VICTORIA MUTUAL
Investments
LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER ENDED JUNE 30, 2018

Victoria Mutual Investments Limited

PRESS RELEASE

KINGSTON, JAMAICA
DATE: TUESDAY, AUGUST 14, 2018

VICTORIA MUTUAL INVESTMENTS LIMITED
REPORTS RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

PERFORMANCE HIGHLIGHTS –

	Quarter ended		Year to date	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Consolidated Revenue	$283.98M	$212.89M	$576.21M	$448.68M
Net Profit	$17.56M	$75.28M	$96.26M	$142.11M
Return on Average Equity	2.81%	16.68%	7.59%	16.20%
Capital to Total Assets	13.17%	11.65%	13.17%	11.65%
Efficiency Ratio	49.31%	53.71%	57.29%	58.10%
Basic Earnings per Share ($)	$0.01	$0.06	$0.06	$0.12
Net Book Value per Share ($)	$1.66	$1.58	$1.66	$1.58

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, 2018.

CONSOLIDATED FINANCIAL PERFORMANCE

Consolidated revenue for the six-month period was $576.21 million, up $127.53 million over the $448.68 million for the corresponding period of 2017. This 28.4% growth in revenue was driven by net fees and commissions, which increased by $135.77 million or 57.93% to $370.14 million, with corporate advisory fees contributing $260.59 million or 45.22% of total revenue (2017: $142.74 million or 31.81%). The growth in our corporate finance business is consistent with your Company’s strategic objectives.

Operating expenses, excluding the provision for credit losses on financial assets, totalled $330.12 million, representing an increase of $69.45 million or 26.64% when compared to the prior year, due mainly to our investment in human resources as well as systems enhancements to meet the changing needs of our business. However, our efficiency ratio improved from 58.10% for the corresponding prior year period to 57.29% for this half-year period.

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Consolidated profit before tax for the six months ended June 30, 2018 was $131.58 million, representing a decline of $56.43 million or 30.01% when compared with the previous year. Net profit was $96.26 million, a decrease of $45.85 million or 32.26% over the prior year. Earnings per share for the six months ended June 30, 2018 was $0.06 (June 2017: $0.12).

The reduced profit when compared to 2017 reflects the Group's provision for expected credit losses in the second quarter that was primarily comprised of $109.56 million in respect of Government of Barbados global bonds (GoB bonds) held by our wholly-owned subsidiary, Victoria Mutual Wealth Management Limited, in their investments portfolio. As at June 30, 2018, there was objective evidence of impairment of these financial assets arising from a default event, such that the credit risk of the assets was deemed to have increased significantly. The resulting credit loss provision was determined in accordance with the requirements of the new accounting standard, IFRS 9 *Financial Instruments,* which was adopted by the Group effective January 1, 2018. As outlined in Note 4 (b)(ii) of the interim consolidated financial statements, under IFRS 9's 'expected credit loss' (ECL) impairment model, 'Lifetime' ECLs result from all possible default events over the expected life of a financial instrument.

If it had not been for the credit loss provision on the GoB bonds, net profit for the quarter and six months ended June 30, 2018 would have been $90.6 million and $169.3 million, respectively, being 20.35% and 19.13% over the respective comparative 2017 periods. We continue to hold these securities and monitor the discussions between the Government of Barbados and the IMF and its external creditors, the outcome of which we believe will provide a platform for a recovery of the Barbadian economy. Additionally, the GoB bonds have recovered some value since the default event on June 1, 2018.

CONSOLIDATED FINANCIAL CONDITION

ASSETS

Total assets increased year over year by $2.65 billion or 16.32% to $18.9 billion as at June 30, 2018. This was partly attributable to an increase of $1.38 billion in investment securities, which was in line with the Group's strategy for managing investment portfolios.

LIABILITIES

Total liabilities were $16.41 billion as at June 30, 2018, an increase of $2.06 billion or 14.3% from last year, driven mainly by funds raised by VMIL from the issue of bonds in August 2017 and March 2018 that will enable us to execute on our strategies.

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CAPITAL

Our capital base continues to be strong with total shareholders' equity standing at $2.49 billion as at June 30, 2018, up by $596.39 million or 31.5% from $1.89 billion at the end of June 2017, which resulted in a book value per share of $1.66 (2017: $1.58). The growth in total equity is mainly attributable to the net proceeds of $683.89 million raised from the successful Initial Public Offering (IPO) of 300,005,000 ordinary shares in the capital of the Company in December 2017.

