

Consolidated Financial Statements

FOR THE FIRST QUARTER
ENDED MARCH 31, 2021

Built on Purpose >>



For Immediate Release

May 14, 2021

Victoria Mutual Investments Limited (VMIL) today released its first quarter results, showing that the business recorded consolidated net profit of \$89.59 million, an increase of \$126.49 million over the corresponding period in 2020.

PERFORMANCE HIGHLIGHTS:

| | Quarter ended | |
|--------------------------------------|-------------------|-------------------|
| | March 31, 2021 | March 31, 2020 |
| Consolidated Revenue | \$482.45M | \$268.37M |
| Net Profit | \$89.59M | (\$36.90)M |
| Return on Average Equity | 8.44% | (3.87%) |
| Capital to Total Assets | 14.93% | 13.33% |
| Efficiency Ratio | 73.00% | 114.42% |
| Basic Earnings per Share (\$) | \$0.06 | (\$0.02) |
| Net Book Value per Share (\$) | \$2.74 | \$2.20 |

CONSOLIDATED FINANCIAL PERFORMANCE

Consolidated revenue for the three-month period was \$482.45 million, reflecting an increase of \$214.08 million when compared with the corresponding period of 2020. Consolidated profit before tax for the period was \$99.28 million, an increase of \$187.84 million when compared with the previous year. Earnings per share for the quarter was \$0.06 (March 31, 2020: -\$0.02).

STRATEGY IN ACTION

As VMIL continues to execute its strategic plan to become the leading Caribbean-based provider of financial services, its operating expenses for the period totalled \$374.61 million, an increase of \$26.79 million or 7.70% when compared to the prior year period. With the exception of the asset tax, the expenses are growth-focused and relate to the development of team members and other support services required to position VMIL for future growth.

“The first quarter of 2021 saw an improved investment climate when compared to 2020 with rising bonds and equity prices coupled with an increasing appetite for capital market transactions,” said Rezworth Burchenson, VMIL’s Chief Executive Officer. “Our various initiatives at regional market penetration, sales productivity improvement, digitalisation, investment management performance and timely capital allocation, are yielding varying degrees of success.”

VMIL’s performance revealed encouraging results and comes as the local economy continues to experience significant blows from the COVID-19 pandemic.

1. Our Bond Trading Unit generated exceptional performance in revenue when compared to 2020. We are keenly monitoring the interest rate outlook for the developed markets to mitigate any challenges to this business line.
2. Our Asset Management Unit continues to be resilient with growth in fee income and assets under management despite investors’ appetite for fixed income securities. Our Real Estate Portfolio continues to add value for long term investors and is poised to execute transactions in the near term which will provide both geographic and market segment diversification.
3. Our Treasury Unit provided a modest performance despite a challenging environment of compressing spreads due to a very competitive environment. Our capital allocation strategies will provide further strengthening of this business line during the year.
4. Our Capital Markets Unit continues its aggressive business development activities with our advisory and arrangement services providing capital raising strategies for corporates.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Total assets increased year over year by \$2.79 billion or 11.29% to \$27.53 billion as at March 31, 2021. This was primarily attributable to an increase of \$2.91 billion in investment securities.

LIABILITIES

Total liabilities were \$23.42 billion as at March 31, 2021, an increase of \$1.98 billion or 9.24% from last year, driven mainly by an increase in repurchase agreements.

CAPITAL

Our capital base continues to be strong with total shareholders' equity standing at \$4.11 billion as at March 31, 2021, increasing by \$813.67 million or 24.68% from \$3.30 billion at the end of March 2020. This resulted in a book value per share of \$2.74 (2020: \$2.20). The increase in total equity is mainly attributable to:

- the year over year increase of \$255.05 million in the investment revaluation reserve, representing revaluation gains on investment securities and equity instruments;
- the net increase of \$560.08 million in retained earnings, representing the undistributed portion of our 2020 earnings.

Our wholly owned subsidiary, Victoria Mutual Wealth Management Limited (VM Wealth), a licensed securities dealer, continues to be well capitalised, with a risk weighted capital adequacy ratio of 14.63%, above the regulatory requirement of 10%. VM Wealth's capital to total assets ratio of 14.18% as at March 31, 2021 exceeded the regulatory minimum of 6%.

