) portfolio of companies delivering a strong performance during the period with 18% contribution to net operating revenue (16.97% contribution as at March 31, 2021).

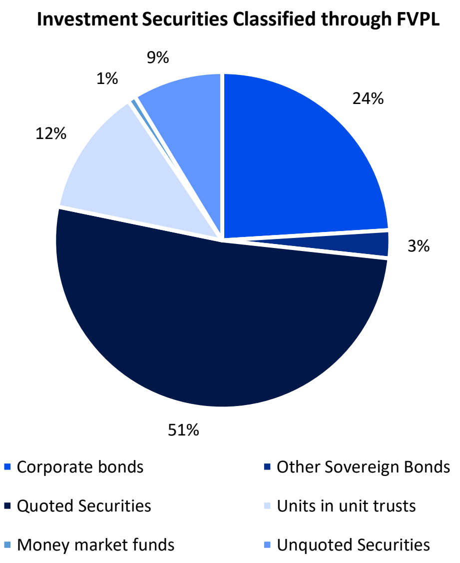
Expenses and Profit

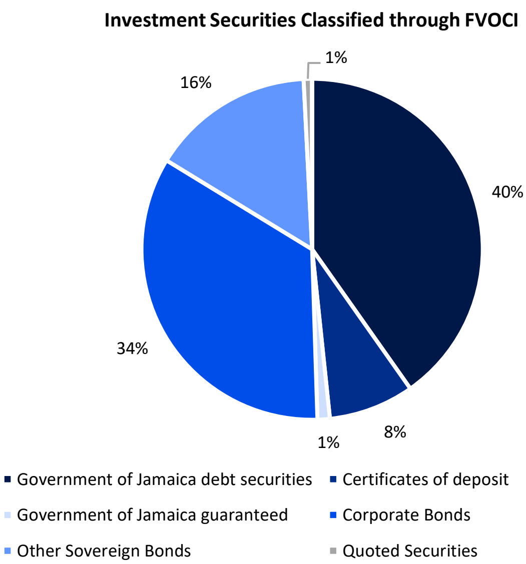
Operating expenses moved from $8.86 billion to $9.96 billion, 12.43% higher year-over-year, reflecting increases in costs due to inflation as well as strategic spending on staff and operations related to JMMBGL's long-term initiatives aimed at improving the positioning of the Group. As a result, the cost-to-income ratio deteriorated from 65.77% to 80.35% (the operating Profit margin fell from 34.23% to 19.65%). Further contributing to the weakness in the bottom line was a 67.91% increase year-over-year in impairment losses on financial assets amounting to $843.66 million, while the share of profits from the associate company improved by 3.81% to $2.16 billion as a result of the improved performance by SFC. This culminated in net profit for the half year totalling $3.63 billion, a decrease when compared to the corresponding period of the previous year of 33.93%.

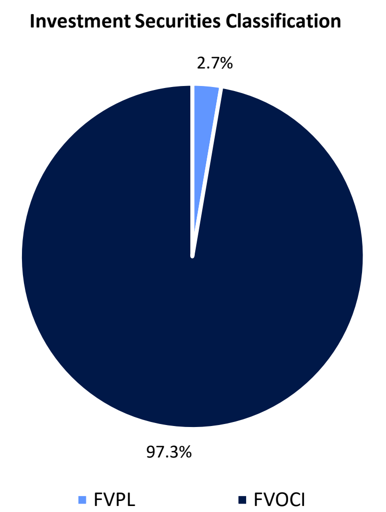
It is noteworthy that JMMB's cost-to-income ratio increased (worsened) from 66% to 80%, driven by inflationary pressures and 'strategic spend'. It's not clear whether those are one-off spends or likely to be sustained in subsequent financial years. In any event, such an elevated efficiency ratio constrains JMMB's capacity to grow retained earnings and buttress its declining equity in the current and prospective weak economic climate.

