

Interim Consolidated Financial Statements

SIX MONTHS ENDED JUNE 30, 2020



VICTORIA MUTUAL
Investments
LIMITED



KINGSTON, JAMAICA

DATE: Wednesday, July 29, 2020

**VICTORIA MUTUAL INVESTMENTS LIMITED
REPORTS RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020**

PERFORMANCE HIGHLIGHTS –

	Quarter ended		Year to date	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Consolidated Revenue	\$449.78M	\$397.58M	\$718.16M	\$826.94M
Net Profit	\$207.79M	\$134.94M	\$170.89M	\$252.78M
Return on Average Equity	22.15%	14.50%	8.01%	14.73%
Capital to Total Assets	17.87%	16.59%	17.87%	16.59%
Efficiency Ratio	32.17%	56.88%	45.95%	58.77%
Basic Earnings per Share (\$)	\$0.14	\$0.09	\$0.11	\$0.17
Net Book Value per Share (\$)	\$2.81	\$2.73	\$2.81	\$2.73

The Board of Directors of Victoria Mutual Investments Limited (VMIL) is pleased to present the unaudited consolidated results for the quarter and six months ended June 30, 2020. The second quarter of 2020 showed a significant improvement over the first quarter despite the instability of the local and global investment markets being impacted by the ongoing COVID-19 pandemic.

CONSOLIDATED FINANCIAL PERFORMANCE

For the second quarter ended June 30, 2020, VMIL recorded a profit after tax of \$207.79 million reflecting an impressive increase of \$244.69 million when compared to the previous quarter; and an increase of \$72.85 million or 53.99% when compared to the second quarter of 2019. Consolidated profit after tax for the six months ended June 30, 2020 was \$170.89 million, reflecting a decrease of \$81.89 million or 32.40% when compared to the corresponding period for 2019. Earnings per share for the same period was \$0.11 (June 30, 2019: \$0.17).

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Consolidated revenue for the six-month period was \$718.16 million, reflecting a decrease of \$108.78 million over the \$826.94 million for the corresponding period of 2019. The Group's performance was adversely impacted by an increase in interest expense and a reduction in gains from investment activities.

This performance was predominantly driven by the following:

- Our Capital Markets Unit had a strong second quarter performance with fee income of \$174.55 million, representing an increase of \$98.75 million when compared with the first quarter.
- Gains from Investment activities has made a turnaround in the second quarter, reporting a gain of \$3.71 million when compared to a loss of \$100.84 million in the first quarter.
- Continued strong performance of our Asset Management Unit, with our Classic Income and Property Portfolios generating market leading returns. Our Asset Management Unit will, in the future, benefit from the expanded distribution channels.
- Our Bond Trading Desk continued its steady earnings, contributing revenues of \$118.77 million for the June 2020 quarter.

Additionally:

- Our HR Engagement Index, a key strategic metric, showed a 7% improvement to 79% year over year, as efforts continue towards executing on our Employee Value Proposition. Key Drivers showing an improvement were Culture, Opportunity, Rewards and Recognition, Work Life and Leadership.
- In keeping with our commitment to empower our clients with knowledge for their financial well-being, this quarter we executed on various educational initiatives, including our flagship VM Wealth Talks series. Three webinars were executed themed 'Stock Markets Exposed', 'Coping Strategies for Children' and 'Business and Investment Strategies for a Pandemic Era'.

Operating expenses for the period under review totalled \$611.56 million, representing an increase of \$109.13 million or 21.72% when compared to the prior year period. The increase in expenses was primarily attributable to an increase in costs related to people development of \$49.45 million or 20.16%. Other expenses related to impairment losses on financial assets, asset tax and support services required to grow our business.

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CONSOLIDATED FINANCIAL POSITION

ASSETS

Our loan portfolio for the six-month period increased by \$1.21 billion to \$2.29 billion, which was offset by a decrease in our investment securities of \$2.20 billion resulting in a year over year decrease in total assets by \$1.11 billion or 4.51%.

LIABILITIES

Total liabilities were \$19.34 billion as at June 30, 2020, a decrease of \$1.23 billion or 5.97% from last year, driven mainly by a decrease of 8.07% in repurchase agreements.

CAPITAL

Our capital base continues to be strong with total shareholders' equity standing at \$4.21 billion as at June 30, 2020, increasing by \$116 million or 2.85% from \$4.09 billion at the end of June 2019. This resulted in a book value per share of \$2.81 (2019: \$2.73). The movement in total equity is mainly attributable to:

- the net increase of \$231.16 million in retained earnings, representing the undistributed portion of our 2019 earnings and current period's net profit;
- the year over year decrease of \$117.87 million in the investment revaluation reserve, representing a net revaluation loss on investment securities and equity instruments.

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 16.00%, which is above the regulatory requirement of 10%. VM Wealth's capital to total assets ratio of 17.41% as at June 30, 2020 exceeded the regulatory minimum of 6%.

