Annual Report 2021

Transform Your Everyday

myvmgroup.com


YOU
are written in
our story; that’s
what makes us a
MUTUAL.

We are a Mutual organisation whose purpose is to empower our Members globally to achieve financial well-being through home ownership and innovative investment solutions delivered across multiple channels by an expert and caring team.

A leading Caribbean-based, Member-focused organisation transforming lives by advancing the financial well-being of individuals globally.

- Member Focus
- Integrity
- Teamwork
- Innovation
- Excellence


VM GROUP
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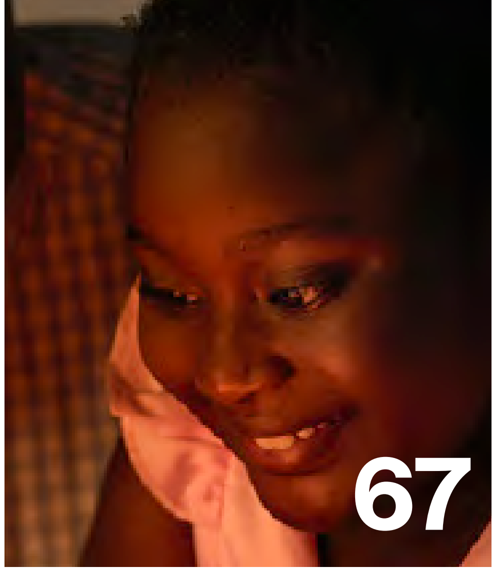
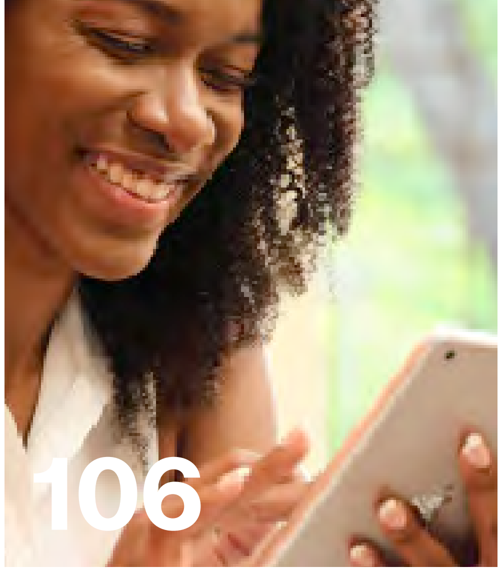
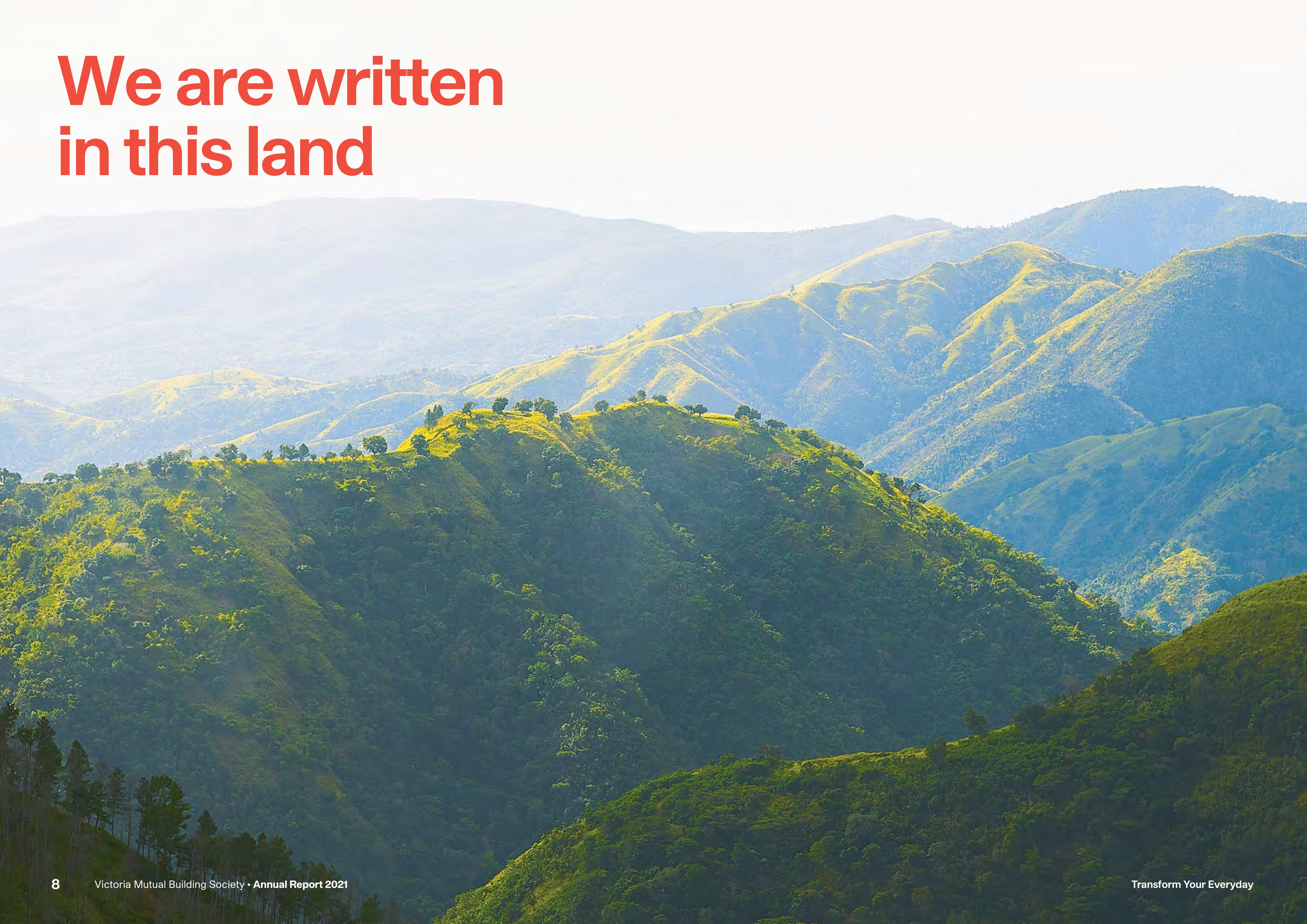




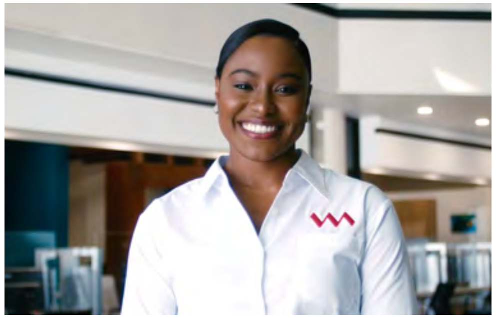
Contents

We are written in this land



The Victoria Mutual Building Society
and its Subsidiaries/Affiliates

VM's Brand Transformation:
What it Means for You



In November 2021, VM effected a transformation of the public image of the Group, including new brand colours, new logos across businesses, and a new tagline – **Transform Your Everyday**. The transformation also includes a shift away from the name 'Victoria Mutual' to, simply, VM.

The VM Group has an all new, exciting look and feel, but perhaps the most significant feature of the brand transformation is what it represents. This transformed VM is more energised, passionate, eager, and better equipped than ever to execute on our longstanding mission to uplift our Members and Clients through the provision of excellent products and services as well as life-changing financial education.

VM's spirit has been audacious since our founding and this boldness is reinvigorated for the journey ahead. Our transformation is our declaration to you that the best of VM is yet to come and that we are here to help you **Transform Your Everyday**.

About Us – The VM Story

In 1878, the Victoria Mutual Building Society was established by a group of clergymen to assist disadvantaged Jamaicans with accessing financing for home ownership. As it was then, this act of home ownership is one way that many Jamaicans are able to build wealth, not just for themselves but for future generations. Since then, our commitment to assisting Jamaicans create and maintain wealth has not changed. What has changed are the many ways that we are now able to do that. Through our subsidiaries and affiliates, we offer our Members and Clients several avenues through which to create, grow, and maintain wealth and in the process transform their lives, enabling them to achieve financial well-being.

We continue to be pioneers, developing products and services that cater to the myriad needs of our Members and Clients, and are responsive to the prevailing economic environment. It is these products and services that Members locally and across the diaspora have used as the vehicles to transform their lives. For instance, the introduction of the VM One Simplified Account in 2021 was one way that we were able advance efforts to close the gap between the banked and unbanked.

As a mutual organisation, being able to give back and build the communities we serve is fundamental to who we are. As such, our work, through the VM Foundation, has allowed us to touch the lives of many Jamaicans. Our scholarship programme provides students at the secondary and tertiary levels with opportunities to pursue its educational goals. Additionally, we have also engaged in a public-private partnership with the Ministry of Health and Wellness through their Adopt-a-Clinic programme to sponsor the St Jago Park Clinic. Another focus area for us is the implementation of our financial education programme, which is part of our broader work to improve financial literacy in Jamaica. These are but a few examples of how we support and transform the lives of our communities and we will continue to maintain this posture as we deliver on our commitment to be a **model corporate citizen**.

The evolution of the VM Group is ongoing. While we have grown leaps and bounds since we were established 143 years ago, our purpose of helping Jamaicans improve their lives has remained unchanged. In fact, despite the uncertainties of the time, we have become more resolute in supporting our Members, Clients and the wider community in achieving their financial goals.

VM Group Strategy Report

CONTINUED

What We Do

'Who We Are' is grounded in the transformation of lives. That mission frames what we do.Our mutuality demands that we remain focused on our Members. Accordingly, our work centres on ensuring that in the pursuit of the achievement of financial well-being, our Members and Clients feel empowered with knowledge to make good financial decisions. To this end, we are constantly engaging our Members and Clients across various platforms and channels to increase their financial knowledge. Our efforts in this area are supported by our improved processes and systems which enhance the ease and convenience with which our Members and Clients can access our products and services, better manage their financial transactions, and provide us with feedback on service standards.

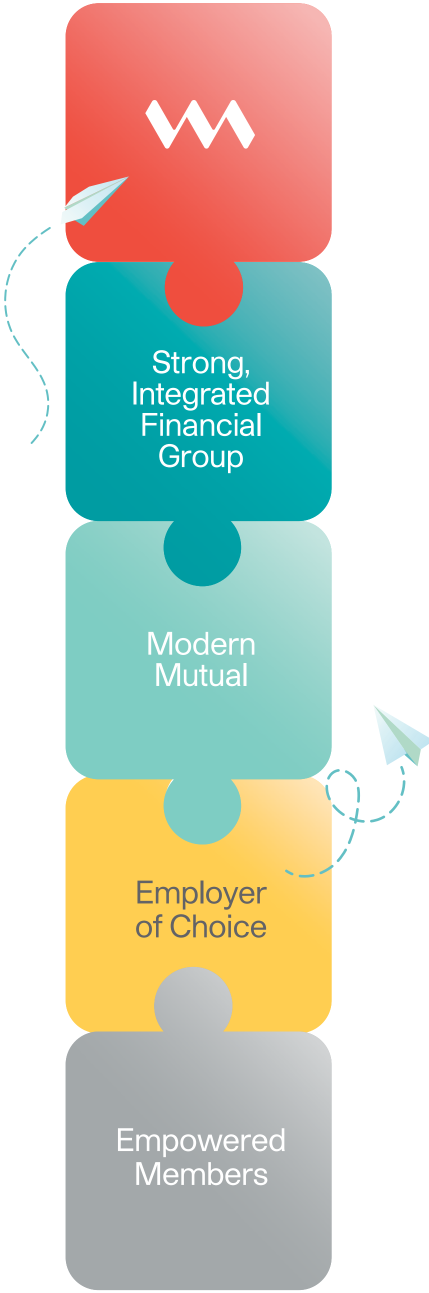
Throughout the year, our Members, Clients and the general public are able to access information on our products, services, and general financial information through many channels, including our ground-breaking podcast, VM Wealth Wise, our online banking platforms, seminars, conferences, one-on-one sessions, and town hall meetings.

Strategy in Action – Year 1

In 2020, the previous strategic plan for the period 2016-2020 came to an end. As such, a review of the strategy was required to guarantee that VM was not only responsive to the needs of our Members and Clients, but also to our rapidly changing operating environment. Following the review, the Organisation's Mission and Vision were revised to better reflect our current and future objectives. Additionally, being focused on our Members and Clients was of such importance that we believed it was necessary to very clearly integrate this into our Strategic Goals. Therefore, a new goal of 'Empowered Members' was introduced. Our Strategic Goals are the long-term aspirations of the VM Group and they demonstrate to our Members, Clients, Team Members, and communities with greater clarity the direction the Group is taking as we work towards fulfilling our purpose.

Following are the four strategic goals of the VM Group:

- **Strong, Integrated Financial Group:** The VM Group entities are cohesive and collaborate to provide high-value products, services, and customer experiences. The VM Group upholds best practices in enterprise risk management with a robust capital base and seamless and efficient processes within and across its Strategic Business Units.
- **Modern Mutual:** The VM Group leverages relationships, digital channels, and attractive infrastructure with keen attention to the voice of the customer for enhanced service delivery. The VM Group is a model corporate citizen with a culture of good conduct and service to community in Latin America and the Caribbean.
- **Employer of Choice:** The VM Group is the preferred place of work and has an engaged Team of talented and caring members who listen and collaborate for innovation and superior customer service.
- **Empowered Members:** The VM Group involves Members and Clients in critical conversations to improve financial literacy about home ownership and financial well-being. Members and Clients are rewarded for their loyalty.



Vision

To be the leading Caribbean-based mutual provider of financial services.

Mission

We are a mutual financial organisation whose purpose is to empower our Members globally to acquire their own homes and achieve financial independence by providing innovative solutions and excellent service, delivered by a highly competent and engaged Team, and through multiple channels. We are committed to partnering with our communities to improve quality of life.

Core Values

- Member Focus
- Integrity
- Teamwork
- Innovation
- Excellence

VM Group Strategy Report

CONTINUED

To integrate these elements, we have adopted the theme Transforming Lives: Driving Growth, Innovation and Resilience to guide the strategic execution for this new planning cycle. Within this framework, we continue to build on the firm foundation that has been established and reaffirm our commitment to ensuring that we are achieving our mandate. The table below reflects the progress we have made on the initiatives and projects that were slated for implementation during the 2021 financial year.

Project/Initiative	Strategic Goal Impacted	Status
Introduce FX Trading: In the fourth quarter of 2021, the VM Group introduced the Business to Business FX Trading Solution which is anticipated to be a major revenue source.	Strong, Integrated Financial Group Modern Mutual	
During 2021, there were five new products and services introduced across the VM Group which will provide our Members and Clients with more convenience and opportunities to build wealth. The five products/services were: VM One Simplified Savings Account, VM Express Video Banking, VM Wealth IPO Edge platform, OFS Online Business Banking, the Aurora Pensions Online portal, the Online Appointment System, and an automated Credit Decision Engine. The automated Credit Decision automatically applies credit policy rules which allow for a more seamless and faster credit adjudication process.	Empowered Members Modern Mutual	
Adopt COSO 2017 framework – During 2021, a comprehensive review of the VM Group's existing ERM framework was completed to ensure alignment with the 2017 COSO framework. Identified gaps were addressed and in November 2021, the Group's Risk and Finance Committee reviewed and approved the new framework, which become effective in January 2022.	Strong, Integrated Financial Group Modern Mutual	
'Great place to Work' Certification – In September 2021, the VM Group achieved the Great Place to Work Certification from the Great Place to Work Institute two years ahead of schedule. The certification demonstrates the commitment of the VM Group to creating and enabling a robust culture that fosters exceptional employee experiences.	Employer of Choice	
Increased Market Scope by brokering a deal with Canopy Insurance Limited to bring affordable life Insurance to our Members and Clients. This has expanded the number of benefits our Members and Clients receive from being part of the VM Group. Through VMIL, the Group has signed an agreement to acquire 100% of Republic Funds Barbados Inc., thereby expanding the VM footprint regionally; and completed the acquisition of an additional 2.08% equity stake in BCIC, which has resulted in a total holding of 39.24%.	Strong, Integrated Financial Group Modern Mutual	

Project/Initiative	Strategic Goal Impacted	Status
Completed the Compensation Review process as part of the Group's talent management and retention strategy.	Employer of Choice	
Establish an **Innovation Subsidiary** – The Innovation subsidiary, VM Innovations, was established at the end of 2020. There are three major projects that are at an advanced stage at VM Innovations. These are our Mortgage Ecosystem; Online Property Management system for the management of Strata and Communities; and CBDC Mobile Wallet.	Modern Mutual	
Group Restructuring – The process to restructure the VM Group is far advanced. In 2021, an application was made to our regulators, the Bank of Jamaica, requesting their approval for the new structure which will see us being able to diversify our income streams locally and internationally.	Modern Mutual	
VM Group positively affected the lives of over 100,000 persons during 2021. Major projects throughout the year included the Group's Refurbished for Change initiative, in support of students in need of laptops and tablets; Adopt-a-Clinic programme, where funding is provided to the St Jago Park Clinic; VM IgKnight, personal development and financial education programme for tertiary students; and the VM Foundation's Scholarship Programme, among others.	Modern Mutual	Completed several projects, initiative is ongoing.
Improving efficiency & productivity – A major part of improving efficiency and productivity across the Group was achieved through the Continuous Improvement Programme. During 2021, over 60 processes were digitalised or otherwise improved, including: the introduction of the Aurora Pension Management Platform; the roll-out of Phase One of the Financial Management System; and OFS Business Banking. Significant changes were also made to the Group's ICT infrastructure which improved the availability of our systems.	Modern Mutual	
Introduced the VM Wealth Client Portal and VMIL IPO Platform to improve customer experience and efficiency.	Modern Mutual Empowered Members	
Successfully executed the bold Brand Transformation of the VM Group, introducing a modern look and feel to complement the transformation of our processes and services.	Modern Mutual	

VM Group Strategy Report

CONTINUED

Project/Initiative	Strategic Goal Impacted	Status
The VM Group's Suite of Credit Cards was launched to pilot stage during the last quarter of 2021. Thus far, testing during the pilot stage has been successful and we expect that credit cards will be launched to the public within the third quarter of 2022. The suite of cards that will be introduced to the market by VM will offer competitive interest rates and major rewards and benefits. Our new co-branded Visa debit cards will be introduced in 2023.	Strong, Integrated Financial Group	

These are key projects/initiatives for the 2021 - 2023 Planning Period.

	Completed
	Ongoing

Outlook

The year 2022 will mark the second year of the current VM Group's strategic planning cycle. As the uncertainties of the COVID-19 pandemic persist and global economic growth is expected to contract, the VM Group will require, now more than ever, a creative approach, coupled with effective and efficient execution, to ensure that our targeted results are achieved. As we continuously review the status of our business, the impact of internal and external factors, and our strategy execution, we will, in 2022, undertake a formal strategic review of our performance for the first half of the journey to ensure that we are still well-positioned to achieve our key milestones while being able to take advantage of the new opportunities that will arise out of global market shifts. This may require us to reassess the relevance of planned deliverables, reshape planned programmes, and redirect planned routes.

We will remain resolute in our efforts to **drive growth, innovation and resilience** by diversifying our revenue streams, providing innovative solutions and building an engaged team as well as a robust risk management framework. This will help the VM Group deliver on its mandate to transform the lives of our Members and Clients, our Team Members, and our communities and in the process lead the change we want to see in both the local and regional financial sector. In support of this commitment, we will, as part of our Strategic Agenda for 2022, lay the groundwork for the adoption of an **Environmental, Social and Governance** (ESG) framework.

This is part of the larger discourse and dictate around our enduring mutuality and the achievement of our strategic goal of being a **Modern Mutual** while leading the charge in demonstrating the critical role organisations play in appropriately fulfilling an ESG Agenda. We look forward to building on the rich legacy of the VM Group in 2022 as we **Transform the Everyday** of our stakeholders!

Notice of Annual General Meeting

NOTICE is hereby given that the One Hundred and Forty-Third Annual General Meeting of The Victoria Mutual Building Society will be held at the **National Arena, Arthur Wint Drive, Kingston 5, in the Parish of St. Andrew, on Tuesday, August 9, 2022 at 3:00 p.m.** for Members to attend in person or attend the meeting digitally via a private live stream link, for the following purposes:

1. To receive the Audited Group Accounts for the year ended 31 December 2021 and the Reports of the Directors and Auditors.

To consider and, if thought fit, pass the following resolution:

Resolution No. 1

"THAT the Audited Group Accounts for the year ended 31 December 2021 and the Reports of the Directors and Auditors circulated with the Notice convening the meeting be and are hereby adopted."

2. To consider special business.

To consider and, if thought fit, pass the following resolutions:

Special Resolution No. 2 (a)

"THAT subject to, and contingent upon, the Scheme of Arrangement proposed by the Society being sanctioned by the Supreme Court of Judicature of Jamaica and the Supervisory Committee of the Bank of Jamaica granting its approval or no objection to the Scheme that, with effect from the Effective Date of such Scheme of Arrangement, the Society hereby changes its name to VM Building Society and that the draft Rules attached to the Scheme of Arrangement dated July 5, 2022, as an Appendix be and are hereby adopted as the Rules of the Society."

Resolution No. 2 (b)

"THAT the Directors be and are hereby authorised to bring into effect the Schemes of Arrangement and cause the Society to implement the Schemes of Arrangement relative to its various subsidiaries and affiliates."

3. To elect Directors.

The Directors retiring from office by rotation pursuant to Rule Number 59(1) of the Society's Rules are Mr. Phillip Silvera and Mr Michael McAnuff-Jones and being eligible, offer themselves for re-election.

To consider and, if thought fit, pass the following resolutions:

Resolution No. 3 (a)

"THAT Mr Phillip Silvera be and is hereby re-elected a Director of the Society."

Resolution No. 3 (b)

"THAT Mr. Michael McAnuff-Jones be and is hereby re-elected a Director of the Society."

4. To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors.

To consider and, if thought fit, pass the following resolution:

Resolution No. 4

"THAT KPMG, Chartered Accountants, be and are hereby Auditors of the Society pursuant to Rule 72 (1) of the Society's Rules to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Society".

5. To transact any other business permissible by the Society's rules at an Annual General Meeting

By Order of the Board

Keri-Gaye Brown
Secretary
Dated: 14th Day of July 2022

In accordance with and subject to the provision of Rule 89, a member of the Society is entitled to appoint a proxy to attend and vote at this meeting in his/her stead. The Proxy form shall be provided by the Secretary on request. The completed Proxy form shall be signed by the member and delivered to the Secretary at the Chief Office of the Society not less than ten (10) days before the time appointed for holding of the meeting.

Five-year Statistical Review

GROUP	2017	2018	2019	2020	2021
Balance Sheet ($'000)					
Earning Assets	110,288,310	116,101,819	129,713,545	136,640,001	167,488,629
Loans	44,069,750	48,973,660	62,035,211	77,677,406	102,843,284
Total Assets	123,174,146	133,117,216	151,932,096	166,034,983	192,261,570
Savings Fund	76,379,390	81,941,931	89,378,675	103,486,876	117,863,706
Capital and Reserves	15,468,478	15,853,409	20,109,700	22,199,655	22,672,575
Deposit Liabilities ($B)	88,425,469	95,117,659	104,148,052	105,063,228	122,230,742
Income Statement ($'000)					
Net Interest Income	4,016,521	4,220,444	4,334,241	5,077,641	5,725,648
Operating Revenue	6,532,968	7,594,686	8,998,777	12,554,131	11,012,925
Operating Expenses, excl impairment losses	5,431,981	5,502,705	6,757,389	8,051,521	8,977,857
Surplus before income tax	1,291,440	1,702,849	2,952,798	4,078,587	2,281,841
Surplus for the year after income tax	1,032,774	1,060,517	2,131,551	2,636,396	1,786,269
Share of profits of associates	210,621	87,840	210,498	111,325	320,810
Ratios					
Net Interest Margin	3.80%	3.73%	3.53%	3.81%	3.77%
Return on Capital	6.98%	6.77%	11.85%	12.46%	7.96%
Return on Average Total Assets	0.88%	0.83%	1.50%	1.66%	1.00%
Efficiency Ratio (Admin Exp:Mean Assets)	4.62%	4.29%	4.74%	5.06%	5.01%
Efficiency Ratio (Cost:Income)	80.55%	71.63%	73.38%	63.57%	79.21%
Capital & Reserves as a percentage of assets	12.56%	11.91%	13.24%	13.37%	11.79%

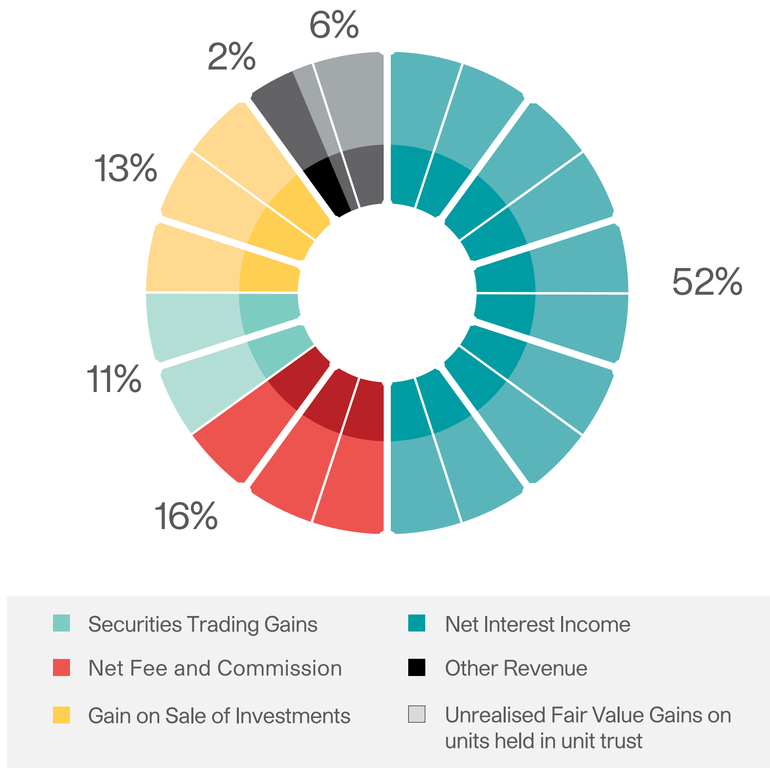
$22.7B
CAPITAL AND RESERVES

$167.5B
EARNING ASSETS

$11B
OPERATING REVENUE

Net Interest Income 2017 - 2021

Operating Revenue 2021



WE
are a Strong Integrated Group because YOU our Members are strong.

Directors' Report

The Directors take pleasure in presenting the One Hundred and Forty-Third Annual Report and Statements of Revenue and Expenditure of the Group and the Society, for the year ended 31 December 2021, together with the Statements of Financial Position of the Group and the Society, as at that date.

Surplus

The Group Revenue and Expenditure Account shows Revenue of $11.012 billion, (2020: $12.554 billion) and Net Surplus of $1.78 billion, (2020: $2.636 billion).

Directors

The Directors who served the Society since the last Annual General Meeting are:

- Mr Michael McMorris, Chairman
- Mr Matthew Wright, Deputy Chairman
- Mr Noel daCosta
- Mr Courtney Campbell
- Mrs Jeanne Robinson-Foster
- Mrs Sandra Shirley-Auxilly
- Mr Brian Goldson
- Dr Maurice McNaughton
- Mr Phillip Silvera
- Mr Michael McAnuff-Jones
- Mr Colin Wharfe

Rotation

In accordance with Rule 59 (1) of the Society's Rules, at the next Annual General Meeting, Mr Phillip Silvera and Mr Michael McAnuff-Jones will retire by rotation and, being eligible, will offer themselves for re-election.

Auditors

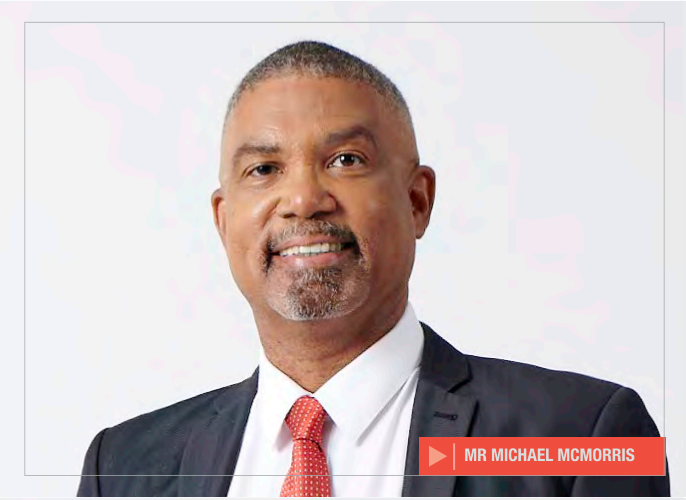
"That KPMG, Chartered Accountants, are hereby Auditors of the Society pursuant to Rule 72 (1) of the Society's Rules to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Society."

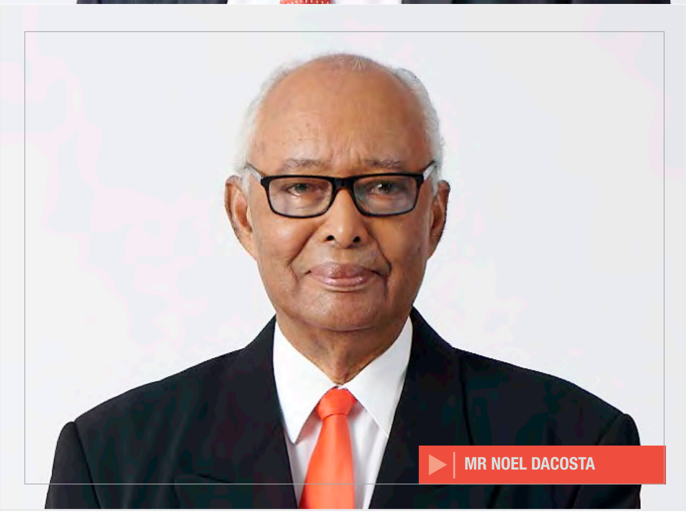
The Directors wish to record appreciation to the management and staff for their continued commitment to the Society and for their hard work during the year under review.

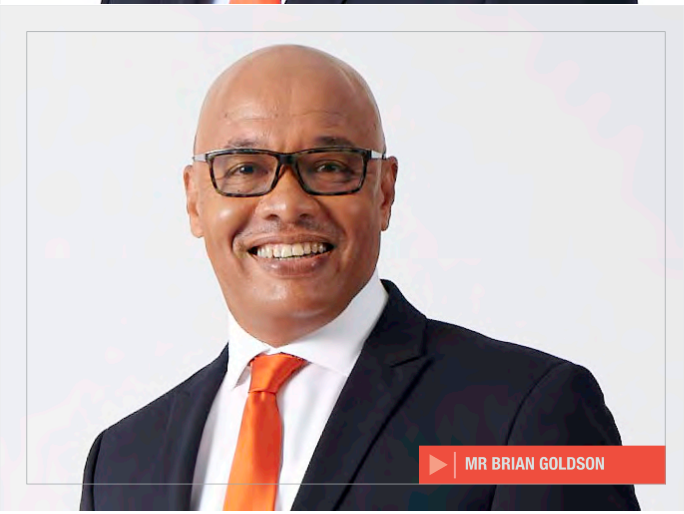
By Order of the Board
March 22, 2022

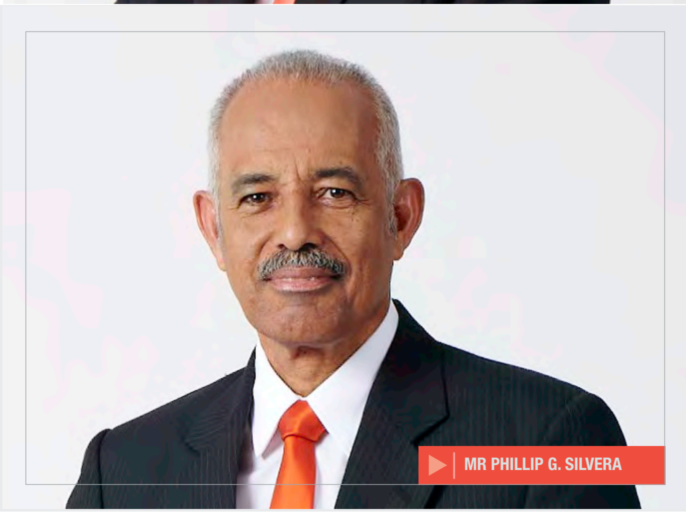
Keri-Gaye Brown
Secretary
8-10 Duke Street, Kingston
Jamaica, West Indies

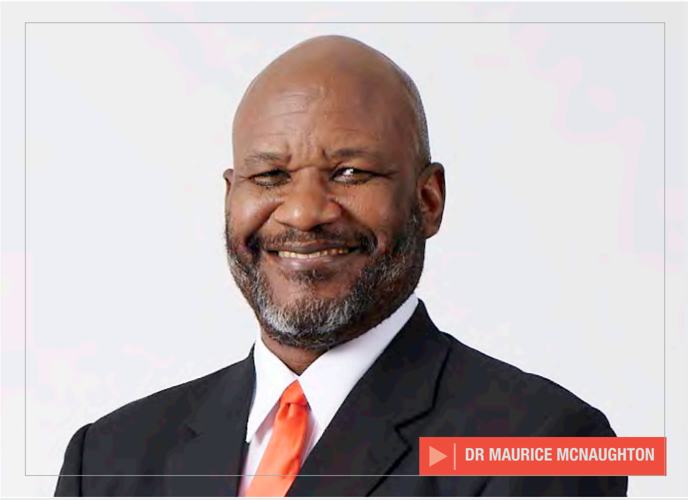
Board of Directors







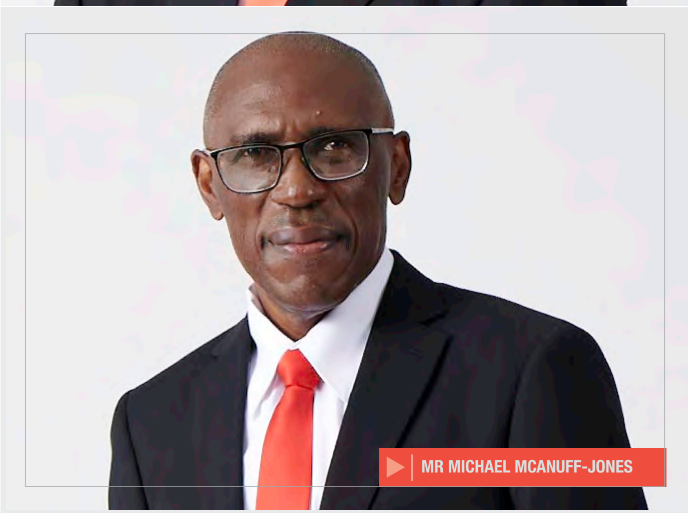




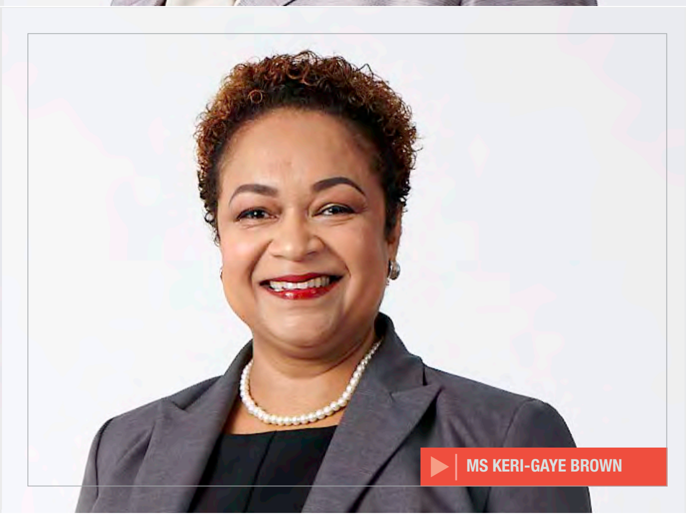
DR MAURICE MCNAUGHTON

MRS JEANNE P. ROBINSON-FOSTER

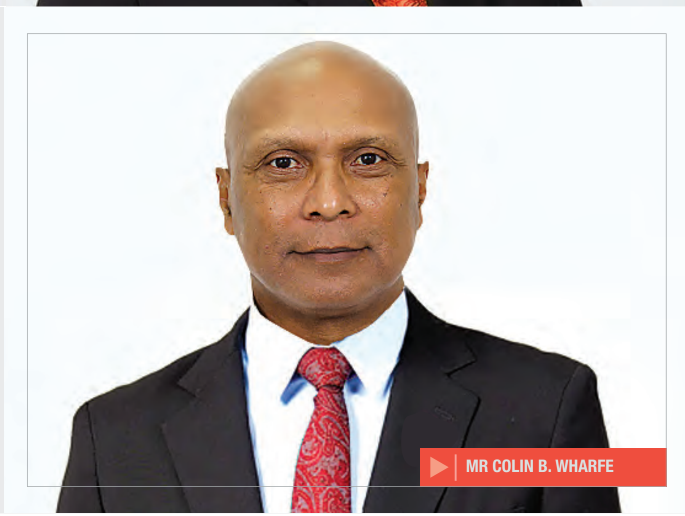
MRS SANDRA M. SHIRLEY-AUXILLY



MR MICHAEL MCANUFF-JONES



MS KERI-GAYE BROWN



MR COLIN B. WHARFE

Board of Directors

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Our Board consists of a group of experienced and highly skilled individuals who are focused on the long-term strategic direction of the business, living and breathing our VM principles.

