

Interim Consolidated Financial Statements

NINE MONTHS ENDED SEPTEMBER 30, 2020



VICTORIA MUTUAL
Investments
LIMITED



KINGSTON, JAMAICA

DATE: Thursday, November 12, 2020

**VICTORIA MUTUAL INVESTMENTS LIMITED
REPORTS RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**

PERFORMANCE HIGHLIGHTS –

	Quarter ended		Year to date	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Consolidated Revenue	\$615.32M	\$537.27.M	\$1,333.54M	\$1,364.20M
Net Profit	\$190.94M	\$244.61M	\$361.83M	\$497.39M
Return on Average Equity	18.85%	23.01%	11.73%	18.46%
Capital to Total Assets	14.60%	18.09%	14.60%	18.09%
Efficiency Ratio	44.06%	37.63%	63.55%	50.48%
Basic Earnings per Share (\$)	\$0.13	\$0.16	\$0.24	\$0.33
Net Book Value per Share (\$)	\$2.60	\$2.94	\$2.60	\$2.94

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, 2020.

CONSOLIDATED FINANCIAL PERFORMANCE

Consolidated revenue for the nine-month period was \$1.33 billion, reflecting a marginal decrease of \$30.66 million when compared with the corresponding period of 2019. For the quarter ended September 30, 2020 total revenue increased from \$537.27 million to \$615.32 million. It should be noted that our third quarter revenue showed a strong increase over the \$268.37 million booked in the first quarter and the \$449.78 million earned in the second quarter.

Consolidated profit after tax for the nine months ended September 30, 2020 was \$361.83 million, reflecting a decrease of \$135.56 million over the corresponding period of 2019. Earnings per share for the same period was \$0.24 (September 30, 2019: \$0.33).

-More-



Our third quarter performance was predominantly driven by:

- Our Asset Management Unit earning fees of \$94.55 million, an increase of 15% when compared to the third quarter of 2019.
- Strong performance in our Capital Markets Unit with fee income of \$162.08 million when compared to the \$72.04 million earned in the third quarter of 2019.
- Other Income, representing foreign exchange translation gains of \$157.39 million versus \$25.05 million in the third quarter of 2019.

Additionally:

In the month of October, we launched our newest location in Savanna La Mar, Westmoreland, taking to eight the number of locations island-wide. The Branch expansion is a part of our strategy to expand our client reach and improve accessibility and convenience for our clients. The number of VMWM branch locations will be increased from four to ten during 2020. Our branches already in operation are located within VMBS Branches at the University of Technology (Utech), Liguanea and Ocho Rios along with our already established locations in New Kingston (Head Office), and Branches in Portmore, Mandeville and Montego Bay. We will continue to work towards rolling out our 2 additional locations, Half Way Tree and Duke Street by the end of the fourth quarter in 2020.

Operating expenses for the period under review totalled \$901.61 million, representing an increase of \$192.63 million or 27.17% when compared to the prior year period. The increase in cost is primarily attributable to the expansion of our branch network which is aligned with our strategic goal of increasing our Asset Management business in the medium term.

The increase in other expenses is mainly related to impairment losses on financial assets arising from the pandemic related downturn in the financial market, asset tax and support services required to grow our business. Notwithstanding our expansion initiatives, cost containment efforts are an ongoing exercise resulting in third quarter costs of \$289.98 million when compared to the \$347.81 million for the first quarter of 2020.

-More-



CONSOLIDATED FINANCIAL POSITION

ASSETS

When compared to September 30, 2019, total assets increased by \$2.31 billion to \$26.70 billion, primarily attributable to the tremendous growth in our loan portfolio of \$1.27 billion. This was also complimented by a \$1.01 billion increase in investment securities.

LIABILITIES

Total liabilities were \$22.80 billion as at September 30, 2020, an increase of \$2.82 billion or 14.13% 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 \$3.90 billion as at September 30, 2020, despite the decrease of \$515.45 million (or 11.68%) from \$4.41 billion at the end of September 2019. This resulted in a book value per share of \$2.60 (2019: \$2.94). The movement in total equity is mainly attributable to:

- the net increase of \$177.48 million in retained earnings, representing the undistributed portion of our 2019 earnings and current period's net profit;
- the decrease in investment revaluation reserve of \$696.33, 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 15.95%, which is above the regulatory requirement of 10%. VM Wealth's capital to total assets ratio of 13.98% as at September 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 \$2.80 billion or 10.31%, from \$27.15 billion as at September 30, 2019 to \$29.95 billion as at the end of the current period. The year over year growth was fueled by strong net inflows of \$1.55 billion into the Unit Trust portfolios, while we had net inflows of \$1.24 billion from our Portfolio Management clients.

-More-



VICTORIA MUTUAL
Investments
LIMITED

Press
Release

ACKNOWLEDGEMENT

Notwithstanding the numerous challenges of 2020, we acknowledge with thanks the sterling contribution of our team who have been resolute in striving for excellence.

