

Jamaica Money Market Brokers

All figures quoted in Jamaica Dollars unless otherwise stated

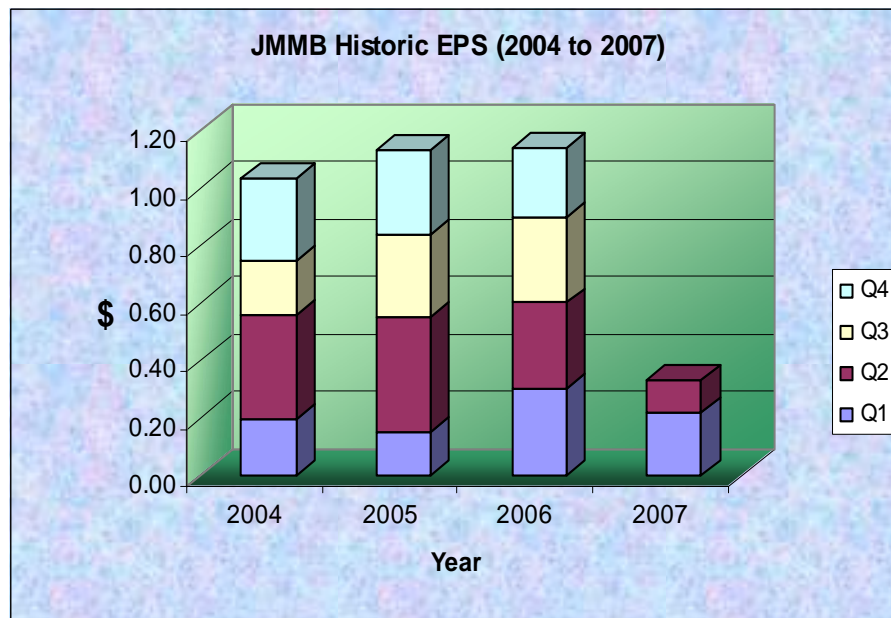
	JMMB
RECOMMENDATION	SELL
Current Price	TT\$1.26
Running EPS	\$ 0.86
Projected EPS	\$ 0.70
P/E at Projected EPS	18.00 times
Dividend Yield	1.19 per cent
Return on Assets	1.14 per cent
Return on Equity	14.12 per cent

Results for the Half Year ended September 30, 2006.

Earnings Per Share

Jamaica Money Market Brokers (JMMB) continued to be challenged in its second quarter as it reported Earnings Per Share (EPS) of 33 cents for the half year ended September 30, 2006. This is 45.90 per cent less than the similar period in FY 2006. The second quarter was down 63.33 per cent compared to Q2-FY 2006. With respect to Q1-FY 2007 the EPS was also down with the second quarter accounting for only one third of the Half Year Profit. This quarter was in fact the least the Company has made in a quarter for the past four years (See Figure 1).

Figure 1





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Financials

According to the Directors' Statement, though the Jamaican operating company achieved 4.7 per cent growth in profitability year on year, at the Group level, the results were negatively impacted by subsidiaries and associated companies' contributions.

It was further stated that JMMB Securities Limited experienced a loss primarily from depressed prices in its equity portfolio but steps have been taken to minimize any further losses. JMMB Insurance Brokers Limited also realized a small loss. In addition, in this quarter, one-time expenses totalling \$17.9 million related to international expansion activities also impacted the Group's results. Associated companies were negatively impacted by increasing interest rates and a downturn in the equities market in Trinidad & Tobago.

Despite a 5.56 per cent increase in Interest Income to \$4.226 billion for HY-FY 2007, Net Interest Income was down 28.68 per cent to \$749.021 million as Interest Expenses increased by 17.73 per cent to \$3.477 billion. With respect to Q2, Net Income was down 20.93 per cent to \$392.326 million for FY 2007 from FY 2006.

On the positive side, the Group experienced a 103.03 per cent increase in Net Gains in Securities Trading to \$448.882 million for HY-FY 2007, the majority of which was from the first quarter. Fee and Commission Income also increased 25.98 per cent to \$66.303 million for the Half Year while Foreign Exchange Margins from Cambio Trading fell 14.03 per cent to \$30.186 million.