Other Comprehensive income

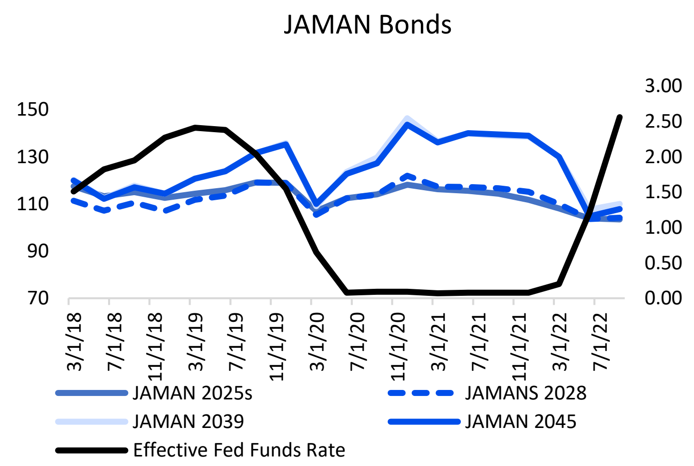
JMMBGL recorded other comprehensive losses of $8.17 billion, compared to an income of $6.57 billion for the six months ended September 30, 2021. This OCI loss was driven by $11.31 billion in net losses on debt instruments designated as fair value through other comprehensive income. These losses began in the third quarter of the previous financial year and have continued through the first 6 months of the current financial year and are a result of the extended downturn in asset prices as monetary policy has tightened. The historical composition of the Group's investment securities and how they elect to represent them in the income statement (through profit & loss or other comprehensive income) as at March 31, 2022, are as follows:

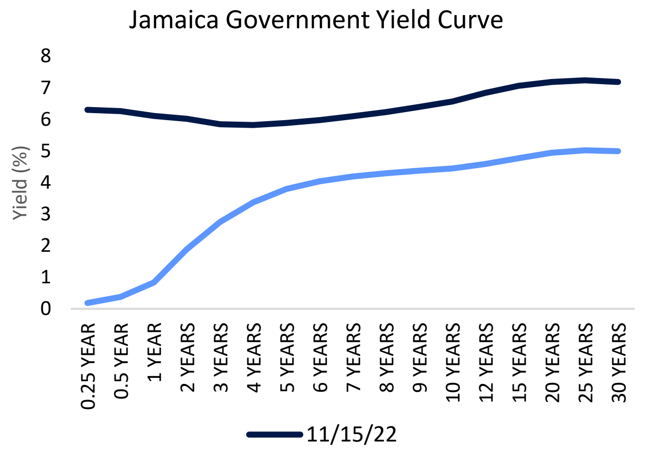






Most of JMMBGL's investment securities are classified under fair value through "Other comprehensive income" (FVOCI) (for FY 2022, $320.47 billion in FVOCI compared to $8.87 billion in fair value through profit and loss "FVPL"). Furthermore, Government of Jamaica bonds comprised the majority of these FVOCI securities ($128.94 billion), with corporate bonds representing a total of $109.69 billion and other sovereign bonds at $49.58 billion. Through the group's credit risk profile, we note that $297.53 billion of the nearly $320 billion in debt securities held at FVOCI fall within the 'watch[1]' bucket, which is a rating in the B to BB bucket. Additionally, the debt security profile was 57% concentrated in Jamaica with both the Dominican Republic and Trinidad and Tobago concentrations at approximately 15% each. **As a result, the movement in the other comprehensive income was likely to be a result of mainly GOJ bonds and corporate debt securities, the majority of which was likely to be in the non-investment grade bracket based on JMMBGL's holdings as of the last audited financial statement.** The graphs below show that these Government of Jamaica assets fell in value significantly versus the last quarter of 2021. Invariably, the Jamaican yield curve has shifted upwards significantly, coinciding with the slide in prices.





[1] Debt securities classified under 'Investment Grade', 'Watch', 'Speculative' and 'Default' according to the group's credit risk management.

