

Interim Consolidated Financial Statements

THREE MONTHS ENDED MARCH 31, 2020



VICTORIA MUTUAL
Investments
LIMITED



**VICTORIA MUTUAL
Investments**
LIMITED

**Press
Release**

KINGSTON, JAMAICA
DATE: FRIDAY, MAY 15, 2020

VICTORIA MUTUAL INVESTMENTS LIMITED REPORTS RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2020

PERFORMANCE HIGHLIGHTS –

	Quarter and YTD ended	
	March 31, 2020	March 31, 2019
Consolidated Revenue	\$268.37M	\$438.04M
Net (Loss)/Profit	(\$36.90M)	\$117.86M
Return on Average Equity	(3.87%)	15.39%
Capital to Total Assets	13.33%	15.54%
Efficiency Ratio	114.42%	61.29%
Basic Earnings per Share (\$)	(\$0.02)	\$0.08
Net Book Value per Share (\$)	\$2.20	\$2.24

The Board of Directors of Victoria Mutual Investments Limited (VMIL) presents the unaudited consolidated results for the quarter ended March 31, 2020. The first quarter of 2020 was a very challenging period for VMIL due to the instability of the local and global investment markets as a result of the COVID-19 pandemic, resulting in mixed results.

CONSOLIDATED FINANCIAL PERFORMANCE

For the first quarter ended March 31, 2020, VMIL recorded consolidated net loss of \$36.90 million, reflecting a decrease of \$154.76 million over the corresponding 2019 quarter. Consolidated loss before tax for the three months ended March 31, 2020 was \$88.56 million, representing a reduction of \$249.25 million when compared with the previous year. Earnings per share for the quarter was -\$0.02 (March 31, 2019: \$0.08).

The Group's performance was adversely impacted by a reduction in net fees, commissions and gains from investment activities.

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Consolidated revenue for the three-month period was \$268.37 million, reflecting a decrease of \$169.67 million when compared with the corresponding period of 2019. The highlights are as follows:

- Our Capital Markets fee income was negatively impacted as transactions in execution paused due to the instability and weak forecasts for a Global recovery from COVID-19. Nonetheless, our guidance to corporates reinforces the need for capital to bolster balance sheets, weather the revenue downturn and provide liquidity to capitalise on opportunities, which will materialise. We are assiduously working on executing transactions in our pipeline while building new deal flows for the remainder of the year.
- Bond Trading performed exceptionally well as the strategies devised generated strong gains during the review period. While bond prices have stabilised in recent weeks, the recent downgrades coupled with projected weak economic data may impact upward price movement and consequently, revenue growth in the next quarter.
- Gains from Investment Activities were negatively impacted by the downturn in the investment markets during the month of March, attributable to the projected economic fallout due to the COVID-19 pandemic. We anticipate a better performance in future reports based on the actions taken.
- Our Asset Management business generated robust growth year over year, due to our strong investment performance in 2019, combined with the expansion and improved productivity of our sales team.
- Net Interest Income, despite the challenges of reduced interest rates and bond price volatility, generated growth of 6.21%, when compared to 2019.

Operating expenses for the period under review totalled \$347.81 million, representing an increase of \$70.46 million or 25.40% when compared to the prior year period. The increase in expenses was primarily attributable to impairment losses on Financial Assets of \$40.73M, recognised in the context of current market conditions. These may be reversed in upcoming periods based on projections from our Expected Credit Loss (ECL) models. Other expenses relate to people development, asset tax and other support services required to grow our business. Nonetheless, the review of our cost structure remains an ongoing exercise.

During the review period we launched our first agile lab geared towards delivering more customer centric solutions. Our investment in digitising the business has allowed us to respond to our clients' needs during this difficult period. Further digitisation efforts will accelerate in the coming quarters. This initiative will pave the way for a stronger, more resilient, digitised and customer friendly business in the medium term.

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OUR ACTIONS – COVID 2019

As we navigate the COVID-2019 pandemic, we have focused our attention on key areas of our business:

- Preparing our staff members for remote work and promoting social distancing based on the requirements of the Health Authorities. We are indeed pleased to report that due to our investment in technology and a strong business continuity framework, 80% of our staff members are working remotely.
- Enhancing communication with our clients on their investment objectives, considering risk and other variables.
- Ensuring that our business is adequately capitalised as evidenced by our strong regulatory ratios.
- Ensuring adequate liquidity to meet all our obligations as they become due.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Total assets increased year over year by \$3.14 billion or 14.52% to \$24.74 billion as at March 31, 2020. This was partly attributable to increases of \$1.10 billion and \$1.21 billion in resale agreements and loans receivable, respectively.

LIABILITIES

Total liabilities were \$21.44 billion as at March 31, 2020, an increase of \$3.20 billion or 17.51% from last year, driven mainly by an increase in repurchase agreement balances and borrowings.