MR MICHAEL MCMORRIS
BA
Chairman

Mr Michael McMorris is Chairman of the Board of Directors at Victoria Mutual and has held that office since 2011. He is Principal of the business management firm KRONOS Limited and works with local and international investors in the areas of new venture development and strategic management.

Mr McMorris has had a successful career in both the private and public sectors. He was previously an Executive Director of Jamaica Promotions Corporation (JAMPRO) and, prior to that, held the post of CEO with Trafalgar Commercial Bank (now First Global) and Knutsford Capital Merchant Bank, which he helped found.

Mr McMorris holds a bachelor's degree in economics and politics and public affairs from the University of Miami as well as advanced finance training from Citibank's School of Banking where he started his career.

Currently, he also serves as Chairman of Victoria Mutual Wealth Management Limited and VMBS Money Transfer Services Limited, first Vice-President of the Jamaica Chamber of Commerce, and Director of other commercial enterprises. Previously, he was President of the Merchant Bankers Association, Chairman of the Finance Committee of the Airports Authority of Jamaica, and a member of the Board of the National EXIM Bank.

MR MATTHEW WRIGHT
MPHIL, MA, BA

Matthew Wright is the Managing Director of York Investment Management S.A., an independent financial advisory firm providing global asset management solutions to the high net worth, family office, and institutional client market. He has over 24 years' experience in investment management, corporate finance, credit risk management, and real estate investment. He is a former Vice-President in the Infrastructure and Energy Finance Group of Citibank Global Capital Markets in New York, with responsibility for providing financial advisory and debt arrangement services to major infrastructure projects in North America, Latin America, and the Caribbean. Mr Wright has also served as Assistant Vice-President for Capital Markets in the Emerging Market Corporate Bank for Citibank Jamaica.

As a former Cambridge Commonwealth Scholar, he holds a Master of Philosophy in environment and development from Cambridge University in the United Kingdom, a Master of Arts in international development policy from Stanford University, California, and a Bachelor of Arts in economics from Williams College, Massachusetts. He also serves as a Board Member for VM Building Society, VM Wealth Management, and VM Finance Limited (UK).

MR COURTNEY CAMPBELL
MBA (DIST), ACIB, BSC, JP
Group President & CEO

Mr Courtney Campbell is President and Chief Executive Officer of the VM Group, a leading Jamaican financial group with operations that extend to major financial districts in North America and the United Kingdom.

Courtney assumed this position in April 2016 and immediately went about igniting a transformation of the organisation, which includes an ambitious digital strategy that has led to new products and services being delivered in modern, convenient ways. Courtney has leveraged the organisation's cultural beliefs and core values to kindle the VM Team's passion for uplifting Jamaicans. In November 2021, VM Group underwent a brand transformation, signifying publicly the reinvigorated spirit and focus of the Group. Courtney is a strident advocate for greater financial inclusion, which is the founding purpose of VM and a significant motivator behind the work that he does.

Before joining VM, Courtney had already established an enviable record of success in several senior executive roles, including that of CEO of GraceKennedy Financial Group. He also spent over 23 years with the National Commercial Bank, serving in various management positions, including Head of the Retail Banking Division and other roles instrumental to the bank's success.

He holds a BSc in management studies from The University of the West Indies and an MBA in Finance (Distinction) jointly awarded by the University of Wales & Manchester Business School. He is also a member of the Chartered Institute of Bankers, London. Courtney is a director of the VM Building Society and all its subsidiaries, as well as associate company, British Caribbean Insurance Company. He is also Chairman of the VM Foundation. Courtney is a Corporate Champion for the UWI STAT, Mona Campus, and serves on the Governor General Jamaica Trust and the Investment Committee of the Council of World Missions.

He is a former Chairman of the National Education Trust (NET) and the United Church Mission Enterprise. A Justice of the Peace, Courtney is an Advisory Board Member of the Governor General's Programme for Excellence and an 'I Believe Initiative' Ambassador. He is married to Pauline and they have two sons.

MR NOEL DACOSTA
CD, BSC, MASC, MBA, FCII, DTECH

Mr Noel daCosta has served on numerous boards in the private and public sectors, as well as charitable organisations and government-appointed national committees. He has been at the helm of several local and international organisations, including the Jamaica Chamber of Commerce, the Jamaica Institution of Engineers, the Jamaica Debates Commission, the Caribbean Breweries Association, the Master Brewers Association of the Americas, United Way of Jamaica, the National Building Code Committee, the Petroleum Trade Reform Committee, and the Caribbean Council of United Way Worldwide.

A consultant with over 15 years' experience in corporate relations, he also has more than three decades of technical and engineering leadership in the petroleum and brewing industries. He is a founding partner in the Jentech Group of Companies.

He is a graduate of The University of the West Indies and has postgraduate degrees in engineering from the University of Waterloo, Business Administration from the University of Toronto, and insurance from the Chartered Insurance Institute (UK) and is a Fellow of both the Jamaica Institution of Engineers and the Institution of Chemical Engineers (UK). He was appointed by the Government of Jamaica to the Order of Distinction in the Rank of Commander (CD) for his contributions to engineering and manufacturing and was conferred with an honorary Doctor of Technology by the University of Technology for his contribution to nation building.

MR BRIAN GOLDSON
MBA, BSC

Mr Brian Goldson is an experienced, innovative business leader and entrepreneur with an extensive and strong track record in delivering a wide range of high-volume, retail consumer transactional financial services throughout the Caribbean over the past 29 years.

A Caribbean-focused entrepreneur with investments in fintech companies, Mr Goldson has more than 29 years of proven experience in starting and building new business enterprises and leading them to top positions in their respective markets in a number of countries in the region. He has an outstanding track record in establishing and/or managing a wide range of high-volume retail consumer transactional financial services. These include the launch of Western Union Money Transfer Services; F/X Trader, a retail cambio/bureau de change; and Bill Express, a bill-payment service, in several Caribbean territories.

A former equity trader, Mr Goldson has successfully led companies to listings on capital markets. In particular, as Non-Executive Chairman, he led Access Financial Services, a micro-finance institution, to a successful listing on the Junior Market of the Jamaica Stock Exchange in October 2009. Mr Goldson served for 16 years as a member of senior management at GraceKennedy & Company, including the position of divisional director/chief operating officer, Information & Money Service Division. He was a member of the main board from 1999 to 2006. His other previous board appointments include Non-Executive Chairman of Access Financial Services and the Postal Corporation of Jamaica. Mr Goldson attained a BSc in investment finance from the University of New Orleans and an MBA specialising in strategic management and real estate finance from Georgia State University.

MR PHILLIP G. SILVERA
FCCA, FCA

Mr Phillip Silvera is a long-standing member of the Victoria Mutual family and is a former Executive Vice-President of The Victoria Mutual Building Society, where he spent 32 years in various senior positions, including Divisional President, Financial Controller and Chief Accountant.

A fellow of the Association of Chartered Certified Accountants (FCCA) UK and the Institute of Chartered Accountants (FCA) Jamaica, Mr Silvera has over four decades of experience in the financial industry. He was also a licensed Securities Dealer and served as a registered Public Accountant for many years.

He currently serves on the boards of Victoria Mutual Investments and Victoria Mutual Wealth Management. He chairs the Audit, Risk and Conduct Review Committees of both companies. Recently, he joined the Board of Kingston Properties Limited, a company listed on the Jamaica Stock Exchange.

Mr Silvera is the Chair of the Board of Directors of Topaz Christian Fellowship and a Past President of the Golden Acres Citizens' Association. He previously served on the boards of several other companies, including VMBS Money Transfer, Victoria Mutual Insurance Company, Jamaica Unit Trust and The Caribbean Graduate School of Theology. He is also a past Chairman of J.E.T.S. Limited, operators of MultiLink, Jamaica's largest payment system.

He is married to Faye and they have three children. A former head boy of St Mary High School, Mr Silvera enjoys woodworking and farming at home.

DR MAURICE MCNAUGHTON
PHD

Dr Maurice McNaughton is an engineering graduate of The University of the West Indies and holds a PhD in decision sciences from Georgia State University. He has over 20 years' senior management and leadership experience in the planning and direction of enterprise-level information technology in organisations. He currently serves as director of the Centre of Excellence for IT-enabled innovation at the Mona School of Business & Management, The University of the West Indies.

Dr McNaughton's research interest spans the domain of emerging open ICT ecosystems and integrates extensive industry experience with focused academic research about the strategic use of ICTs as an enabler of business innovation in small and large enterprises, as well as a growth-enabler for developing economies. He serves the public sector in several capacities, including as a member of the National ICT Advisory Council and the Board of Commissioners of the Overseas Examinations Commission.

Board of Directors

CONTINUED

MRS JEANNE P. ROBINSON-FOSTER
CD, BA (HONS), LLB (HONS), CLE
Chairman

Mrs Jeanne P. Robinson-Foster studied at The University of the West Indies where she earned a Bachelor of Arts degree, followed by a Bachelor of Law and the Certificate of Legal Education. A true Montegonian, she attended primary and high schools in the city and returned there to work after acquiring her professional qualification. In October 2011, she was conferred with the Order of Distinction in the Commander Class (CD), 'in recognition of her significant contribution to the legal profession and community development'.

The Attorney-at-Law has over 30 years' experience and is the founding partner of Robinson-Foster & Associates. Mrs Robinson-Foster has also earned distinction in the airline industry and teaching profession, having worked at Eastern Airlines and taught at Mount Alvernia High School and The University of Technology. She received the All-Island Courtesy Award in the Airline Industry and was the All-Island Boss of the Year in 1986.

Mrs Robinson-Foster has served as a member of the General Legal Council of Jamaica and was immediate chair of the Mutual Societies Foundation of Jamaica, which sponsored a successful intervention initiative, the Centres of Excellence Programme, in six rural high schools. A Past President of the Soroptimist Club of Jamaica, she has represented the Building Societies Association on the Governor General's Achievement Awards Cornwall County Committee and has been a Member of the Board of the UWI School of Continuing Studies and the Montego Bay Chamber of Commerce. She has also held the post of Director/Member of the Board at the Montego Co-operative Credit Union (now Gateway Co-operative Credit Union), Montego Bay High School, Barracks Road Primary, St James High School, the Cornwall Regional Hospital, and the Western School's Trust. She was also Chairman of the Board of Sam Sharpe Teachers' College and still serves as a Board Member.

She is the chair of The Good Shepherd Foundation, an interdenominational charitable organisation in Montego Bay with specific commitment to the health and education of the poor, the disabled, and the disadvantaged. She is actively involved in many other organisations, among them the International Women's Forum, and is a Deacon of the Calvary Baptist Church.

MRS SANDRA M. SHIRLEY-AUXILLY
MBA, BSC (HONS)

Mrs Sandra Shirley-Auxilly, Business Facilitator/Consultant, has extensive experience spanning over 30 years in wealth management, trust banking, and strategic planning and implementation in the United States and the Caribbean. A former licensed Securities Dealer and President of First Global Financial Services Limited, Mrs Shirley-Auxilly is a 2006 Fellow of the Jamaican Institute of Management and a member of the Private Sector Organisation of Jamaica. She is a former Director and Vice-President of The Jamaica Chamber of Commerce and has served on various other private- and public-sector boards, including as Deputy Chairman, The Jamaica Stock Exchange (2008), secretary, Securities Dealers Association (2006-2008), Commissioner, Anti-Dumping & Subsidies Commission and Jamaica Deposit Insurance Company.

A former Senior Research/Teaching Fellow – Finance, Mona School of Business, The University of the West Indies, Mona, Mrs. Shirley-Auxilly has also served in various capacities on technical assistance and project teams funded by private-sector and multilateral agencies. Her experience includes entrepreneurship and SME development. She believes in giving through service and is the Immediate Past Federation Councillor and Past President of Soroptimist International (SI) Jamaica, and a former Vice-President of SI Caribbean Network of clubs.

Mrs Shirley-Auxilly attained a BSc (Hons) in management studies from The University of the West Indies, majoring in financial accounting and finance and an MBA in finance and banking from Pace University, New York, USA. She completed a postgraduate diploma in investment appraisal and risk analysis from Queens University, Ontario, Canada. She also serves on the boards of Victoria Mutual Wealth Management, Victoria Mutual Pensions Management, and British Caribbean Insurance Company Limited and is an approved Pension Fund Trustee.

MR MICHAEL MCANUFF-JONES
MSC, MBA (DIST), ACIB, SPHRI

Michael McAnuff-Jones has vast expertise in the fields of finance and human resources, having spent many years in their practical application in various corporate roles, as well as developing academic excellence in these areas. Mr McAnuff-Jones held several key roles across the Scotiabank Group, including Accounting Manager; Assistant General Manager – Operations; Assistant General Manager – Human Resources; Senior Vice-President – Human Resources – Jamaica, Belize and Haiti; and head of Human Resources for the Scotiabank English Caribbean operations. He retired from Scotiabank in January 2017 and is currently engaged in part-time human resource management consultancy and pastoral ministry.

Mr McAnuff-Jones is Vice-President of The Human Resource Management Association of Jamaica and formerly served as executive chair of the Jamaica Institute of Financial Services. Among other public sector service, he also serves as a Director on the board of the Nature Preservation Foundation/Hope Botanical Gardens, and is Deputy Chairman of the University of Technology (UTech) council.

Mr McAnuff-Jones completed undergraduate studies in banking and finance at CAST (now University of Technology) and also holds an MSc in social sciences/human resources from the University of Leicester and an MBA (Distinction) from the University of Wales/Manchester Business School. He holds professional designations in banking, corporate secretarial practice, and human resources, with associateship in the Institute of Chartered Secretaries and Administrators, then London Institute of Bankers, and designated as an international Senior Professional in Human Resources by the Human Resource Certification Institute.

MS KERI-GAYE BROWN
MBA (DIST), LLB (HONS)

Ms Keri-Gaye Brown joined the Victoria Mutual family in August 2010 and currently holds the office of Group Chief Legal and Compliance and Corporate Secretary. An attorney-at-law who has been practising for over 15 years, she possesses extensive knowledge in the areas of banking law, insurance law, corporate secretarial, securities laws and also in the development of compliance and corporate governance policies.

Prior to joining Victoria Mutual, Keri-Gaye worked in the financial sector and as a litigation practitioner in the courts of Jamaica.

MR COLIN B. WHARFE

Mr Colin Wharfe was appointed to the Board of Directors of the Victoria Mutual Building Society in December 2020. He has more than 30 years of audit and advisory experience at PricewaterhouseCoopers (PwC), most recently as Territory Senior Partner, PwC Trinidad & Tobago and Member of the Executive Leadership Team for PwC member firms in the Caribbean Region. Mr Wharfe was also responsible for the Firm's Energy and Utilities Practice and was a member of the PricewaterhouseCoopers Global Energy, Utilities and Mining Group.

Mr Wharfe has extensive experience in strategic business development, technical financial accounting, and cross-border financing. He has an impressive record of successfully building trusted relationships with C-Suite and regional decision makers; seizing control of critical problem areas; delivering on client commitments; leadership development; and adherence to performance, quality, and ethical standards. Mr Wharfe, who is well respected for his strict personal and professional standards of integrity and ethics; earned a Bachelor of Laws from the University of London; is a Certified Information Systems Auditor; a Fellow of the Chartered Institute of Management Accountants; and a Fellow of the Association of Certified Chartered Accountants. He is a University of the West Indies Council Member and Member of the Audit Committee; a United Way Trinidad and Tobago Board Member and Chair of the Audit Committee.

Mr Wharfe is a sports aficionado, particularly of football and martial arts. He enjoys mentoring young people, which he does as the Youth/Training Development Officer at Club Sando FC in Trinidad and Tobago.

Chairman's Message

Dear Members and Clients,

Year one of the VM Group's new three-year strategic plan saw the COVID-19 pandemic raging on and the Results Focused VM Team showing remarkable resilience as they went about their work to help our Members and Clients achieve financial well-being.

As the year progressed, COVID-19 containment measures were gradually relaxed and national and global economic growth was projected to rebound by approximately 8% and 6%, respectively, in fiscal year 2021/22 (IMF). The euphoria, however, was short-lived as rising inflationary pressures dampened the outlook almost immediately to provide a new threat to our members and your Society. By the end of year, storm clouds were firmly back in place as the BOJ increased its policy interest rate to 2.5% from 0.5 %, and signalled that its action was the first in a series of rate hikes necessary to bring inflation under control.

It is against this background that the VM Group recorded a Net Surplus of $1.79 billion, 34.24% above our target. Meanwhile, the Group's Total Assets stood at $284.47 billion, representing an increase of 12.95% when compared to the previous year. These results are evidence of a robust strategy at work and reflects the Group's sustained strength and confidence that you, our Members and Clients, have in us.

In a tough year, VM Group showed tremendous grit and commitment, and this received global recognition, including via certification as an official **'Great Place to Work'** from the Great Place Institute – the global authority on workplace culture. VM was also ranked second best financial institution in the Caribbean by the Financial Times' publication, **The Banker**; and received the award for Best Advisory Financial Team in the Caribbean by Capital Finance International.

During 2021, we successfully executed a brand transformation – with a new logo, brand colours, tagline and a reinvigorated spirit. This transformation demonstrates publicly the changes that have been happening inside VM for the past few years. We are entering a new era.

Under our Continuous Improvement Programme, over 70 processes were improved or digitised during the year. Major milestones under this programme included VMBS being admitted to the Automated Clearing House (ACH), the first non-bank financial institution to be admitted; the introduction of the Aurora Pension Management Platform which provides users with access to details of their pension programmes and the ability to make change requests; and our Business Banking platform, which is part of our larger business banking ecosystem geared towards SMEs.

Additionally, we made significant progress with our corporate restructuring initiative, which will result in a more robust holding company arrangement that will see us being able to better meet your needs as the financial services industry evolves. Primarily, the corporate restructure will provide us with the latitude to take advantage of opportunities for growth without being encumbered by capital restrictions.

Another significant initiative started during the year was the development of an Environmental, Social and Governance (ESG) policy framework for the VM Group. As a mutual provider of financial services, with a focus on transforming lives, the creation of sustainable value for our Members and Clients is of paramount importance. It is against this background that the policy framework has been developed. The first ESG report for the VM Group is being published as part of this annual report.

We are focused and remain resolute as we strive to improve efficiency, streamline processes, maintain expenses and seek to accelerate our revenue growth. The first year of the three-year strategic plan was a success and I look forward to the continued growth and development of the VM Group. We remain focused on growing our customer relationships by expanding our footprint across the region; developing novel products and services to increase the number of VM touchpoints in your life where we can positively impact your future and embeding resilience to shocks, of any kind, across the Group for your enduring financial security.

I take this opportunity, on behalf of the Board of Directors, to thank the Leaders and Team Members of the VM Group for your sterling commitment to our shared mission and tremendous effort made to meet the financial needs of our Members and Clients during unprecedented times. To those loyal Members and Clients, a heartfelt thanks for your continued trust in VM. The best is yet to come for VM and we can all look forward to more success stories, especially yours in the months and years ahead.

Michael A. McMorris
VM Group Chairman

DREAMING is the language of our land. Ambition is knitted in our people.

VM Group Environmental, Social & Governance (ESG) Report 2021

Introduction

The evolution of the VM Group requires that we remain attuned to the changing needs of our environment and adapt accordingly. The role that we play in the preservation of our environment can no longer be separate from our need to remain a viable and profitable organisation. Indeed, they are inextricably linked.

The introduction of this Environmental, Social & Governance Report as part of the Group's Annual Report demonstrates our commitment to this position. ESG principles/ factors are all encompassing, with focus on a broad range of areas such as environmental considerations, specifically, climate change; natural resources; pollution; and water management. Social considerations include responsible investing and privacy and data security. These are complemented by focus on governance issues which range from the performance of the directors to diversity, equity and inclusion. With focus and consideration of these areas, the Group will be able to leverage its strengths while building capabilities, which will increase our ability to take advantage of opportunities to ensure the sustainability of our operations.

Already the VM Group has made significant strides pertaining to the aforementioned considerations. Our improvement of processes; increased Team Member engagement; increased efficiency and productivity; and improved focus on empowering our Members and Clients will be further enhanced by a robust ESG policy and execution plan, which will undoubtedly increase the value we are able to provide to our stakeholders. In fact, we are well poised as a leader in the industry to advance and encourage discussions around ESG, which will benefit our society and ,more specifically, the financial industry, as these developments will lead to greater competition among industry players as we see the value to stakeholders increase.

We are pleased to present the VM Group's first ESG report, which details the activities and initiatives that were implemented in 2021. As we work on increasing our capabilities and building a robust and resilient environmentally conscious organisation, we will provide updates on our activities with reports being published in the Group's annual reports going forward.

Corporate Governance

The Victoria Mutual Building Society and its subsidiaries (VM Group) have established a set of governance standards and principles to ensure that the Board acts in the best interest of its Members and stakeholders in alignment with the VM Group's strategy and risk appetite. The Board sets the strategy and promotes ethical leadership; preserves the Society's values; and practises sound Corporate Governance Standards to deliver long-term value to its Members.

In keeping with the sound Corporate Governance Standards, the Board of Directors continues to devote sufficient time to consider matters impacting the Society and to oversee and direct the management of the Society by performing key roles in the following areas:

VM Group's Key Functions

- Determines the Strategic Objectives of the VM Group within a framework of risk appetite and control.
- Oversees and monitors the overall financial performance.
- Ensures compliance with applicable laws and regulations.
- Executes its functions with integrity, accountability, and honesty
- Due consideration of the impact of Board decision on all stakeholders

Board Execution of Key Governance Matters for 2021

Board Composition

The Board of Directors consists of 11 members and continues to be chaired by an independent Chairman, Mr Michael McMorris. The remainder of the Board constitutes predominantly independent directors with only the Group President and CEO being part of the Executive Team.

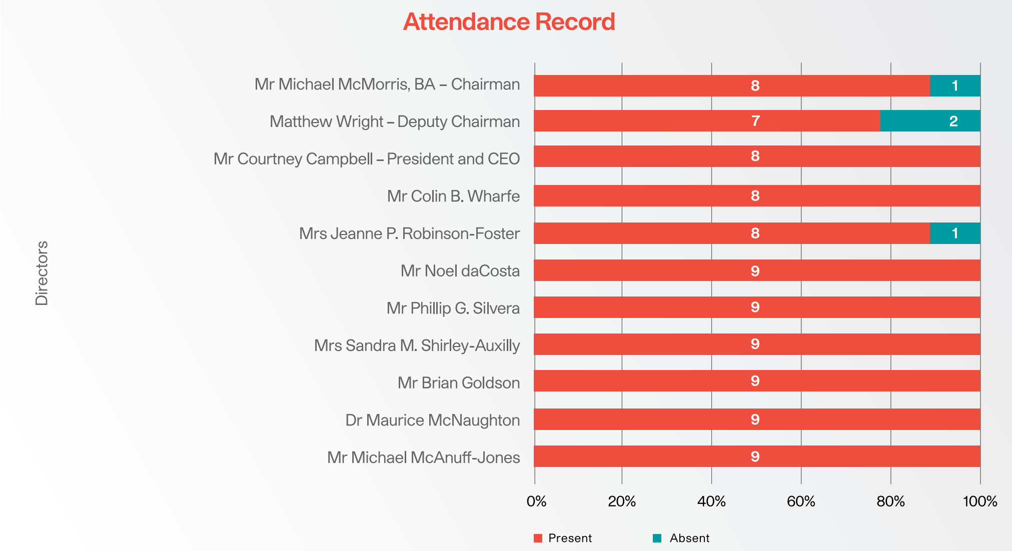
The Board has a responsibility to ensure that its composition reflects diverse skill sets, experiences, and background. During 2021, the Board conducted a review of the skill sets required for Directors to provide sound strategic direction for the Group. Following that review, the following key skill sets were identified as being necessary to effectively guide the future direction of the VM Group:

- Strategic Planning and Execution
- Digital/Information Technology Expertise
- Local Banking and Financial Industry Expertise
- Accounting/Auditing
- Strategic Marketing
- Regional/International Business Experience
- Provider of Market Access/Influence Business and Consumer Markets
- Macro Business Expertise
- Large Enterprise Management Experience
- Risk Management
- Mergers and Acquisitions
- Legal

The Board is guided by these areas in the selection of new Board Members and also to guide Management in relation to experience required at the management level to operate the business in a changing and competitive operating environment.

Board Meetings

The Board held a total of nine meetings during 2021 to review the execution of the strategic initiatives and also to focus on updating the strategic planning and execution activities. Directors demonstrate commitment to their fiduciary duties and allocate adequate time to discuss and direct the strategy and business operations of the Group through attendance at board meetings.



Board Committees

The Board has delegated oversight authority in keeping with sound principles of Corporate Governance to four committees in the areas of:

a. Audit
b. Finance and Risk Management
c. Corporate Governance, Nominations and Compensation
d. Digital and IT Committee

Each of these committees is composed exclusively of non-executive Directors, with approved Charters to guide the committees' respective roles and responsibilities. The committees report to the Board at least quarterly on matters considered by the committee, recommendations implemented, and adherence to the respective Charters.

The Group Audit Committee

The primary purpose of the Group Audit Committee is to assist the Board of Directors in fulfilling its accountability for the efficient and effective oversight of:

a. The integrity of the Society's financial statements;
b. The Society's compliance with legal and regulatory requirements.

c. The external audit function, which monitors the effectiveness of internal controls for VM Group; and
d. The internal audit function, which also monitors internal controls and the operational environment for the VM Group.

The committee also provides oversight of the audit function of all subsidiary companies of the Society.

During 2021, the Group Audit Committee held joint meetings with the Audit Committees of subsidiaries in order to assess the effectiveness of the committees and their oversight function, and to implement more robust oversight in consultation with Group Internal Audit and KPMG, the external auditors, and to ensure effective internal controls in keeping with the Enterprise Risk Management Framework.

Attendance at Committee Meetings

In 2021, the Committee held eight (8) meetings, with three (3) being held jointly with subsidiary Audit Committees. All members attended all meetings.

Group Audit Committee Members

Members	# of MEETINGS 8
Mrs Sandra Shirley-Auxilly (Chair)	8
Mr Phillip Silvera	8
Mr Colin Wharfe	8

The Group Finance and Risk Management Committee

This Committee assists the Board of Directors in fulfilling its responsibilities for financial and risk management oversight, and in particular:

a. The financial performance of all entities within the Group;
b. The allocation of the Group's capital;
c. The assessment and conduct of due diligence for potential major transactions within the Group;
d. Approval of changes to the Credit Policy and appropriate approval limits;
e. The investment and loan portfolios of the Building Society and subsidiaries, including the review and approval of significant loans and extensions of credit, which involve receiving reports from, and overseeing the work of, the Group Asset/Liability and Credit Committees;
f. Establishing the enterprise risk appetite statement and the implementation of the policy framework to guide the monitoring of a robust Risk Management System;
g. Review and evaluation of the Group's risk exposure;
h. Development and maintenance of an effective risk management culture; and
i. Monitoring of the risk identification, measurement, monitoring and control processes through the ERM Reports.

Attendance at Committee Meetings

The committee held nine (9) meetings during 2021 to consider, manage, and assess the financial performance, the deployment of capitals and the effectiveness of the Enterprise Risk Management Framework.

Group Finance and Risk Management

Members	# of Meetings 9
Mr Matthew Wright (Chair)	6
Mr Michael McMorris	9
Mr Brian Goldson	9
	9

The Group Governance, Nominations and Compensation Committee

The mandate for this Committee is to assist the Board of Directors in fulfilling its responsibilities for:

a. Designing an effective Corporate Governance Framework, undertaking periodic reviews, and making recommendations for amendment to ensure the practice of good corporate governance.
b. Identifying qualified candidates for nomination to the Board and for service on committees of the Board;
c. Overseeing the Board Performance Evaluation Survey, assessing the findings and implementation of an action plan to address the areas of focus and improvement;
d. The formulation and oversight of performance incentive systems for all business units; and
e. The establishment of a policy framework to deal with related party transactions and conflicts of interest.

Attendance at Committee Meetings

The Committee held six (6) meetings during 2021 which were attended by all members.

Group Governance, Nominations and Compensation

Members	# of Meetings 6
Michael McMorris (Chair)	6
Jeanne Robinson-Foster	6
Brian Goldson	6
Maurice McNaughton	6
Michael McAnuff-Jones	6

The Group Digital and IT Committee

This Committee was constituted in September 2020 to represent the Boards of Directors of all entities within the VM Group in focusing attention on the sustainability of the VM Group's business model and operations supported by digital transformation, robust Information Technology (IT) Strategy and execution plans and appropriate resilience standards. Its mandate includes:

a. Providing oversight and advice to each Board of Directors within the VM Group in respect of digital and IT strategy; IT investments, architecture, operating model effectiveness, delivery performance, resilience controls; and data-management strategy for the Group's business models;

b. Ensuring appropriate IT governance policies and framework are implemented to assist the Committee and the Board in managing their oversight responsibilities for robust and sound sustainable business operating model; and

c. Monitoring the effectiveness of the IT governance practices that guide the Business Model and Operations where supported by digital capabilities, IT strategy, execution plans, and appropriate IT resilience standards.

The Committee Members demonstrated commitment to the purpose of this Committee and attended at meetings.

Members	# of Meetings 4
Maurice McNaughton – (Chair)	4
Brian Goldson	4
Maya Johnston	4

Governance of Subsidiary Companies

In addition to being ultimately accountable to the Board of Directors of the Society, each subsidiary of the Society has its own Board of Directors and Committees which provide specific oversight in relation to matters concerning that particular subsidiary. Each subsidiary Board and Committee meets at least quarterly.

Board Evaluation and Performance Improvement

The Board continues to be committed to improving its effectiveness, and to that end, assesses its performance on an annual basis, with external consultants. These measures are considered vital in helping the Board safeguard its independence and efficacy in the discharge of its fiduciary responsibilities.

Highlight Main Achievements for 2021

In 2020, the Board conducted a substantial overhaul of the framework for assessment of performance, with particular focus on the evaluation tools utilised in relation to individual Directors, Committees, and Boards across the Group.

Diversity, Equity & Inclusion

The VM Group has always provided a safe and inclusive space for people. In 2021, recognising the need to embed this in our operations, in a structured, way the Group's Diversity, Equity and Inclusion Policy was created.

The Policy represents the culmination of work that has been done over the years to create an inclusive environment not only for our Team Members but also our Members, Clients and the partners with whom we do business. We embrace and foster a culture grounded on mutual respect which is also codified through our Respectable Workplace Policy.

Diversity in Leadership

At the end 2021:

- The VM Group's Senior Leadership team was 42% female
- Of the 141 managers across the Group, 67% were female

Governance Policies

Code of Business Conduct & Ethics

The VM Group abides by the Code of Business Conduct & Ethics which mandates ethical and professional standards to which each Team Member must adhere. Embedded in our Code of Business Conduct and Ethics are the values to which we adhere. Guidelines within our Code of Conduct & Ethics policy include:

- Conflict of interest
- Fair dealings
- Securities trading
- Improper handling of sensitive information

- Misappropriations
- Protection and proper use of corporate assets
- Compliance with laws, rules and regulations

Whistle-blower Policy

During 2021, a Whistle-blower Policy was approved. This policy provides Team Members with guidelines for raising legitimate issues or concerns to ensure Team Members and the organisation are protected. Team Members and other covered persons are encouraged to report any perceived breach of the Code of Business Conduct and Ethics, compliance policies, legislation, and regulations without fear of retaliation.

Whistle Blowers PTY Ltd is the independent ethics body providing ethics hotline services to private and public-sector organisations across 30 countries over six continents. Whistle Blowers PTY Ltd provides multi-channel reporting services which are available 24/7 to all Team Members, contractors, and vendors.

Other policies by which we are guided include the Electronic Communication Policy, VM Group Social Media Policy, Information Security Policy, and Personal Relationship Policy.

Stakeholder Engagement

How We Engage Our Members & Clients

As a mutual organisation, engaging our Members and Clients will always be a critical feature of our operations. Throughout 2021, we ensured that there were multiple opportunities across several channels for our Members and Clients to access timely and relevant information about our products and services. In fact, our key differentiator speaks to ‘Educating our Members and Clients so that they may achieve financial well-being, because we care’. That reflects our strong commitment to ensuring that those who have entrusted us with their financial life goals are continuously engaged. Key engagement activities throughout 2021 included:

- Continuously providing updates through various newsletters, videos, and podcasts.
- Diaspora engagement tours.
- Conducting media interviews and hosting Editors’ Forums for major publications.
- Demonstrating thought leadership through various media channels and events such as Wealth Talks and our industry-renowned Pension Seminar.

The introduction of our Complaints Management System has also seen us being able to receive and act on feedback. Additional opportunities for feedback are also afforded during our Customer Surveys, which are conducted at least quarterly.

How We Engage Our People

The formidable institution that you know as the VM Group would not be possible without the considerable influence and impact made by our Team Members. They are the lifeblood of our organisation. As such, we are committed to their continuous development. Within the VM Group, there exists a robust talent management programme which seeks to ensure that at all times there is a strong pool of talent from which we can pull to meet the dynamic needs of the organisation. The Group’s Talent Management Programme includes strategies to retain talent; provide rewards and recognition; and develop our leadership team. Our investment in our team also involves opportunities for personal development, as well as focuses on the various dimensions of wellness. All Team Members of the VM Group are required to have a development plan in place and demonstrate active pursuit of the goals specified therein.

During 2021, the Group’s development programmes consisted of targeted training courses, complemented by experience-based learning and, in some instances, a formal mentorship programme. We believe that these activities will help to strengthen our Team complement, thereby future-proofing our workforce.

Engaging Our Leadership Team

As part of the VM Group’s commitment to leadership development, a formal mentorship programme has been ongoing, where Team Members who have been identified as potential leaders are matched with an Executive Leader for mentorship. Additionally, our Executive Leaders undergo mandatory coaching to develop and enhance their leadership skills. We are committed to ensuring that we have leaders with the requisite technical skills but also those who are adept at managing people. This complements other engagement and succession planning programmes such as Senior Managers’ participation in the ‘Harvard Manage Mentor Programme’.

Additional details on our people can be found in the Human Resources section of this report.

VM Group Environmental, Social & Governance (ESG) Report 2021

CONTINUED

How We Engage Our Community

We are responsible corporate citizens. To this end, we dedicate ourselves to transforming the communities within which we operate, and the wider populace. Much of this work is done through our Foundation, the VM Foundation, which was established in 2018 as the philanthropic arm of the VM Group. The Foundation has three major focus areas through which we are able to effect change in our communities. These areas are: Leadership and Nation-Building; Health and Family; and Youth Empowerment.

Leadership and Nation Building

Health and Family

Youth Empowerment

In 2021, the VM Group, through the VM Foundation, supported the community through the following activities:

National Leadership Prayer Breakfast

The year 2021 marked the 35th consecutive year that the VM Group has supported the National Leadership Prayer Breakfast. For the first time since its inception, the event was held virtually, under the theme **'Keep Hope Alive'**. As the principal sponsor of the event, the VM Group, through the VM Foundation, donated almost $5 million, which went towards the prayer breakfast as well as its annual philanthropic initiative which was geared towards providing well-needed tablets for students across the island.

Head-Start Scholarships

The VM Group has, over the years, distinguished itself through the award of a range of scholarships to students at various levels. This programme is driven by the Group's mission to transform lives, and falls under the Youth Empowerment pillar of the Foundation. In 2021, the VM Foundation provided $6.1 million in scholarships to 52 students under the Head-Start Scholarship Programme. These financial awards were complemented with donations of tablets and laptops to each recipient. The 52 awardees include five students pursuing studies at the tertiary level, who each received J$300,000 towards their tuition, as well as three students in secondary school each receiving J$50,000, and 44 others who received bursaries valued at J$50,000 each.
This is the second consecutive year that the Foundation has included laptops and tablets as part of the scholarship awards. Team Members across the VM Group participated in this programme by volunteering as interviewers during the selection process for the Future Plan, STEM, and Master Plan Scholarships.

The Social Enterprise in Secondary Schools (SESS) Project

Since 2018, the VM Foundation has collaborated with the British Council and the Ministry of Education to execute the Social Enterprise in Secondary Schools (SESS) project. It has been one of our main outreach initiatives targeting students at secondary schools across the island, increasing their knowledge of social innovation and entrepreneurship, while also focusing on developing core skills for learning, life, and work. Thousands of students have been impacted so far. The second annual SESS summit, held in March 2021 under the theme 'Partnering to Accelerate Education', brought together various education stakeholders to discuss challenges and opportunities for the sector.