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Fair Value through OCI vs PL

When the above is combined with the rise seen in Corporate USD B-rated bond yields[3], we believe the movement in other comprehensive income was likely due to Corporate non-investment grade securities and long-dated Government of Jamaica bonds.

In contrast, despite the deterioration in other comprehensive income because of fair value losses, the group performed relatively well with regard to gains on foreign exchange margins from cambio trading shown in their profit and loss statement. This segment generated $1.62 billion in revenue compared to $1.22 billion in the first half of the previous year, an increase of 32.70% year-over-year. JMMBGL's profit was most sensitive to changes in the J$ relative to the USD as well as the TT$.

The extract below shows the sensitivity of earnings to changes in the exchange rate as per the group's March 2022 Audited Financials.

Currency:	Change in Currency Rate (% Depreciation):	Effect on Profit ($'000)	Change in Currency Rate (% Appreciation):	Effect on Profit ($'000)
USD	8	(277,434)	2	69,358
GBP	8	12,775	2	(3,194)
EUR	8	8,294	2	(2,073)
TT	8	132,373	2	(33,093)
CAD	8	10,249	2	(2,562)

Performance in the FX trading segment was driven by:

- In the 6 months between March 31, 2022, and September 30, 2022, the Jamaican Dollar appreciated slightly relative to the US dollar, gaining just under 1% during the period. The effect of this would be marginally positive for the performance of the segment.
- The Jamaican Dollar also appreciated by just under 1% relative to the Trinidad and Tobago Dollar, which would be marginally negative for the performance of the segment.
- The Canadian Dollar, Euro and British Pound all depreciated significantly (between 12% and 20%) relative to the Jamaican Dollar over the period which would contribute to positively to the performance of the segment.

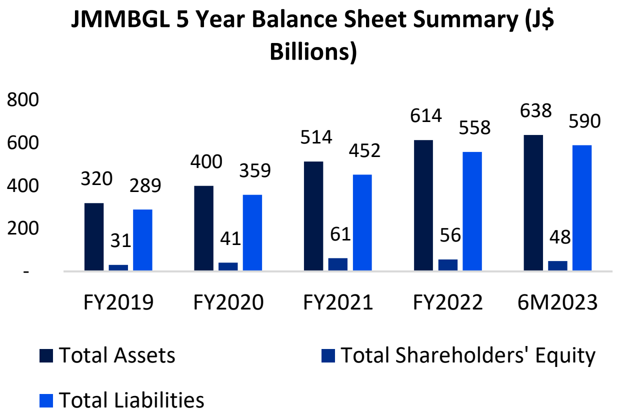
The group also carries very few investment securities classified at FVPL, most of which are quoted securities. The very small portion of investment assets classified through FVPL means that almost all the asset price declines in FY 2023 will be reflected in FVOCI rather than through profit and loss.

Balance Sheet

Total Assets: Total assets amounted to $637.85 billion on September 31, 2022, an increase of 3.81% compared to March 31, 2022. The growth in total assets was primarily attributable to growth in loans and notes receivables of 13.13% to $161.45 billion. At March 31, 2022, non-performing loans had increased 277.0% year over year to $1.03 billion, resulting in the non-performing loans to gross loans ratio increasing (deteriorating) from 0.22% in 2021 to 0.70% in 2022. According to the Group, loans extended in FY 2023 thus far maintain credit quality comparable to international standards and adequate monitoring is maintained to reduce deterioration in credit quality.

[3] The bank of America High yield index has moved from an effective yield of under 4.6% at the end of 2021 to over 9.0% at the end of September 2022.