CAPITAL

Our capital base continues to be strong with total shareholders' equity standing at \$3.30 billion as at March 31, 2020, decreasing by \$60.00 million or 1.74% from \$3.36 billion at the end of March 2019. This resulted in a book value per share of \$2.20 (2019: \$2.24). The reduction in total equity is mainly attributable to:

- the year over year decrease of \$175.08 million in the investment revaluation reserve, representing revaluation losses on investment securities and equity instruments;
- the net increase of \$113.29 million in retained earnings, representing the undistributed portion of our 2019 earnings.

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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 14.58%, above the regulatory requirement of 10%. VM Wealth's capital to total assets ratio of 13.33% as at March 31, 2020 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 \$2.92 billion or 11.76%, from \$24.84 billion as at March 31, 2019 to \$27.76 billion as at the end of the current period. The year over year growth was mainly fuelled by strong net inflows of \$2.41 billion into the Unit Trust portfolios.

ACKNOWLEDGEMENT

We express appreciation to the committed team members of the Group who have adapted well to the remote work environment and our clients for their unwavering support. Additionally, we encourage all our stakeholders to be safe during this challenging period.

On behalf of the Board of Directors:

A handwritten signature in black ink, appearing to read 'Michael McMorris'.

Michael McMorris
CHAIRMAN

A handwritten signature in black ink, appearing to read 'Rezworth Burchenson'.

Rezworth Burchenson
CHIEF EXECUTIVE OFFICER

For further information contact:

Clover Moore, Assistant Vice President - Corporate Affairs and Communications

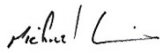
Victoria Mutual Group

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


VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Financial Position
March 31, 2020

	Unaudited March 31, 2020 \$'000	Unaudited March 31, 2019 \$'000	Audited December 31, 2019 \$'000
ASSETS			
Cash and cash equivalents	1,849,839	1,621,212	1,917,241
Resale agreements	2,843,878	1,741,053	3,937,275
Investment securities	16,097,124	15,716,300	16,718,180
Investment in associate company	81,641	-	90,766
Net investments in finance lease	27,030	100,836	30,688
Loans receivable	1,982,639	769,591	1,876,637
Accounts receivable:			
- Customers	698,783	765,198	16,550
- Brokers	-	-	449
- Other	291,705	430,322	313,326
Income tax recoverable	106,727	47,539	40,397
Deferred tax asset	385,038	84,215	-
Property, plant and equipment	111,040	18,442	113,006
Intangible assets	260,535	304,501	273,186
TOTAL ASSETS	24,735,979	21,599,209	25,327,701
LIABILITIES AND EQUITY			
Liabilities:			
Borrowings	2,727,075	1,410,625	2,410,625
Accounts payable:			
- Customers	178,315	710,433	925,785
- Brokers	171,006	304,188	-
- Other	1,653,036	1,194,513	414,296
Due to related parties	123,371	-	116,739
Repurchase agreements	16,459,504	14,587,785	16,999,392
Lease liabilities	92,199	-	93,897
Deferred tax liability	-	-	5,939
Employee benefit obligation	34,200	36,000	34,200
TOTAL LIABILITIES	21,438,706	18,243,544	21,000,873
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	542,060	717,137	1,489,713
Other reserve	5,734	2,334	5,734
Retained earnings	1,967,592	1,854,307	2,049,494
TOTAL EQUITY	3,297,273	3,355,665	4,326,828
TOTAL LIABILITIES AND EQUITY	24,735,979	21,599,209	25,327,701

Approved for issue by the Board of Directors on May 15, 2020 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, 2020

	Year to date March 31, 2020 \$'000	Year to date March 31, 2019 \$'000
Interest income	241,750	200,996
Interest expense	(161,903)	(125,821)
Net interest income	79,847	75,175
(Loss)/Gain from investment activities	(6,902)	80,011
Net fees and commissions	190,039	281,736
Other income	5,388	1,117
Other operating revenue	188,525	362,864
Net interest income and other operating revenue	268,372	438,039
Staff costs	(144,534)	(121,150)
Impairment losses on financial assets	(40,726)	(8,859)
Other operating costs	(162,549)	(147,342)
	(347,809)	(277,351)
Operating (Loss)/Profit	(79,437)	160,688
Share of Associate's Loss	(9,125)	-
(Loss)/Profit before income tax	(88,562)	160,688
Income tax	51,661	(42,831)
(Loss)/Profit for the period	(36,901)	117,857
Other Comprehensive (Loss)/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)	(238,170)	330,990
	(238,170)	330,990
Items that may be reclassified to profit or loss:		
Change in fair value of investment securities	(1,064,224)	201,591
Deferred tax on change in fair value of investment securities	354,741	(67,197)
	(709,483)	134,394
Other comprehensive (loss)/income net of tax	(947,653)	465,384
Total comprehensive (loss)/income for the period	(984,554)	583,241
Basic earnings per share (expressed as ¢ per share)	<u>(2¢)</u>	<u>8¢</u>

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Changes in Equity
Three months ended March 31, 2020