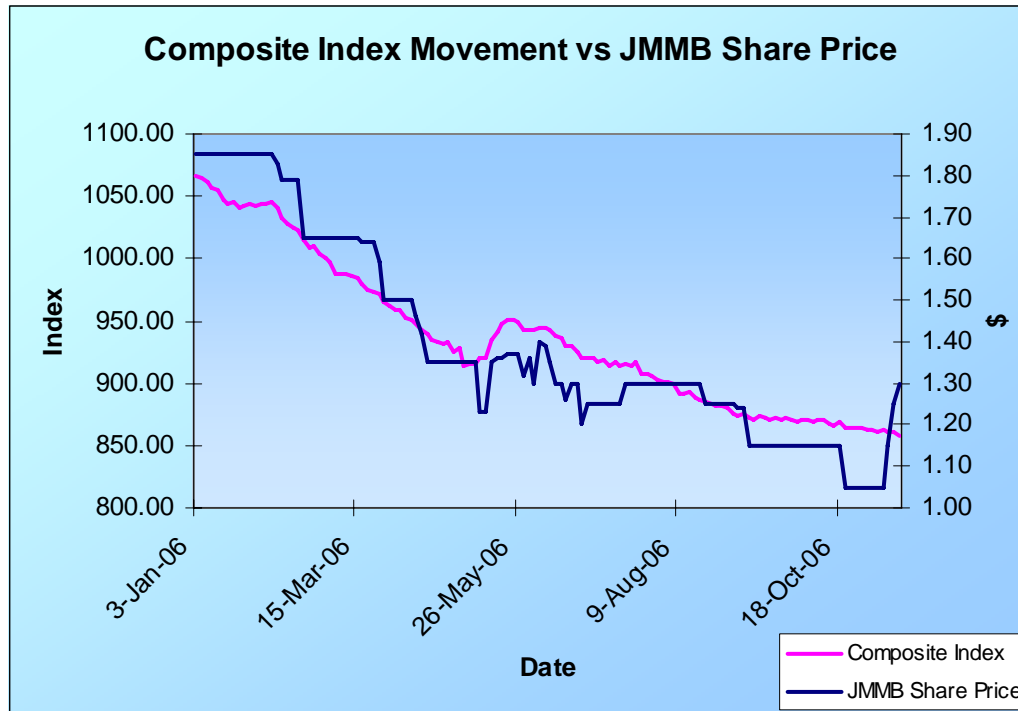
Operating Revenue Net of Interest Expense fell 10.74 per cent to \$616.773 million for Q2-FY 2007 and was down 4.76 per cent to \$1.294 billion for the Half Year. As discussed before, Share of Profits of Associated Companies fell 83.91 per cent to \$53.968 million for the Half Year under review.

A rise in Administrative Expenses of 14.88 per cent to \$811.603 million further contributed negatively to the results with Profit Before Tax down 45.34 per cent to \$539.888 million for the Half Year. Compared to Q2-FY 2006, Q2-FY 2007 saw a fall in Profit Before Tax of 64.34 per cent. The Effective Tax Rate moved from 10.20 per cent for HY-FY 2006 to 11.53 per cent for HY-FY 2007. Profit After Tax was ultimately down 65.23 per cent for Q2-FY 2007 compared to Q2-FY 2006 while it declined 46.15 per cent to \$477.623 million for HY-FY 2007.

Share Price

The challenges faced by the Company has resulted in its share price falling considerably since the beginning of the year when it stood at its 52 week high of TT\$1.85 (See Figure 2). At its current price, it now resides 36.76 per cent below this high. In Jamaica, it has traded as high as \$18.20 and as low as \$9.45.

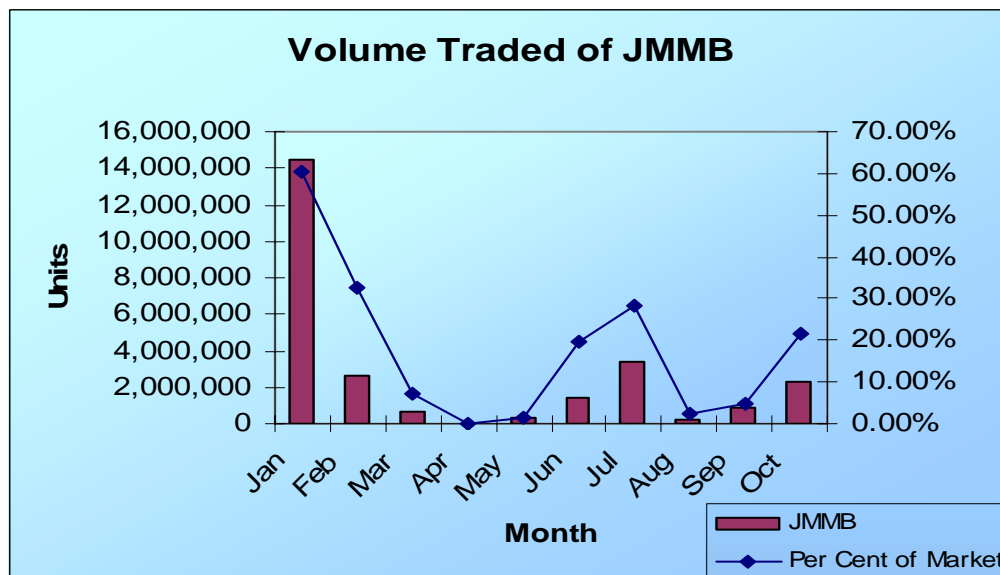
Figure 2



Volumes

This calendar year has seen JMMB being a frequent market driver on a weekly basis. In fact, as at the end of the nine month period ended September 30, 2006, JMMB was the volume leader. On a monthly basis, it has commanded as much as 60 per cent of the market volume (See Figure 3).