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 that reads "Michael Morris".

Michael Morris
Chairman

A handwritten signature in black ink that reads "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
September 30, 2020

	Unaudited September 30, 2020 \$'000	Unaudited September 30, 2019 \$'000	Audited December 31, 2019 \$'000
ASSETS			
Cash and cash equivalents	2,652,496	1,422,437	1,917,241
Resale agreements	3,782,805	3,274,755	3,937,275
Investment securities	16,792,800	16,290,862	16,718,180
Investment in associated company	67,103	106,103	90,766
Net investments in finance leases	23,070	89,245	30,688
Loans and advances	2,334,823	1,064,095	1,876,637
Accounts receivable:			
- Customers	-	1,126,588	16,550
- Brokers	-	-	449
- Other	347,526	658,643	313,326
Income tax recoverable	25,105	47,946	40,397
Deferred tax asset	237,996	1,941	-
Property, plant and equipment	185,035	21,640	113,006
Intangible assets	237,161	285,294	273,186
TOTAL ASSETS	26,685,920	24,389,549	25,327,701
LIABILITIES AND EQUITY			
Liabilities:			
Due to parent society	128,819	175,328	116,739
Borrowings	3,337,993	1,910,625	2,410,625
Accounts payable:			
- Customers	1,573,995	612,439	925,785
- Brokers	155,715	320,423	-
- Other	524,074	961,283	414,296
Repurchase agreements	16,946,467	15,927,029	16,999,392
Lease liabilities	87,839	-	93,897
Deferred tax liability	-	34,153	5,939
Employee benefit obligation	34,200	36,000	34,200
TOTAL LIABILITIES	22,789,102	19,977,280	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	742,878	1,439,209	1,489,713
Other reserve	5,734	2,334	5,734
Retained earnings	2,366,319	2,188,839	2,049,494
TOTAL EQUITY	3,896,818	4,412,269	4,326,828
TOTAL LIABILITIES AND EQUITY	26,685,920	24,389,549	25,327,701

Approved for issue by the Board of Directors on November 12, 2020 and signed on its behalf by:


 _____ Chairman
 Michael Morris


 _____ Chief Executive Officer
 Rezworth Burchenson

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

	Quarter ended September 30, 2020	Quarter ended September 30, 2019	Year to date September 30, 2020	Year to date September 30, 2019
	\$'000	\$'000	\$'000	\$'000
Interest income	271,709	216,962	733,448	615,365
Interest expense	(159,214)	(144,257)	(481,325)	(402,310)
Net interest income	112,495	72,705	252,123	213,055
Gains from investment activities	71,900	254,015	192,111	421,294
Net fees and commissions	260,711	184,097	734,870	673,604
Other income	170,213	26,448	154,438	56,251
Other operating revenue	502,824	464,560	1,081,419	1,151,149
Net interest income and other operating revenue	615,319	537,265	1,333,542	1,364,204
Staff costs	(152,627)	(117,127)	(447,338)	(362,389)
Other operating costs	(118,476)	(85,019)	(400,133)	(326,278)
Provision for credit losses on financial assets	(18,880)	(4,408)	(54,137)	(20,311)
	(289,983)	(206,554)	(901,608)	(708,978)
Operating profit	325,336	330,711	431,934	655,226
Share of loss in associate	(7,256)	-	(23,419)	-
Profit before income tax	318,080	330,711	408,515	655,226
Income tax	(127,144)	(86,103)	(46,689)	(157,836)
Profit for the period	190,936	244,608	361,826	497,390
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)	(188,300)	(53,550)	(490,620)	838,950
	(188,300)	(53,550)	(490,620)	838,950
Items that may be reclassified to profit or loss:				
Change in fair value of investment securities	(470,191)	195,373	(384,322)	522,759
Deferred tax on change in fair value of investment securities	156,730	(65,124)	128,107	(174,253)
	(313,461)	130,249	(256,215)	348,506
Other comprehensive (loss)/income/ net of tax	(501,761)	76,699	(746,835)	1,187,456
Total comprehensive income/(loss) for the period	(310,825)	321,307	(385,009)	1,684,846
Basic earnings per share (expressed in \$ per share – refer to note 6)	<u>\$ 0.13</u>	<u>\$ 0.16</u>	<u>\$ 0.24</u>	<u>\$ 0.33</u>

VICTORIA MUTUAL INVESTMENTS LIMITED

Consolidated Statement of Changes in Equity

Nine Months ended September 30, 2020

	<u>Share capital</u>	<u>Share premium</u>	<u>Investment revaluation reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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	-	-	-	-	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
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	-	-	-	-	361,826	361,826	-	361,826
Other comprehensive loss:								
Change in fair value of investment securities, net of deferred tax	-	-	(256,215)	-	-	(256,215)	-	(256,215)
Net loss on equity instruments designated at fair value	-	-	(490,620)	-	-	(490,620)	-	(490,620)
Total other comprehensive loss for the period	-	-	(746,835)	-	-	(746,835)	-	(746,835)
Total comprehensive (loss)/income for the period	-	-	(746,835)	-	361,826	(385,009)	-	(385,009)
Transaction with shareholders:								
Dividends	-	-	-	-	(45,001)	(45,001)	-	(45,001)
Balances as at September 30, 2020	707,887	24,000	742,878	5,734	2,366,319	3,846,818	50,000	3,896,818