The VM Foundation has been granted a non-exclusive, irrevocable licence to continue this programme and will no longer be partnering with the British Council into 2022. This development gives the foundation latitude to transform the programme and expand its reach. As a result, in 2022, we will be rebranding this programme as VM EnRich, and adding mentorship as a new element. Mentorship will focus on individual relationships as well as on improving businesses and initiatives. We will also introduce standardised training material for the programme in an effort to integrate it in schools. Our aim for this transformation is to encourage students to become rich in social enterprise and knowledge with emphasis on the community.

Read Across Jamaica Day

Read Across Jamaica Day is one of the initiatives forming part of Education Week that most enthuses Team Members. Prior to the pandemic, it was typically an opportunity for educators, activists, and special organisations to be closely involved with young children to share stories, experiences, and a zeal for reading. For the second consecutive year, however, **Read Across Jamaica** has been held remotely, with Team Members volunteering through virtual readings and online interactions with students across the island. Twenty of our Team Members volunteered for this initiative, and dedicated valuable time in 2021 to share with students.

Refurbish for Change

Another major highlight of 2021 for the Foundation was the continuation of the Refurbish for Change initiative, which sought to address the digital divide, exacerbated due to COVID-19. Through this programme, 139 laptops, desktop computers, and 'all-in-ones' were donated to various institutions throughout the year, particularly those identified as being in need of devices to facilitate online learning. Approximately 5,000 lives are still being impacted as a result of this initiative, including boys who board at the Jamaica College, Calabar Infant and Primary School, and other students at all levels of the education system.

IgKnight

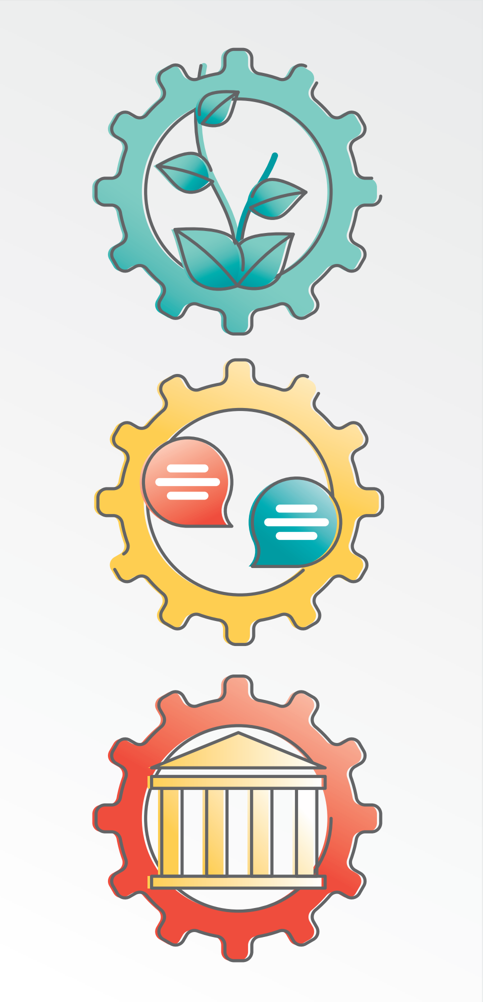
As with some of our other interactive initiatives, IgKnight was interrupted for well over a year by the COVID-19 pandemic. This was a huge blow to the Foundation, as IgKnight represents one of the core programmes to the Group's Outreach. We are pleased to report that in September 2021, VM Foundation resumed delivery of the programme in partnership with the Waltham Park New Testament Church of God. While maintaining its priority on financial literacy, the programme also expanded to deliver training on leadership and personal development. Sessions were held at the University of Technology, Jamaica and saw attendance rates of 30-40 students each week. We anticipate even greater participation in subsequent sessions.

Environmental Polices & Practices

In 2021, the VM Group embarked on the development of an Environmental, Social and Governance (ESG) Policy. The policy aims to clearly articulate the VM Group's position on sustainability while ensuring full integration of ESG principles into the Group's strategy. In turn, it will be carefully considered as part of the Group's processes, initiatives, and activities. Additionally, our subsidiary VMIL has an approved environmental policy which guides their approach to minimising any negative impacts on the environment that may result from their operations and investment activities.

The VM Group is committed to being a model corporate citizen and contribute to the preservation of the environment, through embedding among Team Members a culture of volunteerism and awareness around ESG principles. In support of this, we have also identified opportunities to reduce carbon emissions, and implemented methods to minimise our impact on the environment, by executing recycling initiatives across our locations, deploying energy efficient and motion sensor devices in our physical locations, and investing in sustainable projects that align with the vision of the VM Group.

It is anticipated that the Group's ESG policy will be approved in the first half of 2022, following which a comprehensive programme will be implemented and designed to engage all Team Members on this important issue. Thereafter, a detailed report on the activities related to our environmental journey will be presented in various forums, including the 2022 Annual Report.



VM Group Environmental, Social & Governance (ESG) Report 2021

CONTINUED

ESG Disclosures

The following tables represent VMBS's ESG disclosures, with reference to our Organisational Profile, Strategy, Ethics, Governance and Reporting Practice, providing our stakeholders with a central space to identify and assess our approach to building a sustainable organisation.

During the first quarter of 2022, the VM Group will seek to formalise its ESG framework and in the process adopt international standards to guide how we report on our journey towards sustainability.

Organisational Profile

Description of ESG Disclosure	Cross-Reference or Answer
Name of organisation	Victoria Mutual Building Society
Activities, brands, products, and services	VMBS Annual Report
Location of headquarters	Half Way Tree, Kingston, Jamaica
Location of operations	VMBS operates in Jamaica, the United Kingdom, and the United States of America
Ownership and legal form	Private Company
Markets served	VMBS Annual Report
Scale of operation	VMBS Annual Report
Information on employees	Stakeholder Engagement VMBS Annual Report
External initiatives	Stakeholder Engagement Community
Membership of associations	Stakeholder Engagement

Strategy

Description of ESG Disclosure	Cross-Reference or Answer
VMBS Strategy	Chairman's Report Chief Executive Officer's Report Strategy Section – VMBS Annual Report

Ethics and Integrity

Description of ESG Disclosure	Cross-Reference or Answer
Values, principles, standards and norms of behaviour	Our Core Values
Mechanisms for advice and concerns about ethics	Code of Business Conduct & Ethics

Governance

Description of ESG Disclosure	Cross-Reference or Answer
Governance structure	Board of Directors Board Committees VMBS Leadership Team
Delegating Authority	Board of Directors Board Committees VMBS Leadership Team
Executive-level responsibility for economic, environmental, and social topics	Board of Directors Board Committees Senior Leadership
Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement
Composition of the highest governance body and its committees	Board of Directors

Governance (cont'd)

Description of ESG Disclosure	Cross-Reference or Answer
Chair of the highest governance body	Board of Directors
Role of highest governance body in setting purpose, values, and strategy	Board of Directors
Collective knowledge of highest governance body	Board Committees VMBS Leadership Team

Stakeholder Engagement

Description of ESG Disclosure	Cross-Reference or Answer
List of stakeholder groups	Stakeholder Engagement
Identifying and selecting stakeholders	Stakeholder Engagement
Approach to stakeholder engagement	Stakeholder Engagement

Reporting Practice

Description of ESG Disclosure	Cross-Reference or Answer
Entities included in the consolidated financial statements	VMBS Audited Financial Report
Defining report content and topic boundaries	Executive Summary
List of material topics	Governance and Ethics Group Human Resources, Engaging Our People Environment Stakeholder Engagement
Restatements of information	This is the first ESG Report for the VM Group
Reporting period	January 1 - December 31, 2021
Date of most recent report	This is the first ESG Report for the VM Group
Reporting cycle	January 1 - December 31, 2021

Performance Highlights

Mortgages Disbursed
17.36B
increased by **29.94%**

Total Revenue
14.03B

VM Finance Specialised Loans
52.54M GBP
+53.02%

Total Loans Disbursed
32.78B
grew by **31.36%**

VMF **Profit**
1.01M GBP
grew by **197.54%**

7 Products introduced
(including **VM Simplified Savings Account** and **Conopy Life Insurance**)

Increased stake in
BCIC
39.24%

Total Assets
284.47B
+12.95%

Benefits to Members
$281.31 Million

Direct to Account Transactions
47.76%
(**Growth** relative to 2020)

71
Processes Improved

Remittance Transactions
Grew 15% to
638,060
(Relative to 2020)

LOANS Market Share
9.29%
Increased by **1.33%** pts.
4th PLACE
(UP ONE PLACE AMONG ALL DEPOSIT TAKING INSTITUTIONS)

VM Foundation's
contribution to projects
$40.67M

Launched
New Platform to support clients' Pensions

First non-bank member of the **Automated Clearing House** (ACH)

VM GROUP
Rebranding

Lives impacted
100,000

Launched
VM IPO Edge
Platform

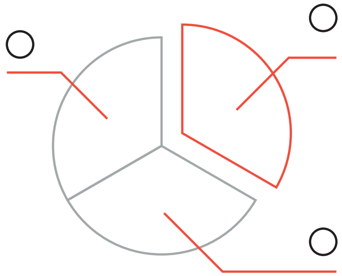
Net Surplus
$1.79B

Certified
Great Place to Work.

VM Group Global Recognition in 2021

Great Place to Work

by Great Place to Work Institute, the global authority on workplace culture



Best Financial Advisory Team

FOR THIRD CONSECUTIVE YEAR

- Capital Finance International

Second best overall performer among Caribbean financial institutions

(highest ranked Mutual)

– The Banker

VM Group shortlisted as a finalist in three categories of the global **Digital Transformation and Operational Excellence Awards (DTOES)**, established to highlight the outstanding achievements in business transformation globally.

TRANSFORMING

with every breath, with every little dream

Message from the **Group President & CEO**

> “ During a challenging year globally in which the COVID-19 pandemic persisted, the VM Group stayed true to its longtime mission to help people from all walks of life to achieve financial well-being.

It was, indeed, a historic year for the Group, and our caring team of experts continued to demonstrate a purposeful commitment to the noble work they do each day. Their collective efforts, characterised by strategic agility, empathy, resilience and tenacity, helped effect a transformation in more people's lives, even as a brand transformation of the 143-year-old institution was revealed, setting the stage for unprecedented growth, expansion and innovation in the years to come.

Overall Performance

Our financial fundamentals performed well in 2021 – a show of our strategic commitment to **Drive Growth** in our core businesses, while we pursue and nurture inorganic growth opportunities. Our revenue, normalised for the NHT Gain in 2020, grew by 31.47% to $11.01 billion. Our asset base improved by $32.62 billion, or 12.95%, to $284.47 billion, driven by a 32.4% growth in our loan portfolio.

The Group's Net Surplus for the period was $1.79 billion. Though lower than the outcome for the prior year, this afforded us the opportunity to almost double the benefits given to our Members to $281.08 million. We are also pleased that our strong loan growth not only contributed to our impressive revenue and asset growth but also to the significant improvement in our market position. VMBS now ranks 4th in the industry with market share of loans at 9.29%, up from 7.96% the previous year.

In 2021 we took the audacious decision to work – in a focused way — towards tripling our active Member base. This is aligned with our commitment to being a champion of financial inclusion by making it easier for the unbanked and underbanked to access the formal financial sector and unlock the benefits of financial well-being.

Without a doubt, one of the standout achievements of 2021 was the successful launch of the VM Group Brand Transformation, which went live on November 3, 2021. This transformation of the visual identity of the VM Group, including new brand colours, new logos across businesses, and a new tagline – **'Transform Your Everyday'** - reflects a reinvigorated spirit among our Team Members to have an uplifting impact on people's lives.

Transforming the Everyday of our Members and Clients

The VM Group is a Member-focused organisation. Our emphasis on building and maintaining financial strength enhances our capacity to better serve our Members and Clients through improved systems, processes and expanded product lines. Nearly 350,000 active Members and Clients have chosen us as a financial partner. Over the past year, you also relied on us to keep you safe as you conducted your business. We are extremely pleased that our efforts to increase access to online options, coupled with our responsiveness, helped us provide seamless and uninterrupted service during this period.

As your financial partner, your VM Team is singularly focused on addressing your financial needs in a manner that works best for you, with tailored products and services, convenient and accessible touchpoints, and multiple avenues to engage with us. In 2021, for example, we introduced a Wealth Client Portal and IPO Platform, making it easier to access the services of our Wealth Management arm business. We also added another five new products and, services, including the **VM One Simplified Savings Account,** which broadens the pool of persons who can now access our formal Savings options. Additionally, we provided our Business Customers with at-your-fingertip online capabilities for managing accounts through our Online Business Banking platform.

We also increased the number of Members who became first-time homeowners, issuing over $17.36 billion in mortgages, 29.94% higher than the previous year. This is an important achievement which is aligned to our mission **to empower our Members to acquire their own homes and achieve financial well-being**. Similarly aligned are our efforts to help property developers in the United Kingdom to achieve their growth objectives in the real estate industry by providing competitive financing solutions. Loans to this sector grew by 53.02% or £18.2 million, to £52.54 million, boosting the bottom line of our UK subsidiary, VM Finance, more than threefold to £1 Million, another first for the VM Group.

In 2021, we also expanded our footprint in the Caribbean with the agreement to acquire, through our subsidiary VM Investments Limited, 100% of Republic Funds Barbados Inc., and forged a partnership with Canopy Insurance, thereby creating new investments and insurance opportunities for our Members and Clients

We invested in the improvement of our operating efficiency by advancing the Continuous Improvement Programme, Digital Transformation Strategy, and via our membership in the Automated Clearing House (ACH). We also introduced the Aurora Pension Management Platform, rand olled out phase one of the Financial Management System (FMS) and the Automated Credit Decision Engine

Message from the **President & CEO**

CONTINUED

which allows for automated credit adjudication processing.

During this review period, we strengthened our risk management capabilities with the implementation of the COSO 2017 ERM Enterprise Risk Management (ERM) framework and developed our Environmental, Social and Governance (ESG) framework. We are very pleased to introduce to you, as part of this report, the VM Group's first ESG Report. Engaging and listening to our Members forms part of our commitment to providing empowering **financial education** and, as such, during the year we hosted multiple seminars, workshops, and townhall meetings, including our popular **Wealth Talks** and **Bank on the Move** series. In our **Bank on the Move** events, our Florida Office took banking services information to various cities in that state with significant Jamaican/Caribbean populations. The attendees were updated with business development information as well as product offerings and opportunities available through the VM Group.

Our efforts to transform the everyday of Members, Clients, Team Members, and Communities were recognised at the global level when we were named in 2022 as the Best Banking Group in the Caribbean by the International Banker, **ranked 2nd among Caribbean Banks** based on overall performance, by the Financial Times' publication, **The Banker**, and awarded the **Best Advisory Financial Team** in the Caribbean for the third consecutive year by CFI.co. Our strides in Digital Transformation were also recognised on the world stage in December 2021 when the VM Group was shortlisted as a finalist in three categories of the global Digital Transformation and Operational Excellence Awards (DTOES), established to highlight outstanding achievements in business transformation globally.

Transforming the Everyday of our Team Members

Recruiting, training and retaining a competent, engaged, and resilient Team is critical to delivering effective financial solutions and excellent service to our Members and Clients. The work we have done in this area yielded impressive results in 2021 with VM being certified as a **Great Place to Work** by the Great Place to Work Institute – the global authority on workplace culture. This prestigious certification is predicated on our robust talent development and management programme as well as our efforts to embed a high-performance culture across the Group.

The Group's focus on Team Member development and retention was executed through our cultural integration, engagement and wellness, Team Member development, and Reward and Recognition programmes. Through these programmes, we expanded our coaching, training and development initiatives, introduced policies such as the VM Group Team Member Diversity Equity and Inclusion Policies to support the well-being of our Team Members, as well as implemented a variable Incentive Scheme for our Sales Team, including Sales Executives. We continue to build a culture in which every voice is not only heard but also valued. As such, avenues for direct engagement and discussion were expanded in 2021 through our Digital Townhall meetings. These programmes and initiatives were well received by our Team Members, as reflected by our Group-wide engagement score of 76.3%, which continued to outpace regional and global averages.

Transforming the Everyday of our Communities

VM is a Strong, Integrated Group that has a responsibility to help build the various communities in which we operate. In 2021, we earnestly continued on this path. Via the VM Foundation, as well as other corporate social responsibility (CSR) activities initiated at our various locations across the island and overseas, VM impacted over 100,000 lives, and we will continue to see this approach as part of our mission to Transform Lives.

Looking Ahead

As we look ahead and welcome the second year of this new strategic planning period, we anticipate that our operating environment will remain intensely competitive and volatile, especially in the face of increasing interest rates, inflationary pressures, persistent supply chain disruptions, and a regulatory framework which continues to reflect the challenges of the day. We also believe that now, more than ever, non-traditional players, defined more by demography rather than geography, will continue to offer increasingly discerning and demanding customers simpler, more agile options. We are therefore unwavering in our commitment and efforts to ensure that our Members and Clients see the VM Group as your trusted financial partner on your journey towards financial well-being.

Additionally, while we cannot yet quantify the impact of COVID-19 on the people with whom we interact and the economies in which we operate, we do acknowledge that the impact will be protracted, staying with us well into 2022. Of course, we will adapt our strategy to meet these challenges. Given the steadfastness of which I wrote earlier, the strong foundation that we continue to build on, our intimate knowledge of our operating environment, our mutuality focus, the strength of our risk management strategies and our growing capacity to effect pre-emptive as well as responsive actions for, and on behalf of, our Members, Clients, and Team Members, we are confident in our ability to withstand and to grow even in these times.

In 2022, therefore, we will continue to deliberately live our purpose and to act with excellence and urgency to **transform the everyday** of our Members, Clients, Team Members, and communities. We will also use our voice where it matters and act on our purpose to support financial inclusion efforts in Jamaica as well as in the diaspora and to lead by example in reaching people who currently do not perceive the services of our formal financial sector as accessible. We will also pattern the change we wish to see in the area of environmental sustainability by advancing our ESG Agenda as we operationalise our planned Environmental, Social and Governance changes. Also, on the heels of our successful Brand Transformation, we will reorganise the structure of the VM Group as we move boldly towards our audacious ambitions.

In 2022, we will continue to listen to our Members and Clients, diversify and risk-proof our businesses, invest in the engagement and retention of our people, improve the fortitude of our systems and processes, advance our digital transformation agenda, and build our communities.

Thank You

I offer heartfelt thanks to our Board of Directors for your resolute commitment to VM and the purpose upon which the business was founded. Thank you to the VM Team for your belief in, dedication to, and demonstrated loyalty to the organisation, its values and to the mission of improving the lives of our Members & Clients. On behalf of the entire VM, I offer thanks to our Members and Clients for trusting us with your financial goals and for affording us the opportunity to help you achieve them. We commit to working every day to earn your continued loyalty by providing you with exceptional service experiences, life-changing products and services, and empowering financial education. The VM Team looks forward to helping you to Transform Your Everyday in 2022 and beyond.

Courtney Campbell
Group President & CEO

Group Executives

The leaders of the VM Group work together towards a common goal of creating value, committing to building superior customer experiences and raising the bar for the financial services industry.

Courtney Campbell
MBA (Distinction), ACIB, BSc, JP
Group President & CEO

Peter Reid
BA (Hons)
Chief Executive Officer
Building Society Operations

Janice McKenley
FCCA, FCA MBA, BSc
Group Chief Financial Officer

Devon Barrett
MBA
Group Chief Investment Officer

Rezworth Burchenson
MBA, BSc
Chief Executive Officer
VM Wealth Management Ltd

Keri-Gaye Brown
MBA (Dist), LL.B (Hons)
Group Chief Legal, Risk & Compliance
Officer & Corporate Secretary

Judith Forth Blake
MBA, BA (Hons)
Group Chief Customer & Brand Officer

Michael Neita
MBA, BEng, BSc
Chief Executive Officer
VM Property Services Ltd

Group Executives

CONTINUED

Carla McIntosh Gordon
MSc, BA, PMP, BSP
Group Chief Strategy Officer

Michael Howard
MBA, BSc
Chief Executive Officer
VMBS Money Transfer Services Ltd

Conroy Rose
CSC, MBA, BSc
Chief Executive Officer
VM Pensions Management Ltd

René Allen-Casey
FCCA, FCA, CIA, CIRM, Dip, BA
Group Chief Internal Auditor

Sheena Wedderburn Reid
MSc, ITIL, CRISC, CISA
Group Chief Digital Officer

Nicola Anderson
MSc, PMP, ITIL, COBIT, ACP
Group Chief Operations Officer

Dayton Robinson
PhD
Group Chief Human Resources Officer

Dalton Richardson
EMBAI
Group Chief Technology Officer

Maurice Barnes
MSc (Distinction)
Chief Executive Officer
VM Innovations

Senior Leaders with Group Functions

Debbie Dunkley
FCA FCCA, MBA
Vice President
Group Finance

Karlene Waugh
BSc
Assistant Vice President
Business Operations

Clover Moore
Assistant Vice President
Group Corporate Affairs and
Communications

Adam Harris
Assistant Vice President
Strategic Investments

Samantha Charles
Chief Executive Officer
VM Foundation

VM Building Society

1. **Paul Elliott**
AICB, MBA, BSc (Hons)
Deputy Chief Executive Officer
Building Society Operations

2. **Simone George-Davey**
Regional Manager (Eastern)
Sales & Service

3. **Latoya Williams**
Senior Manager
Lending Solutions

4. **Suzette Ramdanie-Linton**
Senior Manager
BSO Strategic Support and
Transformation Banking

5. **Clive Newman**
MBA, FICB
Assistant Vice President
Credit

6. **Leighton Smith**
MBA, BBA
Chief Representative Officer
VMBS United Kingdom

7. **Robert Foster**
Acting Regional Manager (Western)
Sales & Service

Peter Reid
BA (Hons)
Chief Executive Officer
Building Society Operations

VM Wealth Management Ltd

1.

2.

3.

4.

5.

Rezworth Burchenson
MBA, BSc
Chief Executive Officer
VM Wealth Management Ltd

1. **Dwight Jackson**
MSc
Assistant Vice President
Capital Markets

2. **Davie Martin**
MBA
Manager
Asset Management

3. **Evette Bryan**
MBA
Manager
Treasury and Trading

4. **Denise Marshall-Miller**
MBA
Manager
Bond Trading

5. **Jason Bailey**
MSc (Dist)
Manager
Risk and Compliance

1.


2.


3.


4.


5.


6.


1. **Karlene Waugh**
BSc
Assistant Vice President
Business Operations

2. **Nicole Adamson**
CFA, FRM, MSc
Manager
Research and Stockbroking

3. **Tamara Waul Douglas**
MBA
Manager
Sales

4. **Voniel Wynter**
FCCA, FCA, BBA (Hons)
Manager
Group Finance

5. **Keisha Mascoll**
BA (Hons)
Senior Manager
Group Marketing (Retail)

6. **Sharon Sterling**
MBA
Manager
Marketing

VM Pensions Management

1.

2.

3.

4.

5.

Conroy Rose
CSC, MBA, BSc
Chief Executive Officer
VM Pensions Management Ltd

1. **Natalie K. Bennett**
MBA
Senior Manager
Business Support

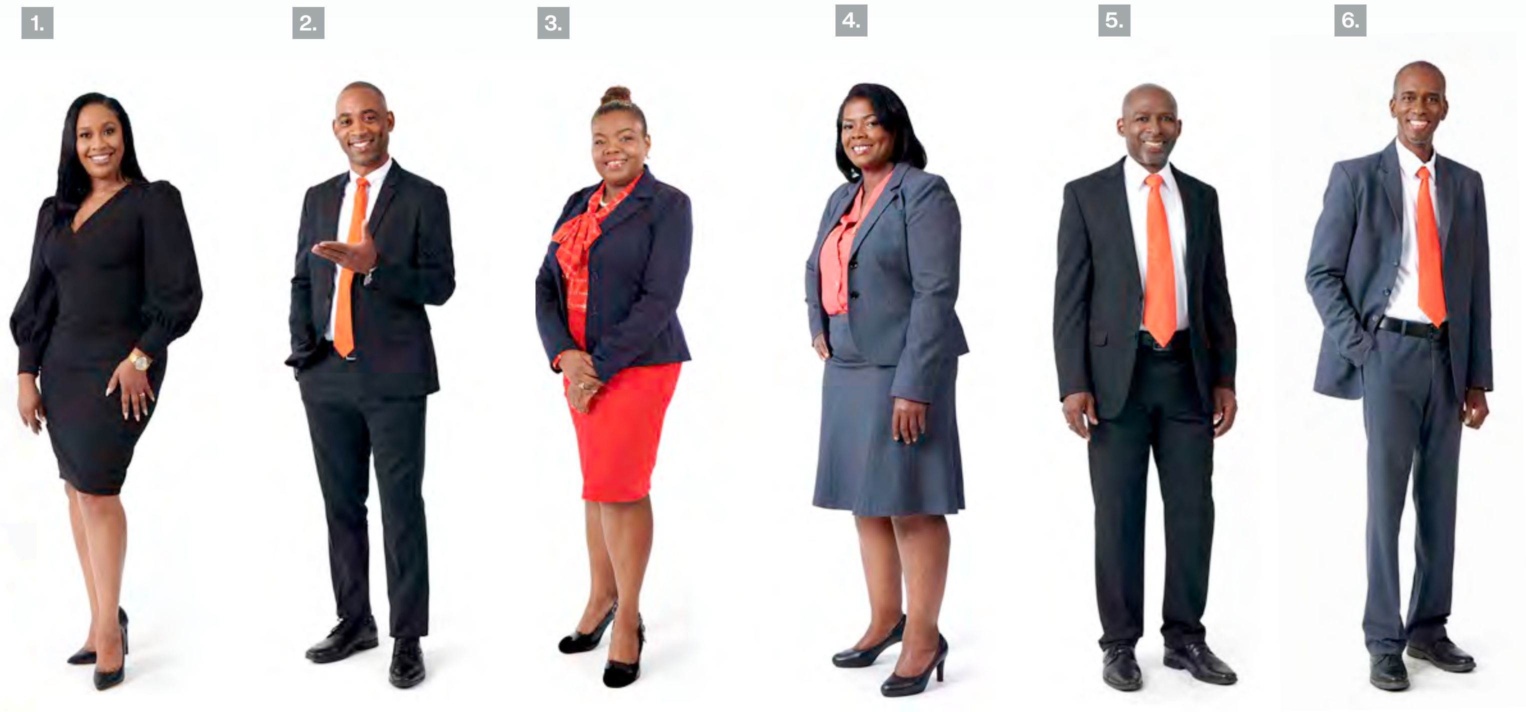
2. **Judi-Anne Marzouca**
BBA
Manager
Sales

3. **Davie Martin**
MBA
Manager
Asset Management

4. **Tramain Kirby**
ACCA, ACFE
Manager
Client Portfolio and Financial Reporting

5. **Michelle Smith**
MBA
Assistant Manager
Pensions Administration

VM Property Services



Michael Neita
MBA, BEng, BSc
Chief Executive Officer
VM Property Services Ltd

1. **Allison Morgan**
Senior Manager
Sales and Business Support

2. **Jermaine Williamson**
BSc
Senior Valuer

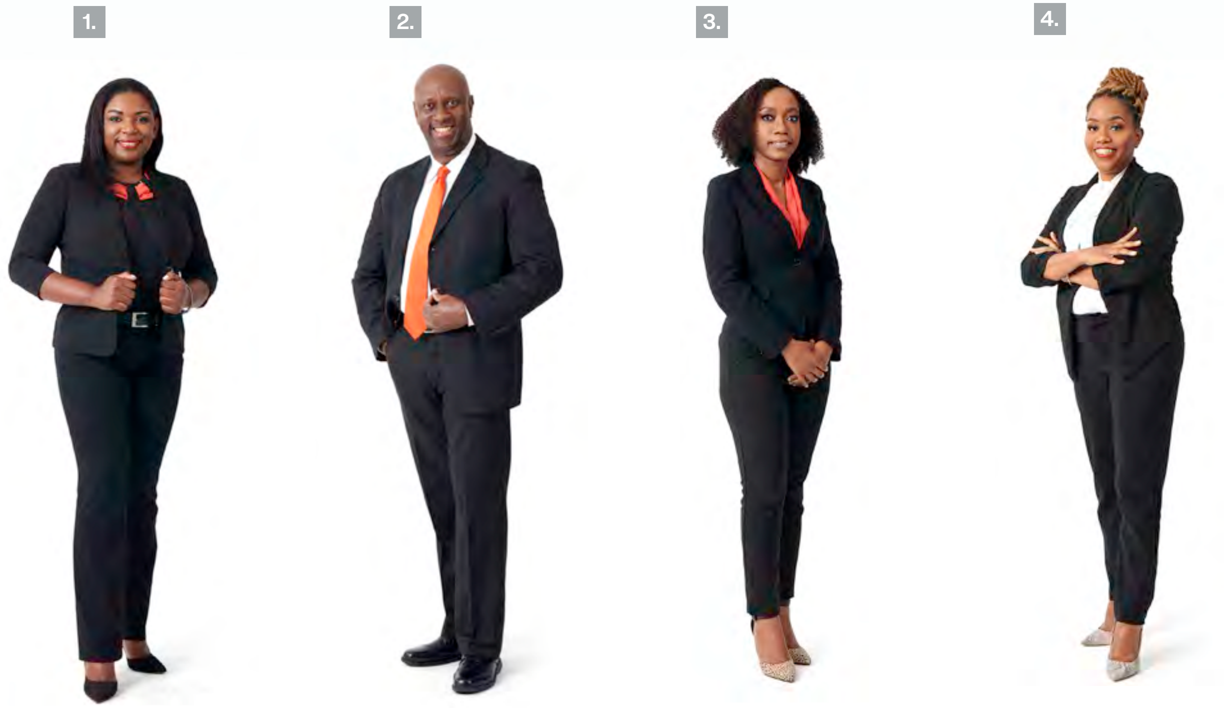
3. **Wheina Nelson**
Commercial Facilities Officer

4. **Marcia Sterling**
Assistant Manager
Sales/Valuation & Office Administration

5. **Wayne Robinson**
Manager
Property

6. **Winston Josephs**
Manager and Qualifying Director Designate | Valuations

VMBS Money Transfer Services



Michael Howard
MBA, BSc
Chief Executive Officer
VMBS Money Transfer Services Ltd

1. **Rennata Blake**
Senior Business Support Officer

2. **Owen Bruce**
Manager
Distribution

3. **Kayon Morrison-Scott**
Assistant Manager
Compliance

4. **Shelly-Ann Douglas**
Business Network Officer

VM Innovations Ltd

1.

2.

Maurice Barnes
MSc (Distinction)
Chief Executive Officer
VM Innovations

1. **Khary Sharpe**
Manager
Start-up Programme

2. **Matthew Ormsby**
Manager
Innovations & Research

VM Finance Limited

Andrew Evans
Head of Lending Services

John Wybar
Relationship Manager

Jane Kerpens-Lee
Manager
Credit Administration

Saheel Walji
Assistant Manager
Specialised Lending

Paul Ritchie
Assistant Manager
Mortgage Brokering

Donna Brown
Administrative Manager

Leighton Smith
MBA, BBA
Managing Director

Together we grow.

LEADERSHIP TEAMS

Overseas Rep Offices

VMBS Overseas (UK) Ltd

Phyllis Peters
Operations Officer
Birmingham

Marsha Clarke
Operations Officer
Brixton

Shelly-Ann Scott
Operations Officer
Tottenham

Donna Brown
Operations Manager
UK Representative Offices

Leighton Smith
MBA, BBA
Chief Representative Officer

VM Building Society Florida Representative Office

Suzette Rochester -Lloyd
Chief Representative Officer
Florida

Beresford Nelson
Business Development Associate
Florida Representative Office

Gracelin Williams
Member Services Specialist
Florida Representative Office

Calene Grossett
Business Support Rep
Florida Representative Office

VM Building Society New York Representative Office

SEATED

Natasha Service
Chief Representative Officer
New York

STANDING

Jacqueline Pommells
Customer Service Representative
New York Representative Office

Akeem Grace
Customer Service Representative
New York Representative Office

Shawnette Reid
Customer Service Representative
New York Representative Office

Branch Leadership

CONTINUED

Western Region

l-r

Suzette Ramdanie-Linton
Senior Manager
BSO Strategic Support and Transformation Banking

Erica Robinson
Branch Manager
Santa Cruz

Andrea Arscott-Allen
Branch Manager
Fairview

Robert Foster
Acting Regional Manager (Western)
Sales & Service

Allison Shields
Branch Manager
Savanna-la-Mar

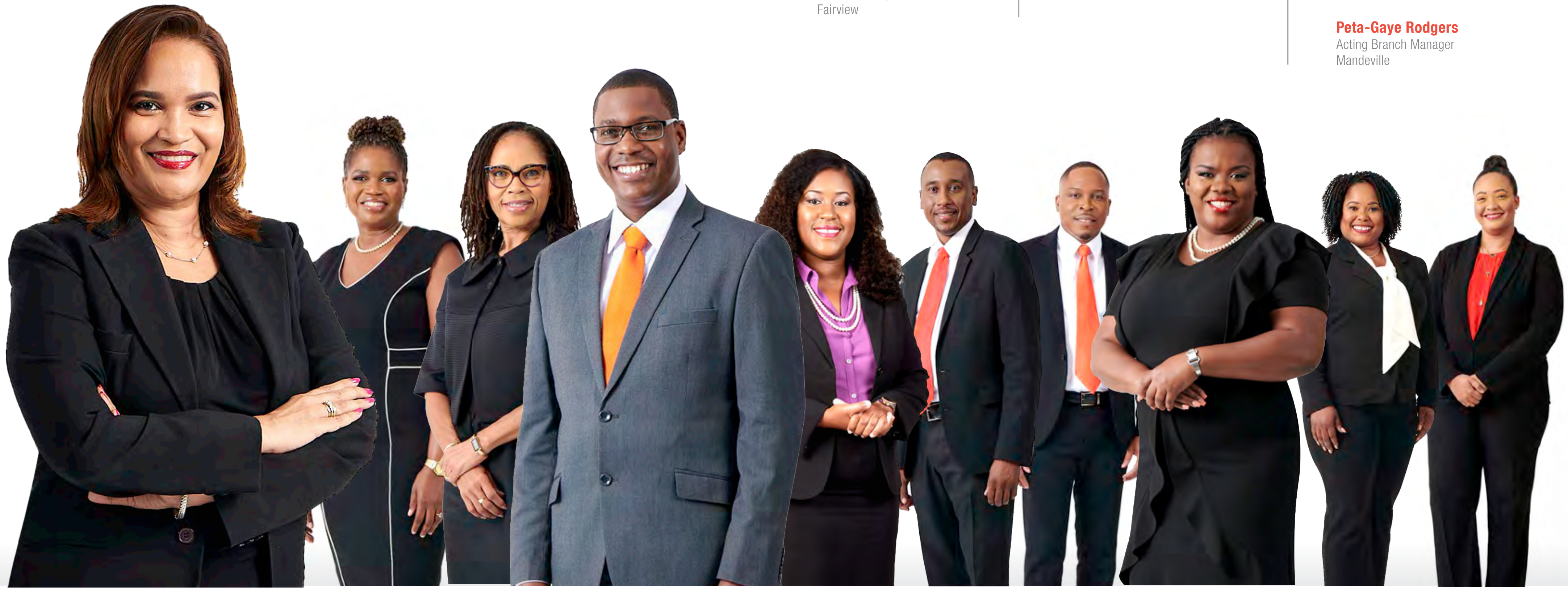
Sean Taylor
Branch Manager
Falmouth

Marsden Dennis
Branch Manager
May Pen

Faithline Campbell
Branch Manager
Montego Bay

Charmaine McConnell-Taylor
Branch Manager
Ocho Rios

Peta-Gaye Rodgers
Acting Branch Manager
Mandeville



Eastern Region

l-r

Simone George-Davey
Regional Manager (Eastern)
Sales & Service

Latoya Stewart-Rowe
Acting Branch Manager
Liguanea

Sasha-Gay Wright-Wilson
Branch Manager
Spanish Town

Martina Allen
Acting Branch Manager
New Kingston

Cherese Stewart
Branch Manager
Linstead

Ruth Oliver
Branch Manager
Duke Street

Joy Bunting-Pusey
Branch Manager
Portmore

Ricardo Ellis
Branch Manager
Half-Way Tree

Tanya McKain
Acting Branch Manager
University of Technology

Peta-Gaye Rodgers
Acting Branch Manager
Mandeville

We know your voice, your song.

Management Discussion & Analysis

Introduction

The VM Group is a global financial institution with intractable roots in Jamaica, and a vibrant history of nurturing financial inclusion and empowering Members to transform their lives.

With more than 14 decades of committed service, we are proudly written into this land.

VM is led by bold ambitions and, by leveraging the transformative power of Mutuality, we strategically and purposefully develop life-changing products and services, and deliver thoughtful financial education to uplift Members and Clients in Jamaica and overseas.

In addition to a range of savings and loans products, we also offer investment banking, pension fund management services, real estate services, money transfer services, and general insurance. We serve individuals, governments, corporations, and financial institutions through Strategic Business Units (SBUs) and affiliate companies.