OFF-BALANCE SHEET HIGHLIGHTS

Assets managed on behalf of clients on a non-recourse basis under management agreements grew by \$5.33 billion or 19.19%, from \$27.76 billion as at March 31, 2020 to \$33.09 billion as at the end of the current period. This year over year growth was fuelled by strong net inflows of \$3.22 billion and \$2.11 billion into the Unit Trust Fund and the Portfolio Management portfolios, respectively.

FINANCIAL EDUCATION, BECAUSE WE CARE

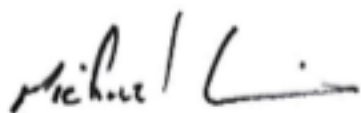
Our focused efforts to provide life-changing financial education continued with renewed energy in the first quarter of the year, with the February 16 virtual staging of our flagship **Wealth Talks** event dubbed 'Business Success Strategies'. The event featured representatives from the Jamaica Manufacturers and Exporters Association (JMEA), other business leaders and VM Group Executives. The panellists shared important insights on the path to business success in 2021 and beyond.

On March 10, VMIL partnered with the Jamaica Chamber of Commerce (JCC) for our **Annual Post-Budget Review** forum. Leaders and experts in business and academia discussed the potential pitfalls and benefits of the annual national budget, making the usually esoteric financial information more accessible and digestible, for a wider cross section of people.

ACKNOWLEDGEMENT

The Board would like to thank our valued clients for their loyalty, our shareholders for their continued support and show of confidence, as well as express heartfelt appreciation to the management and team members for their dedication and commendable efforts in achieving this period's financial performance.

On behalf of the Board of Directors:



Michael Morris
CHAIRMAN



Rezworth Burchenson
CHIEF EXECUTIVE OFFICER

For further information contact:

Clover Moore, Assistant Vice President - Corporate Affairs and Communications
Victoria Mutual Group

Email: Clover.Moore@myvmgroup.com | **Mobile:** (876) 383-2724

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Financial Position
March 31, 2021

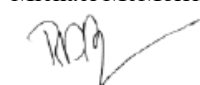
| | Unaudited March 31, 2021 \$'000 | Unaudited March 31, 2020 \$'000 | Audited December 31, 2020 \$'000 |
|-------------------------------------|--|--|---|
| ASSETS | | | |
| Cash and cash equivalents | 868,644 | 1,849,839 | 1,571,567 |
| Resale agreements | 3,816,991 | 2,843,878 | 7,380,680 |
| Investment securities | 19,008,580 | 16,097,124 | 16,526,043 |
| Investment in associate company | 46,074 | 81,641 | 56,949 |
| Net investments in finance lease | 101,473 | 27,030 | 110,832 |
| Loans receivable | 1,700,552 | 1,982,639 | 1,789,651 |
| Accounts receivable: | | | |
| - Customers | 776,794 | 698,783 | 716,005 |
| - Brokers | | - | 5,217 |
| - Other | 512,102 | 291,705 | 1,061,981 |
| Income tax recoverable | 114,291 | 106,727 | 44,548 |
| Deferred tax asset | 185,310 | 385,038 | 44,083 |
| Property, plant and equipment | 182,769 | 111,040 | 189,187 |
| Intangible assets | 216,140 | 260,535 | 226,932 |
| TOTAL ASSETS | 27,529,720 | 24,735,979 | 29,723,675 |
| LIABILITIES AND EQUITY | | | |
| Liabilities: | | | |
| Borrowings | 2,594,810 | 2,727,075 | 3,042,641 |
| Accounts payable: | | | |
| - Customers | 498,161 | 178,315 | 1,149,953 |
| - Brokers | 150,255 | 171,006 | - |
| - Other | 332,567 | 1,653,036 | 470,154 |
| Due to related parties | 281,555 | 123,371 | 197,988 |
| Repurchase agreements | 19,422,057 | 16,459,504 | 20,312,831 |
| Lease liabilities | 83,733 | 92,199 | 85,978 |
| Income tax payable | 16,441 | - | 43,459 |
| Employee benefit obligation | 39,200 | 34,200 | 39,200 |
| TOTAL LIABILITIES | 23,418,779 | 21,438,706 | 25,342,204 |
| Equity: | | | |
| Share capital | 707,887 | 707,887 | 707,887 |
| Non-controlling interest | 50,000 | 50,000 | 50,000 |
| Share premium | 24,000 | 24,000 | 24,000 |
| Investment revaluation reserve | 797,112 | 542,060 | 1,157,234 |
| Other reserve | 4,268 | 5,734 | 4,267 |
| Retained earnings | 2,527,674 | 1,967,592 | 2,438,083 |
| TOTAL EQUITY | 4,110,941 | 3,297,273 | 4,381,471 |
| TOTAL LIABILITIES AND EQUITY | 27,529,720 | 24,735,979 | 29,723,675 |