Victoria Mutual Wealth Management Limited, a licensed securities dealer, continues to be well capitalised, with a risk weighted capital adequacy ratio of 14.92%, above the regulatory requirement of 10%. The capital to total assets ratio of 10.02% exceeds 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 $1.2 billion or 6.5%, from $18.42 billion as at June 30, 2017 to $19.62 billion as at the end of the current period. The year over year growth was fuelled mainly by strong net inflows of $5.47 billion to the Unit Trust portfolios.

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 appreciation to the executives, management and team members for their dedication and commendable efforts in achieving this period's financial performance.

On behalf of the Board of Directors:

PSilvera

Phillip Silvera
Director

Devon Barrett
Chief Executive Officer

For further information contact:
Clover Moore, Assistant Vice President - Corporate Affairs and Communications
Victoria Mutual Group
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VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Financial Position
June 30, 2018

	Unaudited June 30, 2018 $'000	Unaudited June 30, 2017* $'000	Audited December 31, 2017* $'000
ASSETS			
Cash and cash equivalents	578,997	423,185	3,409,989
Resale agreements	2,561,852	2,196,922	3,371,409
Investment securities	14,005,106	12,626,397	11,683,640
Accounts receivable:			
- Customers	281,313	189,324	503,037
- Other	1,048,417	598,722	761,160
Income tax recoverable	10,867	2,719	2,825
Deferred tax asset	153,911	85,952	79,860
Property, plant and equipment	23,133	24,249	23,040
Intangible assets	232,233	96,734	233,494
TOTAL ASSETS	**18,895,829**	**16,244,204**	**20,068,454**
LIABILITIES AND EQUITY			
Liabilities:			
Due to parent company	1,103	1,020	1,819
Borrowings	1,506,086	-	506,109
Accounts payable:			
- Customers	866,467	559,392	3,204,548
- Brokers	221,348	73,226	69,595
- Other	594,062	241,297	428,845
Repurchase agreements	13,168,474	13,390,456	13,164,960
Income tax payable	-	35,868	58,997
Deferred tax liability	159	201	159
Preference shares	-	12,000	-
Employee benefit obligation	49,400	38,400	49,400
TOTAL LIABILITIES	**16,407,099**	**14,351,860**	**17,484,432**
Equity:			
Share capital	707,887	24,000	707,887
Non-controlling interest	50,000	50,000	50,000
Share premium	24,000	24,000	24,000
Investment revaluation reserve	101,665	194,490	201,581
Other reserve	(9,933)	(6,600)	(9,933)
Retained earnings	1,615,111	1,606,454	1,610,487
TOTAL EQUITY	**2,488,730**	**1,892,344**	**2,584,022**
TOTAL LIABILITIES AND EQUITY	**18,895,829**	**16,244,204**	**20,068,454**

Approved for issue by the Board of Directors on August 14, 2018 and signed on its behalf by:

P Silvera ______________________ Director

Phillip Silvera

______________________ Director

Devon Barrett

*The group has initially applied IFRS 9 as at January 1, 2018. Under the transition methods chosen, comparative information is not restated.

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Six Months ended June 30, 2018

	Quarter ended June 30, 2018	Quarter ended June 30, 2017*	Year to date June 30, 2018	Year to date June 30, 2017*
	$'000	$'000	$'000	$'000
Interest income	172,739	199,570	353,664	385,414
Interest expense	(119,273)	(123,881)	(233,996)	(239,843)
Net interest income	**53,466**	**75,689**	**119,668**	**145,571**
Gains from investment activities	36,601	23,407	79,563	66,528
Net fees and commissions	170,424	112,051	370,137	234,365
Other income	23,486	1,746	6,842	2,213
Other operating revenue	**230,511**	**137,204**	**456,542**	**303,106**
Net interest income and other operating revenue	**283,977**	**212,893**	**576,210**	**448,677**
Staff costs	(74,472)	(72,730)	(156,636)	(139,715)
Other operating costs	(65,545)	(41,605)	(173,479)	(120,954)
Provision for credit losses on financial assets	(113,354)	-	(114,513)	-
	(253,371)	(114,335)	(444,628)	(260,669)
Profit before income tax	**30,606**	**98,558**	**131,582**	**188,008**
Income tax	(13,050)	(23,278)	(35,325)	(45,902)
Profit for the period	**17,556**	**75,280**	**96,257**	**142,106**
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)	14,280	-	(10,710)	-
	14,280	-	**(10,710)**	-
Items that may be reclassified to profit or loss:				
Change in fair value of investment securities	(255,560)	135,783	(300,264)	158,472
Deferred tax on change in fair value of investment securities	85,187	(35,910)	100,088	(23,924)
Provision for credit losses on securities classified at FVOCI	108,983	-	110,970	-
	(61,390)	99,873	(89,206)	134,548
Other comprehensive (loss)/income net of tax	(47,110)	99,873	(99,916)	134,548
Total comprehensive (loss)/income for the period	**(29,554)**	**175,153**	**(3,659)**	**276,654**
Basic earnings per share (expressed in $ per share)	$ 0.01	$ 0.06	$ 0.06	$ 0.12

*The group has initially applied IFRS 9 as at January 1, 2018. Under the transition methods chosen, comparative information is not restated.