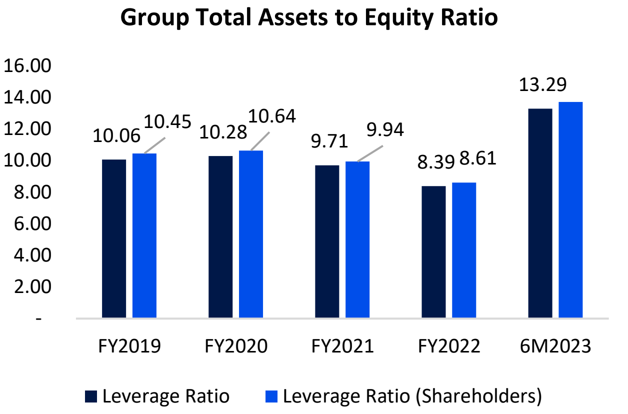
Total Liabilities and Funding Growth: Total Liabilities grew 5.69% when compared to March 31, 2022, to $589.85 billion. The increase in total liabilities was driven predominantly by an increase in securities sold under repurchase agreements of 3.21% to $307.85 billion and customer deposits which increased by 6.50% to $161.71 billion. Regarding notes outstanding, the company owes several fixed rate notes issued in Trinidad and Tobago dollars (TT$), United States dollars and Jamaican dollars totalling $51.62 billion on March 31, 2022. Only 1 note (FR 5% subordinated debt of TT$100 million due 03/28/2030) matures beyond 2025 with all other notes payable (except a FR 4% TT$ due November 2025) maturing in or before 2023. The principal due on the notes maturing in 2022 and 2023 is $48.34 billion, which is 93.6% of the total notes payable. With all notes outstanding being fixed-rate at less than 6.25% per annum, the company is exposed to refinancing risk. However, JMMBGL may be in a position to reduce leverage, at least partially with, current cash balances exceeding the principal of all the debt maturing prior to 2023.



Total Equity: Shareholders' equity totalled $48.00 billion, a decrease of 14.88% driven predominantly by the investment revaluation reserve, which fell to a loss of $22.50 billion, compared to the value of -$11.34 billion on March 31, 2022. The decline reflects increased unrealized losses from investment securities measured at FVOCI and reflects the previously discussed fall in asset prices.

<u>Capital</u>

The Group's leverage ratio (measured by total assets/total equity) chart indicates an increase in leverage year to date due to the fall in equity (by 15% over the six-month period to $48 billion) amidst losses in the investment revaluation reserve. This deterioration has reversed the trend of deleveraging the Group had been on over the prior four years. A further strengthening of the equity base could materialize if emerging market asset prices recover in the event of an earlier-than-anticipated shift from Central Bank tightening; or alternatively, a further deterioration if Jamaican Government global bonds and other Emerging Market bonds were to weaken in price amidst protracted central bank tightening of monetary conditions and a worsening of economic prospects in the near-term.



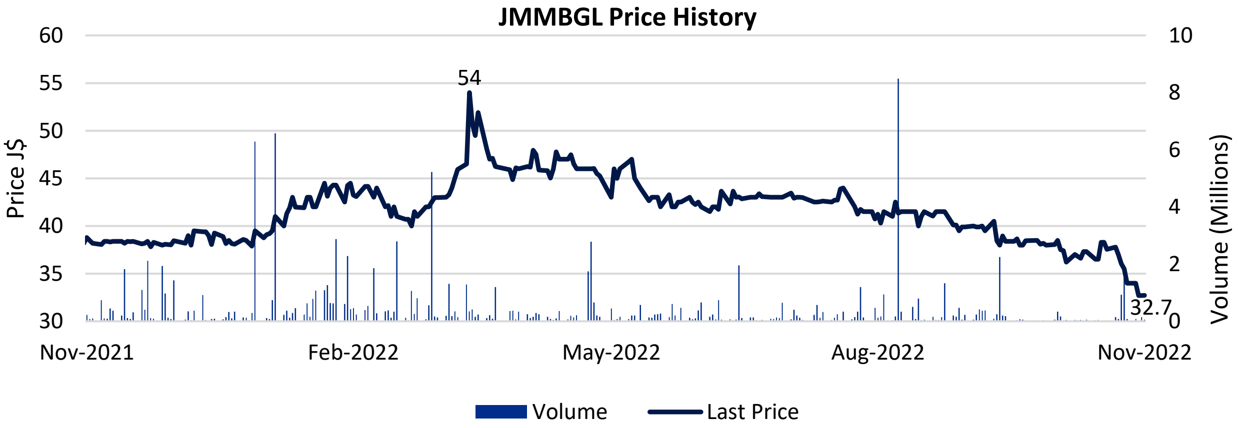
Company	Regulatory Measure	Minimum Requirement	03/31/2020	03/31/2021	03/31/2022	09/30/2021	09/30/2022
Jamaica Money Market Brokers Limited	Regulatory capital to risk-weighted assets ratio	10%	13.86%	14.76%	16.61%	16.79%	15.36%
JMMB Bank (JA) Limited	Regulatory capital to risk-weighted assets ratio	10%	13.19%	13.00%	13.36%	13.56%	12.05%
JMMB Bank (T&T) Limited	Regulatory capital to risk-weighted assets ratio	10%	18.22%	15.38%	15.77%	15.44%	15.19%