Approved for issue by the Board of Directors on May 14, 2021 and signed on its behalf by:



Michael McMorris

Chairman



Rezworth Burchenson

Chief Executive Officer

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Three months ended March 31, 2021

| | Year to date March 31, 2021 | Year to date March 31, 2020 |
|--|-----------------------------------|-----------------------------------|
| | \$'000 | \$'000 |
| Interest income | 256,680 | 241,750 |
| Interest expense | (176,529) | (161,903) |
| Net interest income | 80,151 | 79,847 |
| Gains/(losses) from investment activities | 199,389 | (6,902) |
| Net fees and commissions | 161,414 | 190,039 |
| Other income | 41,497 | 5,388 |
| Other operating revenue | 402,300 | 188,525 |
| Net interest income and other operating revenue | 482,451 | 268,372 |
| Staff costs | (162,363) | (144,534) |
| Impairment losses on financial assets | (22,427) | (40,726) |
| Other operating costs | (189,815) | (162,549) |
| | (374,605) | (347,809) |
| Operating Profit | 107,846 | (79,437) |
| Share of Associate's Loss | (8,564) | (9,125) |
| Profit before income tax | 99,282 | (88,562) |
| Income tax | (9,691) | 51,661 |
| Profit for the period | 89,591 | (36,901) |
| Other Comprehensive Income: | | |
| Items that will never be reclassified to profit or loss: | | |
| Change in fair value of equity instruments designated at fair value through other comprehensive income (FVOCI) | (67,830) | (238,170) |
| | (67,830) | (238,170) |
| Items that may be reclassified to profit or loss: | | |
| Change in fair value of investment securities | (438,439) | (1,064,224) |
| Deferred tax on change in fair value of investment securities | 146,147 | 354,741 |
| | (292,292) | (709,483) |
| Other comprehensive loss net of tax | (360,122) | (947,653) |
| Total comprehensive loss for the period | (270,531) | (984,554) |
| Basic earnings per share (expressed as ¢ per share) | <u>6¢</u> | <u>(2¢)</u> |

VICTORIA MUTUAL INVESTMENTS LIMITED

Consolidated Statement of Changes in Equity
Three months ended March 31, 2021

| | <u>Share capital</u> \$'000 | <u>Share premium</u> \$'000 | <u>Investment revaluation reserve</u> \$'000 | <u>Other Reserve</u> \$'000 | <u>Retained earnings</u> \$'000 | <u>Total</u> \$'000 | <u>Non- controlling interest</u> \$'000 | <u>Total Equity</u> \$'000 |
|---|------------------------------------|------------------------------------|---|------------------------------------|--|------------------------|--|-----------------------------------|
| Balances as at January 1, 2020 | 707,887 | 24,000 | 1,489,713 | 5,734 | 2,049,494 | 4,276,828 | 50,000 | 4,326,828 |
| Profit for the period | - | - | - | - | (36,901) | (36,901) | - | (36,901) |
| Other comprehensive income: | | | | | | | | |
| Change in fair value of investment securities, net of deferred tax | - | - | (709,483) | - | - | (709,483) | - | (709,483) |
| Net losses on equity instruments designated at fair value | - | - | (238,170) | - | - | (238,170) | - | (238,170) |
| Total other comprehensive loss for the period | - | - | (947,653) | - | - | (947,653) | - | (947,653) |
| Total comprehensive loss for the period | - | - | (947,653) | - | (36,901) | (984,554) | - | (984,554) |
| Transaction with shareholders: | | | | | | | | |
| Dividends | - | - | - | - | (45,001) | (45,001) | - | (45,001) |
| Balances as at March 31, 2020 | 707,887 | 24,000 | 542,060 | 5,734 | 1,967,592 | 3,247,273 | 50,000 | 3,297,273 |
| Balances as at January 1, 2021 | 707,887 | 24,000 | 1,157,234 | 4,268 | 2,438,083 | 4,331,472 | 50,000 | 4,381,472 |
| Loss for the period | - | - | - | - | 89,591 | 89,591 | - | 89,591 |
| Other comprehensive loss: | | | | | | | | |
| Change in fair value of investment securities, net of deferred tax | - | - | (292,292) | - | - | (292,292) | - | (292,292) |
| Net gains on equity instruments designated at fair value | - | - | (67,830) | - | - | (67,830) | - | (67,830) |
| Total other comprehensive loss for the period | - | - | (360,122) | - | - | (360,122) | - | (360,122) |
| Total comprehensive loss for the period | - | - | (360,122) | - | 89,591 | (270,531) | - | (270,531) |
| Balances as at March 31, 2021 | 707,887 | 24,000 | 797,112 | 4,268 | 2,527,674 | 4,060,941 | 50,000 | 4,110,941 |