VICTORIA MUTUAL INVESTMENTS LIMITED

Consolidated Statement of Changes in Equity
Six Months ended June 30, 2018

	Share capital $'000	Share premium $'000	Investment revaluation reserve $'000	Other reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balances as at December 31, 2016	**24,000**	**24,000**	**59,942**	**(6,600)**	**1,464,348**	**1,565,690**	**50,000**	**1,615,690**
Total comprehensive income:								
Profit for the period	-	-	-	-	142,106	142,106	-	142,106
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	134,548	-	-	134,548	-	134,548
Total comprehensive income for the period	-	-	134,548	-	142,106	276,654	-	276,654
Balances as at June 30, 2017	**24,000**	**24,000**	**194,490**	**(6,600)**	**1,606,454**	**1,842,344**	**50,000**	**1,892,344**
Balances as at December 31, 2017	707,887	24,000	201,581	(9,933)	1,610,487	2,534,022	50,000	2,584,022
Adjustment on initial application of IFRS 9, net of tax	-	-	-	-	(61,632)	(61,632)	-	(61,632)
Adjusted balance as at January 1, 2018	**707,887**	**24,000**	**201,581**	**(9,933)**	**1,548,855**	**2,472,390**	**50,000**	**2,522,390**
Profit for the period	-	-	-	-	96,257	96,257	-	96,257
Other comprehensive income/(loss):								
Change in fair value of investment securities, net of deferred tax	-	-	(200,176)	-	-	(200,176)	-	(200,176)
Provision for credit losses on securities classified at FVOCI	-	-	110,970	-	-	110,970	-	110,970
Change in fair value of equity instruments at FVOCI	-	-	(10,710)	-	-	(10,710)	-	(10,710)
Total other comprehensive loss for the period	-	-	(99,916)	-	-	(99,916)	-	(99,916)
Total comprehensive loss for the period	-	-	(99,916)	-	96,257	(3,659)	-	(3,659)
Transaction with shareholders:								
Dividends	-	-	-	-	(30,001)	(30,001)	-	(30,001)
Balances as at June 30, 2018	**707,887**	**24,000**	**101,665**	**(9,933)**	**1,615,111**	**2,438,730**	**50,000**	**2,488,730**

VICTORIA MUTUAL INVESTMENTS LIMITED

Consolidated Statement of Cash Flows
Six months ended June 30, 2018

	June 30, 2018	June 30, 2017
	$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	96,257	142,106
Adjustments for items not involving cash:		
Depreciation of property, plant & equipment	3,463	3,684
Amortisation of intangible assets	1,261	2,939
Provision for credit losses on financial assets	114,513	-
Interest income	(353,664)	(385,414)
Interest expense	233,996	239,843
Income tax expense	35,325	45,902
Gains from investment activities	(38,029)	(50,448)
Unrealised exchange gains	(33,161)	(1,622)
Fair value gains on securities at fair value through profit or loss	(12,425)	(14,238)
Operating profit/(loss) before changes in other assets and liabilities:	47,536	(17,248)
Changes in operating assets and liabilities:		
Resale agreements	570,515	(212,365)
Receivable from customers	148,759	(171,736)
Accounts receivable - other	(7,085)	(9,756)
Repurchase agreements	(59,822)	(574,235)
Payable to customers	(2,367,090)	337,782
Payable to brokers	151,752	66,650
Accounts payable - other	(73,342)	(176,775)
	(1,588,777)	(757,683)
Interest and dividends received	499,470	453,510
Interest paid	(261,417)	(221,276)
Income tax paid	(130,696)	(20,084)
Net cash used in operating activities	(1,481,420)	(545,533)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(3,556)	(4,447)
Acquisition of intangible assets	-	(879)
Investment securities, net movement	(2,332,952)	656,049
Net cash (used in)/ provided by investing activities	(2,336,508)	650,723
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	999,978	-
Dividend paid	(30,001)	-
Net cash provided by financing activities	969,977	-
(Decrease)/increase in net cash and cash equivalents	(2,847,951)	105,190
Net cash and cash equivalents at beginning of period	3,409,988	316,976
Effect of exchange rate changes on cash and cash equivalents	16,960	1,019
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	578,997	423,185

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 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 interest and dividend income.

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 are investment brokering, the provision of 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, 2017 ('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.

Changes to significant accounting policies are described in note 4.