OFF-BALANCE SHEET HIGHLIGHTS

Assets managed on behalf of clients under management agreements on a non-recourse basis, grew by \$530.23 million or 1.88%, from \$28.17 billion as at June 30, 2019 to \$28.70 billion as at the end of the current period.

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ACKNOWLEDGEMENT

The first half of 2020 has tested the resolve, tenacity and dedication of our team members and we acknowledge with pride, their sterling contribution to serving our Valued Clients. We also take this opportunity to thank our Valued Clients, for the opportunity to serve them each day and guide them in their thrust to create, **grow and sustain their wealth**.

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:

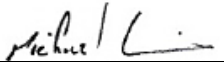
Clover Moore, Assistant Vice President - Corporate Affairs and Communications
Victoria Mutual Group


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

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Financial Position
June 30, 2020

	Unaudited June 30, 2020 \$'000	Unaudited June 30, 2019 \$'000	Audited December 31, 2019 \$'000
ASSETS			
Cash and cash equivalents	1,538,308	2,338,255	1,917,241
Resale agreements	2,879,714	2,164,262	3,937,275
Investment securities	15,045,614	17,242,667	16,718,180
Investment in associated company	74,602	-	90,766
Net investments in finance leases	24,671	95,651	30,688
Loans and advances	2,290,786	1,076,207	1,876,637
Accounts receivable:			
- Customers	598,907	873,495	16,550
- Brokers	-	-	449
- Other	474,301	447,833	313,326
Income tax recoverable	131,613	56,229	40,397
Deferred tax asset	53,272	56,577	-
Property, plant and equipment	187,458	17,287	113,006
Intangible assets	249,734	292,550	273,186
TOTAL ASSETS	23,548,980	24,661,013	25,327,701
LIABILITIES AND EQUITY			
Liabilities:			
Due to parent company	125,898	4,179	116,739
Borrowings	3,334,320	1,410,625	2,410,625
Accounts payable:			
- Customers	-	886,067	925,785
- Brokers	173,419	250,532	-
- Other	674,919	1,764,388	414,296
Repurchase agreements	14,908,930	16,218,262	16,999,392
Lease liabilities	89,653	-	93,897
Deferred tax liability	-	-	5,939
Employee benefit obligation	34,200	36,000	34,200
TOTAL LIABILITIES	19,341,339	20,570,053	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	1,244,639	1,362,511	1,489,713
Other reserve	5,734	2,334	5,734
Retained earnings	2,175,381	1,944,228	2,049,494
TOTAL EQUITY	4,207,641	4,090,960	4,326,828
TOTAL LIABILITIES AND EQUITY	23,548,980	24,661,013	25,327,701

Approved for issue by the Board of Directors on July 29, 2020 and signed on its behalf by:


 Michael Morris Chairman


 Rezworth Burchenson Chief Executive

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Six Months ended June 30, 2020

	Quarter ended June 30, 2020	Quarter ended June 30, 2019	Year to date June 30, 2020	Year to date June 30, 2019
	\$'000	\$'000	\$'000	\$'000
Interest income	219,988	197,406	461,859	398,402
Interest expense	(160,275)	(132,233)	(322,300)	(258,053)
Net interest income	59,713	65,173	139,559	140,349
Gains from investment activities	127,112	87,287	120,211	167,279
Net fees and commissions	284,130	207,771	474,170	489,507
Other income	(21,171)	37,349	(15,784)	29,803
Other operating revenue	390,071	332,407	578,597	686,589
Net interest income and other operating revenue	449,784	397,580	718,156	826,938
Staff costs	(150,176)	(124,112)	(294,711)	(245,262)
Other operating costs	(119,042)	(102,044)	(281,591)	(240,722)
Provision for credit losses on financial assets	5,469	(7,582)	(35,257)	(16,442)
	(263,749)	(233,738)	(611,559)	(502,426)
Operating profit	186,035	163,842	106,597	324,512
Share of loss in associate	(7,039)	-	(16,164)	-
Profit before income tax	178,996	163,842	90,433	324,512
Income tax	28,793	(28,901)	80,455	(71,733)
Profit for the period	207,789	134,941	170,888	252,779
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)	(64,150)	561,510	(302,320)	892,500
	(64,150)	561,510	(302,320)	892,500
Items that may be reclassified to profit or loss:				
Change in fair value of investment securities	1,150,093	125,796	85,869	327,387
Deferred tax on change in fair value of investment securities	(383,364)	(41,932)	(28,623)	(109,129)
	766,729	83,864	57,246	218,258
Other comprehensive income/(loss) net of tax	702,579	645,374	(245,074)	1,110,758
Total comprehensive income/(loss) for the period	910,368	780,315	(74,186)	1,363,537
Basic earnings per share (expressed in \$ per share)	<u>\$ 0.14</u>	<u>\$ 0.09</u>	<u>\$ 0.11</u>	<u>\$ 0.17</u>

