JMMB Group Posts J$3.6B in Profit, Despite Challenging Macro-Economic Environment

Regional integrated financial services provider, The JMMB Group, recorded J$3.63 billion in net profit for the six-month period ending September 30. Additionally, the Group posted net operating revenue of J$ 12.39 billion, which is an 8% decline, compared to prior year. The falloff in the Group's financial performance for the period is attributable to challenging macro-economic conditions.

Patrick Ellis, chief financial officer at JMMB Group, outlined that the company's performance remains commendable despite the tight macroeconomic environment, which is characterized by rising inflation, persistent geopolitical uncertainties; supply chain disruptions and increasing interest rates and the resulting reduction in the liquidity in the market. Adding, "As regulators continue to increase domestic interest rates to combat inflation, local bond prices in Jamaica and the Dominican Republic have been significantly impacted and interest rate spreads reduced. The Group's financial results reflect the impact of this environment, as evidenced by a 34% dip in net profit, year-over-year, as well as a falloff in earnings from gains on securities trading (GOST) and net interest income (NII) which combined, account for 61% total revenue."

Ellis further noted, although the macro-economic environment would have negatively impacted its investment portfolio the regional and business line diversification strategy, remains a core contributor to the Group's financial performance. As evidence of this, the regional and business line operations in Trinidad & Tobago contributed 21% of the Group's total revenue; due to its improved performance as its economy is in recovery mode and has not been affected by interest rate hikes by the central bank. Additionally, the Group's 23.33% investment in Sagicor Financial Corporation (SFC) also added J$2.2 billion in net earnings and J$811 million in dividends. "The banking and related services segment also saw strong performance contributing J$6.42 billion or 52% of net operating revenue," shared the CFO. Adding, there was also positive growth of foreign exchange trading and income from capital markets transactions and fees and commission income - largely from collective investment schemes, as clients continue to demonstrate confidence in the solutions and the company's expertise.

In detailing the Group's performance, he highlighted that trading gains for the six-month period stood at J$1.84 billion, a dip of 53%, due to the rising interest rate environment and as investors continue to de-risk, resulting in reduced demand for emerging market assets. This, as compared to the prior year when investor sentiment was high and interest rates were low. Net interest income saw a 2% decline year-over-year, moving from J$5.82 billion to J$5.70 billion. The Group recorded positive growth in fees and commission which income grew by 25% over the corresponding period, to J$3.14 billion. This was mainly driven by increased economic activity in all the territories in which the Group operates, as well as significant growth in managed funds, collective investment schemes and capital market activities across the Group. Foreign exchange gains also increased from J$1.22 billion to J$1.62 billion, which reflects a 33% growth in earnings over the comparative period.

Asset Base Growth & Capital Adequacy Maintained

At the end of the six-month period, the JMMB Group's asset base stood at J$637.85 billion, up 4% relative to the start of the financial year. This was driven by the 13% growth in the loan portfolio totalling J$161.45 billion; even as the company maintains a solid credit quality in line with international standards and mitigates against possible deterioration in credit quality. Growth in the asset base over the six-month period was funded in part by increases in customer deposits, repos and multilateral funding.

Shareholders' equity decreased by 15% to J$48 billion, over this six-month period, despite posting significant profit since the start of year; this was completely offset by further decline in investment revaluation reserve. For the current reporting period, bond prices and by extension investment revaluation reserve continued to be negatively impacted by rising interest rates, increased global uncertainty, rising commodity prices as well as supply chain disruptions. The Group nevertheless, remains adequately capitalized and all individually regulated companies within the Group continues to exceed their regulatory capital requirements.

As the Group continues on a growth path, it saw an increase in its operational expenses from J$8.86 billion to J$9.96, over the corresponding period. This was largely driven by long-term project-related activities to support the strategic position of the Group, improve operational efficiency and contribute to long-term shareholder value, in addition to inflationary increases.

Stable Outlook

JMMB Group CEO, Keith Duncan outlined that the Group is expected to maintain a stable financial outlook as it continues to build out its regional diversification strategy and leverage its 'smart growth' initiatives. This positive view was also underscored by Caribbean Information and Credit Rating Services Limited (CariCRIS), with the upgrade of JMMB Group Limited's corporate credit ratings to CariA- (Regional Local Currency) and CariBBB+ (Regional Foreign Currency) and jmAA- (Local Currency Rating) and jmA+ (Foreign Currency Rating) on the Jamaica national scale. The national scale ratings indicate 'high creditworthiness' of JMMB Group compared to other obligors in Jamaica.

New Solutions

Duncan in further underscoring the solid strategic outlook of the company and the value of its regional and business line diversification noted, "JMMB Group is actively pursuing and accelerating its smart growth strategic initiatives over the medium to long-term, in a bid to bolster the Group's financial performance while adding shareholder value and improving client experience. "The Group's smart growth strategy is centred on strategic revenue diversification, stronger capital management, and growing core activities in key business lines. This will be executed through a three-prong approach – new products and income streams; more digital experiences and inorganic growth." The CEO shared, "We are rolling-out our merchant acquiring services namely: point-of-sales and scan-to-pay, in Jamaica this month, with selected merchants and have also introduced one niche prepaid card. This will provide payment acceptance solutions for largely our small and medium-sized business and corporate segments. The Group will additionally be bolstering the fund management business line for targeted growth through new and existing mutual fund products to support further diversification and financial goal attainment for clients in all three operating territories. We have also been pursuing inorganic growth opportunities in the region with the recent merger and acquisition of Bell Bank in the Dominican Republic and 19.9% acquisition of Bayshore via JMMB Express Finance T&T Ltd."

The JMMB Group head honcho shared that increased strategic focus will also be placed on capital efficient growth from lending, as well as opportunistic growth in the investment portfolio, as result of the high interest rate environment. In detailing the focus of the Group over the medium-term Duncan added, "We are also looking to tap the Trinidad and Tobago market, to leverage more opportunities as the operating environment is currently more accommodative to growth, even as we actively explore and further capitalize on opportunities for future growth through acquisitions across the region. "

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For further information, please contact:
Patricia Valentine, Marketing Department, JMMB
Telephone: (876) 704-3935 (landline), (876) 489-4059(cell)
E-mail: patricia_valentine@jmmb.com