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Cash Flows
Three months ended March 31, 2021

| | March 31, 2021 | March 31, 2020 |
|---|-------------------|-------------------|
| | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit for the period | 89,591 | (36,901) |
| Adjustments for items not involving cash: | | |
| Depreciation of property, plant & equipment | 7,162 | 4,557 |
| Amortisation of intangible assets | 12,677 | 12,514 |
| Impairment loss on investments | 23,697 | 18,366 |
| Impairment loss on loans | (1,270) | 2,135 |
| Interest income | (256,680) | (241,750) |
| Interest expense | 176,529 | 161,903 |
| Income tax expense | 9,691 | (51,661) |
| Losses from interest in associate | 8,564 | 9,125 |
| (Gains)/losses from investment activities | (199,389) | 6,902 |
| Unrealised exchange gains | 6,957 | 10,501 |
| Fair value gains on securities at fair value through profit or loss | 24,963 | 102,938 |
| Operating profit before changes in other assets and liabilities: | (97,508) | (1,371) |
| Changes in operating assets and liabilities: | | |
| Resale agreements | 3,685,403 | 1,135,814 |
| Loans receivable | 46,494 | (123,863) |
| Receivable from customers | (34,295) | (658,083) |
| Receivable from brokers | 5,217 | 449 |
| Due from subsidiary | - | - |
| Due from fellow subsidiary | - | - |
| Accounts receivable | 616,457 | 24,659 |
| Repurchase agreements | (1,248,468) | -765,025 |
| Payable to customers | (665,913) | (780,281) |
| Payable to brokers | 150,255 | 171,006 |
| Accounts payable | (44,521) | 1,237,638 |
| | 2,413,121 | 240,943 |
| Interest and dividends received | 317,303 | 289,333 |
| Interest paid | (188,320) | (152,267) |
| Income tax paid | (101,533) | (50,904) |
| Net cash provided by operating activities | 2,440,571 | 327,105 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant & equipment | (744) | (2,591) |
| Acquisition of intangible assets | (1,884) | - |
| Investment in associated company | - | - |
| Investment securities, net movement | (2,702,938) | (669,822) |
| Net cash used in investing activities | (2,705,566) | (672,413) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from loans | (445,111) | 316,450 |
| Redemption of shares | - | - |
| Dividend paid | - | (45,001) |
| Lease liabilities | (2,246) | (1,698) |
| Net cash (used in)/provided by financing activities | (447,357) | 269,751 |
| Decrease in net cash and cash equivalents | (712,352) | (75,557) |
| Net cash and cash equivalents at beginning of period | 1,571,566 | 1,917,241 |
| Effect of exchange rate changes on cash and cash equivalents | 9,430 | 8,155 |
| NET CASH AND CASH EQUIVALENTS AT END OF PERIOD | 868,644 | 1,849,839 |

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Consolidated Financial Statements March 31, 2021

1. Identification

Victoria Mutual Investments Limited (“the Company”) is incorporated and domiciled in Jamaica. The Company is an 80% owned subsidiary of The Victoria Mutual Building Society (“Ultimate Parent Society” or “VMBS”). The Ultimate Parent Society is incorporated in Jamaica under the Building Societies Act. The Company’s registered office is located at 8-10 Duke Street, Kingston, Jamaica.

The Company issued 20% of its ordinary shares to the public on December 27, 2017 and was listed on the Jamaica Stock Exchange on December 29, 2017.

The Company’s income during the period was comprised mainly of income from investment activities.

