



VICTORIA MUTUAL
Investments
LIMITED



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THIRD QUARTER ENDED SEPTEMBER 30, 2019

KINGSTON, JAMAICA

DATE: Wednesday, November 13, 2019

VICTORIA MUTUAL INVESTMENTS LIMITED REPORTS RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2019

PERFORMANCE HIGHLIGHTS

	Quarter ended		Year to date	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Consolidated Revenue	\$537.27M	\$354.10M	\$1,364.20M	\$923.03M
Net Profit	\$244.61M	\$144.74M	\$497.39M	\$240.99M
Return on Average Equity	23.01%	22.24%	18.46%	12.12%
Capital to Total Assets	18.09%	13.80%	18.09%	13.80%
Efficiency Ratio	37.63%	43.75%	50.48%	51.76%
Basic Earnings per Share (\$)	\$0.16	\$0.10	\$0.33	\$0.16
Net Book Value per Share (\$)	\$2.94	\$1.81	\$2.94	\$1.81

The Board of Directors of Victoria Mutual Investments Limited (VMIL) is pleased to present the unaudited consolidated results for the quarter and nine months ended September 30, 2019.

CONSOLIDATED FINANCIAL PERFORMANCE

Consolidated revenue for the nine-month period was \$1.36 billion, reflecting an increase of \$441.17 million over the \$923.03 million for the corresponding period of 2018. This significant 47.80% growth in revenue was driven by net fees and commissions and gains on investment activities, which increased by \$93.68 million and \$261.16 million, respectively.

Consolidated profit after tax for the nine months ended September 30, 2019 was \$497.39 million, reflecting an increase of \$256.39 million or 106.39% over the corresponding period of 2018. Earnings per share for the same period was \$0.33 (September 30, 2018: \$0.16).

For the nine months ended September 30, 2019, our business lines recorded encouraging growth:

- On Balance Sheet Assets increased by 12.86%.
- Asset Management Portfolios grew by 15.85%.
- Fee income from our Equity Brokerage Unit increased by 280.12%.

Additionally:

- During the third quarter, VMIL (The Company), acquired a 30% stake in the Barbados-based FinTech company, Carilend Caribbean Holdings Limited ("Carilend") at a cost of \$106.03 million. The purchase price allocation and any likely adjustment for goodwill is still in progress and will be completed by December 31, 2019. The principal activity of Carilend is to operate a Peer to Peer lending platform which efficiently matches borrowers with lenders.
- In keeping with our commitment to empower our clients with knowledge for their financial well-being, during the third quarter of the year we executed on various educational initiatives, including our flagship VM Wealth Talks series. The theme was 'Life After PEP', and targeted parents wanting to ensure that they and their children are financially prepared for high school and beyond.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Total assets increased year over year by \$4.70 billion or 23.89% to \$24.39 billion as at September 30, 2019, with the primary source being the increase in Investment securities, moving from \$13.15 billion as at September 30, 2018 to \$16.29 billion as at September 30, 2019.

LIABILITIES

Total liabilities were \$19.98 billion as at September 30, 2019, an increase of \$3.01 billion or 17.73% from the same period last year, driven mainly by an increase in repurchase agreements.

CAPITAL

Our capital base continues to be strong with total shareholders' equity standing at \$4.41 billion as at September 30, 2019. This resulted in a book value per share of \$2.94 (2018: \$1.81). The growth in total equity is mainly attributable to:

- the net increase of \$387.09 million in retained earnings, representing the undistributed portion of our 2018 retained earnings and current period's net profit;
- the year over year increase of \$1.19 billion in the investment revaluation reserve, representing revaluation gains on investment securities and equity instruments.

-More-

Our wholly owned subsidiary, Victoria Mutual Wealth Management Limited (VM Wealth), a licenced securities dealer, continues to be well capitalised, with a risk weighted capital adequacy ratio of 17.16%, which is above the regulatory requirement of 10%. VM Wealth's capital to total assets ratio of 16.99% as at September 30, 2019 exceeded the regulatory minimum of 6%.

OFF-BALANCE SHEET HIGHLIGHTS

Assets managed on behalf of clients, on a non-recourse basis, grew by \$3.17 billion or 13.23%, from \$23.98 billion as at September 30, 2018 to \$27.15 billion as at the end of the current period. The year over year growth was mainly fuelled by strong net inflows of \$2.56 billion into the Unit Trust portfolios.

DIVIDEND

The Board of Directors today, approved the payment of a second interim dividend of \$0.16 per share, payable on December 11, 2019 to shareholders on record as at November 27, 2019. The ex-dividend date is November 26, 2019.

ACKNOWLEDGEMENT

We express appreciation to the committed team members of the Group and our valued clients for their continued support.