As it relates to regulatory capital requirements, all entities within the Group maintained capital adequacy above the regulatory minimum requirements for each territory. The required capital adequacy ratio (CAR) is the Regulatory Capital to Risk-Weighted Assets ratio, which has a 10% regulatory minimum. Jamaica Money Market Brokers Limited had a ratio of 15.36% in Q2 2022 compared to the Jamaican industry aggregate ratio of 14.2% on March 31, 2022. JMMB Bank (Ja) Limited reported a lower ratio of 12.05%, while JMMB Bank (T&T) Limited reported a ratio of 15.19%. While these ratios are in excess of the regulatory minimum, a further downturn in asset prices could lead to further deterioration in the CAR, which may constrain the growth agenda of the Jamaican banking operation.

Trading and Ownership Summary

JMMBGL ownership (as at September 30, 2022)

Name	Shares Held	Percentage
PROVEN INVESTMENTS LIMITED	391,310,525	20.01%
TRUSTESS JMMB ESOP	183,590,420	9.39%
NATIONAL INSURANCE FUND	108,231,640	5.54%
COLONIAL LIFE INSURANCE CO (TRINIDAD) LTD	88,453,776	4.52%
PANJAM INVESTMENTS LIMITED	56,500,000	2.89%
SJIML A/C 3119	55,572,542	2.84%
CONCISE E.I. LITD	47,438,366	2.43%
JVF O.E. LTD	43,900,000	2.25%
SAGICOR POOLED EQUITY FUND	43,768,338	2.24%
JVF E.I. LTD	40,311,674	2.06%
Total	**1,059,077,281**	**54.16%**



JMMBGL is a liquid, large float Main Market stock with only 19.1% of shares being considered stagnant. These are shares that are not typically traded on the market. JMMBGL has a float of 1.58 billion shares or 80.9% of total outstanding shares. Trading volumes tend to be relatively large, averaging 433,944 shares traded per day, representing a dollar value of roughly J$14,202,978. Market Liquidity is generally sufficient for retail and institutional traders.

JMMB GROUP LTD (JMMBGL JA Equity)
Calculation of Float
Current Shares Outstanding - Stagnant Shares

Components	Position	% Out	Source	Date
Float	1,581,635,007	80.879		
Shares Outstanding	1,955,552,532	100.000		
Stagnant Shares	373,917,525	19.121		

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It is notable that the stock has been in a steady downtrend since breaching the $50.00 mark in early April 2022. Around that time there was disclosure of a sale of 1,000,000 shares ($43,010,000) by Concise EI Limited, which is beneficially owned by Keith Duncan. Notwithstanding, we do not view this to be causal, however, it is notable as the only connected party transaction for the year-to-date.