Figure 3





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Outlook

The Directors expect JMMB's strategy to expand internationally as well as to offer new products, such as the Managed Global Bond Portfolio and the Trinidad Select Index Fund, would generate additional income in the short to medium term. In addition, they expect improved operational efficiencies as a result of the recent introduction of electronic transaction machines at two locations. They also have two machines slated for installation before the financial year-end and will continue to increase their presence in the Dominican Republic.

Recommendation

Given the current results and the challenges facing the business, we are forecasting a year end EPS of TT\$0.07. At the current price of TT\$1.26 and the forecasted earnings, JMMB is currently trading at 18.00 times earnings. This price/earnings ratio is high for this Company and as such we recommend a SELL.



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Figure 4

Jamaica Money Market Brokers - Second Quarter Results (FY 2006- FY 2007)					
	Q2 2007 JM\$'000	Change Q2 2007- Q2 2007	Q2 2007 JM\$'000	Change Q2 2007- Q1 2007	Q1 2007 JM\$'000
Interest Income	2,204,323	5.71%	2,085,184	3.13%	2,021,886
Interest Expense	-1,811,996	13.45%	-1,597,245	-4.08%	-1,665,191
Net Interest Income	392,326	-20.93%	496,153	39.10%	356,695
Gains on securities trading, net	173,759	29.74%	133,931	-51.32%	275,123
Fees and commissions	37,263	10.45%	33,737	16.17%	29,040
Foreign exchange margins from cambio trading	13,424	-50.61%	27,177	62.13%	16,762
Operating revenue net of interest expense	616,773	-10.74%	690,998	1.97%	677,620
Share of profits of associated companies	-10,406	-105.69%	182,799	183.96%	64,374
Other	936	-137.05%	-2,526	215.08%	2,195
	607,303	-30.30%	871,271	17.08%	744,189
Administrative expenses	-429,046	15.53%	-371,364	-2.93%	-382,557
Profit before income tax	178,256	-64.34%	499,907	38.24%	361,632
Profit after tax	154,218	-65.23%	443,513	37.14%	323,405
EPS	0.11	-63.33%	0.30	36.36%	0.22
Jamaica Money Market Brokers - Half Year Results (FY 2005-FY 2006)					
	HY 2007 JM\$'000	Change HY 2007- HY 2006	HY 2006 JM\$'000	Change HY 2006- HY 2005	HY 2005 JM\$'000
Interest Income	4,226,209	5.56%	4,003,699	-6.93%	4,301,882
Interest Expense	-3,477,187	17.73%	-2,953,432	-10.27%	-3,291,554
Net Interest Income	749,021	-28.68%	1,050,267	3.95%	1,010,328
Gains on securities trading, net	448,882	103.03%	221,094	10.88%	199,395
Fees and commissions	66,303	25.98%	52,630	25.53%	41,927
Foreign exchange margins from cambio trading	30,186	-14.03%	35,112	219.52%	10,989
Operating revenue net of interest expense	1,294,393	-4.76%	1,359,103	7.64%	1,262,639
Share of profits of associated companies	53,968	-83.91%	335,380	97.77%	169,579
Other	3,131	-1342.46%	-252	125.02%	1,007
Administrative expenses	-811,603	14.88%	-706,506	31.05%	-539,095
Profit before income tax	539,888	-45.34%	987,723	10.47%	894,130
Profit after tax	477,623	-46.15%	887,015	10.42%	803,294
EPS	0.33	-45.90%	0.61	10.91%	0.55



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Figure 5

Jamaica Money Market Brokers Limited - Audited Year End Financials (FY 2004-FY 2006)					
	YE 2006	% Change '05-'06	YE 2005	% Change '05-'04	YE 2004
Net Interest Income	1,970,238	3.07%	1,911,519	32.84%	1,438,935
Operating Revenue Net of Interest Expense	2,845,131	10.84%	2,566,810	28.95%	1,990,529
Profit before income tax	1,931,667	9.44%	1,765,117	16.23%	1,518,604
Profit After Tax	1,667,528	0.96%	1,651,673	9.73%	1,505,213
EPS	1.14	0.88%	1.13	9.71%	1.03
Market Price @ Financial Year End (TT\$)	\$1.50	-3.23%	\$1.55	-3.13%	\$1.60
P/E Ratio @ Financial Year End	13.59		13.72		15.53
Dividend	18	0.00%	18	12.50%	16
Dividend Payout Ratio (%)	15.79%		15.93%		15.53%
Dividend Yield (%)	1.16%		1.16%		1.00%
Net Asset Value	\$4.95	24.69%	\$3.97	44.89%	\$2.74
Market to Book Ratio	3.13		3.90		5.84
Return on Equity (%)	25.56		35.25		52.68
Return on Assets (%)	2.29		2.65		2.81
Shares Outstanding	1,463,386,752		1,463,386,752		1,463,386,752

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