On behalf of the Board of Directors:



Michael McMorris
Chairman



Rezworth Burchenson
Chief Executive Officer

For further information contact:

Clover Moore, Assistant Vice President - Corporate Affairs and Communications


Victoria Mutual Group

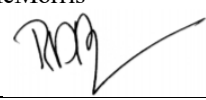
Email: Clover.Moore@myvmgroup.com | Mobile: (876) 383-2724

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Financial Position
September 30, 2019

	Unaudited September 30, 2019 \$'000	Unaudited September 30, 2018 \$'000	Audited December 31, 2018 \$'000
ASSETS			
Cash and cash equivalents	1,422,437	1,330,179	740,538
Resale agreements	3,274,755	2,149,647	4,217,141
Investment securities	16,290,862	13,146,842	13,241,358
Investment in associated company	106,103	-	-
Net Investments in finance leases	89,245	81,505	108,371
Loan receivables	1,064,095	974,966	1,376,139
Accounts receivable:			
- Customers	1,126,588	899,989	868,721
- Other	658,643	618,337	530,631
Income tax recoverable	47,946	17,157	8,621
Deferred tax asset	1,941	118,886	182,398
Property, plant and equipment	21,640	21,420	19,743
Intangible assets	285,294	327,122	316,538
TOTAL ASSETS	24,389,549	19,686,050	21,610,199
LIABILITIES AND EQUITY			
Liabilities:			
Due to Parent Society	175,328	-	-
Borrowings	1,910,625	1,006,086	1,410,625
Accounts payable:			
- Customers	612,439	995,928	1,312,170
- Brokers	320,423	412,272	127,594
- Other	961,283	902,502	447,685
Repurchase agreements	15,927,029	13,602,167	15,454,981
Income tax payable	-	-	48,720
Deferred tax liability	34,153	160	-
Employee benefit obligation	36,000	49,400	36,000
TOTAL LIABILITIES	19,977,280	16,968,515	18,837,775
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	1,439,209	185,732	251,753
Other reserves	2,334	(9,933)	2,334
Retained earnings	2,188,839	1,759,849	1,736,450
TOTAL EQUITY	4,412,269	2,717,535	2,772,424
TOTAL EQUITY AND LIABILITIES	24,389,549	19,686,050	21,610,199

Approved for issue by the Board of Directors on November 13, 2019 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
Nine Months ended September 30, 2019

	Quarter ended September 30, 2019 \$'000	Quarter ended September 30, 2018 \$'000	Year to date September 30, 2019 \$'000	Year to date September 30, 2018 \$'000
Interest income	216,962	172,173	615,365	523,242
Interest expense	(144,257)	(109,564)	(402,310)	(340,965)
Net interest income	72,705	62,609	213,055	182,277
Gains from investment activities	254,015	80,576	421,294	160,138
Net fees and commissions	184,097	210,527	673,604	579,929
Other income	26,448	389	56,251	690
Other operating revenue	464,560	291,492	1,151,149	740,757
Net interest income and other operating revenue	537,265	354,101	1,364,204	923,034
Staff costs	(117,127)	(89,910)	(362,389)	(246,546)
Other operating costs	(85,019)	(65,018)	(326,278)	(231,220)
Provision for credit losses on financial assets	(4,408)	(4,222)	(20,311)	(118,735)
	(206,554)	(159,150)	(708,978)	(596,501)
Profit before income tax	330,711	194,951	655,226	326,533
Income tax	(86,103)	(50,212)	(157,836)	(85,538)
Profit for the period	244,608	144,739	497,390	240,995
Other Comprehensive Income:				
Items that will never be reclassified to profit or loss:				
Change in fair value of equity investments designated at fair value through other comprehensive income (FVOCI)	(53,550)	47,940	838,950	37,230
	(53,550)	47,940	838,950	37,230
Items that may be reclassified to profit or loss:				
Change in fair value of investment securities	195,373	51,967	522,759	(137,327)
Deferred tax on change in fair value of investment securities	(65,124)	(15,840)	(174,253)	84,248
	130,249	36,127	348,506	(53,079)
Other comprehensive income/(loss) net of tax	76,699	84,067	1,187,456	(15,849)
Total comprehensive income for the period	321,307	228,806	1,684,846	225,146
Basic earnings per share (expressed in \$ per share)	<u>\$0.16</u>	<u>\$0.10</u>	<u>\$0.33</u>	<u>\$0.16</u>

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Changes in Equity
Nine Months ended September 30, 2019

	<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 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	-	-	-	-	240,995	240,995	-	240,995
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	(53,079)	-	-	(53,079)	-	(53,079)
Net gains on equity instruments designated at fair value	-	-	37,230	-	-	37,230	-	37,230
Total other comprehensive loss for the period	-	-	(15,849)	-	-	(15,849)	-	(15,849)
Total comprehensive income for the period	-	-	(15,849)	-	240,995	225,146	-	225,146
Transaction with shareholders:								
Dividends	-	-	-	-	(30,001)	(30,001)	-	(30,001)
Balances as at September 30, 2018	707,887	24,000	185,732	(9,933)	1,759,849	2,667,535	50,000	2,717,535
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	-	-	-	-	497,390	497,390	-	497,390
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	348,506	-	-	348,506	-	348,506
Net gains on equity instruments designated at fair value	-	-	838,950	-	-	838,950	-	838,950
Total other comprehensive income for the period	-	-	1,187,456	-	-	1,187,456	-	1,187,456
Total comprehensive income for the period	-	-	1,187,456	-	497,390	1,684,846	-	1,684,846
Transaction with shareholders:								
Dividends	-	-	-	-	(45,001)	(45,001)	-	(45,001)
Balances as at September 30, 2019	707,887	24,000	1,439,209	2,334	2,188,839	4,362,269	50,000	4,412,269