This Management Discussion and Analysis (MD&A) provides insights into our operating environment as well as details on the overall performance of the VM Group for 2021. It highlights the following VM priorities, which are framed by our mantra, Transform Your Everyday and anchored in our strategic theme of Driving Growth, Innovation, and Resilience:

- Transforming the Everyday of our Members and Clients
- Transforming the Everyday of our Team Members
- Transforming the Everyday of our Communities
- Building a Strong, Integrated Financial Group: Our Business Lines

The objective of this Discussion & Analysis is to provide our stakeholders and other readers an analysis of the performance of the VM Group in 2021 relative to prior period. It reflects the informed perspective of the Management and provides context for our Audited Financial Statements, including the Notes of Financial Statements. Additionally, our Discussion and Analysis contains a brief, forward-looking segment that focuses on the VM Group's goals and initiatives for the upcoming year, taking into consideration the economic conditions, industry indicators, market trends, and their anticipated impact on the various aspects of our business. In this section, we try to provide our readers with insights into what will be our primary focus for the remainder of the current Strategic Planning cycle, that is 2022 and 2023.

Our Operating Environment

The 2021 review period may best be described as a year of uncertainties. In the face of a persistent pandemic, the global and local efforts to contain the virus and its effects, including increased vaccination rate and the introduction of sustained economic stimuli, gave rise to increased optimism around a global economic recovery during the year. This positive forecast materialised for many of the world's economies, including Jamaica. The global and local economies grew by an estimated 5.90% and 4.60%,respectively for the year 2021 relative to declines of -3.1% and -9.92%, respectively, in 2020. Additionally, the global energy and food prices continued to rise, precipitated by increased demand, delays at ports, and disruptions in global supply chains and forcing central banks to implement varying degrees of monetary policies.

A summarised discussion on the performance of the economic environment in the territories in which we operate is outlined below.

Jamaica

The onset and persistence of the coronavirus (COVID-19) pandemic substantially reduced economic activities locally and internationally. However, as 2021 ende,d there was less uncertainty because of adjustments to the 'new normal' and an improved vaccination rate. The Jamaican economy began experiencing economic rebound in Q2 of 2021, following five consecutive quarters of contractions. The 14.20% year-over-year growth in Q2 was the economy's largest growth rate reported over 20 years.

Variable	2019	2020	2021E	2022F
GDP Per Capita (US$)	5,781.78	5,102.76	5,421.64	5,697.35
Real GDP Growth (%)	1.00	-10.00	4.60	2.70
BOJ Overnight Policy Rate[1]	0.50	0.50	2.50	4.50
Total Govt Gross Debt as a % of GDP	94.30	107.40	95.80	87.30
Inflation Rate (%)	3.90	5.20	5.60	6.30

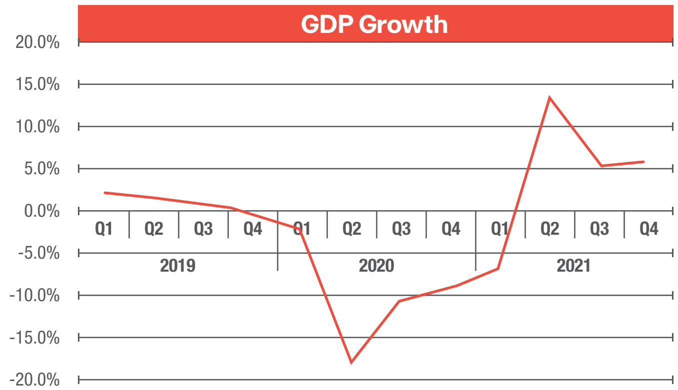
Sources: Bank of Jamaica, Jamaica Stock Exchange, STATIN

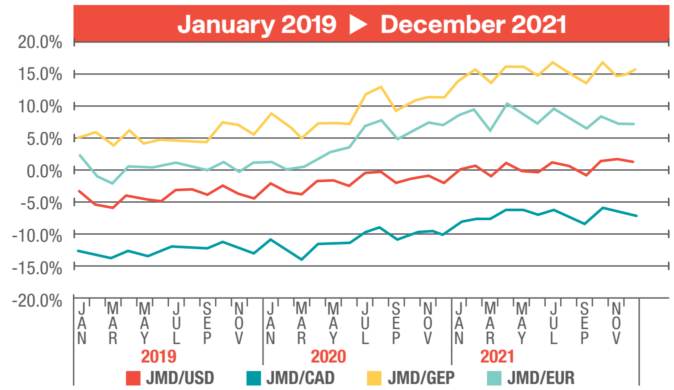
New COVID-19 variants emerged during the year, thus limiting domestic mobility and business activities. Notwithstanding, reports from the Statistical Institute of Jamaica (STATIN) indicated that these restrictions did not significantly derail growth in the second half of 2021. Preliminary estimates from STATIN indicate that the economy expanded 4.60% in 2021 and align with similar projections from the International Monetary Fund. The rebound was attributed to a 4.70% and 4.30% improvement in the Services and Goods Producing Industries, respectively.

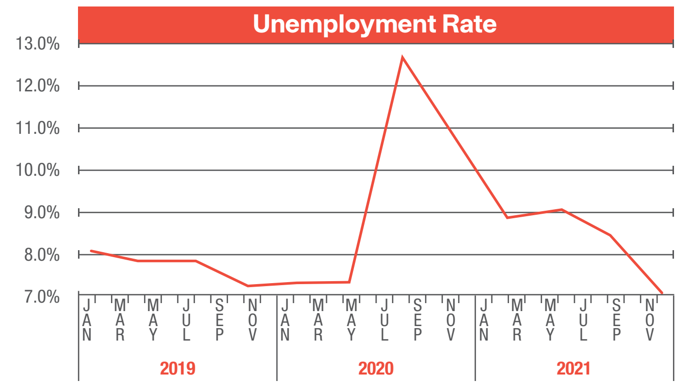
The tourism sector, which one was of the industries worst affected by the pandemic, has been recovering as a result of increased international travel and the resumption of cruise ship activities. The country welcomed its first set of cruise ship passengers in August. Though small in number, this cruise ship visit signals that this sector is on its way to recovery. In 2021, tourism arrivals increased 15.45% compared to 2020.

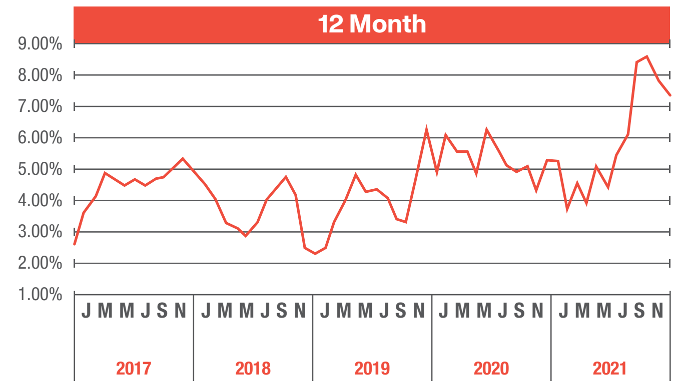
On the other hand, decreases in both alumina and crude bauxite output, triggered primarily by the August 2021 fire at the Jamaica Aluminium Company (JAMALCO), caused the mining and quarrying industry to decline 60.50% in Q4 and alumina production fell by 75.30% in 2021, negatively impacting both export earnings and employment. However, the reopening of the refinery in 2022 should see an expansion in the industry and the overall economy.

Sources: STATIN &: Bank of Jamaica









The shocks from the COVID-19 pandemic struck only a few months after Jamaica's precautionary Standby Arrangement with the IMF was successfully concluded. Accordingly, the improved fiscal space allowed the Government to respond quickly via expansionary fiscal policies. This higher-than-planned expenditure compromised Jamaica's commitment to fiscal consolidation by increasing the country's debt-to-GDP ratio from 94.80% to 110.10% and reduced budget surplus-to-GDP ratio from 1.40% in 2019 to a 3.90% deficit in 2020. The easing of restrictions is expected to contribute to an increase in the primary surplus to 6.10% of GDP in fiscal 2021/22, which should help to reduce Jamaica's debt burden and may explain why the rating agency maintained a stable outlook[2].

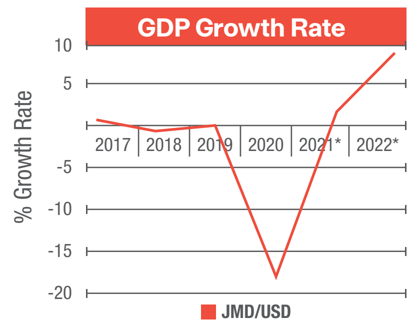
The government continued to roll out its stimulus packages while increasing revenue allotted to the healthcare sector to acquire vaccines to curtail the human and economic impact of the virus. Additionally, in their effort to stem rising inflation rates which peaked at 8.59% in October and resulting from disruptions in the global supply chains and labour markets, the BOJ tightened its accommodative monetary stance with interest rate increases, pushing the policy rate from 0.5% to 2.50% at the end of 2021 and triggering Treasury Bill (T-Bill) rates of 4.09%, 4.33%, and 3.39% year in 91-day, 182-day and 273-day tenor. If warranted, additional increases are possible in order to sustain inflation within the targeted band.

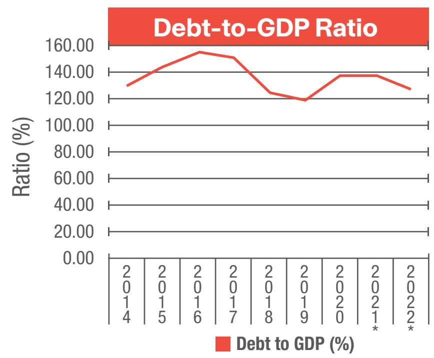
Additionally, Jamaica's economic indicators improved or remained stable for the most part during 2021. The stock of net international reserves (NIR) has remained resilient, surpassing the international benchmark of 12 weeks of goods and services imports to close the year at a record high of US$3,999.74 million. Consumer and business confidence remains above the lowest point of 2020, the unemployment rate is declining, while remittances remained buoyant throughout the year, having increased by 22.23% to US$3,265.50 million at year end 2021, compared to 2020. The Jamaican dollar (JMD) experienced two-way movements for the first three quarters but was particularly volatile in Q4. The BOJ's market interventions were insufficient to prevent the ultimate 8.02% depreciation to $155.09 by the end of the year.

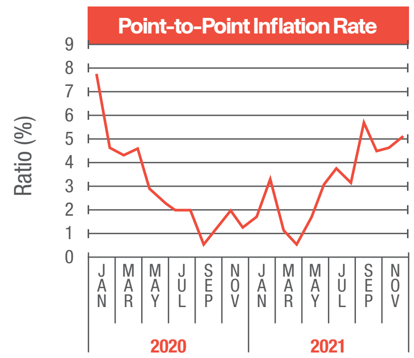
Barbados

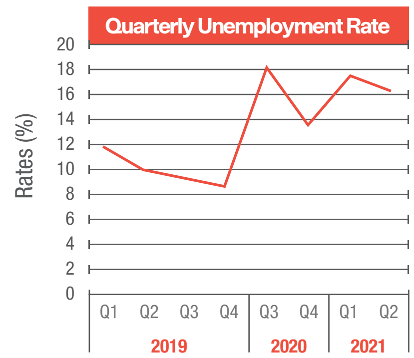
Prior to the onset of the pandemic, Barbados was already experiencing economic contractions as early as 2018. Despite the fallout from the pandemic and significant ashfall in April 2021 from the eruption of La Soufrière Volcano in nearby St Vincent and the Grenadines, the economy grew in Q4 2021 by 11.50%. The strength of the Q4 growth helped to push overall growth for the year to 1.40%. Regardless of the ongoing health and economic crises, the economic review for 2021 emphasised the economy's resilience.

2 Moody's Investors Service (Moody's)









Sources: World Bank Development Indicators
Sources: Barbados Statistical Services

(*) Projections
No Labour Force Surveys (LFS) were done in Q1 and Q2 2020 because of the virus**

In Q4, rising tourism and economic activities were aided by vaccinations in key source markets and the relaxation of travel restrictions. Although tourism earnings were well below pre-pandemic levels, with the help of borrowing from multilaterals and a US$261.6-million injection from the IMF SDR allocation. the country's international reserves remained above the 12 weeks of imports benchmark at US$3,058.80 million. Barbados' unemployment rate has been at or near double-digit rates for several years. However, the reopening of the tourism sector contributed to the average unemployment rate falling from 17.90% in 2020 to 12.40% in 2021, with the accommodation and food services sector being the largest source of new jobs. During 2021, the movement in the general price level fluctuated, between 0.56% in April and a high of 5.57% in September. Rising energy and commodity prices, as well as freight costs, drove up import prices goods for final and intermediate consumption and compounded inflationary pressures. Even though the Central Bank of Barbados (CBB) expects inflation to continue trending upwards, until supply disruptions abate globally, some relief is expected by mid-2022.

In 2021, the government continued to increase expenditure to keep the economy afloat. During the first half of the current fiscal year (FY2021/22), expenditure continued to rise, with Government spending 1.30% of GDP, driving down primary surplus to $36.3 million, from $152 million in the previous year. The IMF support received in order to stabilise the economy after the selective default in 2018, and the restructuring progress helped to improve its Moody's credit ratings to Caa1 and improve its financial market.

Unlike other countries, the CBB did not adopt an increased interest rate approach to address inflationary pressures, with the CBB's discount rate reduced from 7% to 2%. During 2021, the financial system remained stable with high cash reserves with the CBB, improved capital buffers, historically low interest rates on deposits and loans, increased deposits, lowering provisioning costs, lower non-performing loans, but net interest revenue was lower and so are loan levels due to the conservative stance adopted by foreign-owned banks. On the other hand, non-banking financial institutions (NBFI), such as Carilend Limited, experienced increased loan levels.

Barbados' GDP is expected to have grown by 1% to 2% in 2021, and to increase by 7% to 9% in 2022, with positive social, economic, health and political factors at play. These include the new political era as a republic, the return of regular business hours, improved productivity, reduced downtime associated with testing and contact tracing, job creation mainly in the tourism sector, and normalisation of educational services which are all potential upsides to the estimates.

Latin America and the Caribbean (LAC)

Like in other regions, the effects of the pandemic continued to negatively impact the LAC countries. In 2021, the economic rebound in LAC was aided by generally favourable political and social conditions, elevated demand, the continued operation of capital markets, and relaxed lockdown measures. Additionally, fiscal expenditure and the injection of foreign loans also contributed to the recovery by cushioning the adverse impacts of the pandemic on the healthcare systems, households, and businesses.

The LAC region remains vulnerable to natural disasters. In 2021, these disasters, coupled with the COVID variants, slowed the economic recovery. Despite this, jobs started to return to economies, mainly in the tourism sectors, as the region welcomed increased travellers. After a 6.70% contraction in 2020, real GDP growth in the region averaged 6.20% in 2021.

United Kingdom

Like every other developed country, the United Kingdom was not exempted from the lingering impacts of the COVID-19 virus throughout 2021. The country encountered price shocks, labour market disequilibrium and tightened corona virus containment measures. Ultimately, the broad-based, pandemic-induced spending by government, businesses, and individuals boosted the economic rebound, allowing real GDP to grow 7.40% in 2021, compared to the 9.30% contraction in 2020.

Supply-chain disruptions and the rise in oil prices were the main drivers of higher price levels, which eventually pushed the inflation rate above the central bank's 2% target. The point-to-point inflation rate, inclusive of housing costs, ended 2021 at 4.80%, compared to 0.80% in 2020. Real estate prices saw similar increases, as the housing price index peaked at 13.50% in June 2021, the highest since 2006, but later slowed to end the year at 10.80%, compared to 8.50% in 2020. However, relative to other countries, the Bank of England did not trigger an interest rate adjustment until December 2021, when bank rates increased by 15 basis points to 0.25%.

The UK Job Retention Scheme, which supported employers during the pandemic ended in 2021 but the labour market continued its recovery, with the unemployment rate returning to pre-pandemic levels. Additionally, in 2021, the number of VAT and PAYE companies in the UK increased, helping to boost employment.

The UK is expected to continue its economic rebound, supported by fiscal support and tighter monetary stance, amid inflationary pressures and uncertainties around new variants and possible war-related challenges.

United States

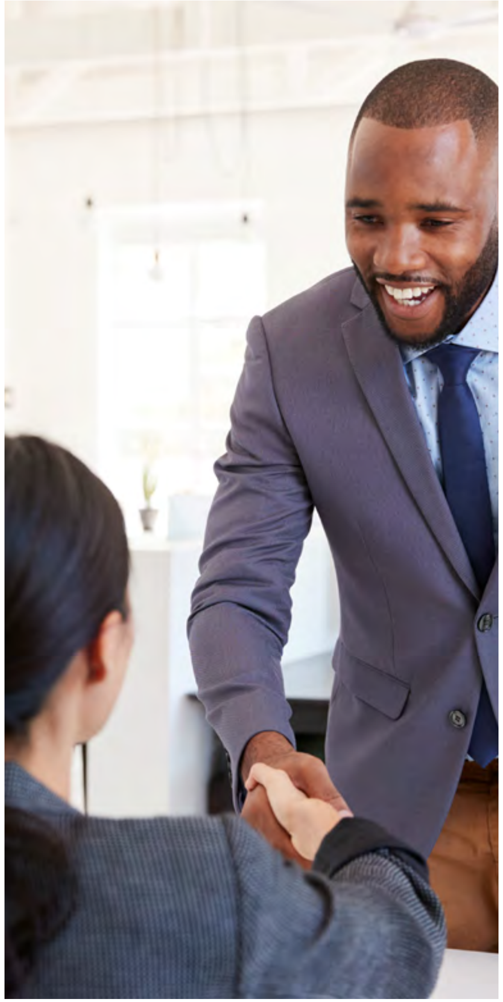
As was the case for other countries, disruptions in supply chains and bottlenecks at major ports contributed to higher inflation. The point-to-point inflation rate reached an almost 40-year peak of 7.00% in December 2021. In response to the inflationary pressure, the US Federal Reserve (Fed) implemented a series of monetary actions while keeping the Fed Funds rate stable while yield on the US 10-year Treasury, which started the year at 0.93%, climbed to 1.44% in December 2021. Additionally, as the economy returns to life, all major US stock indices saw gains ranging from 18.70% for the Dow Jones Industrial Average, to 21.40% for NASDAQ, and 26.90% for S&P 50. Jobs also returned to the economy, with the unemployment rate close to the pre-pandemic level at 3.90% in December, this despite the Federal Pandemic Unemployment Compensation programme coming to an end.

Economic Outlook

The year ahead looks promising, albeit with some challenges still hovering on the horizon. On the one hand, the COVID-19 pandemic persists, and inflation continues to pose a downside risk to increased economic activities and consumer confidence. However, as vaccination rate improves and individuals are giving more pandemic-coping mechanisms, fiscal support and other recovery efforts by governments continue, with the opening up of economies, the decline in unemployment rates, increased fiscal flexibility, and relief of supply-chain delays all point to an improved economic outlook for 2022 for many of the world economies. Accordingly, the IMF's economic outlook is reflected in its estimated global economic growth of 4.40% for 2022. This positive outlook is consistent not only for Jamaica but also for the other territories in which the VM Group operates, as well as Jamaica's major trading partners.

While the current drivers of inflation have not yet been resolved, the monetary efforts of central banks globally to temper demand and governmental measures to ease in the supply chain challenges could trigger a fall in inflation by mid-2022, assuming that the impact of the ongoing conflict in the Ukraine does not further complicate the situation.

At the local level, Jamaica's economic fundamentals continue to improve. Thi,s coupled with the reduced need for fiscal support, ramping up of economic activities and expansion in certain sectors as consumers and businesses coexist with the pandemi,c supports the improved economic outlook for 2022. The local capital markets and the Government's investment in areas that will foster increased competitiveness, drive increased employment, and lessen the country's environmental footprint, are expected to grow. Renewable energy, sustainable transportation, and infrastructure to bridge the digital divide are all worthy examples. to improve. This coupled with the reduced need for fiscal support, ramping up of economic activities and expansion in certain sectors as consumers and businesses coexist with the pandemic supports the improved economic outlook for 2022.



Our Overall Performance

The VM Group's Key Business Outcomes

Despite the roller-coaster ride of 2021 with the twists and turns of economic activities, the highs and lows of unemployment rates, the sustained low interest rate required to encourage economic growth, lower consumer and business confidence, decreased profitability from the business sector, lower fees from the increased use of electronic self-service options popular in a COVID-19 persistent environment, the VM Group closed the first full year of its three-year strategic cycle with a strong financial performance. During this period, it was necessary to focus on effective execution, not only to counter the unrelenting challenges of operating environment, COVID-related and otherwise, but also to secure a strong footing on which to engineer success in the subsequent two years of this cycle. Accordingly, we executed across the Group a portfolio of initiatives which are designed to deliver value to our Members and Clients, engage our Team Members, accelerate diversified business growth, while building a nimble, robust, and resilient Organisation. The effective execution of these initiatives has borne fruit, yielding strong financial outcomes which are discussed and analysed.

During the review period, our Members and Clients continued to turn to us to finance their homes and other assets. In 2021, loan disbursements grew by 31.36% to $32.78 billion. Additionally, this was supported by our strong showing in the real estate industry, with the sale or rental of 165 properties and appraisals of over 740 valued in excess of $2 billion and $25 billion, respectively. During this period also, our impressive loan growth of 32.4% relative to the industry's 9.29% boosted our market share position to 4th in 2021. We also grew our Assets under Management by $6.4 billion to $92.21 billion as our Members and Clients continue to entrust us with the management of their investment funds. The Group's total assets also increased by $32.62 billion to $284.47 billion, and this helped to bolster our revenue growth normalised for the 2020 one-off NHT gain, by 31.47% to $11.01 billion, demonstrating our continued effective use of our assets to generate income. Our overall effort to build a Strong, Integrated Financial Group was a direct result of the growth in our individual business lines, but more importantly, simultaneously optimising the synergy afforded by their interdependencies.

During this period, our businesses outside of Jamaica did well, as we continued to support our Members and Clients in the diaspora in their efforts to achieve financial well-being. VM Finance, our subsidiary operating out of the United Kingdom, reported net profits of £1.006 million, representing almost 200% above prior year, while the contribution of our strategic alliance, Carilend Barbados, continued to outperform its target. Positive performances were also reported from our other overseas representations in the United Kingdom, the United States, and Canada with total mortgage disbursements of £2.6 million, US$4.5 million, CAN $1.2 million, respectively and a combined total of J$551 million and total new accounts in excess of 2,000.

Our Pension Management arm outperformed profit targets by 123%. During the year, VMIL was rated by CariCris as investment grade, which allowed us to raise additional debt capital of $2.9 billion. These funds have been utilised to accelerate our lending efforts, coupled with improving our underwriting capabilities for corporate finance transactions. Additionally, as Members continue to utilise our money-transfer services to remit funds to their accounts at VM and elsewhere, their business conducted with us engineered a 22% increase in remittance transactions for the 12 months to December 2021.

The VM Group's Brand is Transformed

In 2021, the VM Group achieved, undoubtably, one of its most significant achievements for the review period with the transformation of its Brand, executed on schedule and coinciding with Members' Month in November. This Brand Transformation repositioned the VM Group as a Strong, Integrated Financial Group providing a diversified suite of financial solutions at the same excellent standard which it has for years delivered in the mortgage market. The new brand elements, including the new logo for the Group and its subsidiaries, a new colour scheme and tagline, were successfully rolled out, with the final phases slated for completion in 2022. The new tagline 'Transform Your Everyday' reflects the myriad ways in which the VM Group is able to support you, our Members and Clients, as well as prospects, achieve their goals, irrespective of the life cycle stage. The success of this major initiative is reflected at multiple levels, including the overwhelmingly positive feedback that we continue to receive from our Members, Clients, and the general public, both here at home and overseas.

The VM Group Is Recognised for Transforming Lives

In 2021, the VM Group continued to transform its business model through the execution of its digital strategy, building strategic alliances and partnerships to accelerate and diversify growth, driving resilience through robust risk management strategies, improved and streamlined processes, as well as stable and reliable systems. We also continued to transform the lives of our Members and Clients by providing needs-based financial solutions and excellent service delivery, the lives of our Team Members by building their engagement and resilience, and the lives of our communities through the VM Foundation, Outreach and CSR activities, contributions and development work. These internally motivated efforts, though driven by our purpose to transform lives and framed by our posture of mutuality, are finally being recognised externally, and in 2021, the VM Group copped a number of international awards. The VM Group was:

- recognised as Best Banking Group Jamaica by the International Banker based on its assessment of our 2021 performance with respect to VM Group's awareness, engagement, and responsiveness to our Members and Clients, the robustness of our risk management framework, as well as our corporate social responsibility (CSR) and other outreach activities.
- ranked second in the Caribbean by the Financial Times' publication **The Banker**, based on overall performance among Caribbean banks.
- recognised by CFI.co as the Best Advisory Financial Team in the Caribbean for the third consecutive year.
- shortlisted as a finalist in three categories in the global Digital Transformation and Operational Excellence Awards (DTOES). The DTOES was established to highlight the outstanding achievements in business transformation internationally.

In addition to these awards, the VM Group received the Great Place to Work certification issued by the Great Place to Work Institute – Central America and the Caribbean in September 2021 and is based on its assessment of the extent to which our Team Members trust the people they work for, have pride in what they do, and enjoy the people they work with. This is a major achievement and validates the work done by the entire VM Team to support and advance our Employer of Choice strategic goal.

These awards, recognition, and certification are testament to the exceptional work that has been done by the VM Group and confirm its world-class standard. While we appreciate being recognised internationally, we will remain focused on fulfilling our purpose as we seek to drive growth, innovation, and resilience.

Transforming the Everyday of our Members and Clients

The strategies implemented by the VM Group during 2021 underpinned our commitment to **Transform the Everyday** of our Members and Clients, both at home and overseas, and by so doing ensure that they are empowered to achieve financial wellness. During the period under review, this was achieved by optimising our Digital Transformation Programme to provide innovative financial solutions that are aligned to the needs of our Members and Clients, delighting them with excellent service delivery, providing education relevant to their financial well-being, as well as greater and more convenient access to the Group through an expanded suite of electronic and physical touchpoints as well as multiple avenues for feedback.

Providing Financial Solutions

In 2021, we continued to focus on developing financial solutions that work best for our Members and Clients and are aligned to their needs. In pursuit of this objective, we improved our product and service offerings, both in terms of relevance with additional features and range in terms of new products. To this end, in 2021, the Group launched five new products and services, including our Online **Business Banking** designed to provide our business Clients with the capability to better manage their accounts using our online platform and thereby improving the nimbleness with which they can respond to changes in their environment. Access to this platform was particularly important for small and medium enterprises (SMEs) which benefit from the flexibility afforded by this and other electronic avenues which help to improve the efficiency of their businesses.

We also launched the VM One Simplified Savings Account, which broadens the pool of persons who, though previously underserved, can now access formal savings options and, in the process, help to advance the financial inclusion agenda. Our range of online/electronic products and services was further expanded with the introduction of the **VM Wealth IPO Edge** platform, VM Express Video Banking, and Credit Decision Engine. The VM Wealth IPO Edge was developed to provide Members and Clients with the ease and convenience of accessing online IPO services, including registration for a JCSD account, tracking the status of IPO application, and funding IPO applications from multiple sources. **VM Express Video Banking** provides our Members and Clients with access to real-time interactions with our Tellers/Contact Centre Agents who are able to assist with transactions processing. The **Automated Credit Decision Engine** allows for a more seamless and faster credit adjudication process by automatically applying the credit policy rules to Members' loan applications.

Savings & Investments Options

The VM Group continues to encourage our Members and Clients to develop savings and investment habits that are aligned to their financial goals. We continue to offer multiple savings and investment options through our six Member-facing Strategic Business Units (SBUs). These include a variety of savings products such **as iSave, Save&Grow and Money Maker, multi-currency certificates of deposit, including iGain Edge**, Money Market instruments, Unit Trusts such as the US Equity Fund and our Property Fund (which ranked number 1 in the industry in 2021), as well as our approved retirement schemes (ARS). Additionally, we provide our Members and Clients, through our Property Services and Money Transfer Services subsidiaries, the opportunity to acquire/invest in real estate and/or start/maintain a saving habit by transferring their remittance funds directly to their accounts in the VM Group or other financial institutions.

Our Members' response and access to this range of savings and investment options contributed to a 16.34% growth in the deposits portfolio and a 6.83% and 5.12% growth in Unit Trust and stock market investments respectively. Additionally, our real estate sales team sold or rented, on behalf of our Members and Clients, 165 properties with a combined value of $2.06 billion, referred $350 million in mortgages and appraised 745 properties valued of $25.0 billion. While remittance transactions increase by 15% relative to 2020 and the number of direct-to-bank transactions improved by 48% increase over the same period. We also continued to support the Jamaican diaspora in their pursuit of financial well-being by opening over 2,000 new accounts through our overseas operations in the UK, the USA, and Canada.

Providing Financial Education Because We Care

The financial solutions provided in 2021 were coupled with a comprehensive and robust programme of Financial Education initiatives. This was on full display in 2021 as we hosted a series of events targeting communities locally and globally. Our portfolio of financial education activities included:

- Webinars such as **VMBS's Making Moves, VMWM's Wealth Talks, VMPM's Future Forward** series.
- Virtual expos, for instance the annual Home & Auto Expo which was staged virtually for the second consecutive year. The nearly 1,000 attendees received engaging and informative content on mortgages, auto loans, investments and pension solutions, as well as offers from auto dealer partners.

- Podcasts, for example **WealthWise** and **VMPM Debunked Pensions**, as well as digital newsletters and daily market updates.

The VM Group also capitalised on other opportunities to share financial education by participating in external events such as the Jamaica Developers Association and Jamaica Observer webinar on **Debt Trap: Fixing Your Finance**s and publishing articles in the local newspapers, for example **Pensions Matter: Preparing for a Successful Retirement**

While a number of these events catered to all Members and Clients, irrespective of their locations, during 2021 we provided specific opportunities for our Jamaican communities living overseas. Two such instances were:

- The **UK Web Talks** hosted by the UK Representative Office, which provided real estate and mortgage information from our Building Society and Property Services arms (VMBS and VMPS) as well as the National Housing Trust (NHT).
- The **'Bank on the Move'** series hosted by the VMBS's Florida Representative Office and targeted high-density Jamaican communities in major cities across Florida and provided the opportunity for attendees to access information on VM's products and services as well as submit mortgage-related documentation for purchasing property in Jamaica.

Listening to our Members and Clients

Listening to our Members and Clients remained a huge priority for us at the VM Group. As such, during 2021, we actively encouraged this us by providing them with multiple feedback avenues. Among our suite of feedback options are our biannual **Members' Forum** events hosted by our President and CEO under the 'Mutually Inclusive' banner. In 2021, we used these sessions to invite our Members and Clients to engage in live discussions with our senior leaders. This avenue provided yet another opportunity to air and address their questions and concerns and to provide us with feedback on our efforts to serve them as well as to recommend changes they would like to see.

Additionally, in an environment where the COVID-19 pandemic remains an active challenge, we continue to hear from our Members and Clients by way of our contact-free feedback options, including our quarterly Net Promoter Score (NPS) and Customer Service surveys, as well as our Complaint Management Portal, which records, monitors, reports, and analyses all complaints received from Members and Clients across the Group. This capability helped our Team to better understand our major service gaps and customer pain points across the Group and hence inform the various strategies or initiatives required to address them. As part of our effort to **transform the everyday** of our Members and Clients, we actively seek to resolve all customer irritants and pain points received via these and other channels in a manner that works for our Members and thereby improve the quality of our service delivery.

During this review period, feedback on our service quality with respect to timeliness, relevance of our financial solutions to their needs, ease of doing business with us, and our trustworthiness surpassed both target and prior year. Our survey outcomes, coupled with the improvement in our loyalty score (NPS), represent important temperature checks as we continue to listen and respond to Members and Clients, using every opportunity to convert their recommendations into service enhancements.

Digitally Transforming the Lives of our Members and Clients

Our vision to become a digitally transformed organisation remains a priority for the VM Group. Accordingly, we continued the digitalisation of our processes, products, and services that not only positively impacted the experience of our Members and Clients but also addressed our commitment to keep them safe as the COVID pandemic persists. During 2021, we successfully expanded our range of electronic options to include:

- **VM Pensions Online** portal developed so that Members with corporate superannuation plans could independently conduct selected account transactions such as view contribution, personal and beneficiary details, generate statements on demand, request changes to voluntary contributions, and request transfers from previous approved pension plans or approved retirement schemes.
- VM Group's access to the **Automated Clearing House** affords the Group the opportunity to broaden the range of online banking capabilities available to its Members to include transfers from any local online banking platform to VM savings and loan accounts.
- EMV Chip-Enabled Cards allow our Members and Clients to transfer their remittances directly to their accounts at VM or other commercial banks.
- The **Appointment Scheduling** system introduced in 2021 was an important addition to our suite of services, as it affords our Members the contactless scheduling

Transforming the Everyday of our Members and Clients

CONTINUED

of appointments with their branch representatives via our web-based portal.

The VM Group in 2021 continued to provide to our Members and Clients with easy and convenient access by committing significant resources to digitalising our processes in order to improve their experience as they conduct business with us. During the review period, we improved 71 processes and commenced the implementation of a series of projects and initiatives under our **Customer Experience Transformation Programme (CETP)**. Our CETP promotes our self-service options and is designed to ensure that the experience of our Members and Clients at our digital touchpoints is consistently in line with our service excellence mantra. Building on our early CETP success in 2021, efforts in this area will continue in earnest in 2022.

Significant changes were also made to the Group ICT infrastructure that supports Member-facing applications as well as applications that allow Team Members to better serve our Members. Additionally, the Group, through its newest subsidiary, **VM Innovations Limited**, continued its effort to **drive innovation** with the development of a series of initiatives that are slated for implementation in 2022 and which will broaden the range of solutions and contact-free options available to our Members and Clients.

We also gave attention to our internal processes as we focused on one of our strategic objectives of **'Digitalising our Value Chains'**. This saw us assessing key processes that impacted service delivery and seeking digital solutions for enhancing those processes.

VMTS expanded its footprint across Jamaica with 25 new alliances, primarily through the establishment of new sub-agents and bringing the total to 107 such locations. VMTS also continued its effort to provide our Members with the convenience of direct deposits to their operating accounts, thereby advancing our digital agenda as well as providing additional safety and convenience. The customers of VMTS are adopting this option, reflected in the 48% increase in the number of direct-to-bank transactions during the review period.

While many of our Members and Clients choose the convenience of our electronic channels, we recognised that there are instances when the nature of their business would require them to visit our branches. Accordingly, during the year we also improved the environment in which our Members conducted their business by upgrading/refurbishing seven of our branches – Linstead, Ocho Rios, Savanna-la-Mar, Santa Cruz, May Pen, Mandeville, and UTech.

Electronic Channels

Our strategies around providing safe, convenient, and accessible electronic channels, coupled with increased education and awareness around these self-service options, continued the improvement of our IT infrastructure. The streamlining of processes through improvement and/or digitalisation continued unabated in 2021. In the area of innovation and digital transformation, we further upgraded our Mortgage Portal, a first of its kind in Jamaica, allowing our Members with the convenience of accessing pre-approvals within 24 hours and tracking the progress of their application at any time.

We also continued to deploy new Intelligent Banking Machines (iABMs), and during 2021 expanded our fleet to 27, providing better coverage across the island. Additionally, we increased the services offered at our cheque depositories at our 16 branches islandwide to include FX cash deposits in an effort to reduce the wait time of our Members. Our iABM expansion was supported by provision to our Members with 25,906 new debit cards during 2021 who appreciated and capitalised on the flexibility afforded by this approach.

Our efforts to expand electronic coverage and to provide increased access to self-service options will continue in 2022 with the upgrade of our newly installed iABMs, to allow for the acceptance of third-party transactions. We continue to promote multiple electronic channels for Members and Clients to conduct their financial transactions and to encourage them to capitalise on the improved convenience afforded by this expanded coverage, especially as the COVID pandemic lingers.

Our continued focus on providing excellent service with greater access to our products and services during 2021, and the improved loyalty score, help to drive increased business and was a significant contributor to the VM Group's strong financial performance. This is evidenced by the 32.4% growth in our loan portfolio, driven, in part, by the $32.78 billion in total loans disbursed to our Members and Clients, while our Members entrusted us with additional deposits of $14.38 billion.

In 2022, our prospective Clients can look forward to a fully online onboarding experience as we roll out our omnichannel solution and the launch of the VM Credit Card. We will also be integrating and leveraging our current online banking capabilities to further extend self-service options to the VM Group Members and Clients.

We have also made significant progress in the development of a Business Intelligence portfolio. This will be further expanded in 2022 to include the use of analytics to assess data quality across the Group. Additionally, we have advanced the development of Member needs-based analytics to assist in providing a targeted approach to the delivery of products and services, created real-time performance management dashboards to provide visibility on key Organisation-wide metrics, sentiment analysis on Member complaints, as well as improved processes to identify and eliminate and thereby improve the speed and quality of our response to Members.

Our financial solutions designed to meet the needs of our Members and Clients, our efforts to respond to feedback from Members, the provision of easy, convenient, and flexible self-service options, and the continued focus on excellent service delivery are all undergirded by the dual emphases to build strong relationships and provide financial education to our Members and Clients.