The Company has a wholly-owned subsidiary, Victoria Mutual Wealth Management Limited (“the Subsidiary Company”), which is incorporated and domiciled in Jamaica. The principal activities of the Subsidiary Company are investment brokering, the provision of asset management, financial and investment advisory services and money market dealing. The Company’s activities are administered by its Subsidiary Company.

The Company and its Subsidiary are collectively referred to as “the Group”.

2. Basis of preparation

These interim condensed consolidated financial statements (‘interim financial statements’) have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended December 31, 2020 (‘last annual financial statements’), which have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act. These interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

These interim financial statements are presented in Jamaica dollars, which is the Group’s functional currency.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

VICTORIA MUTUAL INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2021

4. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assesses its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the chief operating decision maker, the entire operations of the Group are considered as one operating segment.

5. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by a weighted average number of ordinary shares held during the year.

| | 2021 | 2020 |
|---|---------------|---------------|
| Number of ordinary shares | 1,500,025,000 | 1,500,025,000 |
| (Loss)/Profit attributable to owners of the Company | 89,591,000 | (36,901,000) |
| Basic earnings per share (cents) | <u>6 ¢</u> | <u>(2) ¢</u> |

VICTORIA MUTUAL INVESTMENTS LIMITED
Top Ten Largest Shareholders as at March 31, 2021

| RANK | NAME | TOTAL SHARES HELD AS AT March 31, 2021 |
|-------------|---|---|
| 1. | The Victoria Mutual Building Society | 1,200,020,000 |
| 2. | PAM – University Hospital Scheme of Pensions | 7,560,600 |
| 3. | Rezworth Burchenson & Valerie Burchenson | 6,400,330 |
| 4. | Sagicor Select Funds Limited (Class B' Shares) Financial | 6,135,970 |
| 5. | JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund | 5,785,039 |
| 6. | Michael McMorris & Christine McMorris | 5,590,329 |
| 7. | VM Wealth Equity Fund | 4,791,347 |
| 8. | Geoffrey Forde | 4,500,000 |
| 9. | Rickardo Ebanks & Alda Ebanks | 4,337,221 |
| 10. | PAM – Pooled Equity Fund | 3,673,648 |

VICTORIA MUTUAL INVESTMENTS LIMITED

**Shareholdings of Senior Managers / Connected Parties
as at March 31, 2021**

| NAMES | SHAREHOLDINGS AS AT March 31, 2021 |
|--|---------------------------------------|
| Valerie Burchenson / Rezworth Burchenson | 249,952 |
| Rachelle Burchenson | 75,000 |
| Rezworth Burchenson | 6,400,330 |
| Oswald Burchenson | 212,147 |
| | Combined Holding: 6,937,429 |
| Nicole Adamson/Johann Adamson | 379,000 |
| Denise Marshall-Miller/Ajani Miller | 25,000 |
| Denise Marshall-Miller/Wayne Miller | 1,001,660 |
| Denise Marshall-Miller/Azania Miller | 25,000 |
| Denise Marshall Miller/Akil Parchment | 25,000 |
| | Combined Holding:1,076,660 |
| Evette M. Bryan / Shulette Cox | 180,000 |
| Tamara Waul-Douglas | 0 |
| Hekima Reece/Tamieka S. Reece | 240,000 |
| Sharon Sterling | 0 |
| Natalie Bennett | 91,000 |
| Davie Stanley Martin/Kimberley Anne Elizabeth Martin | 62,000 |
| Dwight Jackson | 0 |

VICTORIA MUTUAL INVESTMENTS LIMITED
Shareholdings of Directors / Connected Parties
as at March 31, 2021

| NAME | SHAREHOLDINGS |
|---|---------------|
| Michael McMorris / Christine McMorris / Easton McMorris | 5,590,329 |
| Courtney Campbell / Pauline Campbell/Dominic Campbell/Adrian Campbell | 1,840,826 |
| Milton Samuda | 103,646 |
| Noel Hann | 150,000 |
| Phillip Silvera / Faye Silvera | 372,816 |
| Sandra Shirley | 413,809 |
| Devon Barrett | 101,169 |
| Janice McKenley / Wilfred McKenley | 1,045,475 |
| Matthew Gray Wright | 677,252 |
| Rezworth Burchenson/Valerie Burchenson/Rachelle Burchenson/ Oswald Burchenson | 6,937,429 |