VICTORIA MUTUAL INVESTMENTS LIMITED

Consolidated Statement of Changes in Equity

Six Months ended June 30, 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	-	-	-	-	252,779	252,779	-	252,779
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	218,258	-	-	218,258	-	218,258
Net gains on equity instruments designated at fair value	-	-	892,500	-	-	892,500	-	892,500
Total other comprehensive income for the period	-	-	1,110,758	-	-	1,110,758	-	1,110,758
Total comprehensive income for the period	-	-	1,110,758	-	252,779	1,363,537	-	1,363,537
Transaction with shareholders:								
Dividends	-	-	-	-	(45,001)	(45,001)	-	(45,001)
Balances as at June 30, 2019	707,887	24,000	1,362,511	2,334	1,944,228	4,040,960	50,000	4,090,960
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	-	-	-	-	170,888	170,888	-	170,888
Other comprehensive loss:								
Change in fair value of investment securities, net of deferred tax	-	-	57,246	-	-	57,246	-	57,246
Net loss on equity instruments designated at fair value	-	-	(302,320)	-	-	(302,320)	-	(302,320)
Total other comprehensive loss for the period	-	-	(245,074)	-	-	(245,074)	-	(245,074)
Total comprehensive loss for the period	-	-	(245,074)	-	170,888	(74,186)	-	(74,186)
Transaction with shareholders:								
Dividends	-	-	-	-	(45,001)	(45,001)	-	(45,001)
Balances as at June 30, 2020	707,887	24,000	1,244,639	5,734	2,175,381	4,157,641	50,000	4,207,641

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Cash Flows
Six months ended June 30, 2020

	June 30, 2020	June 30, 2019
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	170,888	252,779
Adjustments for items not involving cash:		
Depreciation of property, plant & equipment	9,129	3,296
Amortisation of intangible assets	25,066	24,623
Impairment loss on investments	31,959	16,236
Impairment loss on margin loans	2,135	206
Interest income	(461,859)	(398,402)
Interest expense	322,300	258,053
Income tax (credit)/expense	(80,455)	71,733
Loss from interest in associate	16,164	-
Gains from investment activities	(120,212)	(167,279)
Unrealised exchange gains	(21,666)	(19,493)
Fair value gains/(losses) on securities at fair value through profit or loss	106,083	(8,202)
Operating (loss)/profit before changes in operating assets and liabilities:	(468)	33,550
Changes in operating assets and liabilities:		
Resale agreements	1,101,321	1,959,018
Receivable from customers	(570,943)	11,898
Receivable from brokers	449	-
Accounts receivable - other	120,622	173,415
Loan advances	(514,885)	251,143
Repurchase agreements	(2,295,907)	671,848
Payable to customers	(957,470)	(455,741)
Payable to brokers	173,419	122,937
Accounts payable – other	169,593	1,323,729
	(2,774,269)	4,091,797
Interest and dividends received	500,738	422,533
Interest paid	(320,166)	(246,112)
Income tax paid	(98,595)	(151,369)
Net cash (used in)/provided by operating activities	(2,692,292)	4,116,849
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(83,580)	(840)
Acquisition of intangible assets	(1,751)	(635)
Investment securities, net movement	1,508,109	(2,503,341)
Net cash provided by/(used in) investing activities	1,422,778	(2,504,816)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	923,695	-
Dividend paid	(45,001)	(45,001)
Lease liabilities	(4,244)	-
Net cash provided/(used in) by financing activities	874,450	(45,001)
(Decrease)/increase in net cash and cash equivalents	(395,064)	1,567,032
Net cash and cash equivalents at beginning of period	1,917,241	740,538
Effect of exchange rate changes on cash and cash equivalents	16,131	30,685
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,538,308	2,338,255

VICTORIA MUTUAL INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements
June 30, 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 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, 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
June 30, 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. Dividends

At the Board of Directors meeting held on February 28, 2020, a resolution was passed approving the payment of a final dividend for 2019 of \$0.03 per share amounting to \$45,000,750, which was paid on March 27, 2020 to shareholders on record as at March 13, 2020.

6. 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 six-month period.

	2020	2019
Number of ordinary shares	1,500,025,000	1,500,025,000
Profit attributable to owners of the Company	170,888,000	252,779,000
Basic earnings per share (expressed in \$ per share)	<u>\$0.11</u>	<u>\$0.17</u>

VICTORIA MUTUAL INVESTMENTS LIMITED
Top Ten Largest Shareholders as at June 30, 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.	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	4,117,221
10.	PAM – Cable & Wireless Pension Real Estate Fund	3,331,091

VICTORIA MUTUAL INVESTMENTS LIMITED
Shareholdings of Senior Managers / Connected Parties
as at June 30, 2020

NAME	SHAREHOLDINGS
Rezworth 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 S. Reece	240,000

VICTORIA MUTUAL INVESTMENTS LIMITED
Shareholdings of Directors / Connected Parties
as at June 30, 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	1,045,475
Matthew Gray Wright	677,252
Rezworth Burchenson/Valerie Burchenson Rachelle Burchenson Oswald Burchenson	6,937,429