The year ahead promises to be exciting and rewarding for our Members and Clients as our efforts to drive innovation and improve service excellence shift into second gear.

Transforming the Everyday of our Team Members

In line with our belief that our people are our most valuable asset, the VM Group in 2021 continued to accelerate our efforts to **future-proof** our workforce in alignment with our Strategic Goal of being **Employer of Choice.** Accordingly, in 2021, we continued to execute our strategy of attracting, developing, engaging and retaining highly competent Team Members who bring to life the Desired Behaviours, our **Core Values and Cultural Beliefs** with each interaction with our Members, Clients, and Team Members, and deliver targeted results for the VM Group.

In the pandemic-led environment of 2021, the VM Group, like other organisations across the world, continued to operate with the changing face of the workplace and the workforce and therefore strengthened our programmes and initiatives designed to build a more resilient and engaged team. These programmes, while being part of VM Group's overall Transformation Programme, are specifically designed to achieve our **Talent Management, Employee Engagement and Wellness, Performance Management, and Total Rewards** objectives. During this review period, VM Group also advanced three additional and complementary initiatives uniquely aligned to the Transformation Programme Agenda – **Great Place to Work Certification,** further embedding our **Culture of Accountability** and the formalisation of the **VM Identity**.

Culture of Accountability

During this review period, we continued the partnership with our external provider to embed an Organisation-wide Culture of Accountability (COA) that is built on trust and aligned with our purpose. This partnership was established to ensure that our integration efforts are aligned with our three-year Strategic Theme of **Transforming Lives: Driving Growth, Innovation, and Resilience** and that the tools and practices are utilised across the organisation. The process of integration involved the completion of a Culture Audit, Leadership and Vertical Team Meetings, as well as Executive Coaching. Our COA Programme provided a solid foundation on which to formalise the **VM Identity**, where Team Members see themselves as **VMers** and celebrate their differences as a competitive advantage framed by our **Diversity and Inclusion** policy framework.

As we seek to redefine our workplace and workforce, it becomes necessary to engineer further improvements to our Flexible Work Arrangement Policy, established in 2018, by moving towards a **Hybrid Remote and Flexible Work Arrangement Policy**. This advancement is an important component of our progressive Human Resources Agenda and supports Diversity, Inclusion, a Results-Focused culture, and the achievement of our **Employer of Choice** Goal and **Great Place to Work** Initiative.

Despite the COVID-19 restrictions, we ensured that under this new policy, our Team Members' workplace met international standards while supporting the interests of the Organisation and stakeholders.

Employee Engagement and Wellness Activities

As with many of the VM Group's HR Programmes and Initiatives, our Employee Engagement and Wellness initiatives are focused around creating a Great Place to Work for our Team Members as we future-proof our workplace strategy, through the development and execution of modern and relevant programmes aligned to the well-being of our Team Members. Given our operating environment that was, in 2021, still heavily influenced by the pandemic, greater focus was placed on the adoption of digital means to deliver engagement activities to reach Team Members and to maximise participation, especially for those Team Members working remotely or in our overseas offices.

Additionally, throughout the year, we executed several wellness activities transcending COVID-19 outreach and designed to encourage our Team Members to remain informed about wellness practices as well as develop new wellness habits.

To encourage and facilitate the safety and well-being of all Team Members, Members, Clients and Customers, the VM Group supported the Government of Jamaica vaccination efforts, through its partnership with the Ministry of Health & Wellness and the private sector through its Vaccine Initiative. The VM Group hosted two vaccination blitzes to facilitate the administration of first and second vaccination doses for Team Members and their dependents.

Developing & Managing Team Talent

To ensure that we continue to build an engaged, resilient, and competent team, we ensure that our Team Members must be equipped with the right tools and knowledge required to deliver on our commitment to achieve our strategic goals as well as key results. Accordingly, a huge concentration of our effort during this review period featured the proactive management of our Talent, which is a key element of future-proofing the VM Group's workforce.

Our robust **Talent Development and Management Programme** continued in 2021 to actively develop capabilities for our Team Members by aligning formal learning programmes with business needs; experience-based learning assignments to develop collaboration and encouraging teaming and agility among our Team. Our Talent Management initiatives remained focused on the building of Individual Development Plans for Team Members, Career Development Plans for Critical Positions, as well as High-Potential and High-Performance Talent, Succession Plans for Senior Leader Positions, Talent Plans for non-management Team Members, and the Accelerated Development Programme for High Potential Team Members. The experience-based learning was applied through acting assignments, promotions and job rotation, coaching, mentorship, and formal learning activities to prepare selected Members to assume additional responsibilities. The Talent Review Sessions continued to inform the Talent Pools and support the preparation of Team Members for transition to various roles across the Organisation.

Additional training programmes were also undertaken across the Group during the review year to support the development of our people. These included General Management, Credit, Sales, and language as well as digital training to prepare Team Members to support the VM Group in achieving its continued plans for global expansion, as well as professional training specific to our individual business lines, ensuring that all Team Members are equipped to provide the level of excellent service and pertinent, needs-based financial information that will support our Members.

In 2021, 42% of vacancies were filled internally, demonstrating the value of VM's robust talent management, learning and development efforts.

Performance Management and Recognition & Rewards

We continue to use the **Victoria Mutual Group's Performance Management and Appraisal System (PMAS)** to assess performance of our Team Members across two dimensions, performance objectives **(what we do)**, and desired behaviours **(how we do it)** in order to support our performance excellence pillar required to build the transformed VM. Our PMAS assessment is aligned to our overall performance management framework built primarily on the Balanced Scorecard Tool that is applied across the Group for all Units. For the financial year ended December 2021, the VM Group achieved a BSC execution almost 83%, outperforming the target for the third consecutive year. The alignment of these two performance assessment tools at the individual (PMAS) and Unit (BSC) levels is evidenced by the fact that 97.8% of our Team Members score above average, good or excellent scores.

A key component of our Talent Management process is not only the identifying and management of Team Members' potential and performance levels but of necessity is the sharing of such information with each Team Member, which we did through a series of roadshows across the island. This performance assessment exercise, which was executed across the VM Group, is an important precursor to the Compensation Review Exercise which was completed in November 2021. This review advanced our journey to ensure that the VM Group Team Members' compensation packages compare favourably to the industry and importantly reflect emphasis on talent management and retention strategy.

A Variable Pay Incentive Scheme, which was introduced in 2019 to ensure that Team Members in sales and other revenue-generating areas of the Organisation play a greater role in determining their earnings, was extended in 2021. This forms part of our journey to embed a sales culture to achieve the organisation's sales and revenue targets.

The VM Group's **Rewards and Recognition Programme** is designed to drive a high level of Team Member engagement and to build a high-performance culture. This programme utilises the culture tools of focused recognition, instant recognition, as well as the annual 'I AM VM' Awards to recognise Team Members who demonstrate the VM Group's core values, cultural beliefs, and desired behaviours. This special annual programme recognises and rewards outstanding Team Members at both the individual and Team levels for excellent performance across various categories in the Group and was held on May 8, 2021.

The **2021 Business Conference** was held virtually on Saturday, January 9, 2021, under the theme Transforming Lives: Driving Growth, Innovation & Resilience. The event was attended by approximately 650 Team Members and provided our leaders with an opportunity to share the strategic direction and plans for the upcoming year. This was particularly important given that we were about to embark on the first of a three-year strategic planning cycle. The conference also gave Team Members a forum to share feedback and receive clarification on the strategic objectives and direction.

Digitally Transforming the Lives of our People

Having our people fully trained and equipped to thrive in a digital organisation that delivers exceptional digital services is a key objective for us at the VM Group and forms a strategic pillar of the Group's Digital Transformation Programme. Team Members' core competencies have been expanded to include digital capabilities as part of the talent management programme. The execution of the skills training and development component will be ongoing as Team Members will continuously develop their skills to meet the needs of our Organisation, which must effectively compete in the global environment.

Transforming the Everyday of our Team Members

CONTINUED

Training and certification of Team Members in core digital capabilities was pivotal for us in in 2021, representing a critical component along the journey to ensure that our culture is transformed from "**doing digital to being digital**". We extended the course offerings within our groupwide digital capability development programme, dubbed **VM Digital U**, and certified over 88% of our Team Members in digital courses across the domains of Agile, Design Thinking and Data Analytics, as well as advanced courses on specific tools for the Group's digital collaboration platform.

Accordingly, the availability of this expanded suite of digital tools has allowed our Team Members to engage each other seamlessly and efficiently. This has advanced the culture of collaboration, which is transforming the way we work, how we work with each other, and how we serve our Members and Clients. We are anticipating even greater works in 2022 as we progress along our digital transformation journey with the continued development of our digital talent pool and the launch of an organisation-wide digital capabilities development programme that is primed to train Team Members on the digital skills necessary to transform the VM Group into a digital Organisation.

HREI Survey and Results

The VM Group achieved an engagement score of 76%/85% for 2021, against our target of 77%/80%. The overall engagement score of 76% is above the global average and Latin America and the Caribbean average of 66% and 74%, respectively. The engagement score, which has remained steady since 2020, is particularly commendable given the impact the COVID-19 pandemic had on the operations of the VM Group and the ability to deliver on key performance indicators within this period. The VM Group is confident that our expansive and robust portfolio of programmes will continue to deliver HREI outcomes that communicate high engagement levels across the Group. This augurs well for our 2022 business targets. Our **HREI scores,** relative to international standards and the award on **Great Place to Work** Certification in 2021, are strong indicators that the VM Group is indeed a **Great Place to Work!**

Transforming the Everyday of our Communities

While the VM Group has, since its establishment, consistently focused on advancing the well-being of others and transforming lives in the various communities in which it serves, the VM Foundation was established just four years ago in 2018 with dedicated resources to provide greater focus on the Group's CSR activities. These projects and activities were executed under the core pillars of **leadership and nation building, youth empowerment, and health and family**. Financial education and positive parenting continue to emerge as areas of emphasis for the Foundation, as evidenced by the number of initiatives pursued, and the enthusiasm demonstrated by Team Members to be involved in these areas. During 2021, the VM Group, through its Foundation and other CSR activities, contributed approximately $60 million towards the implementation of various projects and thereby impacted more than 100,00 lives.

The VM Team Supports Our Communities

Our Team Members are highly engaged and involved in the Group's CSR activities. For a second consecutive year, the donations of hundreds of Team Members islandwide have surpassed the annual target, and their volunteerism and outreach outstripped our expectations. In 2021, Team Members donated roughly J$2.8 million, representing a 36% increase over donations in 2020. These donations were used to support our scholarship programme, Head-Star, for our high-performing and well-deserving young people. The consistent, selfless participation of Team Members, as well as these donations of kind and valuable time, is a critical driver of the Foundation's commitment to improving lives.

The VM Foundation Projects, Initiatives, and Activities

As a result of these and other contributions, the VM Foundation was able to deliver on many of its commitments during the year. These included:

- The continued sponsorship, for the 41st consecutive year, of the National Leadership Prayer Breakfast, to which the Foundation and the VM Group donated $5 million.
- Social Enterprise in Secondary Schools (SESS), which will be renamed in 2022 EnRich; Read Across Jamaica Day; Refurbish for Change (facilitated the donation of 139 laptops and desktops); Under-13 Football Programme (will be rebranded to UpLift in 2022); IgKnight, which was significantly impacted by COVID-19 but resumed in 2021; Child Resiliency Programme, supported with J$6.4 million; Positive Parenting (impacting approximately 35,930 lives).
- Other areas of impact included our work via Adopt-a-Clinic. For the third year, the VM Foundation supported this project as well as the St Jago Park Health Centre which sees between 50,000 and 90,000 visitors each year. The Foundation supported with $1.5 million in funding and resources.
- The 12 Treats of Christmas represents a collaborative effort among all 16 VM branches across Jamaica and the Foundation, which targeted 14 homes sheltering boys and girls.
- Other partnerships included the donation of J$3.2 million in small grants through donations made from our Team Members. Another J$1.78 million was donated in September to aid in the construction of a field hospital to accommodate the overflow related to the increase in the number of COVID-19 patients.

Looking Ahead: The VM Foundation Transforming Lives in 2022

Having started on our Environmental, Social and Governance (ESG) journey, the year 2022 promises to be an exciting one for the Foundation and CSR activities of the VM Group. Among the changes anticipated for 2022 are the rebranding and expansion of some of our major initiatives, including the SESS, to be rebranded as **'EnRich'** and the reconstructed Under-13 Football Programme dubbed **'UpLift'**.

The new year will also witness an expanded and rebranded service under our **Service to the Community** pillar. The VM Foundation sees community development initiatives as a key part of its focus on leadership and nation building. Accordingly, we will be moving to consolidate several of our smaller projects under a new programme called **'Community Heroes'**. With the help of our Team Members, this initiative, as the name suggests, will identify, support, and celebrate exemplary members of communities who are uniquely transforming lives in their own unique ways.

Transforming the Everyday of our Communities

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VM Foundation Head-Start Scholarship Programme

Eby Nelson, VM Foundation Head-Start Future Plan Scholar, 2021.

Guest Performer at the 2021 NLPB, Latoya 'HD' Downer, delivering a stirring performance.

Guest Speaker at the 2021 NLPB, the Rev Dr Dylan Toussaint, Pastor at Edgewater and Waterford Circuit of Baptist Churches, speaking on the theme 'Keep Hope Alive'.

National Leadership Prayer Breakfast

(L - R) Ms. Anastacia Garrison, Principal, Caledonia All Age and Infant School; the Rt Reverend Stanley G. Clarke, Chairman, NLPB; Dr Roneckia Rose, Past Student, Cairn Curran Primary School; M. Novlett Muirhead-Watson, Teacher, Tranquility Primary School; Pastor Claudia Ferguson, Secretary, NLPB, and the Rev Alston Henry, Member, NLPB.

Positive Parenting with VM Foundation digital series

VM Foundation CEO Samantha Charles has an engaging discussion on fatherhood with the Rev Dr Stevenson Samuels, Senior Pastor, Waltham Park New Testament Church of God.

Clinical Psychologist at the Western Regional Health Authority and The UWI, Mona's Western Jamaica Campus, Georgia Rose (left), speaks with VM Foundation CEO Samantha Charles on mental well-being and parenting in a pandemic.

Refurbish for Change Initiative

Calabar Infant and Primary School Lyon Crossdale (left), Assistant Manager, IT Service Delivery and Operations, VM Group, demonstrates the parts of the computer to Alicia Davidson (2nd right), Parent of Grade 4 student, as Naketa West (2nd left), Manager (former), VM Foundation and Joset Leslie (right), Principal, Calabar Infant and Primary School, observe.

Norman Gardens Primary School Naketa West, Manager (former) (R), VM Foundation, Dalton Richardson, Group Chief Technology Officer, VM Group ICT (L), and Velma Russell, (center) Acting Principal, Norman Gardens Primary School looks on at Kriston Ferguson, Student, Norman Gardens Primary School as he accesses his online class on a cell phone.

Transforming the Everyday of our Communities

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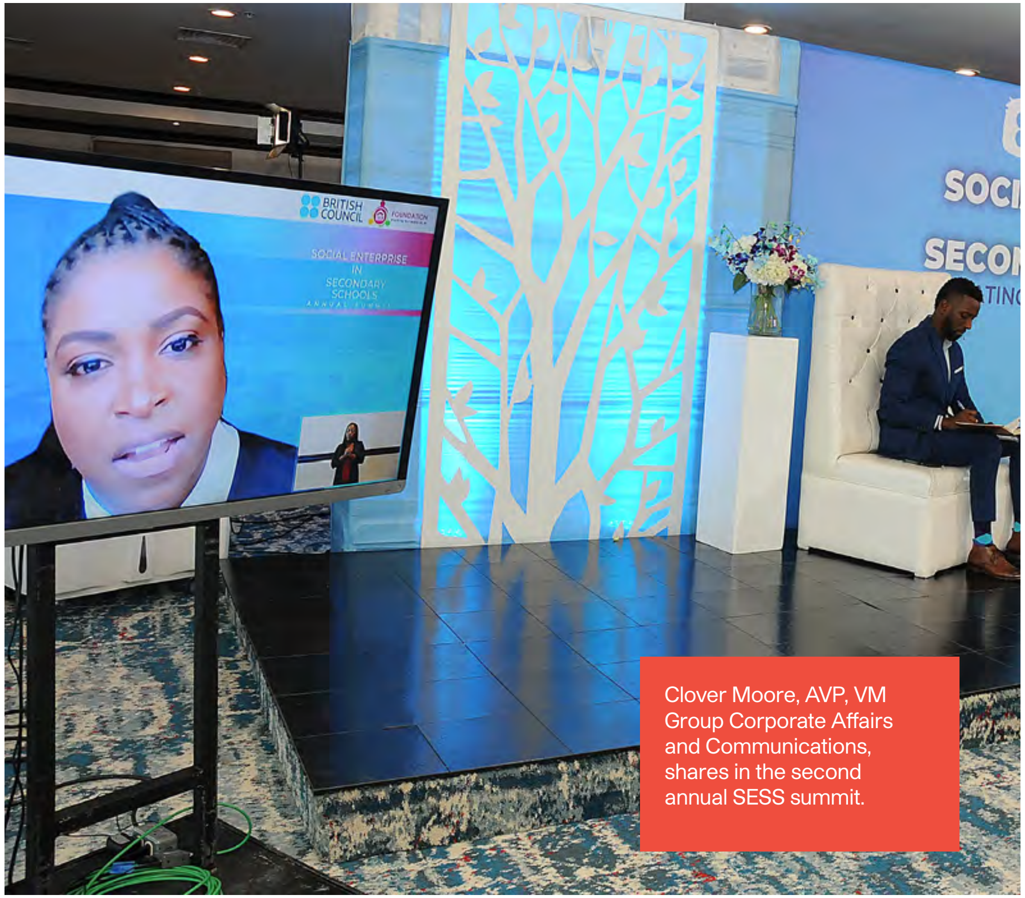
Social Enterprise in Secondary Schools



Clover Moore, AVP, VM Group Corporate Affairs and Communications, shares in the second annual SESS summit.

Panellists at the second annual SESS summit.

VM ... A Strong, Integrated Financial Group

On its mission to create a Strong, Integrated Financial Group, the VM Group continues to focus on building a robust, resilient, integrated, and complementary pool of business lines that together can withstand the many changes and challenges of its operating environment. As a diverse organisation, the VM Group offers its Members and Clients a wide range of financial solutions through its Strategic Business Units (SBUs) and associated companies. During 2021, we continued to deliver on our commitment to support the various needs of our Members and Clients by providing retail and corporate banking, wealth management, pension/retirement, general insurance services through our associated company BCIC, property-related, and money transfer services. Additionally, starting December 2021, we expanded our suite of financial solutions to include life insurance services through our partnership with Canopy Insurance.

We are our people's people.

Risk Governance

Enterprise Risk Management

The VM Group enterprise risk management framework provides a solid foundation for the successful delivery of our strategic goals. The framework establishes a formal, systematic, and integrated, principle-based approach to identifying, managing, and monitoring risks across the VM Group, providing clear path to creating, preserving, and realising value for the Group.

The Group has a culture of effective risk management and risk-aware decision-making embedded into our key processes, which guide management to proactively identify, monitor, and manage the significant and emerging risks that could impact the Group.

Our Approach to Risk Management

The VM Group is dedicated to the establishment and continuous development of a comprehensive ERM framework that seeks to proactively identify, assess, monitor, and report on key risks as highlighted in its risk profile, and in accordance with its defined risk appetite.

The Board of Directors, Executive Management, various Management Committees, and Senior Management Team are committed to proactive management of risks according to the risk management framework. The Group Audit, Finance and Risk Committee assists the Board in its oversight of risk management, financial, and assurance matters.

The Board annually reviews the risk management framework and sets the risk appetite, incorporating a review of key aspects of the business strategy. It assesses whether adjustments to the material risks, risk appetite and related tolerances (i.e., limits and capacity) is needed, as the Group's operating environment evolves. The Executive Risk Management (ERM) Committee is a key function to ensure efficient implementation of the ERM Framework. The committee provides oversight to ensure that standards are met, responses are appropriate and high-level risks are treated and escalated while management is held accountable for managing the material risks within the appetite, thus enabling the Group to make risk conscious decisions and generate appropriate returns, in a controlled and deliberate manner.

Managing risk associated with COVID-19

During the fiscal year, the key area of focus was to manage the risks resulting from the unprecedented COVID-19 pandemic. Existing risk registers were updated and maintained to better identify, monitor, and manage COVID-19 related risks. Areas of focus included staff well-being, effective remote working, client/member services, enhanced liquidity management, day-to-day management of investment portfolios, and enhanced communication, and maintaining operational resilience.

Managing risk to deliver strategy

The VM Group has been seeking to embed a strong risk culture across the organisation and has implemented policies and allocated resources across all levels of the organisation to manage and mitigate potential risks and expects to continue to invest in its risk management framework.

As such, during 2021, a comprehensive review of our existing Enterprise Risk Management Framework was conducted with an external risk advisory firm to review and make recommendations to improve the effectiveness of the current framework as part of our strategy of embedding a high-performance culture within the organisation. The Board of VM Group endorsed and subsequently approved the revised framework, which outlines the criteria and guidelines for determining whether the enterprise risk management culture, capabilities, and practices are collectively sufficient to manage the risk associated with achieving the Group's strategy and supporting business objectives.

The VM Group has a lower risk appetite in the management of critical areas that could have significant impact on the Group's reputation and performance, including investment performance, regulatory compliance, behaviour and conduct, and the risks associated with COVID-19 pandemic.

The Group accepts a higher risk appetite, consistent with its strategic objectives, in relation to risks associated with business growth, change and digital initiatives.

Material Risks

The VM Group actively manages a range of financial and non-financial business risks and uncertainties, which can potentially have a material impact on the organisation and its ability to achieve its strategic objectives. The significant risks are outlined in the following table.

Our Operations

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Material risk	Risk description	Mitigating Actions
COVID-19 pandemic	The risk that the Group is unable to continue servicing its members and fails to effectively consider the future impacts resulting from the COVID-19 pandemic.	▶ More frequent member communications and enhanced liquidity risk management to ensure that service and portfolio management processes continued to operate. ▶ Business Continuity Planning (BCP) plans evaluated, and COVID-19 management teams in place. ▶ Enhanced risk management processes with relevant risk registers updated to capture specific COVID-19-related risks. ▶ Crisis Management Plan in place.
Credit Risk	The risk of financial losses as a result of the inability to implement sound credit administration procedures, inclusive of defining effective lending policies, underwriting standards, concentration limits, documentation requirements and loan collection/monitoring procedures to mitigate possible losses.	▶ Established credit lending and administration policies. ▶ Enhanced due diligence for risky loans. ▶ Regular and routine independent assessment of credit quality, adherence to policy and procedure, and appropriate board- and senior-management-level reporting. ▶ Maintenance of a comprehensive toolkit to effectively manage distressed debtors as early as possible and provide financial support to viable businesses that may have come under temporary stress during the pandemic.

Technology and Information Security	The risk that the existing technology operating platform is inadequate and may suffer disruptions, such as system failures, faults, illegal unauthorised use of data, and cybercrime.	▶ Regular review and testing of Disaster Recovery and Business Continuity Plans. ▶ Range of technology and data security-related policies in place. ▶ Technological and information security enhancements made, where appropriate, to support remote working as part of managing the COVID-19 pandemic. ▶ Periodic information security training. ▶ Ongoing penetration testing and consultation with cybersecurity specialists.
Market, financial and treasury	The risk that portfolios will not meet their investment objectives or that there is a failure to achieve consistent long-term performance that delivers on the Members' or Clients' expectations. The assets under management face a variety of risks arising from the unpredictability of financial markets, including movements in equity markets, interest rates, and foreign exchange rates.	▶ Clearly defined investment strategies and investment processes within stated risk parameters. ▶ Regular independent investment risk reviews and analysis of portfolio risks across all asset classes and strategies (including market, liquidity, and credit counterparty). ▶ Diversification across asset classes, investment styles, and geographies. ▶ Capital management and investment policies in place with limits. ▶ Budgeting and financial forecast management.

Our Operations

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Project Execution	Failure to effectively manage material change projects which could result in loss or missed opportunities. Such a risk could result from poor planning, ineffective project governance, insufficient resource (including human capital), ineffective execution, and poor management of project interdependencies.	▶ Appropriate governance processes in place to monitor, escalate, and report on progress to the relevant project Committees and Boards. ▶ Dedicated change-management team and effective approach and processes in place. ▶ Regular training to applicable employees to ensure the necessary skills and expertise. ▶ Utilisation of project prioritisation matrix.

People and Talent Management	The Group's performance is largely dependent on its ability to attract and retain talent. Loss of key personnel could adversely affect financial performance and business growth.	▶ Employee engagement surveys to support retention. ▶ Competitive remuneration structures in the relevant employment markets to attract, motivate, and retain talent. ▶ Succession planning to develop or attract talent for sustainable growth. ▶ Performance management processes to help develop and grow talent.

Regulatory Compliance	The risk that the Group will not be able to respond effectively to regulatory change or comply with relevant laws and regulations locally and internationally. Failure to effectively manage these risks could result in sanctions, fines, and reputational damage.	▶ Clearly defined compliance framework to meet compliance obligations. ▶ Establishing policies and procedures supporting the risk and compliance framework. ▶ Ongoing monitoring, reporting, and review of regulatory obligations, including new and proposed legislation. Several projects are under way to implement regulatory changes (e.g., LCR, capital adequacy).

Health, Safety and Security	Health, Safety and Security Failure to appropriately manage, health, safety, and well-being of employees. Employees or customers exposed to safety or security threats that result in actual injury/harm or create an atmosphere of fear, resulting in employees not able to do their job.	▶ Successful and timely transition to 'Working from Home' for non-client facing employees. ▶ Staff well-being town hall meetings and increased leadership focus on communication and employee welfare, with regular staff surveys and feedback mechanisms in place. ▶ Work on sites with good controls (COVID-19 health checks, social distancing, regular cleaning, hand-washing facilities, protective gear, etc.). ▶ Remote-working policy updated and return-to-office plan implemented. ▶ Occupational health and safety policy.

Our Operations

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Delivery, Execution and Process Management	Failure to implement and enforce adequate systems, processes, and controls to facilitate the accurate, complete, and timely processing of critical business activities, resulting in fraud, customer dissatisfaction, inaccurate reporting, regulatory and other control breaches, as well as reputational damage.	▶ Documented management framework to manage policies and procedures. ▶ Optimise the centralisation of business services and processes. ▶ Effective business continuity management. ▶ Process improvements introduced. ▶ Complaint management system to track customer dissatisfaction. ▶ Automated work flows and robust system for exception reporting. ▶ Enhanced controls and procedures and strengthening operational resilience.
Market Dynamics	The risk that the Group's products and solutions do not meet client preferences. This includes changing client needs, fee structures, and asset classes.	▶ Enhanced digital services for members/ clients. ▶ Annual strategy and budget process, with transformation change priorities approved by the Board. ▶ Formal approach to product governance and innovation, including management of the product life cycle. ▶ Several new products were launched in FY21 to meet client demands and expectations.

Group Financial Performance

The Group's total on-balance sheet assets have increased by $26.23 billion, or 15.8%, year-on-year to total $192.26 billion at December 31, 2021. This increase was primarily as a result of growth in the loan portfolio $25.17 billion or 32.40%.

Loans, investments and other interest earning assets totalled $167.49 billion, which was an increase of $30.85 billion, or 22.58%, over that reported for 2020.

The loan portfolio at the end of the year totalled $102.84 billion, up from $77.68 billion reported as at December 31, 2020. Net of repayments and redemptions, the loan book grew by $25.17 billion, of which disbursements totalled $32.78 billion, offset by repayments of $7.6 billion.

On-& Off-Balance Sheet Assets for the VM Group

Figures in '000s	2021	2020
Group On-balance sheet assets	192,261,570	166,034,983
VMWM Off-balance sheet assets	34,709,442	32,823,912
VMPM Off-balance sheet assets	57,500,000	52,992,000
Total	284,471,012	251,850,895
Growth in On & Off balance sheet assets (%)	12.95%	2.88%

The Group's off-balance sheet assets amounted to $92.21 billion as at December 2021, which was $6.39 billion, or 7.45%, above that reported for 2020.

Funding

The depositors and customers of the Group continued to recognise the value of our services, which resulted in the $14.38 billion, or 13.89%, increase in the funding portfolio to $117.86 billion. The Group continued to develop and implement strategies to retain and increase funding obtained from members and customers by way of savings and repurchase agreements.

Capital & Reserve

The Group's total Capital & Reserves grew from $22.20 billion to $22.67 billion in 2021. The Society continues to transfer 100% of Net Surplus to capital after allocation is made to the Credit Facility Reserve, and in 2021, transferred $545.09 million to the Retained Earnings Reserve, and $96.19 million to the Reserve Fund.

Operating Surplus, excluding share of profits in associates, was $1.96 billion for the financial year, down $2.01 billion from the previous year. This decline in Operating Surplus was driven by a 12.28% fall-off in Operating Revenue. In 2020, the Victoria Mutual Building Society achieved a one-off gain from the purchase of loan receivables from the National Housing Trust (NHT) under its Joint Mortgage Financing Programme with the Society. The gain significantly boosted the Other Operating Revenue in 2020 and accounts for the relative shortfall in 2021. However, when compared to the normalised position, Operating Revenue actually grew by an impressive 119.29%.

Our Operations

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Operating Results

The Group recorded a Net Surplus of $1.79 billion for the year ended December 31, 2021, compared to $2.64 billion for 2020. The surplus is inclusive of the Society's share of profits in BCIC totalling $320.81 million. During the year, VMBS acquired US$1.1 million worth of BCIC shares from ICD Group Holdings Limited, representing approximately 2.08% of BCIC's total share capital, taking the total shareholding to 39.24%.

Group Summary of Result

Figures in '000s	2021	2020
Net Interest Income	5,725,648	5,077,641
Net Fee & Commission Income	1,809,658	1,713,504
Other Operating Revenue	3,477,619	5,762,986
Total Operating Revenue	11,012,925	12,554,131
Operating Expenses	9,051,894	8,586,869
Operating Surplus	1,961,031	3,967,262
Share of Profits of Associate	320,810	111,325
Surplus before Income Tax	2,281,841	4,078,587
Income Tax	495,572	1,442,191
Surplus after Income Tax	1,786,269	2,636,396

Operating Revenue Net Interest Income and other revenue

Net Interest Income and other revenue includes net interest Income, net fees and commission income and other operating revenue.

Net Interest Income and other revenue totalled $11.01 billion, representing a decrease of 12.28%, or $1.54 billion, over the prior financial year. Net interest income accounted for 51.99% of operating revenue, up from 40.45% in 2020. Net fee and commission income accounted for 16.43%, up from 13.65% in the previous year. Other Operating Revenue largely included realised a gain of $1.41 billion from the sale of investments, foreign exchange trading gains of $1.21 billion, and Fair Value Gain on Quoted Equities and Unit Trust Investments of $169.48 million.

Operating Expenses

Operating Expenses, comprising personnel costs, impairment charge on financial assets, depreciation and amortisation, and other operating expenses, increased by $465.03 million, or 5.42%, to $9.05 billion, driven by continued investment in the business to drive operational efficiency and enhance customer service.

- The increase in personnel costs of $562.74 million was as a result of annual salary increases as well as a compensation review programme totalling $207.8 million. This initiative is aligned with VM's strategy to retain critical talent needed to support the GROWTH agenda and to ensure market competitiveness in attracting the best talent to successfully execute the strategy.
- Depreciation and amortisation expense increased by $100.55 million, or 13.5%, over 2020, due mainly to the Group's continued digitisation thrust which saw the implementation of new information technology solutions to improve the quality of service and enhance data security for our valued members.
- Other operating expenses totalled $3.6 billion, reflecting a decrease of $198.26 million, or 5.22% over that reported for 2020. The major contributor to this decrease is the improved quality of our loans despite the pandemic, resulting in the year-over-year reduction in impairment losses on financial assets by $461.31 million. This was partially offset by the increase in computer maintenance expenses by $70.98 million, as we support the systems which improve our customer experience and marketing expenses by $89.16 million, a justifiable spend on our successful rebranding campaign.

KEY PERFORMANCE INDICATORS

The return on average total assets was 1%, down from 1.66% for 2020. At the end of the 2021 financial year, the ratio of capital and reserves to total assets was 11.79%, compared to 13.37% in the prior year.

Net Interest Margin, which measures net interest income as a percentage of mean assets, decreased from 3.81% in 2020 to 3.77% in 2021.

The Cost to Income ratio increased from 63.57% in 2020 to 79.21% in 2021.

Overview of our Business Lines

The business of the VM Group is organised to deliver financial solutions to all our stakeholders. All our financial services subsidiaries are organised accordingly while being supported by our non-financial services business activities. Therefore, the discussion and analysis that follow reflect the performance of these business lines during 2021 and is reported under the umbrella of the respective subsidiaries: VM Building Society, VM Finance, VM Investment Limited, VM Money Transfer Services, VM Pensions Management, VM Property Services, and VM Innovations.

The Building Society

Victoria Mutual Building Society's strategies in 2021 underpin our mission of empowering our Members globally to achieve financial independence by providing innovative financial solutions and excellent service delivery. Steeped in Mutuality, our VM Building Society continued in 2021 to embrace and reinforce the vision of our founders to help our Members acquire their own homes, while expanding the suite of products and services beyond mortgages to ensure that the needs of our Members and Clients are met. The report that follows highlights the financial performance of the VM Building Society as well as the projects and initiatives implemented during 2021.

Performance Highlights from 2021

For the 12 months to December 31, 2021, the VM Building Society's pre-tax surplus, normalised for the NHT gain in 2020 of $4.18 billion, grew by 182.5% to $832.6 million when compared to the previous year. This strong performance was driven primarily by improved outcome in Net Interest Income which increased by 7.48% to $4.99 billion, better-than-budget non-interest income of $3.07 billion and reduction in expected credit losses of $349.06 million year-over-year due to the improvement in the loan quality ratio being under 2% at 1.83%. Loan income was the dominant contributor to Net Interest Income, accounting for 79.31%. Impressive loan disbursements and the related growth in the Society's loan portfolio helped to boost loan income during the review period. The increase in interest income, offset by an increase of $384.07 million, or 22.46%, in interest expense, as our Members and Clients increased their saving funds with us.

Our Operations

CONTINUED

Financial Indicators	2021	2020	2019
Pre-tax Surplus ($M)	832.6	3,167.90	1,898.3
After-tax Surplus ($M)	729.9	2,014.90	1,392.7
Total Assets ($B)	160.5	139.40	129.3
Total Loans ($B)	91.9	73.40	58.9
Deposit Liabilities ($B)	123.1	105.90	104.8
Net Interest Margin	3.90%	4.09%	3.81%
Operating Expenses as % of Mean Assets	4.81%	4.79%	4.51%
Cost-to-Income Ratio	89.43%	64.21%	78.64%
Capital Adequacy Ratio	15.42%	17.81%	18.59%

Operating costs, though higher than 2020, closed the year at $7.23 billion, 4.24% less than budget. This includes asset tax of $317.03 million. Increase in capital expenditure used to increase, improve, or support the services we provide for our Members and Clients in 2021 pushed depreciation and amortisation charges to $689.18 million, 13.21% above 2020. Our efforts to grow revenue and effectively manage our costs resulted in an improved cost-to- income ratio of 89.43%.

We are also pleased to report that the continued growth in our business, as reflected by increases in Loans and Total Assets during the financial year, was complemented by effective risk management and the assurance of financial health of the VM Building Society, as the Capital Adequacy Ratio closed the year at 15.42%, which exceeded the regulatory required minimum of 10%.

Our Members' Savings Fund

For the 2021 review period, our Members continued to entrust to us their savings funds, and the VM Building Society, as does the VM Group, remains committed to earning this trust every day. As we seek to **Transform Your Everyday**, our primary strategy is the continued focus on relationship building and the adoption of a Member-Focused approach which targets the needs of our Members through all their life stages and provides them with the tools to grow and manage their investments on their journey to becoming financially independent. Accordingly, included in our list of financial solutions available to our Members are special savings products such as our iSave for Home, which encourage Members to save towards owing their homes, with special rewards such as discounted mortgage rates once they are ready to finance their homes.

Despite an illiquid deposit market which was due, in part, to the persistent impact of the COVID 19 pandemic, Members' deposits in 2021 grew by 13.89% to $118.77 billion, reinforcing the success of our deposit growth strategies and the continued confidence of our Members. It is important, therefore, that we continue to measure and monitor Member satisfaction, which we did in 2021 through our monthly (NPS) surveys, which afforded us the opportunity to better understand their financial needs.

Funding Our Members' Investments

Supporting our Members on their journey to achieving financial well-being underpins our efforts to deliver ease, convenience, and speed in our loan application and disbursement processes. It is not surprising, therefore, that in 2021, our loan portfolio grew to $91.86 billion, up from $73.43 billion in December 2020. This $18.43 billion (25.1%) growth was driven by strong performance in the value of loans disbursed to our Members, which totalled $26.12 billion. This strong performance in loan growth is complemented by the Society's promise to provide our members with excellent service at all touchpoints (branch network, iABMs, online banking, member engagement) and our commitment to ongoing process improvements to make it easier for our Members to transact their business with us.