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Cash Flows
Nine months ended September 30, 2019

	September 30, 2019 \$'000	September 30, 2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit for the period	497,390	240,995
Adjustments for items not involving cash:		
Depreciation of property, plant & equipment	4,546	5,236
Amortisation of intangible assets	36,997	9,590
Impairment loss on investments	20,183	118,735
Impairment loss on margin loans	128	-
Interest income	(615,365)	(523,242)
Interest expense	402,310	340,965
Income tax expense	157,836	85,538
Gains from investment activities	(337,303)	(63,272)
Unrealised foreign exchange gains	(46,336)	(24,481)
Fair value gains on securities at fair value through profit or loss	(83,416)	(34,063)
Operating profit before changes in other assets and liabilities	36,970	156,001
Changes in operating assets and liabilities:		
Resale agreements	1,077,310	1,300,975
Receivable from customers	(199,575)	(396,952)
Accounts receivable – other	(76,277)	(237,263)
Loans receivable	269,740	(533,907)
Repurchase agreements	(12,536)	(178,895)
Payable to customers	(780,063)	(2,208,620)
Payable to brokers	192,828	342,677
Accounts payable – other	649,761	333,855
	1,158,158	(1,422,129)
Interest and dividends received	754,629	641,203
Interest paid	(363,017)	(379,432)
Income tax paid	(205,523)	(169,610)
Net cash provided by/(used in) operating activities	1,344,247	(1,329,968)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(6,442)	(3,616)
Acquisition of intangible assets	(5,753)	(103,218)
Investment in associated company	(106,103)	-
Investment securities, net movement	(1,046,914)	(1,144,837)
Net cash used in investing activities	(1,165,212)	(1,251,671)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	500,000	499,978
Dividend paid	(45,001)	(30,001)
Net cash provided by financing activities	454,999	469,977
Increase/(decrease) in net cash and cash equivalents	634,034	(2,111,662)
Net cash and cash equivalents at beginning of period	740,538	3,409,988
Effect of exchange rate changes on cash and cash equivalents	47,865	31,853
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,422,437	1,330,179

VICTORIA MUTUAL INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements
September 30, 2019

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 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, 2018 (‘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 September 30, 2019

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 May 14, 2019, a resolution was passed approving the payment of an interim dividend of \$0.03 per share amounting to \$45,000,750, which was paid on June 12, 2019 to shareholders on record as at May 29, 2019.

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 nine-month period.

	2019	2018
Number of ordinary shares	1,500,025,000	1,500,025,000
Profit attributable to owners of the Company	497,390,000	240,995,000
Basic earnings per share (expressed in \$ per share)	<u>\$0.33</u>	<u>\$0.16</u>

VICTORIA MUTUAL INVESTMENTS LIMITED

Top Ten Largest Shareholders

as at September 30, 2019

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.	Michael McMorris & Christine McMorris	5,736,124
6.	Geoffrey Forde	5,665,506
7.	VM Wealth Equity Fund	4,791,347
8.	Rickardo Ebanks & Alda Ebanks	4,302,884
9.	JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	3,757,088
10.	PAM – Pooled Equity Fund	3,673,648

VICTORIA MUTUAL INVESTMENTS LIMITED

**Shareholdings of Senior Managers / Connected Parties
as at September 30, 2019**

NAME	SHAREHOLDINGS
Rezworth Burchenson/Valerie Burchenson	6,400,330
Valerie Burchenson	249,952
Rachelle Burchenson	75,000
Oswald Burchenson	212,147
Colando Hutchinson / Frances Hutchinson	1,240,973
Nicole Adamson	139,000
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	292,839
Hekima Reece/Tamieka Reece	240,000
Natalie Bennett	91,000
Davie Martin	62,000

VICTORIA MUTUAL INVESTMENTS LIMITED

**Shareholdings of Directors / Connected Parties
as at September 30, 2019**

NAME	SHAREHOLDINGS
Michael McMorris / Christine McMorris / Easton McMorris	5,841,759
Courtney Campbell / Pauline Campbell	1,800,000
Milton Samuda	-
Noel Hann	150,000
Phillip Silvera / Faye Silvera	372,816
Sandra Shirley	413,809
Devon Barrett	500,000
Janice McKenley / Wilfred McKenley	1,000,000
Matthew Gray Wright	677,252
Rezworth Burchenson/Valerie Burchenson	6,400,330
Valerie Burchenson	249,952
Rachelle Burchenson	75,000
Oswald Burchenson	212,147