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, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 9 which are described in note 4.

4. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the group's consolidated financial statements as at and for the year ended December 31, 2017. The changes in accounting policies are also expected to be reflected in the group's consolidated financial statements as at and for the year ending December 31, 2018.

Certain other new and amended standards are effective from January 1, 2018 but they do not have a material effect on the group's financial statements.

The group has initially adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from January 1, 2018. The effect of initially applying these standards is mainly attributed to an increase in impairment losses recognized on financial assets.

(a) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Management has assessed that the main impact of the standard is in respect of fees and commission income. The group earns fees and commission income on provision of brokerage activities, corporate advisory and portfolio management services and unit trust management. Based on management's review, IFRS 15 will not have a material impact on the timing and recognition of fees and commission income, therefore no adjustments have been attributed to IFRS 15 in these interim financial statements.

(b) IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 largely retains the existing requirement in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available for sale. In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated.

(i) Classification and measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt instruments; FVOCI – equity; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

4. Changes in significant accounting policies (continued)

(b) IFRS 9 *Financial Instruments (continued)*

(i) Classification and measurement (continued)

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

A debt investment is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms gives rise on specified dates to cash flows that are solely payments of principal and interest.

On initial recognition of an equity investment that is not held for trading, the group irrevocably elects, on an investment-by-investment basis, to present subsequent changes in the investment's fair value in OCI. All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

There was no effect on the measurement amounts of financial instruments as at January 1, 2018, consequent on the adoption of IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL model). The new impairment model applies to financial assets measured at amortised cost and debt instruments at FVOCI, but not to investments in equity instruments.

Under IFRS 9, loss allowances are measured on either of the following bases:

(i) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
(ii) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

The group has determined that the application of IFRS 9 impairment requirements at January 1, 2018 results in impairment allowance of $61,631,500 on financial assets as follows:

Investment securities	61,388,165
Margin loans	243,335
	$61,631,500

5. 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.

6. Borrowings

On March 29, 2018, the company issued an unsecured bond for $1,000,000,000. The bond is repayable by March 9, 2023. The bond is to be repaid by a lump sum payment and attracts a fixed interest rate of 7.75% per annum for the first two years and thereafter a variable rate of 2.50 percentage points above the weighted average yield rate applicable to the six month Jamaica Treasury Bill Tender (WATBY), held immediately prior to the commencement of each quarterly interest period, until maturity.

7. Dividends

At the Board of Directors meeting held on February 26, 2018, a resolution was passed approving the payment of an interim dividend of $0.02 per share amounting to $30,000,500, which was paid on March 23, 2018 to shareholders on record as at March 9, 2018.

VICTORIA MUTUAL INVESTMENTS LIMITED

Top Ten Largest Shareholders

as at June 30, 2018

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	6,858,186
4.	Michael McMorris & Christine McMorris	5,736,124
5.	Devon D. Barrett	5,719,518
6.	VM Wealth Equity Fund	4,791,347
7.	Rickardo Ebanks & Alda Ebanks	4,302,884
8.	PAM – Pooled Equity Fund	3,673,648
9.	Guardian Life Limited	3,324,567
10.	Peter Jonathan Reid	3,000,000
	Geoffrey Forde	3,000,000

VICTORIA MUTUAL INVESTMENTS LIMITED

Shareholdings of Senior Managers / Connected Parties
as at June 30, 2018

NAME	SHAREHOLDINGS
Devon D. Barrett	5,719,518
Rezworth Burchenson	6,577,830
Valerie Burchenson / Rezworth Burchenson	280,356
Colando Hutchinson / Frances Hutchinson	1,240,973
Karlene Mullings / Clive Mullings	50,000
Winston George Jr McKane / Karlene Mullings	5,000
Kellia McKane / Karlene Mullings	5,000
Nicole Adamson	224,000
Denise Marshall Miller / Wayne Miller	1,001,660
Ajani Miller / Denise Marshall Miller	25,000
Azania Uzoma Miller / Denise Marshall Miller	25,000
Akil Parchment / Denise Marshall Miller	25,000
Evette M. Bryan / Shulette Cox	400,000

VICTORIA MUTUAL INVESTMENTS LIMITED

Shareholdings of Directors / Connected Parties
as at June 30, 2018

NAME	SHAREHOLDINGS
Michael McMorris /Christine McMorris	5,636,124
Courtney Campbell / Pauline Campbell	1,800,000
Milton Samuda	-
Noel Hann	150,000
Phillip Silvera / Faye Silvera	245,816
Sandra Shirley	413,809
Devon D. Barrett	5,719,518
Janice McKenley / Wilfred McKenley	960,000
Matthew Gray Wright	677,252