Loan Portfolio Quality

As at year end, the ratio of non-performing loans to total loans was 1.83% (Loan Quality Ratio). This evidenced a marked improvement in the loan portfolio quality of some 1% over prior year, being the result of astute credit risk management activities applied throughout the year. This became necessary during the year as many Members were challenged by the effects of the COVID-19 pandemic, such that we worked closely with these who needed assistance to ensure they continued to meet their loan obligations. Despite significant growth in our loan portfolio to 9.29% of market as indicated by the Bank of Jamaica, our loan quality ratio compares well with the average 2.9% for the entire industry.

We are particularly pleased with the overall quality of the loan portfolio, which is attributable to the prudent credit risk management built into our adjudication and arrears management process, as well as our efforts to support our Members who faced financial challenges caused by the ongoing COVID-19 pandemic.

During 2021, the Society remained focused on providing our Members with innovative products and services, superior service, improved access via expanded electronic and renovated physical channels, as well as financial education to assist them on their path to achieving their financial well-being.

VMBS's Key Initiatives Executed in 2021
Offered Members expanded options in the new- and used-car market. Instant Decisioning Tool that reduced loan approval turnaround times.
Upgraded Mortgage Portal allowing Members to access pre-approval status within 24 hours, helping to expedite the acquisition of their home.
Expanded fleet of ABMs to 27 and upgraded our Online Banking Platform to provide increased access to, and greater convenience of, our electronic channels.
Refurbished 7 branches, reduced Members' in-branch wait time by introducing an Online Scheduling System, and expanded the services offered at our cheque depositories in all branches.
Introduced automated email Pre-Dormancy alerts to our Members to advise them of any pending dormancy to their accounts.

Our Plans for 2022

As we look ahead to 2022, the VM Building Society is committed to its Mission of supporting our Members on their journey to achieving financial well-being. Accordingly, for the new financial year 2022, we will expand the range of financial solutions available with the introduction of our Visa Gold and Platinum Credit Cards, the roll-out of our Video Banking Application, which will afford our Members and Prospects the convenience of virtual banking with a personal touch, as well as Online Onboarding to improve the ease and speed with which our Members can increase their business with us and Member Prospects can join the VM Family.

While we continue to provide our Members and Clients with greater access to expanded features at our electronic channels, we do acknowledge that they might, from time to time, need to visit our branches to conduct their business. To this end, we will relocate our Falmouth branch to provide greater convenience as well as continue to employ the **Branch of the Future** concept in the redesign and renovation of additional branches in our network.

Additionally, we will continue to listen and respond to our Members by providing additional opportunities and avenues for them to offer feedback on service standards at all our customer touchpoints, as well as the changes they wish to see in the range of financial solutions and financial education content we provide. We believe that supporting the communities in which we operate is an important part of our commitment to transform lives. As such, in 2022, we will continue to collaborate with the VM Foundation to impact lives.

The next 12 months promise to be exciting for our Members, Clients, and communities as your Team at the VM Building Society continues to help you Transform Your Everyday.

VM Finance Limited

Victoria Mutual Finance Limited (VMF) is the only subsidiary of the Victoria Mutual Group that is domiciled outside of Jamaica, that is, the United Kingdom. The principal activity of this Customer-Obsessed and Results-Focused firm is to provide secure property financing to experienced property professionals under its Specialised Lending Programme. Additionally, the firm is licensed and regulated by the Financial Conduct Authority (FCA) as a Mortgage Intermediary to 'advise' and 'arrange' regulated (residential) mortgage contracts for individuals wishing to purchase homes in the United Kingdom.

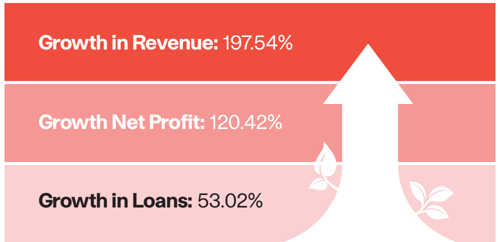
Despite operating outside of Jamaica, VMF remains committed to the Mission and the Mantra of the VM Group to Transform the Everyday of its Clients by supporting their efforts to achieve their financial goals. The 12 months to December 31, 2021, marked the end of the first three full financial years of operating as VMF since the launch of its specialised lending programme in June 2018. It was a year of significant financial achievement. VMF is pleased that during this review period, the company achieved a significant milestone, reporting Net Profit After Tax (NPAT) of just over £1M, outperforming both prior year and budget by £667.8 and £422.46, respectively. The magnitude of this outcome must be seen in the context of VMF's strategic objectives, a core element of which is converting from a cost centre to one of the primary contributors to the VM Group's bottom line. VMF is on its way to achieving this goal by 2023.

In line with the Group's purpose 'to empower our Members globally to achieve financial well-being through home ownership and innovative investment solutions', the VMF Team in 2021 revamped the Company's regulated mortgage intermediary business line built through partnerships with High Street and specialist mortgage providers delivered by a team of expert and knowledgeable brokers. The primary object was to support Jamaicans and non-Jamaicans alike in their efforts to achieve their dream of home ownership in the UK. From this business, VMF was able to generate increased commission income of £33,000 in 2021 relative to the £2,000 in 2020, outstripping budget by 110%.

Performance Highlights from 2021

During 2021, VMF continued to provide funding opportunities for its customers by disbursing £31.86 million. This helped to push the loan portfolio by 53.02%, or £18.2 million, to £52.54 million. Over its three and a half years of operation, VM Finance specialised lending business line has disbursed in excess of £76 million. This growth in the loan portfolio is a major contributor to the Company's strong profitability growth with net profit in excess of £1 million, Return on Equity of 21.74%, and a Cost-to-Income ratio of 40%, all of which improved relative to prior year and budget.

VM Finance:
Growth in the Key Financial Indicators (2021 vs 2020)



Throughout the year, VMF has focused on improving the customer experience through improving our processes, from the point-of-first-contact through to disbursement and post-sale support. One key area of focus was the credit adjudication process, given the importance of this process to the quality of the Clients' overall experience. Accordingly, the related Service Level Agreements (SLAs) with all relevant internal Teams were reviewed and are being monitored closely to ensure that adherence levels support VMF's priority of consistent client satisfaction.

As the effects of the COVID-19 pandemic persisted throughout 2021, we continued to offer support to our Clients. Forbearance measures were provided to Clients, particularly vulnerable to the effects of the pandemic, most notably those who were exposed to the short lets/tourism sector. These measures were short term in nature and those affected have made significant steps towards recovery as the economy reopens fully and travel restrictions are removed.

In 2021, we benefited from an expansion in the workforce with the addition of three Team Members. This has been critical to facilitating the continued growth of the company and ensuring timely and efficient delivery for customers. Despite the increase in head count, our Return on Human Capital outperformed budget of 2.48% with actual performance for 2021 at 3.82%. Additionally, we continued to support staff through flexible working arrangements and operating a COVID-safe office environment. We have also sought to encourage vaccination take-up among Team Members by providing relevant information and resources to help them make informed decisions.

The approach of VMF towards its communities is consistent with the posture of the VM Group to transform the lives of our communities in which we operate. To this end, during 2021, we supported, by way of sponsorships and donations, several community and association-led initiatives that sought to assist Jamaicans and others in the UK diaspora who were impacted by the ripple effects of COVID-19. This support is in addition to our usual Corporate Social Responsibility (CSR) activities.

Our Plans for 2022

For 2022, our focus will be on the accelerated growth of the loan book and, by extension, profitability for the SBU and the VM Group. We will also be focusing on improving our brand visibility and market position within the specialised industry, by coupling the excellent service we continue to provide to our Clients with the extension of the rebranding exercise which was started in 2021.

VM Investments Limited Group

VM Investments Limited (VMIL) is the only arm of the VM Group of companies that is publicly traded. During 2021, this company, as well as its subsidiary, VM Wealth Management Limited (VMWM), continued to meet its commitments to both Clients and Shareholders. This was demonstrated through the continued acceleration of VMIL's transformation programme which translated into significant business successes.

During the 2021 review period, our regional expansion thrust bore fruit as VMIL signed a definitive agreement to purchase Republic Funds Incorporated (Barbados). This entity offers three mutual fund portfolios in Barbados and aligns with our thrust to grow our asset management business in the Caribbean. It will also expand the range of financial solutions available to our Clients. In 2021 also, our credit rating was significantly boosted with the assignment of Caa investment grade from CariCris Credit Rating Services, allowing VM Investments Limited to raise additional debt capital of $884 million. These funds were utilised to better support our Clients by accelerating our lending efforts while improving our underwriting capabilities for corporate finance transactions.

Performance Highlights from 2021

Our financial performance showed robust growth when compared to 2020, with net income of $564M, a 30% increase over the $434M recorded for 2020 with improved performance from core business lines such as Asset Management, Bond and Equity Trading, Net Interest Income, and Investment Gains. Additionally, our efficiency ratio remained strong at 60%, reflecting effective cost-management efforts. As part of managing our financial exposure, VM Wealth Management Ltd

Our Operations

CONTINUED

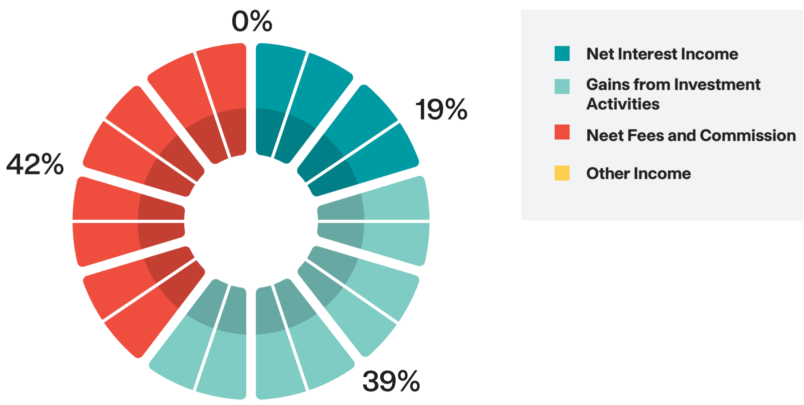
continues to surpass the minimum regulatory ratios stipulated by the Financial Services Commission. For the year under review, off-balance sheet assets under management grew by 6%. This performance was driven by a market-leading outcome of 11% by the VM Wealth Unit Trust Classic Property Portfolio and helped to compensate for lower-than-expected returns in the local Main Market listed equities and emerging market global bonds.

The continuous improvement in Client Experience is at the core of everything we do at VMIL and drives our efforts to provide best-in-class service for our Clients. To this end, we accelerated our digitalisation efforts and gave our Clients 24/7 access to their accounts through our Client Portal, which contributed to 85 per cent of our transaction activities being executed online. There have also been significant improvements in the speed and efficiency with which we respond to our Clients and process their transactions. We are very pleased to report that on average, we achieved 97% of our major service level agreements (SLAs) that impact how we serve our Clients. It is not surprising therefore that our Clients' feedback on the timeliness of our service delivery average about 80% for the second consecutive year, an outcome that the VMIL Team is working to improve even further. Similar to the posture of the VM Group, VMIL and its Subsidiary view our Team Members as valuable assets. Therefore, we are committed to investing resources to attract, develop, motivate and retain top talent.

This approach is particularly important given the general war on talent in the industry. Accordingly, in 2021, we strengthened our internal talent pool with more focus on providing experienced-based learning for our high-potential Team Members. Our Formal Learning Programmes were aligned with our 2021 Business Plan with specialised training for Team Members in sales and credit with general Digital and Financial Education Training Programmes. As a result of our Talent management, as well as our Rewards and Recognition programmes, we achieved a Team Engagement Score of 77% in 2021, which was in line with target, yet higher than global and regional averages.
VMIL also made great strides in formalising its corporate social responsibility (CSR) framework. Since its origins, the VM Group has moved to impact on the lives of Jamaicans, both at home and abroad. This year, the VMIL Team, while continuing to sponsor several projects in the communities in which our Clients live and operate, held guided introspective collaborations with the aim of developing programmes that could have a significant, yet sustainable impact on lives. To that end, the VMIL CSR Framework was approved by the Board of Directors in April 2021 and comprises six (6) pillars of impact, namely Health & Family, Leadership & Nation-Building, Youth Empowerment, Financial Literacy, Environment, Maintaining & Promoting Integrity & Ethics in Business. Given these areas of emphasis and our commitment to Transforming the Everyday of our Clients, Team Members and Communities, it is therefore not surprising that like the VM Group, we embarked on our journey to formalise the adoption of Environmental, Social and Governance (ESG) practices.

VM Investments Limited (VMIL), in collaboration with the VM Foundation, partnered with the University of the West Indies Development Endowment Fund (UWIDEF) to launch a scholarship programme for UWI students pursuing a degree in business, management, data analytics/data science, and economics in September 2021. The scholarship, named the VMIL Maurice C. Robinson Business Management and Economics Scholarship, in

Group Operating Revenue 2021



honour of the former Chairman of VM Wealth Management Limited and accomplished attorney, is valued at $500,000 per year for one successful student.

Our Plans for 2022

The new financial year 2022 promises much for VMIL and VMWM. Some of the work which started in 2021 laid the foundation for strong business performance in 2022. These include the Republic Funds business which will be integrated into the VMIL assets management business. The finalisation of acquisition of the commercial facility is scheduled for the first quarter of 2022 and the remodelled and rented Parkington Plaza properties will be key contributors to our business growth in 2022.

VMIL's Focus for 2022
Retain #1 position for Unit Trust Property Portfolio
Increase the functionalities to our Client Management System to improve the experience of our Clients
Embed Sales & Service Culture
Leverage Great Place to Work Certification to maintain a culture of high performance, team development, engagement, diversity, and inclusion
Continue to deliver on our CSR commitments as advance our ESG journey

VM Pensions Management Limited

Victoria Mutual Pensions Management (VMPM), which became a wholly owned subsidiary of the VM Group in 2013, offers the full range of pension services, namely pension investment management, pension administration, Member education, pensions consultancy, as well as an approved retirement scheme. In line with the VM Group's commitment to transform the lives of its Members and Clients, the VMPM Team strives to be the preferred pension services provider in Jamaica by delivering value to our Clients through a holistic approach to pensions, while maximising your investment returns. This is achieved through our commitment to provide high-quality service, timely responses to our Clients, remain consistently compliant with our regulatory obligations, and deliver relevant financial education to our Clients.

Performance Highlights from 2021

In 2021, the VMPM team continued to deliver on this commitment with more than 93% of key transactions processed within timelines, and our Clients indicated their satisfaction with the quality of our service delivery by consistently awarding us with loyalty (NPS) scores above 90. Additionally, during this review period, our

Our Operations

Assets Under Management (AUM) increased by $4.5 billion to $57.50 billion, reflecting our Clients' continued trust in VMPM's ability to effectively manage their funds. We also continued to provide value to our Clients with an average 93% of portfolio returns exceeding agreed benchmarks. This growth in business coupled with our sustained emphasis on operational efficiency, resulted in improved Net Profit After Tax of $43.68M, 27.31% and 123.52% above prior year and budget, respectively.

VMPM Financial Higlights

(2021 vs 2020)

Growth: Net income
50%

Growth: Funds Under Management
11%

Client: Loyalty Score
81

Team Engagement Score
80%

In December 2021, VMPM successfully upgraded the pension administration solution used to manage our superannuation fund, much to the delight of our Trustees, Clients, and HR Representatives. Clients, through the use of quick online submissions, can now seamlessly request changes to their personal details, beneficiary allocation, and additional voluntary contributions (AVC). Clients are also now able to receive daily statements at their own convenience, empowering them to make faster and more informed decisions regarding their personal pension planning. Our ARS portal was also updated in 2021, affording our Clients greater accessibility in navigating the portal. VMPM acknowledges that Team Members are our most important asset and will continue to seek and act on feedback provided by the team to ensure high levels of engagement. Critical to the success of VMPM is effective succession planning. During 2021, we delivered on this imperative through the development of the Team by applying experienced-based learning, coaching, formal learning, and stretch assignments, in alignment with their established individual development plans. This will ensure that each Team Member is fully equipped to succeed on the next step of their respective leadership journey.

These efforts are also complemented by our Team Member Reward and Recognition programme to ensure that the efforts of the team are acknowledged and encouraged to maintain performance excellence.

As the COVID-19 pandemic persisted, VMPM continued to treat the safety of our Team Members as priority and facilitated the flexible work policy developed and implemented by the VM Group. VMPM played an active role in COVID containment measures, including social distancing, the wearing of masks, and frequent sanitisation.

Our efforts during the year yielded favourable feedback from our Team Members, with a Team Engagement Score of 78% for the year with 100% participation.

During 2021, VMPM continued its primary focus of CSR activities on the development and well-being of our children. As such, VMPM partnered with the Jamaica Teachers' Association to provide breakfast items to six children from the Harbour View Primary School; participated in the VM Group's Labour for Learning II activity; as well as supported two additional students by providing electronic devices, including a laptop and back-to-school resources.

The VMPM Team Members also collaborated with the VM Foundation to provide donations to the Rotary Club Women's Shelter #5.

Our Plans for 2022

As the VMPM Team continues to focus on Transforming the Everyday of its Clients, Team Members, and Communities, we will continue to add value and respond to our Clients, develop and engage our Team Members, as well as support our communities.

Accordingly, VMPM will be offering additional services to our superannuation Clients, which include the development and maintenance of a risk management frameworks, thereby allowing the superannuation funds we manage to remain compliant with guidelines issued by the Financial Services Commission. Both our superannuation funds and retirement scheme Clients will have access to additional investment opportunities through the introduction of real estate development and USD equity portfolios. VMPM remains committed to improving the levels of financial literacy for our Clients by increasing the number of financial education initiatives undertaken in 2022 while retaining our popular hits from 2021, including the 'Pensions Matters' advertorial and our 'Debunked' series, which shines the spotlight on myths surrounding savings for retirement.

VM Property Services Limited

Victoria Mutual Property Services Ltd (VMPS), a wholly owned subsidiary of VMBS, continues to be a significant player in Jamaica's real estate sales and property valuation markets. The company also provides property management and project management services in support of the VM Group's real estate holdings.

Performance Highlights from 2021

Despite the challenges associated with the protracted COVID-19 pandemic and the continued impact on the economy, the VMPS, for the second consecutive year, achieved double-digit growth in total revenue. For the financial year 2021, revenue grew by 15.6% to $167.7 million, engineered by growth in all four major business lines.

VMPS's Distribution of Revenue (2021)

- Our Real Estate Sales Team continued their strong performance with a total of 165 properties sold or rented for a combined value of $2.06 billion and total mortgage referrals totalling $287 million.
- We completed 745 valuations on properties valued at $25.0 billion. This pushed the growth rate to 27.8% in the revenue from this line of business, relative to 2020.
- The Property Management and Project Management Teams supported the VM Group in the successful Brand Transformation that was implemented during 2021 by significantly transforming the look and feel of our buildings, including customer touchpoints – branches and ABMs – as well as the complete rebuild of our Market Street Branch in Montego Bay. The property improvements were completed at a total project cost value of over $500 million.

Our Plans for 2022

For 2022, VM Property Services will continue to use technology to drive business growth and, by extension, increase our market share in the real estate brokerage and appraisal businesses. As was our approach in 2021, VMPS will continue to emphasise Team Member development and retention as well as the delivery of excellent service to our Clients. The Company will complete the VM Group's space improvements – redesign, renovations, and facelift as appropriate, which began in 2021.

This year promises to be an innovative one for VMPS, with the Company's debut into the commercial and residential property development business, an opportunity that will offer high-quality commercial real estate for the Group, and attractive, high-value homes for sale to Members.

VM Money Transfer Services Limited

As remittance inflows to Jamaica continue to increase, VM Money Transfer Services Limited (VMTS), which joined the VM Group in 2004, remained resolute in establishing itself as a key player in the remittance industry by expanding its reach and providing greater ease, convenience, and flexibility to its customers. Through its extensive distribution network of 107 locations islandwide and, in collaboration with its eight global partners, VMTS continued to provide our customers with the opportunity to send and receive their funds at any of our VMBS branches, VM Money Express locations, our sub-agents, or via direct deposit to an operating account.

Performance Highlights from 2021

During 2021, VMTS expanded its locations islandwide by 25, primarily through sub-agents. Even while executing its islandwide expansion plan, the Company simultaneously advanced its digital agenda by providing Customers the option to remit funds directly to their savings account at VMBS or other financial institutions. The flexibility afforded by this option was particularly important in this environment where the COVID-19 pandemic persists. For the financial year ended December 2021, the evidence suggests that the Customers began to adopt this alternative with the number of direct-to-bank transactions increasing by 48%.

As remittance inflows into Jamaica continue to increase year over year, VMTS's share of those inflows also increased and the Company continues to optimise its reach across Jamaica. During December 2021, the number of remittance transactions channelled through VMTS increased by 22% relative to 2020, while the value of remittance transactions ballooned by 42% above the corresponding period in 2020. Despite the increased business, total revenue generated by this entity declined relative to 2020, due primarily to the volatility in the foreign currency market and the obvious impact given the nature of the remittance business.

Our Operations

CONTINUED

The effect of the fall-off in FX-related revenue was however tempered by the increased fees from growth in customers' transactions and our effective cost-management efforts, resulting in Net Profit After Tax for 2021 of $167 million. VMTS also used its network to provide Customers with a number of other services, including bill payments, SMS notification on the arrival of funds, and DHL packages pick-up and drop-off.

The increased business generated in 2021 was not the only indicator of our customers' satisfaction with the quality of VMTS's service delivery. The loyalty and satisfaction score, as encapsulated by our Net Promoter Score (NPS), closed the year at 73, significantly higher than the target. With this indicator, our Customers were able to rate VMTS on Communication, System Availability, Reliability and Performance, as well as Professionalism/Courtesy of Staff. Our Team Members also indicated that our interaction with them is of a high standard, with VMTS achieving an Internal Customer satisfaction score of 88%, placing VMTS at second place.

VMTS engaged Team Members in cross-training in different business areas, which resulted in Team Member promotions. Members of the Management team completed Harvard Business Management Training Courses, Mentorship and Coaching Programmes, which greatly benefited and allowed the Team Members to further hone their natural skills. Our efforts to engage, develop and retain our Team Members were rewarded with a Team Member Engagement Score of 79%, above the target of 77%, also well above global and regional averages. All the key drivers of this Engagement Score reflected improved performance for the review period.

VMTS is a firm believer in giving back to the community. In 2021, we continued our philanthropic efforts to play our part in positively impacting the lives of our fellow Jamaicans. We donated in kind to six (6) charities, representing each of our Money Express locations and Head Office. We also ensured that our Customers could receive payments on time and in a safe environment throughout the year. We safeguarded all our locations against the coronavirus through frequent sanitisation and all COVID-19 regulations were followed to protect our valued Customers.

Our Plans for 2022

In 2022, VMTS intends to continue using digital transformation to increase operational efficiency as well as engage and respond to our Customers. We will continue our mission of increasing the number of our Customers who capitalise on the direct-to-bank option, allowing them a quick, hassle-free way to receive their funds. We will also seek to increase our presence islandwide with the addition of new partners and services.

VM Innovations Limited

In December 2020, VM Group introduced and established a new fintech subsidiary, VM Innovations Limited, with a mandate to identify additional opportunities to grow and diversify our revenue streams by creating new business models. The principal activity for this subsidiary was to purposefully hunt and exploit strategically aligned growth opportunities.

The Team Members were fully on-boarded in July 2021 and became laser-focused on the development of three product opportunities—Property Management System, CBDC Digital Wallet, and Rent-To-Own Platform for a Rent-to-Own product, targeting the expeditious support and approval of the related business cases by the Executives and VM Innovations Board of Directors. The subsequent development work on the Mortgage Ecosystem MVP, CBDC Mobile Wallet, and the Property Management System continued apace. As at the end of 2021, the process was well advanced at approximately 80% completion.

Performance Highlights from 2021

- VMI recognises that our Team Members play a critical role in the success of the Company and, by extension, the VM Group. Therefore, framed in the Group's 'Great Place to Work' commitment, VMI emphasised Talent Development and Development by cultivating an environment of synergy, learning, workshop, coaching, research, and collective work team sessions. Many of our Team Members participated in Innovation Seminars and Workshops during the year. It is not surprising therefore that in 2021, VMI achieved a Team Engagement Score of 84%, the highest among all Group subsidiaries.

- Being the newest addition to the VM Family, the Group's commitment to transform the lives of the communities in which we operate became infused in VMI's approach to its CSR obligation. Accordingly, VMI partnered with the VM Foundation to support community developments by encouraging all its Team Members to contribute to the VM Foundation. For the financial year 2021, all Team Members were fully on board.

Our Plans for 2022

The upcoming financial year 2022 looks promising for VMI as the products which began development in 2021 begin to generate revenue. Accordingly, we will focus on the completion, launch marketing, and sales of the following products to ensure that VMI realises its financial targets while seeking and capitalising on other opportunities for innovation.

- **360 Turnkey Lending (Mortgage Ecosystem MVP)** – A digital platform which allows prospective and existing Members to acquire real estate on a digital platform integrating all stakeholders — from property search and identification to keys handover to the property.

- **An online Property Management System for Strata and Communities** – This online software is a Services (SAAS) solution for Strata and Community Management to address the needs of Property Managers, Proprietors, Tenants, and Regulators in a user-friendly web and mobile app environment.

- **CBDC Mobile Wallet** – A mobile money wallet built on the current telecommunications infrastructure which will be integrated with the BOJ's CBDC. The wallet will allow users to input USSD short codes or send instructions via SMS in the first phase. Phase Two will be a full mobile digital wallet.

Financial Statements

December 31, 2021

Independent Auditors' Report

To the Members of Victoria Mutual Building Society

Report on the audit of the financial statements

Opinion

We have audited the separate financial statements of The Victoria Mutual Building Society ("the Society") and the consolidated financial statements of the Society and its subsidiaries ("the Group"), set out on pages 109 to 209, which comprise the Group's and Society's statements of financial position as at December 31, 2021, the Group's and Society's income statements, statements of comprehensive income, changes in capital and reserves and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Society as at December 31, 2021, and of the Group's and the Society's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on the audit of the financial statements CONTINUED

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on additional matters as required by the Building Societies Act

We have examined the mortgage deeds and other securities belonging to the Society. Title deeds numbering 9,026 were produced to us and actually inspected by us, and we are satisfied that the remaining 315 deeds not inspected by us were in the hands of attorneys or elsewhere in the ordinary course of business of the Society.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, are duly vouched and in accordance with law.

Chartered Accountants
Kingston, Jamaica

March 31, 2022

Statement of Financial Position

December 31, 2021

	Notes	Group 2021 $'000	Group 2020 $'000	Society 2021 $'000	Society 2020 $'000
ASSETS					
Cash and cash equivalents	7	8,882,261	9,215,686	8,027,392	7,644,438
Investments - Jamaica Government securities	8	26,218,622	18,323,948	11,677,032	5,714,165
Other	9	26,772,289	25,381,855	20,374,809	21,232,799
Resale agreements	10	7,293,712	12,030,300	4,062,075	8,524,215
Loans	11	102,843,284	77,677,406	91,856,577	73,429,428
Other assets	12	7,610,901	13,080,859	3,185,249	6,920,149
Income tax recoverable		581,356	16,078	563,368	16,077
Deferred tax assets	13(a)	362,822	51,564	-	-
Employee benefits asset	14	1,830,011	1,978,511	1,830,011	1,978,511
Interest in subsidiaries	15	-	-	12,167,890	7,857,814
Interest in associates	16	2,303,881	1,975,506	1,255,211	1,095,313
Intangible assets	17	3,480,485	3,316,785	2,584,143	2,379,326
Investment and foreclosed properties	18	349,386	378,644	334,969	383,796
Property, plant and equipment	19	3,732,560	2,607,841	2,548,291	2,192,364
Total assets		**192,261,570**	**166,034,983**	**160,467,017**	**139,368,395**
LIABILITIES					
Savings fund:					
Shareholders' savings	20	115,621,928	101,895,039	116,528,449	102,718,175
Depositors' savings	21	2,241,778	1,591,837	2,241,778	1,591,837
		117,863,706	103,486,876	118,770,227	104,310,012
Due to specialised institution	22	4,367,036	1,576,352	4,367,036	1,576,352
		122,230,742	105,063,228	123,137,263	105,886,364
Income tax payable		118,909	1,131,973	63,880	1,026,178
Other liabilities	23	4,092,695	3,831,280	1,942,680	1,724,794
Repurchase agreements	24	26,193,578	22,247,891	7,364,003	5,809,655
Other borrowings	25	15,010,164	9,555,143	9,541,118	6,519,307
Lease liabilities	26	317,497	344,596	135,001	153,026
Deferred tax liabilities	13(b)	379,510	439,017	345,842	417,944
Employee benefits obligation	14	1,245,900	1,222,200	1,187,200	1,158,200
Total liabilities		**169,588,995**	**143,835,328**	**143,716,987**	**122,695,468**

	Notes	Group 2021 $'000	Group 2020 $'000	Society 2021 $'000	Society 2020 $'000
CAPITAL AND RESERVES					
Permanent capital fund	27, 29	7,746,058	7,746,058	7,746,058	7,746,058
Reserve fund	28(i), 29	1,560,636	1,464,444	1,560,636	1,464,444
Retained earnings reserve	28(ii), 29	5,323,210	4,778,119	5,323,210	4,778,119
Non-distributable reserve	28(iii)	(172,781)	(156,191)	(172,781)	(156,191)
Credit facility reserve	11(c), 28(iv)	1,950,735	1,862,074	1,950,735	1,862,074
Investment revaluation reserve	28(v)	859,631	2,063,774	332,172	968,423
General reserve		10,000	10,000	10,000	10,000
Currency translation reserve	28(vi)	415,217	335,952	-	-
Retained earnings		4,169,628	3,219,130	-	-
		21,862,334	21,323,360	16,750,030	16,672,927
Non-controlling interest	30	810,241	876,295	-	-
Total capital and reserves		**22,672,575**	**22,199,655**	**16,750,030**	**16,672,927**
Total liabilities and capital and reserves		**192,261,570**	**166,034,983**	**160,467,017**	**139,368,395**

The financial statements on pages 109 to 209 were approved for issue by the Board of Directors on March 31, 2022 and signed on its behalf by:

Director
Michael A. McMorris

Countersigned:

Director
Courtney Campbell

Corporate Secretary
Keri-Gaye Brown

The accompanying notes form an integral part of the financial statements.

Income Statements

Year ended December 31, 2021

	Notes	Group		Society	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Interest income, calculated using the effective interest method	32	8,633,610	7,357,891	7,081,852	6,350,805
Interest expense	32	(2,907,962)	(2,280,250)	(2,093,715)	(1,709,643)
Net interest income		5,725,648	5,077,641	4,988,137	4,641,162
Fee and commission income	33	1,918,164	1,837,607	788,273	669,116
Fee and commission expenses	33	(108,506)	(124,103)	(40,886)	(59,175)
Net fee and commission income		1,809,658	1,713,504	747,387	609,941
Other operating revenue	34	3,477,619	5,762,986	2,324,212	4,769,256
Net interest income and other revenue		11,012,925	12,554,131	8,059,736	10,020,359
Personnel costs	35	(4,609,141)	(4,046,406)	(3,262,786)	(2,917,206)
Impairment charge on financial assets		(74,037)	(535,348)	(69,237)	(418,300)
Depreciation and amortisation	17, 18, 19	(845,328)	(744,782)	(689,178)	(608,783)
Other operating expenses	36	(3,523,388)	(3,260,333)	(3,205,943)	(2,908,136)
		(9,051,894)	(8,586,869)	(7,227,144)	(6,852,425)
Share of profits of associates	16	320,810	111,325	-	-
Surplus before income tax		2,281,841	4,078,587	832,592	3,167,934
Income tax charge	37	(495,572)	(1,442,191)	(102,648)	(1,153,031)
Surplus for the year		1,786,269	2,636,396	729,944	2,014,903
Surplus attributable to:					
Equity holders' of the Society		1,673,442	2,549,678	729,944	2,014,903
Non-controlling interest	30	112,827	86,718	-	-
		1,786,269	2,636,396	729,944	2,014,903

The accompanying notes form an integral part of the financial statements.

Statement of Comprehensive Income

Year ended December 31, 2021

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Surplus for the year	1,786,269	2,636,396	729,944	2,014,903
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Net losses on investments in equity securities designated at FVOCI [note 4(b)(iii)]	(163,200)	(385,050)	-	-
Net losses on remeasurement of employee benefits asset and obligation	(11,300)	(772,650)	(23,700)	(767,400)
Deferred income tax on net losses on remeasurement of employee benefits asset and obligation	3,110	231,320	7,110	230,220
Foreign currency translation difference on foreign exchange operations and other adjustments	79,265	48,118	-	-
	(92,125)	(878,262)	(16,590)	(537,180)
Items that may be reclassified to profit or loss:				
Unrealised (losses)/gains on debt securities at FVOCI	(2,045,883)	990,054	(1,286,774)	910,510
Deferred income tax on unrealised losses/(gains) on investment securities measured at FVOCI	252,850	(26,286)	-	-
Realised losses/(gains) on fair value of debt securities at FVOCI	650,523	(649,910)	650,523	(649,910)
	(1,142,510)	313,858	(636,251)	260,600
Total other comprehensive (loss)/income for the year, net of tax	(1,234,635)	(564,404)	(652,841)	(276,580)
Total comprehensive income for the year	**551,634**	**2,071,992**	**77,103**	**1,738,323**
Total comprehensive income attributable to:				
Equity holders of the Society	532,081	2,052,063	77,103	1,738,323
Non-controlling interest	19,553	19,929	-	-
	551,634	2,071,992	77,103	1,738,323

The accompanying notes form an integral part of the financial statements.

Group Statement of Changes in Capital and Reserves

Year ended December 31, 2021

	Permanent capital fund	Reserve fund	Retained earnings reserve	Non-distributable reserve	Credit facility reserve	Investment revaluation reserve	General reserve	Currency translation reserve	Retained earnings	Total capital and reserves	Non - controlling interest attributable to parent	Total capital and reserve
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balances at December 31, 2019	**7,746,058**	**1,409,308**	**3,365,687**	**380,989**	**1,314,739**	**2,041,507**	**10,000**	**287,834**	**2,688,212**	**19,244,334**	**865,366**	**20,109,700**
Total comprehensive income for 2020												
Surplus for the year	-	-	-	-	-	-	-	-	2,549,678	2,549,678	86,718	2,636,396
Other comprehensive income:												
Unrealised gains on debt securities at FVOCI, net of tax	-	-	-	-	-	963,768	-	-	-	963,768	-	963,768
Foreign currency translation difference on foreign subsidiaries' balances and other adjustments	-	-	-	-	-	-	-	48,118	-	48,118	-	48,118
Realised gains on debt securities at FVOCI	-	-	-	-	-	(660,424)	-	-	-	(660,424)	10,514	(649,910)
Net gain on remeasurement of employee												
Unrealised losses on equity securities at FVOCI	-	-	-	-	-	(308,040)	-	-	-	(308,040)	(77,010)	(385,050)
Net gain on remeasurement of employee benefits asset and obligation, net of tax	-	-	-	(537,180)	-	-	-	-	(3,857)	(541,037)	(293)	(541,330)
Total other comprehensive income	-	-	-	(537,180)	-	(4,696)	-	48,118	(3,857)	(497,615)	(66,789)	(564,404)
Total comprehensive income for the year	-	-	-	(537,180)	-	(4,696)	-	48,118	2,545,821	2,052,063	19,929	2,071,992
Movements between reserves												
Credit facility reserve transfer	-	-	-	-	547,335	-	-	-	(547,335)	-	-	-
Other transfers [notes 27 and 28(i)]	-	55,136	1,412,432	-	-	-	-	-	(1,467,568)	-	-	-
Total movement between reserves	-	55,136	1,412,432	-	547,335	-	-	-	(2,014,903)	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(9,000)	(9,000)
Share of investment revaluation of associate	-	-	-	-	-	26,963	-	-	-	26,963	-	26,963
Balances at December 31, 2020	**7,746,058**	**1,464,444**	**4,778,119**	**(156,191)**	**1,862,074**	**2,063,774**	**10,000**	**335,952**	**3,219,130**	**21,323,360**	**876,295**	**22,199,655**

The accompanying notes form an integral part of the financial statements.