	<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, 2019	707,887	24,000	251,753	2,334	1,736,450	2,722,424	50,000	2,772,424
Profit for the period	-	-	-	-	117,857	117,857	-	117,857
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	134,394	-	-	134,394	-	134,394
Net gains on equity instruments designated at fair value	-	-	330,990	-	-	330,990	-	330,990
Total comprehensive income for the period	-	-	465,384	-	117,857	583,241	-	583,241
Balances as at March 31, 2019	707,887	24,000	717,137	2,334	1,854,307	3,305,665	50,000	3,355,665
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
Loss for the period	-	-	-	-	(36,901)	(36,901)	-	(36,901)
Other comprehensive loss:								
Change in fair value of investment securities, net of deferred tax	-	-	(709,483)	-	-	(709,483)	-	(709,483)
Net gains 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

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Cash Flows

Three months ended March 31, 2020

	March 31, 2020	March 31, 2019
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/profit for the period	(36,901)	117,857
Adjustments for items not involving cash:		
Depreciation of property, plant & equipment	4,557	1,731
Amortisation of intangible assets	12,514	12,309
Impairment loss on investments	18,366	8,650
Impairment loss on loans	2,135	209
Interest income	(241,750)	(200,996)
Interest expense	161,903	125,821
Income tax expense	(51,661)	42,831
Losses from interest in associate	9,125	-
Gains from investment activities	6,902	(80,011)
Unrealised exchange gains	10,501	(1,275)
Fair value loss/(gain) on securities at fair value through profit or loss	102,938	(1,551)
Operating (loss)/profit before changes in other assets and liabilities:	(1,371)	25,575
Changes in operating assets and liabilities:		
Resale agreements	1,135,814	2,523,975
Loans receivable	(123,863)	545,037
Receivable from customers	(658,083)	131,240
Receivable from brokers	449	-
Due from subsidiary	-	9,827
Accounts receivable	24,659	170,273
Repurchase agreements	(765,025)	(1,083,648)
Payable to customers	(780,281)	(631,297)
Payable to brokers	171,006	176,594
Accounts payable	1,237,638	731,817
Interest and dividends received	240,943	2,599,393
Interest paid	(152,267)	(123,182)
Income tax paid	(50,904)	(99,484)
Net cash provided by operating activities	327,105	2,613,162
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(2,591)	(430)
Acquisition of intangible assets	-	(271)
Investment securities, net movement	(669,822)	(1,737,529)
Net cash used in investing activities	(672,413)	(1,738,230)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	316,450	-
Dividend paid	(45,001)	-
Lease liabilities	(1,698)	-
Net cash provided by financing activities	269,751	-
(Decrease)/increase in net cash and cash equivalents	(75,557)	874,932
Net cash and cash equivalents at beginning of period	1,917,241	740,538
Effect of exchange rate changes on cash and cash equivalents	8,155	5,742
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,849,839	1,621,212

VICTORIA MUTUAL INVESTMENTS LIMITED**Notes to the Consolidated Financial Statements**March 31, 2020

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 stock and investment brokering, the provision of financial and investment advisory services and money market dealing. The Company’s activities are administered by the Subsidiary Company.

The Company and the Subsidiary Company 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, 2019 (‘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, 2020

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.

	2020	2019
Number of ordinary shares	1,500,025,000	1,500,025,000
(Loss)/Profit attributable to owners of the Company	(36,901,000)	117,857,000
Basic earnings per share (cents)	<u>(2) ¢</u>	<u>8 ¢</u>

VICTORIA MUTUAL INVESTMENTS LIMITED
Top Ten Largest Shareholders as at March 31, 2020

RANK	NAME	SHAREHOLDINGS
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.	Sagikor 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.	Geoffrey Forde	5,000,000
8.	VM Wealth Equity Fund	4,791,347
9.	Rickardo Ebanks & Alda Ebanks	4,302,884
10.	PAM – Pooled Equity Fund	3,673,648

VICTORIA MUTUAL INVESTMENTS LIMITED

**Shareholdings of Senior Managers / Connected Parties
as at March 31, 2020**

NAME	SHAREHOLDINGS
Rezworth Burchenson / Valerie Burchenson	6,400,330
Valerie Burchenson / Rezworth Burchenson	249,952
Rachelle Burchenson	75,000
Oswald Burchenson	212,147
Colando Hutchinson / Frances Hutchinson	1,240,973
Nicole Adamson	139,000
Johann Adamson	240,000
Denise Marshall-Miller/ Wayne Miller	1,001,660
Denise Marshall-Miller/ Ajani Miller	25,000
Denise Marshall-Miller/ Azania Miller	25,000
Denise Marshall-Miller/Akil Parchment	25,000
Evette M. Bryan / Shulette Cox	217,839
Davie Martin/Kimberley Martin	62,000
Natalie Bennett	91,000
Hekima Reece/Tamieka Reece	240,000

VICTORIA MUTUAL INVESTMENTS LIMITED
Shareholdings of Directors / Connected Parties
as at March 31, 2020

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 Rachel Ruth McKenley	1,027,634
Matthew Gray Wright	677,252
Rezworth Burchenson/Valerie Burchenson	6,400,330
Valerie Burchenson / Rezworth Burchenson	249,952
Rachelle Burchenson	75,000
Oswald Burchenson	212,147