Valuation Summary

To arrive at our price target for JMMBGL, a Justified Price to Earnings (P/E) Model was used. Our estimate for the 2023 Financial year-end EPS, considering the challenges to operating profits in the first half of the financial year and seasonality of earnings amounted to **$3.98.** To arrive at a discount rate, we utilized the capital asset pricing model (CAPM), which resulted in an outturn of **13.28%**. The long-term growth rate was estimated at 3.46%, taking into consideration factors including the company's profit margin, leverage and asset utilization. **Using these inputs, a justified P/E ratio of 10.18x was derived, resulting in a price target of $40.47, representing a 23.66% upside from the last closing price of $32.73.** Our previous target was based on a justified P/E ratio of 10.59x and our expectations following the results of the first quarter of FY 2023, resulting in a price target of $63.03. The discrepancy in target price despite the similar justified P/E ratio is due to a downward revision in our earnings expectations following the deterioration of market conditions, which have severely impacted the result of the securities trading business. We also expect that as interest rates continue to rise near-term, securities trading income will continue to be subdued. The company currently trades at a trailing P/E multiple of 5.69x, well below the average of 14.02x for other large diversified financial groups listed on the Jamaica Stock Exchange. The company based on its current market price along with our target EPS produces a forward P/E of 8.23x. **Given the factors above, we recommend investors OVERWEIGHT JMMBGL in their portfolio.**

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The table below highlights key financial metrics of the Group

FINANCIAL METRICS	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	6M FY 2023	6M FY 2022
BALANCE SHEET	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**
Total asssets	291,835,730	320,036,257	399,697,135	513,706,879	614,466,251	637,852,367	562,478,025
Investment in Associate	-	-	35,009,306	38,930,751	42,783,595	38,980,089	40,784,854
Investment securities	196,025,868	205,972,359	192,270,521	262,392,047	332,081,929	336,743,355	302,366,271
Loans and notes receivables	55,625,743	67,947,268	98,841,073	119,456,147	142,712,234	161,445,831	130,912,653
Repurchase agreements	158,167,289	163,907,891	179,589,980	227,730,286	298,287,175	307,849,268	254,396,091
Customer deposits	52,165,066	63,947,279	104,183,074	128,303,836	151,846,966	161,712,202	140,015,744
Stockholders' equity	29,003,747	31,104,276	41,179,154	61,211,558	56,392,046	48,002,355	66,673,518
Stockholders' equity less NCI	27,911,494	30,065,944	40,226,971	59,648,511	54,929,958	46,508,254	64,732,871
PROFITS AND DIVIDENDS	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**
Operating revenue net of interest expense	7,740,520	8,838,461	9,280,338	10,460,246	11,575,639	5,699,475	5,818,974
Operating expenses	-11,240,284	-12,989,242	-15,929,810	-14,527,393	-18,513,400	-9,958,076	-8,856,823
Profit before tax	4,352,989	4,870,549	7,216,523	7,960,698	11,446,382	3,785,073	6,187,880
Net profit	3,604,404	3,868,406	7,066,487	7,718,497	12,017,098	3,625,122	5,487,069
Dividends paid	701,138	782,665	867,221	488,888	1,662,220	-	-
Retained Earnings	2,903,266	3,085,741	6,199,266	7,229,609	10,354,878	3,625,122	5,487,069
FINANCIAL RATIOS	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**6M FY 2023**	**6M FY 2022**
Earnings per stock unit (J$)	J$1.84	J$1.98	J$3.61	J$3.84	J$5.85	J$1.82	J$2.69
Dividends per stock unit (J$)	J$0.36	J$0.40	J$0.44	J$0.25	J$0.85	J$0.00	J$0.00
Dividends payout ratio	19.45%	20.23%	12.27%	6.33%	13.83%	0.00%	0.00%
Return on average shareholders' equity	12.92%	12.87%	19.55%	15.08%	20.44%	[redacted]	[redacted]
Return on average assets	1.24%	1.21%	1.77%	1.50%	1.96%	[redacted]	[redacted]
Book value per stock unit (J$)	J$14.83	J$15.91	J$21.06	J$31.30	J$28.84	J$24.55	J$34.09
Net interest margin	2.65%	2.89%	2.58%	2.29%	2.05%	-	-

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Efficiency ration (Admin. Exp/Revenue)	70.96%	72.02%	74.04%	64.74%	69.49%	80.35%	65.77%

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