VICTORIA MUTUAL INVESTMENTS LIMITED

Consolidated Statement of Cash Flows Nine months ended September 30, 2020

	September 30, 2020	September 30, 2019
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	361,826	497,390
Adjustments for items not involving cash:		
Depreciation of property, plant & equipment	15,683	4,546
Amortisation of intangible assets	37,639	36,997
Impairment loss on investments	50,281	20,183
Impairment loss on margin loans	3,856	128
Interest income	(733,448)	(615,365)
Interest expense	481,325	402,310
Income tax expense	46,689	157,836
Loss from interest in associate	23,419	-
Gains from investment activities	(192,112)	(337,303)
Unrealised exchange gains	(1,674)	(46,336)
Fair value losses/(gains) on securities at fair value through profit or loss	119,931	(83,416)
Operating profit before changes in operating assets and liabilities:	<u>213,415</u>	<u>36,970</u>
Changes in operating assets and liabilities:		
Resale agreements	197,756	1,077,310
Receivable from customers	36,941	(199,575)
Receivable from brokers	449	-
Accounts receivable - other	78,644	(76,277)
Loan receivables	(470,150)	269,740
Repurchase agreements	(280,850)	(12,536)
Payable to customers	619,662	(780,063)
Payable to brokers	155,715	192,828
Accounts payable – other	23,543	649,761
	<u>575,125</u>	<u>1,158,158</u>
Interest and dividends received	828,363	754,629
Interest paid	(456,680)	(363,017)
Income tax paid	(147,225)	(205,523)
Net cash provided by operating activities	<u>799,583</u>	<u>1,344,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(87,711)	(6,442)
Acquisition of intangible assets	(1,751)	(5,753)
Investment in associated company	-	(106,103)
Investment securities, net movement	(858,235)	(1,046,914)
Net cash used in investing activities	<u>(947,697)</u>	<u>(1,165,212)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	927,368	500,000
Dividend paid	(45,001)	(45,001)
Lease liabilities	(6,058)	-
Net cash provided by financing activities	<u>876,309</u>	<u>454,999</u>
Increase in net cash and cash equivalents	728,195	634,034
Net cash and cash equivalents at beginning of period	1,917,241	740,538
Effect of exchange rate changes on cash and cash equivalents	7,060	47,865
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>2,652,496</u></u>	<u><u>1,422,437</u></u>

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Consolidated Financial Statements September 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 September 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 the weighted average number of ordinary shares.

	Quarter ended September 30, 2020 \$'000	Quarter ended September 30, 2019 \$'000	Year to date September 30, 2020 \$'000	Year to date September 30, 2019 \$'000
Number of ordinary shares	1,500,025	1,500,025	1,500,025	1,500,025
Profit attributable to owners of the Company	190,936	244,608	361,826	497,390
Basic earnings per share (expressed in \$ per share)	\$0.13	\$0.16	\$0.24	\$0.33

VICTORIA MUTUAL INVESTMENTS LIMITED
Top Ten Largest Shareholders as at September 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.	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.	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 September 30, 2020

NAME	SHAREHOLDINGS
Rezworth Burchenson	6,400,330
Valerie Burchenson / Rezworth Burchenson	249,952
Rachelle Burchenson	75,000
Oswald Burchenson	212,147
<hr/>	
Colando Hutchinson / Frances Hutchinson	1,240,973
Nicole Adamson	139,000
Johann Adamson	240,000
<hr/>	
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
<hr/>	
Evette M. Bryan / Shulette Cox	217,839
<hr/>	
Davie Martin/Kimberley Martin	62,000
<hr/>	
Natalie Bennett	91,000
<hr/>	
Hekima Reece/Tamieka S. Reece	240,000
<hr/>	

VICTORIA MUTUAL INVESTMENTS LIMITED

**Shareholdings of Directors / Connected Parties
as at September 30, 2020**

NAME	SHAREHOLDINGS
Rezworth Burchenson/Valerie Burchenson Rachelle Burchenson Oswald Burchenson	6,937,429
Michael McMorris / Christine McMorris / Easton McMorris	5,590,329
Courtney Campbell / Pauline Campbell Dominic Campbell Adrian Campbell	1,832,826
Janice McKenley / Wilfred McKenley Rachel Ruth McKenley	1,017,841
Milton Samuda	103,646
Noel Hann	150,000
Phillip Silvera / Faye Silvera	372,816
Sandra Shirley	413,809
Devon Barrett	101,169
Matthew Gray Wright	677,252