Group Statement of Changes in Capital and Reserves CONTINUED

Year ended December 31, 2021

	Permanent capital fund	Reserve fund	Retained earnings reserve	Non-distributable reserve	Credit facility reserve	Investment revaluation reserve	General reserve	Currency translation reserve	Retained earnings	Total capital and reserves	Non - controlling interest attributable to parent	Total capital and reserve
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balances at December 31, 2020	7,746,058	1,464,444	4,778,119	(156,191)	1,862,074	2,063,774	10,000	335,952	3,219,130	21,323,360	876,295	22,199,655
Total comprehensive income for 2021												
Surplus for the year	-	-	-	-	-	-	-	-	1,673,442	1,673,442	112,827	1,786,269
Other comprehensive income:												
Unrealised gains on debt securities at FVOCI, net of tax	-	-	-	-	-	(1,793,033)	-	-	-	(1,793,033)	-	(1,793,033)
Foreign currency translation difference on foreign subsidiaries balances and other adjustments	-	-	-	-	-	-	-	79,265	-	79,265	-	79,265
Realised gains on debt securities at FVOCI	-	-	-	-	-	751,663	-	-	-	751,663	(101,140)	650,523
Unrealised losses on equity securities at FVOCI	-	-	-	-	-	(130,560)	-	-	-	(130,560)	(32,640)	(163,200)
Net gain on remeasurement of employee benefits asset and obligation, net of tax	-	-	-	(16,590)	-	-	-	-	7,000	(9,590)	1,400	(8,190)
Total other comprehensive income	-	-	-	(16,590)	-	(1,171,930)	-	79,265	7,000	(1,102,255)	(132,380)	(1,234,635)
Total comprehensive income for the year	-	-	-	(16,590)	-	(1,171,930)	-	79,265	1,619,658	571,187	(19,553)	551,634
Movements between reserves												
Credit facility reserve transfer	-	-	-	-	88,661	-	-	-	(88,661)	-	-	-
Other transfers [notes 27 and 28(i)]	-	96,192	545,091	-	-	-	-	-	(641,283)	-	-	-
Total movement between reserves	-	96,192	545,091	-	88,661	-	-	-	(729,944)	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(46,501)	(46,501)
Share of investment revaluation of associate	-	-	-	-	-	(32,213)	-	-	-	(32,213)	-	(32,213)
Balances at December 31, 2021	7,746,058	1,560,636	5,323,210	(172,781)	1,950,735	859,631	10,000	415,217	4,169,628	21,862,334	810,241	22,672,575

The accompanying notes form an integral part of the financial statements.

Society Statement of Changes in Capital and Reserves

Year ended December 31, 2021

	Permanent capital fund	Reserve fund	Retained earnings reserve	Non-distributable reserve	Credit facility reserve	Investment revaluation reserve	General reserve	Retained earnings	Total capital and reserve
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$000	$000
Balances at December 31, 2019	7,746,058	1,409,308	3,365,687	380,989	1,314,739	707,823	10,000	-	14,934,604
Total comprehensive income for 2019									
Surplus for the year	-	-	-	-	-	-	-	2,014,903	2,014,903
Other comprehensive income:									
Unrealised losses on debt securities at FVOCI, net	-	-	-	-	-	910,510	-	-	910,510
Realised gains on debt securities at FVOCI	-	-	-	-	-	(649,910)	-	-	(649,910)
Loss on remeasurement of employee benefits asset and obligation, net of tax	-	-	-	(537,180)	-	-	-	-	(537,180)
Total other comprehensive loss	-	-	-	(537,180)	-	260,600	-	-	(276,580)
Total comprehensive income for the year	-	-	-	(537,180)	-	260,600	-	2,014,903	1,738,323
Movements between reserves									
Credit facility reserve transfer	-	-	-	-	547,335	-	-	(547,335)	-
Other reserves [notes 27 and 28(i)]	-	55,136	1,412,432	-	-	-	-	(1,467,568)	-
Total movement between reserves	-	55,136	1,412,432	-	547,335	-	-	(2,014,903)	-
Balances at December 31, 2020	7,746,058	1,464,444	4,778,119	(156,191)	1,862,074	968,423	10,000	-	16,672,927

The accompanying notes form an integral part of the financial statements.

Society Statement of Changes in Capital and Reserves CONTINUED

Year ended December 31, 2021

	Permanent capital fund	Reserve fund	Retained earnings reserve	Non-distributable reserve	Credit facility reserve	Investment revaluation reserve	General reserve	Retained earnings	Total capital and reserve
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$000	$000
Balances at December 31, 2020	7,746,058	1,464,444	4,778,119	(156,191)	1,862,075	968,422	10,000	-	16,672,927
Total comprehensive income for 2021									
Surplus for the year	-	-	-	-	-	-	-	729,944	729,944
Other comprehensive income:									
Unrealised losses on debt securities at FVOCI, net	-	-	-	-	-	(1,286,774)	-	-	(1,286,774)
Realised losses on debt securities at FVOCI	-	-	-	-	-	650,523	-	-	650,523
Loss on remeasurement of employee benefits asset and obligation, net of tax	-	-	-	(16,590)	-	-	-	-	(16,590)
Total other comprehensive loss	-	-	-	(16,590)	-	(636,251)	-	-	(652,841)
Total comprehensive income for the year	-	-	-	(16,590)	-	(636,251)	-	729,944	71,103
Movements between reserves									
Credit facility reserve transfer	-	-	-	-	88,661	-	-	(88,661)	-
Other reserves [notes 27 and 28(i)]	-	96,192	545,091	-	-	-	-	(641,283)	-
Total movement between reserves	-	96,192	545,091	-	88,661	-	-	(729,944)	-
Balances at December 31, 2021	7,746,058	1,560,636	5,323,210	(172,781)	1,950,735	332,172	10,000	-	16,750,030

The accompanying notes form an integral part of the financial statements.

Group Statement of Cash Flows

Year ended December 31, 2021

	Notes	2021	2020
		$'000	$'000
Cash flows from operating activities			
Surplus for the year		1,786,269	2,636,396
Adjustment for:			
Depreciation and amortisation	17, 18, 19	845,328	744,782
Employee benefits asset and obligation		135,900	96,350
Interest income	32	(8,633,610)	(7,522,343)
Interest expense	32	2,907,962	2,444,702
Gain on disposal of investment property and property, plant and equipment		(22,666)	(26,871)
Gain on investment activities		(1,410,049)	(1,096,367)
Unrealised fair value gains		(169,477)	1,276,555
Share of profits of associates	16(b)	(320,810)	(111,325)
Impairment credit on financial assets		74,037	535,348
Unrealised exchange gains on foreign currency balances		(826,789)	(330,554)
Income tax expense	37	495,572	1,442,191
		(5,138,333)	88,864
Changes in:			
Loan advances, net of repayments		(25,311,191)	(15,877,848)
Change in other assets		5,712,235	(8,105,462)
Employee benefits, net		24,600	(38,200)
Net receipts from shareholders and depositors		14,296,884	14,031,051
Due to specialised institution		2,790,684	(13,193,025)
Change in other liabilities		279,687	79,693
		(7,345,434)	(23,014,927)
Interest and dividends received		8,969,524	7,790,724
Interest paid		(2,755,237)	(2,339,239)
Income taxes paid		(2,188,719)	(517,560)
Net cash used by operating activities		(3,319,866)	(18,081,002)

	Notes	2021	2020
		$'000	$'000
Cash flows from investing activities			
Government of Jamaica securities		(9,399,711)	2,090,573
Other investments		(252,990)	6,985,363
Resale agreements		4,736,441	1,223,535
Purchase of intangible assets	17	(724,093)	(600,085)
Acquisition of additional shares in associate		(159,898)	(436,113)
Purchase of investment properties	18	(11,083)	(85,101)
Purchase of property, plant and equipment	19	(1,383,845)	(802,876)
Proceeds of disposal of property plant and equipment		61,510	100,250
Repurchase agreements		3,945,687	7,329,248
Net cash (used by)/provided investing activities		(3,187,982)	15,804,794
Cash flows from financing activities			
Other borrowings, net		5,455,021	2,962,929
Payment of lease liabilities	26(d)	(60,886)	(57,131)
Dividend paid to non-controlling interest		(46,501)	(9,000)
Net cash provided by financing activities		5,347,634	2,896,798
Net (decrease)/increase in cash and cash equivalents for year		(1,160,214)	620,590
Cash and cash equivalents at beginning of year		9,215,686	8,266,729
Effect of exchange rate fluctuations on cash and cash equivalents		826,789	328,367
Cash and cash equivalents at end of year	7	8,882,261	9,215,686

The accompanying notes form an integral part of the financial statements.

Society Statement of Cash Flows

Year ended December 31, 2021

	Notes	2021	2020
		$'000	$'000
Cash flows from operating activities			
Surplus for the year		729,944	2,014,903
Adjustments for:			
Depreciation and amortisation	17,18,19	689,180	608,783
Unrealised exchange gains on foreign currency balances		(812,707)	(306,919)
Employee benefits obligation		123,900	91,200
Interest income	32	(7,081,852)	(6,350,805)
Interest expense	32	2,093,714	1,709,643
Gain on disposal of property, plant and equipment		-	(26,871)
Gain on disposal of foreclosed properties		(22,666)	-
Gain on investment activities		(633,895)	(614,085)
Unrealised fair value (gains)/losses		(169,477)	1,268,331
Impairment charge on financial assets		69,237	418,300
Income tax expense	37	102,648	1,153,031
		(4,911,974)	(34,489)
Changes in:			
Loan advances, net of repayments		(18,559,869)	(14,763,831)
Interest in subsidiaries		(4,310,075)	(3,526,502)
Change in other assets		3,945,641	(4,443,152)
Employee benefits, net		29,900	(38,200)
Net receipts from shareholders and depositors		14,460,215	14,202,510
Due to specialised institution		2,790,684	(13,193,025)
Change in other liabilities		217,885	(483,659)
		(6,337,593)	(22,280,348)
Interest and dividends received		6,871,111	6,455,136
Interest paid		(2,081,331)	(1,638,923)
Income taxes paid		(1,677,228)	(261,921)
Net cash used in operating activities		(3,225,041)	(17,726,056)

	Notes	2021	2020
		$'000	$'000
Cash flows from investing activities			
Government of Jamaica securities		(6,746,240)	3,422,542
Other investments		1,872,036	5,740,124
Acquisition of additional shares in associate		(159,898)	(436,113)
Resale agreements		4,462,073	3,802,919
Repurchase agreements		1,554,348	4,808,307
Purchase of intangible assets	17	(695,890)	(577,086)
Purchase of investment properties	18	-	(85,101)
Purchase of property, plant and equipment	19	(544,053)	(654,281)
Proceeds of disposal of property, plant and equipment		61,509	100,250
Net cash provided by/(used) in investing activities		(196,115)	16,121,561
Cash flows from financing activity			
Payment of lease liability	26	(30,409)	(32,496)
Other borrowings, net		3,021,812	2,337,718
Net cash provided by financing activities		2,991,403	2,305,222
Net (decrease)/increase in cash and cash equivalents for year		(429,753)	700,727
Cash and cash equivalents at beginning of year		7,644,438	6,636,792
Effect of exchange rate fluctuations on cash and cash equivalents		812,707	306,919
Cash and cash equivalents at end of year	7	8,027,392	7,644,438

The accompanying notes form an integral part of the financial statements.

1. IDENTIFICATION

(a) The Victoria Mutual Building Society ("the Society") is incorporated under the Building Societies Act and domiciled in Jamaica. The registered office of the Society is located at 8-10 Duke Street, Kingston, Jamaica.

During the year, the principal activities of the Society and its subsidiaries [note 1(b)] comprised granting loans, accepting deposits, trading in foreign currencies, stockbroking and securities trading, asset management, pension fund management, providing money transfer services, investing funds, investment holding and real estate services.

(b) "Group" refers to the Society and its subsidiaries, which are as follows:

Entity	Country of incorporation	Nature of business	Percentage equity held by:	
			The Society	Subsidiaries
Victoria Mutual Investments Limited and its wholly-owned subsidiary:	Jamaica	Investment holding company and select corporate finance services	80	-
Victoria Mutual Wealth Management Limited	Jamaica	Stockbroking, securities trading, asset management, corporate finance and investment advisory services	-	100
Victoria Mutual Pensions Management Limited	Jamaica	Pension fund management and administration	100	-
VM Innovations Limited *[formerly Victoria Mutual Properties* Limited] and its wholly-owned subsidiary:	Jamaica	Development and rental of real property	100	-
Victoria Mutual (Property Services) Limited	Jamaica	Valuations, property management, project management and realtor services	-	100
Victoria Mutual Finance Limited	United Kingdom	Provision of management services to the Society and specialised lending in the UK	100	-
VMBS Money Transfer Services Limited	Jamaica	Management of money transfer services	99	-
VMBS Overseas (UK) Limited	United Kingdom	Promotion of the business of the Society	100	-

(c) Interest in associated companies

(i) The Society has a 39.24% (2020: 37.16%) interest in British Caribbean Insurance Company Limited, which is a general insurance company incorporated in Jamaica. This investment is accounted for under the equity method as an associated company in the consolidated financial statements.

(ii) The Group, through its subsidiary, Victoria Mutual Investments Limited, holds a 30% interest in Carilend Caribbean Holdings Limited (Carilend), a company incorporated in Barbados that facilitates peer-to-peer lending. This investment is accounted for under the equity method as an associated company in the consolidated financial statements. No goodwill was identified as part of the transaction.

2. REGULATIONS AND LICENCE

The Society is licensed by Bank of Jamaica, and these financial statements are delivered, under the Building Societies Act, the Banking Services Act 2014 and applicable Regulations.

Two of the Society's subsidiaries, Victoria Mutual Wealth Management Limited and Victoria Mutual Pensions Management Limited, are licensed by the Financial Services Commission. Victoria Mutual Wealth Management Limited is a licensed investment advisor and securities dealer. It is also a member of the Jamaica Stock Exchange and is regulated as a securities broker/ dealer. Victoria Mutual Pensions Management Limited is a licensed pension fund manager. VMBS Money Transfer Services Limited is licensed by Bank of Jamaica as a remittance service provider.

Victoria Mutual Investments Limited is listed on the main market of the Jamaica Stock Exchange.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the relevant provisions of the Building Societies Act and the Banking Services Act.

New and amended standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Group has not early-adopted. The Group has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

  The Group does not expect the amendment to have a significant impact on its financial statements.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to certain standards, and are effective for annual periods beginning on or after January 1, 2022. Those that affect the Groups operation are in relation to IFRS 9 *Financial Instruments* and IFRS 16 *Leases*

  (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  (ii) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

  The Group does not expect the amendment to have a significant impact on its financial statements.

3. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations that are not yet effective (cont'd):

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Group does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IFRS 16 *Leases* are effective for annual periods beginning on or after April 1, 2021, early adoption is permitted. The amendments extend the practical expedient by 12 months – i.e. allowing lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

  The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings. The disclosure requirements of Paragraph 28(f) of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* do not apply on initial application.

  The Group is assessing the impact that the amendment will have on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments are consistent with the refined definition of material:

  "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

  The Group is assessing the impact that the amendment will have on its financial statements.

3. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations that are not yet effective (cont'd):

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both:

  - selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
  - choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

  The Group is assessing the impact that the amendment will have on its financial statements.

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

  The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

  The Group is assessing the impact that the amendment will have on its financial statements.

3. BASIS OF PREPARATION (CONT'D)

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for the following:

(i) Debt instruments at fair value through other comprehensive income (FVOCI).

(ii) Certain debt instruments mandatorily classified at fair value through profit or loss.

(iii) Equity securities measured at fair value through profit or loss.

(iv) Certain equity securities designated as at FVOCI measured at fair value.

(v) The employee benefits asset recognised as plan assets, less the present value of the defined-benefit obligation, limited as explained in note 4(i); and

(vi) The defined-benefit liability measured as the present value of the unfunded obligations.

(c) Functional and presentation currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The financial statements are presented in Jamaica dollars ($), which is the functional currency of the Society. The financial statements of other entities included in the consolidated financial statements that have different functional currencies are translated into Jamaica dollars in the manner set out in note 4(o). Amounts are rounded to the nearest thousand, unless otherwise stated.

(d) Estimates critical to reported amounts, and judgements in applying accounting policies

The preparation of the financial statements to conform to IFRS requires management to make estimates based on assumptions and judgements. Management also makes judgements, other than those involving estimates, in the process of applying the accounting policies. The estimates and judgements affect (1) the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended, and (2) the carrying amounts of assets and liabilities in the next financial year.

The estimates and the assumptions underlying them, as well as the judgements, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgements that have a significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities in the next financial year include the following:

(i) Key sources of estimation uncertainty

(1) Impairment of financial assets:

A number of significant judgements are required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increases in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;

3. **BASIS OF PREPARATION (CONT'D)**

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)

(i) Key sources of estimation uncertainty (cont'd)

(1) Impairment of financial assets: (cont'd)

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in notes 4(n) and 5(a).

(2) Pension and other post-employment benefits

Determining employee benefit amounts to be included in the financial statements requires management to determine the fair value of plan assets and deduct the estimated present value of future benefits that employees have earned in current and prior periods.

Making these estimates requires certain assumptions, including a discount rate, inflation rate, rate of future increases in medical claims, pensions and salaries, as more fully set out in notes 4(i) and 14. Management provides its appointed actuaries with some of the information, including certain key assumptions used in estimating the employee benefit amounts. The uncertainty inherent in these assumptions could mean significant differences between actual results and the estimates determined by management.

(3) Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve.

The yield curve is, in turn, obtained from a pricing source which uses indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach, which is categorised as a Level 2 fair value [see notes 8, 9 and 31]. Some other fair values are estimated based on quotes published by broker/dealers, and these are also classified as Level 2. The estimates of fair value arrived at from these sources may be significantly different from the actual price of the instrument in an actual arm's length transaction.

(ii) Critical accounting judgements in applying the Group's accounting policies

For the purpose of these financial statements prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

The Group's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances, and the Group exercises judgement in carrying out such designation.

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding [see note 4(b)(i)] requires management to make certain judgements on its business operations.

4. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

(a) Basis of consolidation

The Group's financial statements include the financial statements of the Society and its subsidiaries, after eliminating intra-group amounts and remeasuring its investments in associates using the equity method.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee, and ability to use its power to affect those returns.

Associated entities are those, other than a subsidiary or joint venture, over which the Group has significant influence, but not control, over financial and operating decisions. Significant influence is presumed to exist when the Group holds at least 20% but not more than 50% of the voting power of another entity.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, from the date significant influence commences until the date significant influence ceases.

(b) Financial instruments - Classification, recognition and de-recognition, and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

Management determines the appropriate classification of investments at the time of purchase, taking account of the purpose for which the investments were purchased. The Group classifies non-derivative financial assets into the following categories:

(i) Classification of financial instruments

Financial assets

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

- *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, and trade receivables purchased from clients in factoring arrangements without recourse.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments - Classification, recognition and de-recognition, and measurement (cont'd)

(i) Classification of financial instruments (cont'd)

Financial assets (cont'd)

- *Debt instruments* (cont'd)

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at note 4(n). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.
- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL.
- *Fair value through profit or loss (FVTPL):* Assets that do not meet the criteria for amortised cost or FVOCI. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss within 'Other operating revenue' in the period in which it arises. Interest income on these financial assets is included in 'Interest income, calculated using the effective interest method'.
- *Business model:* the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Group in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the assets' performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated.

For example, securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Solely payments of principal and interest (SPPI): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments - Classification, recognition and de-recognition, and measurement (cont'd)

(i) Classification of financial instruments (cont'd)

Financial assets (cont'd)

- *Debt instruments* (cont'd)

  The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

- *Equity instruments*

  Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

  The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

  Gains and losses on equity investments at FVTPL are included in the 'Other operating income' caption in the income statement.

Financial liabilities

The Group classifies non-derivative financial liabilities into the "other financial liabilities" category. These are measured at amortised cost.

(ii) Recognition and derecognition - Non-derivative financial assets and liabilities

The Group recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

The Group initially recognises debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (OCI) is recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments - Classification, recognition and derecognition, and measurement (cont'd)

(ii) Recognition and derecognition - Non-derivative financial assets and liabilities (cont'd)

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group has the legal right to offset the amounts and intends either to settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iii) Measurement gains and losses – non-derivative financial assets

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost which are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities mandatorily measured at FVTPL or designated as at FVTPL, with changes recognised in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities irrevocably designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- expected credit loss (ECL) charges and reversals; and
- foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Gains and losses on equity instruments classified at FVOCI are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(c) Financial instruments – Other

(i) Cash and cash equivalents

Cash comprises cash on hand and demand deposits, including unrestricted balances held with the central bank. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments, rather than for investment or other purposes.

These are highly liquid instruments, include deposits where the maturities do not exceed three months from the acquisition date.

Cash and cash equivalents are measured at amortised cost.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments – Other (cont'd)

(ii) Resale and repurchase agreements

Resale agreements are accounted for as short-term collateralised lending and classified at amortised cost. They are measured at fair value on initial recognition and subsequently at amortised cost. The difference between the purchase cost and the resale consideration is recognised in the income statement as interest income using the effective interest method.

The Group enters into transactions whereby it transfers assets but retains either, all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

Repurchase agreements are accounted for as short-term collateralised borrowing, and are classified as other liabilities. On initial recognition and subsequently, the securities given as collateral are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are measured at amortised cost. The difference between the sale consideration and the repurchase price is recognised in the income statement over the life of each agreement as interest expense using the effective interest method.

(iii) Derivatives

Derivatives are financial instruments that derive their value from the price of the underlying items such as equities, interest rates, foreign exchange or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group makes use of derivatives to manage its own exposure to foreign exchange risk.

Derivatives held for risk management purposes are initially recognised at fair value in the statement of financial position. Subsequent to initial recognition, derivatives are measured at fair value, and, if the derivative is not held for trading, and is not designated in a qualifying hedge relationship, changes in fair value are recognised immediately in profit or loss.

(iv) Other assets

Other assets are measured at cost or amortised cost, less impairment losses.

(v) Loans payable

Loans payable are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, with any difference between cost and redemption value recognised in profit or loss on the effective interest basis.

(vi) Other liabilities

Other liabilities are measured at amortised cost.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement or transition date. The right-of-use asset is initially measured at cost, which comprises the present value of the lease liability, plus any initial direct costs incurred and estimated asset retirement costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group accounts for the non-lease components separately.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including insubstance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised insubstance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the rightofuse asset, or is recorded in profit or loss if the right-of-use asset has been fully amortised.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities as such in the statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (cont'd)

(ii) Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on the straight-line basis over the lease term.

(e) Revenue recognition

Revenue arises in the course of the ordinary activities of the Group. The nature of the major items that comprise revenue and the recognition principles are as follows:

(i) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired [see note 4(n)], for which interest revenue is calculated by applying the effective interest rate to their adjusted amortised cost (i.e., net of the expected credit loss allowance).

(ii) Fees, commissions and other income

Commission and other fee income, including account servicing fees, investment management fees, sales commissions, and placement fees, are recognised as the related services are performed. When a loan commitment fee is not expected to result in the draw-down of a loan, it is recognised on the straight-line basis over the commitment period.

(f) Interest expense

Interest expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its carrying amount.

(g) Fee and commission expenses

Fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(h) Income tax

Income tax on the results for the year comprises current and deferred income tax. Taxation is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income (OCI), in which case it is also recognised in OCI.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Income tax (cont'd)

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted as of the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax is not recognised for:

(i) temporary differences on the initial recognition of assets or liabilities in a transaction that is a business combination or that affects neither accounting nor taxable profit; and

(ii) temporary differences related to investments in subsidiaries, to the extent that it is probable that they will not reverse in the foreseeable future.

(i) Employee benefits

Employee benefits comprise all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, NIS contributions, annual vacation and sick leave, and non-monetary benefits, such as medical care and housing; post-employments benefits, such as pensions and medical care; other long-term employee benefits, such as long service awards; and termination benefits.

(i) General benefits

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as the related service is provided. The expected cost of vacation leave that accumulates is recognised over the period that the employee becomes entitled to the leave.

Post-employment benefits are accounted for as described in note 4(i):(ii) - (iv). Other long-term benefits, including termination benefits, which arise when either: (1) the employer decides to terminate an employee's employment before the normal retirement date, or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned during service and charged as an expense, unless not considered material, in which case they are charged when they fall due for actual payment.

The Group operates a defined-contribution pension plan and a defined-benefit pension plan (see note 14) to provide post-employment benefits.

The defined-benefit plan was closed to new entrants effective December 31, 2016. The defined-contribution plan was approved by the Financial Services Commission and Tax Administration Jamaica with an effective date of January 1, 2017 for employees who were hired on or after January 1, 2017. Both the defined-benefit plan and the defined-contribution plan are funded by contributions from the Group and employees in accordance with the respective Trust Deeds and Plan Rules.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Employee benefits (cont'd)

(ii) Defined-contribution pension plan

Under the defined-contribution plan, retirement benefits are based on the Group's and employees' accumulated contributions plus accretions and, therefore, the Group has no further liability to fund benefits.

(iii) Defined-benefit pension plan

The defined-benefit plan provides benefits for retired employees of Group entities. In the financial statements of the Society, the plan is accounted for as a defined-benefit plan, as described below, while in the financial statements of the individual participating subsidiaries, the plan is accounted for as a defined-contribution plan, that is, pension contributions by each subsidiary, as recommended by the actuary, are expensed as they become due. The reasons for this are that (1) although the plan exposes the participating subsidiaries to actuarial risks associated with current and former employees of Group entities, there is no stated policy for charging the net defined benefit cost among Group entities, and (2) all residual interest in the plan remains with the Society.

In respect of defined-benefit arrangements, the employee benefits asset and obligation included in the financial statements are determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Society's post-employment benefit asset and obligation as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The Group's net asset in respect of the defined-benefit pension plan is calculated by estimating the fair value of any plan assets and deducting the present value of future benefit that employees have earned in return for their service in the current and prior periods.

The discount rate is the yield at the reporting date on long-term government securities that have maturity dates approximating the terms of the Group's obligations. In the absence of such instruments in Jamaica, the rate is estimated by extrapolating from the longest tenure security on the market. The calculation is performed by the Group's independent qualified actuary using the Projected Unit Credit Method.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the income statement. The Group recognises gains and losses on the settlement of its defined-benefit plan when the settlement occurs.

Remeasurements of the defined benefits asset, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in other comprehensive income. The Group determines the net interest income on the net defined benefit asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit asset, taking into account any changes in the net defined benefit asset during the year as a result of the contributions and benefit payments. Net interest expense and other expenses related to defined-benefit plans are recognised in the income statement.

When the calculation results in a potential asset to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(i) Employee benefits (cont'd)

(iv) Other post-employment benefits

The Group provides post-employment medical and other benefits. The obligations with respect to these benefits are calculated on a basis similar to that for the defined-benefit pension plan.

(j) Interest in subsidiaries

Interest in subsidiaries is measured at cost less impairment losses, in the separate financial statements of the Society.

(k) Intangible assets

(i) Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Computer software

Costs that are directly associated with acquiring identifiable software products which are expected to generate economic benefits beyond one year, are recognised as intangible assets. These assets are measured at cost, less accumulated amortisation and, if any, impairment losses. The assets are amortised using the straight-line method over their expected useful lives, estimated between five to seven years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(l) Investment and foreclosed properties

(i) Investment property, held to earn rental income and/or for capital appreciation, is measured at cost, less accumulated depreciation and impairment losses. Lease income from investment property is accounted for on the straight-line basis.

(ii) In certain situations, the Group repossesses properties arising from foreclosure on loans in respect of which the borrower is in default. On the date of foreclosure, the repossessed collateral is measured at the carrying amount of the defaulted loan. It is thereafter measured at the lower of carrying amount and fair value less cost to sell, and classified as held-for-sale.

(m) Property, plant and equipment and depreciation

(i) Cost

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Property, plant and equipment and depreciation (cont'd)

(i) Cost (cont'd)

(b) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised as expenses, as incurred.

(ii) Depreciation

Property, plant and equipment, with certain exceptions, are depreciated on the straight-line method at annual rates estimated to write off depreciable amounts over the assets' expected useful lives. The exceptions are freehold land, on which no depreciation is provided, and equipment on lease and leasehold improvements, which are amortised over the shorter of their useful lives and the lease terms.

The depreciation rates are as follows:-

Buildings	2.5%
Office furniture and equipment	10 - 30%
Motor vehicles	20 - 25%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(n) Identification and measurement of impairment

(i) Non-derivative financial assets

The Group recognises allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments, including loans and investment securities; and
- lease receivables.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(n) Identification and measurement of impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Framework

The Group applies a 'three-stage' model for impairment based on changes in credit quality since initial recognition, as summarised below:

- *Stage 1*: a financial instrument that is not credit-impaired on initial recognition. Credit risk is continuously monitored by the Group.
- *Stage 2*: a significant increase in credit risk ('SICR') since initial recognition is identified, but the financial instrument is not yet deemed to be credit impaired. See below for a description of how the Group determines when a significant increase in credit risk has occurred.
- *Stage 3*: a financial asset is credit impaired when one or more events (see below) that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Determining whether credit risk has increased significantly (Stage 2)

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative tests based on movement in Probabilities of Default (PD). Credit risk is deemed to increase significantly where the probability of default on a security or a loan has moved by six (6) basis points;
- qualitative indicators; and
- a backstop of 30 days past due. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate that its credit risk has declined sufficiently.

Credit-impaired financial assets (Stage 3)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that it would not consider otherwise;
- the disappearance of an active market for a security because of financial difficulties;
- a loan that is overdue for 90 days or more, even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields. The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Identification and measurement of impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Credit-impaired financial assets (Stage 3) (cont'd)

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors (cont'd):

- The probability of the sovereign debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Measurement of expected credit losses

Expected credit losses (ECL) are probability-weighted estimates of credit losses, measured as follows:

- ECL on financial instruments in Stage 1 are measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months.
- ECL on instruments in Stages 2 or 3 are measured based on expected credit losses on a lifetime basis.
- ECL on undrawn loan commitments are measured at the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive.
- ECL on financial guarantee contracts are measured at the expected payments to reimburse the holder, less any amounts that the Group expects to recover.
- ECL on trade and lease receivables are always measured as an amount equal to lifetime ECL.

The ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Identification and measurement of impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Finance team on an annual basis and provide the best and worst estimate views of the economy based on the expected impact of interest rates, unemployment rates and gross domestic product (GDP).

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and comparing historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group considers other possible scenarios and scenario weightings. The Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Presentation of allowance for ECL in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- Loan commitments and financial guarantee contracts: generally, as a provision.
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss is recognised in profit or loss as a reclassification from OCI.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Identification and measurement of impairment (cont'd)

(ii) Non-financial assets (cont'd)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Foreign currencies

(i) Transactions and balances

Foreign currency transactions are converted into the functional currencies of Group entities at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currencies and classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

(ii) Foreign subsidiaries

For the purpose of consolidating the financial statements of subsidiaries operating outside of Jamaica, assets and liabilities are translated at the closing rates and income and expenses at the average rates for the year. Translation differences are recognised in other comprehensive income and included in the currency translation reserve.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such an item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

5. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group's activities are principally related to the use of financial instruments. The Group, therefore, has exposure to the following risks from the use of financial instruments in the ordinary course of business:

- credit risk
- market risk
- liquidity risk
- operational risk

Notes 5(a) to (d) present information about the Group's exposure to each of the above-listed risks and the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors of the Society has overall responsibility for approving and overseeing management's implementation of the Group's business strategy, risk appetite, enterprise risk management (ERM) framework and policies. The Board has established the following committees for risk management purposes:

(i) Group Finance and Risk Management Committee
(ii) Corporate Governance, Nomination and Compensation Committee
(iii) Group Audit Committee
(iv) Group Digital and IT Committee

These committees are responsible for developing and/or monitoring risk management policies in their specified areas. All Board committees are comprised of non-executive members and report to the Society's Board of Directors on their activities.

The Group Finance and Risk Management Committee is responsible for designing and monitoring an integrated approach to risk management across the Group and ensuring its effectiveness consistent with the strategic risk appetite of the Group. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which the Board, management, team members and all stakeholders of the Group understand their roles, obligations and respective risk exposures.

There are, in addition, an Asset and Liability Committee ("ALCO"), a Credit Committee and an Executive Enterprise Risk Management (ERM) Committee, comprising members of executive management. These Committees report to the Group Finance and Risk Management Committee of the Board. The ALCO has responsibility for liquidity management, interest rate and foreign exchange risk management, capital adequacy management and oversight of treasury performance. The Credit Committee has responsibility for the implementation of appropriate policies and procedures to support the credit review and approval process for the Group. The Executive ERM Committee provides a first layer of oversight for the Group's ERM framework, including methods, policies and procedures to identify, assess, monitor and report on material risks to the attainment of the Group's key performance objectives.

The Society, Victoria Mutual Investments Limited, Victoria Mutual Wealth Management Limited and Victoria Mutual Pensions Management Limited have audit committees. The Society's Audit Committee is responsible for monitoring the Group's compliance with the ERM policies and procedures. The Audit Committees are assisted in these functions by Group Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committees.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

Risk management framework (cont'd)

The main risks to which the Group is exposed are managed as follows:

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from credit given to customers in lending activities, investing and stock broking, and in deposits with other financial institutions. Financial assets arising from these activities include loans and other receivables, investment securities, resale agreements, cash and cash equivalents and accounts receivable.

(i) Exposure to credit risk

The maximum credit exposure, that is, the amount of loss that would be suffered if all counter parties to the Group's financial assets were to default at once, is represented as follows:

(1) For financial assets recognised in the statement of financial position:

The carrying amount of financial assets shown on the statement of financial position.

(2) For financial assets not recognised in the statement of financial position:

	Group and Society	
	2021	2020
	$'000	$'000
Loan commitments	13,246,770	8,166,258

(ii) Management of credit risk attaching to key financial assets

- Loans receivable

Credit risk is the single largest risk for the Group's business. Credit risk management and control is delegated to the Group's Finance and Risk Management Committee. The Committee is responsible for oversight of credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties and related parties.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring expected credit losses (ECL) under IFRS 9. See note 4(n) for discussion on measurement of ECL.

The key judgements and assumptions adopted by the Group in addressing the requirements of IFRS 9 are discussed below:

Credit risk grades

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty.

Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

- Debt securities

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

Maximum exposure to credit risk and credit quality analysis

The following tables set out information about the maximum exposure to credit risk and the credit quality of financial assets measured at amortised cost, FVOCI debt instruments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments, the amounts in the table represent the amounts committed.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

- Loans receivable at amortised cost:

	Group				
	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Grade 3 - Low risk	20,654,458	1,257,098	349,728	22,261,284	15,780,090
Grade 4 -5	67,238,632	3,152,296	3,761,630	74,152,558	55,392,015
Grade 6 - 8	2,887,199	210,395	590,148	3,687,742	3,988,410
Grade 9 - 10 - High risk	-	605,287	2,729,787	3,335,074	2,940,398
	90,780,289	5,225,076	7,431,293	103,436,658	78,100,913
Loss allowance	(240,848)	(45,662)	(306,864)	(593,374)	(423,507)
	90,539,441	5,179,414	7,124,429	102,843,284	77,677,406

	Group				
	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Aging of loans receivable					
Current	90,247,047	1,254,002	2,180,696	93,681,745	68,304,331
Past due 1-30 days	533,242	2,350,368	969,992	3,853,602	4,329,924
Past due 31-60 days	-	1,559,902	980,781	2,540,683	1,953,474
Past due 61-90 days	-	60,804	46,321	107,125	1,259,847
Over 90 days	-	-	3,253,503	3,253,503	2,253,337
Total	90,780,289	5,225,076	7,431,293	103,436,658	78,100,913
Loan commitments					
Grades 1-3: Low risk	13,246,770	-	-	13,246,770	8,166,258
Loss allowance	(30,705)	-	-	(30,705)	(14,405)

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

• Loans receivable at amortised cost (cont'd):

	Society 2021 Stage 1 $'000	Society 2021 Stage 2 $'000	Society 2021 Stage 3 $'000	Society 2021 Total $'000	Society 2020 Total $'000
Credit grade					
Grade 3 - Low risk	10,537,347	350,354	349,728	11,237,429	11,532,112
Grade 4 -5	67,238,632	3,152,296	3,761,630	74,152,558	55,392,015
Grade 6 - 8	2,887,199	210,395	590,148	3,687,742	3,988,410
Grade 9 - 10 - High risk	-	605,287	2,729,787	3,335,074	2,940,398
	80,663,178	4,318,332	7,431,293	92,412,803	73,852,935
Loss allowance	(231,304)	(18,058)	(306,864)	(556,226)	(423,507)
	80,431,874	4,300,274	7,124,429	91,856,577	73,429,428

	Society 2021 Stage 1 $'000	Society 2021 Stage 2 $'000	Society 2021 Stage 3 $'000	Society 2021 Total $'000	Society 2020 Total $'000
Aging of loans receivable					
Current	80,129,936	347,258	2,180,696	82,657,890	64,056,354
Past due 1-30 days	533,242	2,350,368	969,992	3,853,602	4,329,924
Past due 31-60 days	-	1,559,902	980,781	2,540,683	1,953,474
Past due 61-90 days	-	60,804	46,321	107,125	1,259,846
Over 90 days	-	-	3,253,503	3,253,503	2,253,337
Total	80,663,178	4,318,332	7,431,293	92,412,803	73,852,935
Loan commitments					
Grades 1-3: Low risk	13,246,770	-	-	13,246,770	8,166,258
Loss allowance	(30,705)	-	-	(30,705)	(14,405)

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

- Debt securities and other financial assets at amortised cost:

	Group				
	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Investment grade	791,170	-	-	791,170	1,417,090
Non-investment grade	20,870,385	711,984	-	21,582,369	26,963,988
Default	-	-	25,208	25,208	-
	21,661,555	711,984	25,208	22,398,747	28,381,078
Loss allowance	(260,881)	(57,138)	(25,122)	(343,141)	(486,213)
	21,400,674	654,846	86	22,055,606	27,894,865

	Society				
	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Investment grade	791,170	-	-	791,170	1,417,090
Non-investment grade	10,991,250	425,530	-	11,416,780	16,695,172
	11,782,420	425,530	-	12,207,950	18,112,262
Loss allowance	(202,534)	(47,343)	-	(249,877)	(394,510)
	11,579,886	378,187	-	11,958,073	17,717,752

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

- Debt securities at FVOCI

	Group					
	2021					2020
	Stage 1	Stage 2	Stage 3	Purchased credit impaired	Total	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Credit grade						
Investment grade	4,048,437	-	-	-	4,048,437	3,791,241
Non-investment grade	52,792,224	-	-	1,058,002	53,850,226	25,337,852
	56,840,661	-	-	1,058,002	57,898,663	29,129,093
Loss allowance	(178,961)	-	-	-	(178,961)	(139,898)

	Society					
	2021					2020
	Stage 1	Stage 2	Stage 3	Purchased credit impaired	Total	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Credit grade						
Investment grade	3,594,565	-	-	-	3,594,565	3,049,582
Non-investment grade	35,766,253	-	-	1,058,002	36,824,255	11,983,842
	39,360,818	-	-	1,058,002	40,418,820	15,033,424
Loss allowance	(76,306)	-	-	-	(76,306)	(42,587)

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

Reconciliation of allowances for ECL

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

- Debt securities, loans receivable and resale agreements at amortised cost:

	Group				
	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Balance at January 1	465,842	105,267	306,806	877,915	367,850
Transfer to Stage 1	98,677	(34,322)	(64,355)	-	-
Transfer to Stage 2	(14,576)	17,075	(2,499)	-	-
Transfer to Stage 3	(5,429)	(8,725)	14,154	-	-
Net re-measurement of loss allowance	(52,180)	(4,099)	77,880	21,601	510,064
Balance at December 31	492,334	75,196	331,986	899,516	877,914

	Society				
	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Balance at January 1	438,204	65,421	281,631	785,256	340,814
Transfer to Stage 1	96,024	(31,669)	(64,355)	-	-
Transfer to Stage 2	(14,079)	16,578	(2,499)	-	-
Transfer to Stage 3	(5,429)	(8,725)	14,154	-	-
Net re-measurement of loss allowance	(80,882)	23,796	77,933	20,847	444,442
Balance at December 31	433,838	65,401	306,864	806,103	785,256

5. **FINANCIAL RISK MANAGEMENT (CONT'D)**

(a) **Credit risk (cont'd)**

(ii) **Management of credit risk attaching to key financial assets (cont'd)**

Reconciliation of allowances for ECL (cont'd)

- Debt securities at FVOCI:

	Group				
	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Balance at January 1	141,048	84	-	141,132	151,599
Adjustment to fair value reserve	1,113	-	-	1,113	-
Transfer Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	36,800	(84)	-	36,716	(10,467)
Balance at December 31	178,961	-	-	178,961	141,132

	Society				
	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Balance at January 1	42,587	-	-	42,587	105,670
Transfer to Stage 2	-	-	-	-	-
Net remeasurement of loss allowance	33,719	-	-	33,719	(63,083)
Balance at December 31	76,306	-	-	76,306	42,587

Loans with renegotiated terms

Loans with renegotiated terms have been restructured due to deterioration in the borrowers' financial position and the Group has made concessions that it would not otherwise consider. Once a loan is restructured, it remains in this category irrespective of satisfactory performance after restructuring.

The main restructuring activities were granting moratoria and rescheduling repayments. At December 31, 2021, the outstanding principal balances on loans that were restructured during the year amounted to $3,500,000,000 (2020: $7,700,000,000).

5. **FINANCIAL RISK MANAGEMENT (CONT'D)**

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

Reconciliation of allowances for ECL (cont'd)

- Debt securities at FVOCI (cont'd):

Write-off policy, applicable for both periods

The Group writes off loans (and any related allowances for impairment losses) when it determines that the loans are uncollectible. This determination is usually made after considering information such as changes in the borrowers' financial position, or that proceeds from collateral will not be sufficient to cover the entire exposure.

Collateral

Loan collateral represents mortgages over property, liens over motor vehicles and hypothecation of deposits held. The fair value of collateral that the Group held for loans past due (greater than three months) was $5,098,058,000 (2020: $6,652,648,000) [see note 5(a)(iii)].

Foreclosure

The Group sometimes acquires properties by way of foreclosure in the process of recovering amounts from defaulting borrowers. At the reporting date, the carrying amount of these assets was $244,561,000 (2020: $283,616,000). The Group's policy is, in accordance with regulatory requirements, to pursue realisation of the collateral in a timely manner, that is, within three years of foreclosure. No financial or other assets (other than real property mentioned herein) were obtained during the year by taking possession of collateral.

(iii) Collateral and other credit enhancements held against financial assets

The Group holds collateral against loans and advances to customers and others in the form of mortgage interests over property, other registered securities over other assets, and guarantees. Estimates of fair value of such collateral are based on the value of collateral assessed at the time of borrowing, and generally are not updated, except when a loan is individually assessed as impaired. Collateral generally is not held over balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities.

(1) Cash and cash equivalents

These are held with regulated financial institutions and collateral is not required for such accounts, as management regards the institutions as strong.

(2) Investment securities

The Group manages the level of risk it undertakes by investing substantially in short-term investments, such as Government of Jamaica securities, and subsequently monitoring the financial condition and performance of the debtors/issuers. There is significant concentration in securities issued or guaranteed by Government of Jamaica.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(iii) Collateral and other credit enhancements held against financial assets (cont'd)

(3) Resale agreements and certificates of deposit

Collateral is held for resale agreements other than those acquired from Bank of Jamaica, as set out in note 5(a)(iii) below.

(4) Accounts receivable

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet repayment obligations and by changing these lending limits where appropriate.

An estimate, made at the time of borrowing, of the fair value of collateral and other security enhancements held against loans to borrowers and others is shown below:

	Group			
	Loans and advances		Resale agreements	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:				
Real property	122,857,012	87,814,541	-	-
Debt securities	-	-	14,306,225	24,366,395
Liens on motor vehicles	11,391,053	5,508,802	-	-
Hypothecation of deposits	2,917,880	2,384,337	-	-
Subtotal	137,165,945	95,707,680	14,306,225	24,366,395
Against past due (greater than 3 months) but not impaired financial assets:				
Real property	4,887,430	6,454,287	-	-
Against past due (greater than 3 months) and impaired financial assets:				
Real property	210,627	198,361	-	-
Total	142,264,002	102,360,328	14,306,225	24,366,395

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(iii) Collateral and other credit enhancements held against financial assets (cont'd)

An estimate, made at the time of borrowing, of the fair value of collateral and other security enhancements held against loans to borrowers and others is shown below (cont'd):

	Society			
	Loans and advances		Resale agreements	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:				
Real property	107,347,836	77,728,560	-	-
Debt securities	-	-	8,532,041	10,442,724
Liens on motor vehicles	11,391,053	5,508,802	-	-
Hypothecation of deposits	2,917,880	2,384,337	-	-
Subtotal	121,656,769	85,621,699	8,532,041	10,442,724
Against past due (greater than 3 months) but not impaired financial assets:				
Real property	4,887,430	6,454,287	-	-
Against past due (greater than 3 months) and impaired financial assets:				
Real property	210,627	198,361	-	-
Total	126,754,826	92,274,347	8,532,041	10,442,724

There was no change in the types of exposures to credit risk to which the Group is subject or its approach to measuring and managing this risk during the year.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. These arise mainly from changes in interest rates, foreign exchange rates, credit spreads and equity prices and will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

The Group separates its exposure to market risks between trading and non-trading portfolios. Market risks from trading activities are monitored by the ALCO. The ALCO monitors the price movement of securities on the local and international markets for both debt and equity securities. Market risk is managed through the use of Board-approved limits, by offsetting financial assets and liabilities and maintaining matched portfolios of foreign currency financial assets and liabilities and by maintaining currency portfolio long and short gap position.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates and exchange rates.

Management and monitoring of market risks

Interest rate risk and the other market risks associated with the non-trading portfolio are also monitored by the ALCO and managed in the following way:

(i) Interest rate risk

Interest rate risk is the potential for economic loss due to future interest rate changes within a specified period. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities. It can be reflected as a loss of future net interest income and/or a decline in current fair values.

The Group manages the risk by monitoring the savings fund to ensure its stability, by monitoring lending activity, by adjusting interest rates to the extent practicable within the overall policy of encouraging long-term savings and facilitating home ownership, and by carefully managing interest margins.

The following table summarises the carrying amounts of financial assets and liabilities in the statement of financial position to arrive at the Group's interest rate gap, based on the earlier of contractual re-pricing and maturity dates.

A summary of the interest rate gap at the reporting date, using historical data as a basis, is as follows:

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

	Group					
	2021					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	4,735,203	700	-	-	4,146,358	8,882,261
Jamaica Government Securities	-	951,505	540,802	24,726,315		26,218,622
Other investments	-	979,778	2,901,616	14,325,408	8,565,487	26,772,289
Resale agreements	557,109	4,503,895	2,232,708	-	-	7,293,712
Loans	-	91,856,577		10,986,707	-	102,843,284
Other assets	-	-	-	-	7,610,901	7,610,901
Total financial assets	5,292,312	98,292,455	5,675,126	50,038,430	20,322,746	179,621,069
Savings fund	77,070,579	13,851,329	20,047,143	6,118,564	776,091	117,863,706
Due to specialised institution	-	-	-	4,322,077	44,959	4,367,036
Repurchase agreements	3,325,000	16,217,934	6,547,259	70,000	33,385	26,193,578
Lease liabilities	-	4,496	57,220	255,781	-	317,497
Other liabilities	-	-	-	-	4,092,695	4,092,695
Other borrowings	644	196,000	4,981,029	9,832,491	-	15,010,164
Total financial liabilities	80,396,223	30,269,759	31,632,651	20,598,913	4,947,130	167,844,676
Total interest rate sensitivity gap *	(75,103,911)	68,022,696	(25,957,525)	29,439,517	15,375,616	11,776,393
Cumulative gap	(75,103,911)	(7,081,215)	(33,038,740)	(3,599,223)	11,776,393	

* The gap is in relation to items recognised in the statement of financial position. There are no "off balance sheet" exposures.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

	Group					
	2020					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	5,220,022	4,713	154,950	-	3,836,001	9,215,686
Jamaica Government Securities	-	-	994,177	17,329,771	-	18,323,948
Other investments	1,709,103	1,850,116	1,745,533	19,558,616	518,487	25,381,855
Resale agreements	2,647,411	10,592,260	2,745,221	-	(3,954,592)	12,030,300
Loans	-	77,677,406	-	-	-	77,677,406
Other assets	-	-	-	-	23,405,788	23,405,788
Total financial assets	9,576,536	90,124,495	5,639,881	36,888,387	23,805,684	166,034,983
Savings fund	63,292,399	20,745,841	18,545,650	902,986	-	103,486,876
Due to specialised institution	-	-	-	1,576,352	-	1,576,352
Repurchase agreements	500,832	17,629,990	4,117,068	-	-	22,247,890
Lease liabilities	1,448	2,924	79,408	260,816	-	344,596
Other liabilities	-	-	-	-	16,179,614	16,179,614
Total financial liabilities	63,794,679	38,378,755	22,742,126	2,740,154	16,179,614	143,835,328
Total interest rate sensitivity gap *	(54,218,143)	51,745,740	(17,102,245)	34,148,233	7,626,070	22,199,655
Cumulative gap	(54,218,143)	(2,472,403)	(19,574,648)	14,573,585	22,199,655	

* The gap is in relation to items recognised in the statement of financial position. There are no "off balance sheet" exposures.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

	Society					
	2021					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	4,735,203	-	-	-	3,292,189	8,027,392
Jamaica Government securities	-	951,505	540,802	10,184,725	-	11,677,032
Investments	-	979,778	2,019,616	9,532,494	7,842,921	20,374,809
Resale agreements	557,109	1,625,602	1,879,364	-	-	4,062,075
Loans	-	91,856,577	-	-	-	91,856,577
Other assets	-	10,346,017	-	-	12,867,904	23,213,921
Total financial assets	5,292,312	105,759,479	4,439,782	19,717,219	24,003,014	159,211,806
Savings fund	77,070,579	13,851,329	20,047,143	7,025,085	776,091	118,770,227
Due to specialised institution	-	-	-	4,322,077	44,959	4,367,036
Repurchase agreements	3,325,000	2,115,776	1,889,842	-	33,385	7,364,003
Other borrowings	644	-	4,981,029	4,559,445	-	9,541,118
Other liabilities	-	-	-	-	1,942,680	1,942,680
Lease liabilities	-	4,496	14,075	116,430	-	135,001
Total financial liabilities	80,396,223	15,971,601	26,932,089	16,023,037	2,797,115	142,120,065
Total interest rate sensitivity gap *	(75,103,911)	89,787,878	(22,492,307)	3,694,182	21,205,899	17,091,741
Cumulative gap	(75,103,911)	14,683,967	(7,808,340)	(4,114,158)	17,091,741	

* The gap is in relation to items recognised in the statement of financial position. There are no "off balance sheet" exposures.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

	Society					
	2021					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	4,397,059	-	154,950	-	3,092,429	7,644,438
Jamaica Government securities	-	-	994,178	4,719,987	-	5,714,165
Investments	1,663,803	1,844,337	1,725,272	15,565,854	433,533	21,232,799
Resale agreements	2,647,411	3,528,062	2,348,742	-	-	8,524,215
Loans	-	73,429,428	-	-	-	73,429,428
Other assets	-	-	-	-	22,823,350	22,823,350
Total financial assets	8,708,273	78,801,827	5,223,142	20,285,841	26,349,312	139,368,395
Savings fund	63,292,399	20,745,841	18,545,650	1,726,122	-	104,310,012
	-	-	-	1,576,352	-	1,576,352
Repurchase agreements	500,832	5,308,823	-	-	-	5,809,655
Other borrowings	50,280	-	-	6,469,027	-	6,519,307
Other liabilities	-	-	-	-	1,724,794	1,724,794
Lease liabilities	1,448	2,924	13,557	135,097	-	153,026
Total financial liabilities	63,844,959	26,057,588	18,559,207	9,906,598	1,724,794	120,093,146
Total interest rate sensitivity gap *	(55,136,686)	52,744,239	(13,336,065)	10,379,243	24,624,518	19,275,249
Cumulative gap	(55,136,686)	(2,392,447)	(15,728,512)	(5,349,269)	19,275,249	

* The gap is in relation to items recognised in the statement of financial position. There are no "off balance sheet" exposures.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity to interest rate movements

The following table shows the effect on surplus and reserves of a reasonably possible change in interest rates. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis as for 2020.

	Group		Society	
	2021			
	Increase	Decrease	Increase	Decrease
Jamaica dollar	300bps	50bps	300bps	50bps
Foreign currencies	100bps	100bps	100bps	100bps
	$'000	$'000	$'000	$'000
Effect on surplus for the year	23,948	88,921	45,179	(958)
Effect on reserves	2,417,078	4,917,424	3,939,875	4,052,071

	Group		Society	
	2020			
	Increase	Decrease	Increase	Decrease
Jamaica dollar	100bps	100bps	100bps	100bps
Foreign currencies	100bps	100bps	100bps	100bps
	$'000	$'000	$'000	$'000
Effect on surplus for the year	(13,726)	13,726	(17,206)	17,206
Effect on reserves	2,154,167	1,461,685	(927,142)	1,029,096

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations in respect of transactions and balances that are denominated in currencies other than the Jamaica dollar. The main currencies giving rise to this risk are the United States dollar (USD), Canadian dollar (CDN) and the British Pound (GBP).

The Group manages this risk by ensuring that the net exposure is kept to an acceptable level through matching foreign currency assets and liabilities as far as practicable. At the reporting date, the net exposure, in nominal currencies, were as follows:

	Group					
	2021			2020		
	USD	GBP	CDN	USD	GBP	CDN
	'000	'000	'000	'000	'000	'000
Foreign currency assets	318,859	75,029	8,124	329,734	69,360	9,848
Foreign currency liabilities	(318,873)	(77,723)	(9,207)	(310,230)	(69,121)	(8,824)
Net foreign currency assets	(14)	(2,694)	1,083	19,504	239	1,024

	Society					
	2021			2020		
	USD	GBP	CDN	USD	GBP	CDN
	'000	'000	'000	'000	'000	'000
Foreign currency assets	222,332	74,983	8,124	214,866	68,905	9,845
Foreign currency liabilities	(224,868)	(77,567)	(9,207)	(201,043)	(69,015)	(8,821)
Net foreign currency assets	(2,536)	(2,584)	(1,083)	13,823	(110)	1,024

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(ii) Foreign currency risk (cont'd)

Sensitivity to foreign exchange rate movements

The Group uses the average of Bank of Jamaica's buying and selling rates for balances denominated in foreign currencies [see policy 5(o)]; the rates are as follows:

	2021	2020
	J$	J$
United States dollar	153.92	141.71
Pound Sterling	209.12	190.32
Canadian dollar	122.28	108.77

A 2% (2020: 2%) strengthening of the Jamaica dollar against the relevant currencies at the reporting date would have increased/(decreased) surplus by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis as for 2020.

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
United States Dollar	44	(55,278)	7,807	(39,177)
Pound Sterling	11,269	(910)	10,807	419
Canadian Dollar	2,648	(2,228)	2,649	(2,228)
	13,961	(58,416)	21,263	(40,986)

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(ii) Foreign currency risk (cont'd)

Sensitivity to foreign exchange rate movements (cont'd)

A 8% (2020: 6%) weakening of the Jamaica dollar against the relevant currencies at the reporting date would have (decreased)/increased surplus by the amounts shown. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis as for 2020.

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
United States Dollar	(176)	165,834	31,232	117,531
Pound Sterling	(45,073)	2,729	43,231	(1,256)
Canadian Dollar	(10,594)	6,683	10,588	6,683
	(55,843)	175,246	85,051	122,958

(iii) Equity price risk

Equity price risk arises from equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximise investment returns.

The equity securities which the Group holds are listed on the Jamaica Stock Exchange. A 5% increase (2020: 5%) in share prices would result in an increase in surplus of $399,531,479 (2020: $131,841,000) for the Group and $327,694,885 (2020: $112,529,000) for the Society, respectively. A 5% decrease (2020: 10%) in share prices would result in a decrease in surplus of $399,531,479 (2020: $263,683,000) for the Group and $327,694,885 (2020: $225,058,000) for the Society, respectively. As at December 31, 2021, the Group holds equity securities classified as fair value through other comprehensive income. A 5% (2020:5%) increase in share prices would result in an increase in other comprehensive income of $21,828,000 (2020:$51,816,000). A 5% (2020:10%) decrease in share prices would result in a decrease in other comprehensive income of $21,828,000 (2020:$103,632,000).

There was no change during the year in the nature of the market risks to which the Group is exposed or the way in which it measures and manages these risks.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to raise cash to settle its financial obligations as they fall due or to meet its lending obligations to maintain public and stakeholder confidence. Liquidity risk could result from the Group's inability to manage unplanned decreases or changes in funding sources and the failure to recognise or address changes in market conditions that affect the Group's ability to liquidate assets quickly and with minimal loss in value. Prudent liquidity risk management requires the Group to maintain sufficient cash and high quality marketable securities, monitor future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

The management of the Group establishes and implements procedures to ensure that the Group maintains sufficient liquidity, including a buffer of unencumbered, high quality liquid assets, to meet liabilities that fall due in the short term; to meet any demands for funds by its members and creditors and to withstand a range of stress events, including those involving loss or impairment of both secured and unsecured funding sources.

The daily liquidity position is monitored by reports covering the positions of the Group. All liquidity policies and procedures are subject to review and approval by the Group Finance and Risk Management Committee.

The Society is subject to externally imposed liquidity ratios. These ratios are taken into account by management in its measurement and management of liquidity risk.

(i) The key measure used for managing liquidity risk of the Society is the ratio of net liquid assets to prescribed liabilities. For this purpose, liquid assets include cash, cash equivalents and investment in debt securities for which there is an active and liquid market, less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. This calculation is used to measure the Society's compliance with the liquidity limit established by Bank of Jamaica.

	Ratio of net liquid assets to deposits from customers	
	2021	2020
Regulator's minimum required ratio	5.00%	5.00%

	Ratio of net liquid assets to deposits from customers	
	2021	2020
Actual ratios:		
As at December 31	6.37%	8.17%
Average for the year	7.30%	10.42%
Highest % attained for the year	9.24%	13.85%
Lowest % attained for the year	5.76%	7.92%

(ii) The securities dealer subsidiary, Victoria Mutual Wealth Management Limited, manages liquidity risk by keeping a pre-determined portion of its financial assets in liquid form. The key measure used for monitoring liquidity risk is the ninety-day liquidity gap ratio. The numerator is calculated by subtracting the total assets maturing within ninety days from the total liabilities which fall due in ninety days. The denominator is total liabilities. The ninety day liquidity gap ratio at the end of the year was as follows:

	Ninety-day liquidity gap ratio	
	2021	2020
Regulator's minimum required ratio	25.00%	25.00%
Actual ratio	39.89%	47.65%

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

(iii) Maturity profile

The following table presents the contractual maturity profile of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

	Group						
	Within One month	One to 3 months	Three to 12 months	One to 5 years	Over 5 years	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				2021			
Due to savers	76,949,279	13,900,072	20,374,395	8,484,210	-	119,707,956	117,863,706
Due to specialised institution	-	-	-	-	5,341,259	5,341,259	4,367,036
Other liabilities	4,074,988	7,364	10,343	-	-	4,092,695	4,092,695
Lease liabilities	122	4,743	27,737	138,931	179,248	350,781	317,497
Repurchase agreements	3,331,016	16,258,981	6,719,759	189,052	-	26,498,808	26,193,578
Other borrowings	644	270,767	5,236,869	11,132,623	-	16,640,903	15,010,164
				2020			
Due to savers	63,292,399	20,790,952	18,545,650	1,713,709	12,413	104,355,123	103,486,876
Due to specialised institution	-	-	-	-	2,230,082	2,230,082	1,576,352
Other liabilities	41,601	3,583,746	205,933	-	-	3,831,280	3,831,280
Lease liabilities	1,570	19,287	69,498	199,603	53,884	343,842	344,596
Repurchase agreements	500,832	18,622,389	4,229,888	-	-	23,353,109	22,247,890
Other borrowings	50,280	523,861	1,015,932	8,150,970	-	9,741,043	9,555,143

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

(iii) Maturity profile (cont'd)

	Society						
	Within One month	One to 3 months	Three to 12 months	One to 5 years	Over 5 years	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				2021			
Due to savers	77,855,800	13,900,072	20,374,395	8,484,210	-	120,614,477	118,770,227
Due to specialised institution	-	-	-	-	5,341,259	5,341,259	4,367,036
Other liabilities	1,942,679	-	-	-	-	1,942,679	1,942,679
Lease liabilities	-	-	1,034	10,893	176,008	187,935	135,001
Repuchase agreements	3,331,016	2,130,659	1,926,494	-	-	7,388,169	7,364,003
Other borrowings	644	-	4,991,493	5,650,833	-	10,642,970	9,541,118
				2020			
Due to savers	63,239,362	14,564,364	19,004,548	8,625,772	-	105,434,046	104,310,012
Due to specialised institutions	-	-	-	-	2,230,082	2,230,082	1,576,352
Other liabilities	1,724,794	-	-	-	-	1,724,794	1,724,794
Lease liabilities	-	7,620	22,789	103,952	75,701	210,062	153,026
agreements	500,832	5,308,823	-	-	-	5,809,655	5,809,655
Other borrowings	646	-	24,016	6,722,470	-	6,747,132	6,519,307

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to eliminate control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to identify operational risk is assigned to the Executive ERM Committee with oversight given by the Group Finance and Risk Management Committee.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Operational risk (cont'd)

This responsibility is supported by overall Group standards for the management of operational risk to minimise exposure to key operational risk areas, including new products and marketing initiatives, continuity of critical services and processes, talent retention and development, information security and internal and external fraud. Where these risks arise, the Group will consider the impact to its reputation and take measures to mitigate the risk, within the context of its relevant risk appetite.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Group Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to senior management of the Group and the Audit Committees.

6. CAPITAL MANAGEMENT

Capital risk is the risk that the Group fails to comply with mandated regulatory requirements, resulting in a breach of capital adequacy ratios and the possible suspension or loss of one or more licenses. The Group's objectives when managing capital, which is a broader concept than the "capital" mentioned on the face of the statement of financial position are:

- To comply with the capital requirements set by the regulators;
- To safeguard the Society's and its subsidiaries' ability to continue as going concerns, so that the Group can continue to provide benefits for members and other stakeholders; and
- To maintain a strong capital base to support the development of its business.

(a) The Society

Bank of Jamaica requires that building societies maintain a minimum of 10% (2020: 10%) of their risk weighted assets in capital.

	Society	
	2021	**2020**
	$'000	**$'000**
Regulatory capital (note 29)	19,523,056	19,968,768
Qualifying capital	17,690,880	17,937,448
On balance sheet risk weighted assets	106,057,167	92,293,577
Off balance sheet risk weighted assets - loan commitments	8,383,607	6,274,392
Foreign exchange exposure	252,741	2,175,168
Total risk assessed assets	114,693,515	100,743,137
Risk based capital adequacy ratio	15.42%	17.81%
Regulatory requirement	10.00%	10.00%

6. CAPITAL MANAGEMENT

(b) Victoria Mutual Wealth Management Limited

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns to its shareholders and benefits for other stakeholders, to maintain a strong capital base to support the development of its business and to comply with the capital requirements set by the regulators.

The Financial Services Commission ("FSC") stipulates and monitors capital requirements for the non-deposit-taking financial services sector. The FSC requires that the company maintains a capital base of which at least 50% is to be of Tier 1 capital. In addition, the FSC employs certain ratios to test capital adequacy and solvency.

	2021	2020
	$'000	$'000
Tier 1 Capital	2,632,235	2,459,708
Tier 2 Capital	61,267	54,267
Total regulatory capital	2,693,502	2,513,975
Risk weighted assets:		
Per statement of financial position	17,588,349	15,861,924
Foreign exchange exposure	112,591	742
	17,700,940	15,862,666
Operational risk-weighted assets	289,168	290,264
	17,990,108	16,152,930

Capital ratios	Minimum required		Actual	
	2021	2020	2021	2020
Total regulatory qualifying capital				
Total risk weighted assets	10.00%	10.00%	14.97%	15.56%
Tier 1 Capital/Total regulatory capital	50.00%	50.00%	97.72%	97.84%
Capital base/Total assets	6.00%	6.00%	12.81%	14.24%

6. CAPITAL MANAGEMENT

(c) Victoria Mutual Pension Management Limited

Victoria Mutual Pensions Management Limited is regulated by the Financial Services Commission. The subsidiary's regulatory capital position as at the reporting date was as follows:

	2021 $'000	2020 $'000
Tier 1 Capital	184,828	141,098
Risk-weighted assets:		
Operating assets	231,009	213,343
Per statement of financial position	208,218	255,537
Foreign exchange exposure	52,940	50,623
	492,167	519,503

Capital adequacy ratios:	Minimum required		Actual	
	2021	2020	2021	2020
Total regulatory capital/risk- weighted assets	10.00%	10.00%	70.66%	27.16%
Tier 1 Capital/Total regulatory capital	50.00%	50.00%	100.00%	100.00%
Actual capital base /total assets	6.00%	6.00%	72.08%	41.46%

7. CASH AND CASH EQUIVALENTS

	Group		Society	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Cash in hand and at banks and other financial institutions	6,964,486	7,609,738	6,109,617	6,038,490
Statutory reserves held at Bank of Jamaica	1,133,910	973,488	1,133,910	973,488
Term deposits at banks	783,865	632,460	783,865	632,460
	8,882,261	9,215,686	8,027,392	7,644,438

7. CASH AND CASH EQUIVALENTS (CONT'D)

Statutory reserves required by regulation to be held at Bank of Jamaica, comprise cash reserves. They are not available for use by the Society in the ordinary course of business. The cash reserve amounts are determined as a percentage of specified liabilities stipulated by Bank of Jamaica. For the cash reserve rate to remain at no more than one per cent of specified liabilities, as defined, the Society must have qualifying assets of 40% (2020: 40%) of specified liabilities.

8. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES

These comprise:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
FVOCI				
Securities denominated in United States dollars:				
Bonds	8,758,644	8,077,187	1,468,057	1,441,990
Securities denominated in Jamaica dollars:				
Bonds	15,699,053	8,553,987	8,924,033	2,745,087
Certificates of deposit	475,983	20,000	-	-
Treasury bills	-	1,139,864	-	994,178
	16,175,036	9,713,851	8,924,033	3,739,265
	24,933,680	17,791,038	10,392,090	5,181,255
Amortised cost				
Securities denominated in United States dollars:				
Certificates of deposit	1,287,000	588,091	1,287,000	588,091
	26,220,680	18,379,129	11,679,090	5,769,346
Less: Allowance for impairment on amortised cost	(2,058)	(55,181)	(2,058)	(55,181)
	26,218,622	18,323,948	11,677,032	5,714,165

8. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES (CONT'D)

Government securities mature, in relation to the reporting date, as follows:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Within 3 months	1,725,958	1,446,383	650,000	1,446,383
From 3 months to 1 year	478,609	2,743,445	478,609	2,743,445
From 1 year to 5 years	7,092,911	6,537,560	3,044,547	1,524,337
Thereafter	16,921,144	7,596,560	7,503,876	-
	26,218,622	18,323,948	11,677,032	5,714,165

Certain Government of Jamaica securities are pledged by the Group as collateral for repurchase agreements [note 24].

9. INVESTMENTS - OTHER

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
FVTPL				
Quoted equities	2,777,704	2,636,526	2,164,872	2,250,278
Mandatorily designated:				
Preference shares	266,069	159,422	-	-
Units in unit trust funds	4,389,026	4,133,385	4,389,026	4,133,385
	7,432,799	6,929,333	6,553,898	6,383,663
Amortised cost				
Bonds	4,727,936	3,565,525	3,599,960	3,160,219
Preference shares	410,647	410,647	-	-
Ordinary shares - unquoted	-	-	-	-
Treasury bills	-	1,417,090	-	1,417,090
Net investment in finance leases	155,836	110,832	-	-
	5,294,419	5,504,094	3,599,960	4,577,309
Balance carried forward to page 168	12,727,218	12,433,427	10,153,858	10,960,972

9. INVESTMENTS - OTHER (CONT'D)

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Balance carried forward from page 167	12,727,218	12,433,427	10,153,858	10,960,972
FVOCI				
Bonds	13,159,165	11,904,061	10,220,912	10,271,788
Ordinary shares - quoted	873,120	1,036,320	-	-
Ordinary shares - unquoted	12,786	8,047	39	39
	14,045,071	12,948,428	10,220,951	10,271,827
	26,772,289	25,381,855	20,374,809	21,232,799

These investments mature, in relation to the reporting date, as follows:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Within 3 months	791,171	2,232,137	791,170	2,232,137
From 3 months to 1 year	2,064,340	921,929	1,821,624	888,792
From 1 year to 5 years	6,405,371	8,033,100	3,257,341	6,889,274
Thereafter/no maturity	17,511,407	14,194,689	14,504,674	11,222,596
	26,772,289	25,381,855	20,374,809	21,232,799

Equity investment securities designated as at FVOCI

The following table shows investments in equity securities that are designated at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long term.

9. INVESTMENTS - OTHER (CONT'D)

Equity investment securities designated as at FVOCI (cont'd)

	Group			
	Fair value		Dividend income recognised	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Jamaica Stock Exchange	873,120	1,036,320	1,572	25,520
Other entities	12,786	8,047	-	-
	885,906	1,044,367	1,572	25,520

None of these investments were disposed of during the year ended December 31, 2021 (2020: Nil), and there were no transfers of any cumulative gain or loss within equity relating to these investments (2020: Nil). The change in fair value on these investments was $158,461,000 million for the year ended December 31, 2021 (2020: $384,432,000).

10. RESALE AGREEMENTS

Government and corporate securities are purchased under agreements to resell them on specified dates and at specified prices on maturity ('resale agreements').

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Denominated in Jamaica dollars	740,000	3,600,000	100,000	-
Denominated in Sterling	-	1,282,591	-	1,282,591
Denominated in United States dollars	6,554,527	7,148,377	3,962,305	7,241,787
	7,294,527	12,030,968	4,062,305	8,524,378
Less: Allowance for impairment	(815)	(668)	(230)	(163)
	7,293,712	12,030,300	4,062,075	8,524,215

The securities obtained as collateral under resale agreements, may themselves be sold under repurchase agreements [see note 24]. At December 31, 2021, such securities had a fair value of $14,306,225,000 (2020: $24,366,395,000) and $8,532,041,000 (2020: $10,442,724,000) for the Group and the Society, respectively.

11. LOANS

(a) Composition of loans

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Conventional mortgage loans	79,034,014	64,112,768	79,034,014	64,112,768
Mortgage escrow (see below)	554,156	585,280	554,156	585,280
Total conventional mortgage loans	79,588,170	64,698,048	79,588,170	64,698,048
Share loans	1,627,898	1,164,987	1,627,898	1,164,987
Corporate loans	1,280,035	596,876	1,280,035	596,876
Consumer loans	9,374,350	6,885,401	9,374,350	6,885,401
Consumer escrow	35,884	38,143	35,884	38,143
Specialised loans	10,986,707	4,247,978	-	-
Staff loans	506,466	469,480	506,466	469,480
Total gross carrying value of loans	103,399,510	78,100,913	92,412,803	73,852,935
Less: allowance for impairment	(556,226)	(423,507)	(556,226)	(423,507)
Total loans, net	102,843,284	77,677,406	91,856,577	73,429,428

Mortgage escrow represents insurance premiums paid by the Society on behalf of mortgagors. These amounts are recoverable over one year and are collected as part of monthly mortgage instalments.

(b) Allowance for impairment

	Group and Society	
	2021	2020
	$'000	$'000
Balances at the beginning of the year	423,507	200,683
Net remeasurement of allowance for ECL	132,719	222,824
Balances at the end of the year [see (c) below]	556,226	423,507

11. LOANS (CONT'D)

(c) Credit facility reserve

	Group and Society	
	2021	2020
	$'000	$'000
Regulatory loan loss provision	2,506,961	2,285,581
Less: Impairment allowance based on IFRS 9 [see note 11(b)]	(556,226)	(423,507)
Credit facility reserve at end of year	1,950,735	1,862,074

(d) Loan principal repayments and mortgage escrow payments are projected to be received, in relation to the reporting date, as follows:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Within three months	442,711	314,064	442,711	314,064
3 months to 1 year	1,356,209	149,387	1,356,209	149,387
From 1 year to 5 years	12,644,956	9,271,453	7,532,449	5,023,475
Thereafter	88,399,408	67,942,502	82,525,208	67,942,502
	102,843,284	77,677,406	91,856,577	73,429,428

12. OTHER ASSETS

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Margin & other loans receivable	3,531,097	1,825,084	-	-
Income tax recoverable	77,509	58,347	-	-
Interest receivable	1,193,365	951,088	860,906	686,962
Rent receivable	138,734	117,568	138,734	117,568
Withholding tax recoverable	911,718	859,613	850,520	843,257
Late fees	64,620	67,178	60,005	57,568
Receivables from sale of margin loan (see below)	-	753,596	-	-
Customers' receivable	22,081	721,222	-	-
Restricted deposit with central bank	-	4,014,477	-	4,014,477
Sundry receivables and prepayments	1,671,777	3,712,686	1,275,084	1,200,317
	7,610,901	13,080,859	3,185,249	6,920,149

In the previous year, a subsidiary entered into a participation agreement to sell a portion of its margin loans portfolio to a related entity. The carrying value of the margin loans sold was $708,370,000. The sale price of $753,596,000 resulted in a gain of $45,226,000.

13. DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets

Deferred tax assets are attributable to the following:

	Group						
	2019	Recognised in income	Recognised in OCI	2020	Recognised in income	Recognised in OCI	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Investments	1,000	110,371	(26,286)	85,085	52,252	252,850	390,187
Other receivables	(883)	(38,322)	-	(39,205)	(10,656)	-	(49,861)
Property, plant and equipment	4,295	15,289	-	19,584	(940)	-	18,644
Finance lease	-	(15,839)	-	(15,839)	2,032	(400)	(14,207)
Other liabilities	(1,220)	10,443	-	9,223	1,360	-	10,583
Employee benefits obligation	4,400	2,092	933	7,425	(2,167)	(3,600)	1,658
Unrealised foreign exchange loss	92	(14,801)	-	(14,709)	20,527	-	5,818
	7,684	69,233	(25,353)	51,564	62,408	248,850	362,822

Deferred tax assets of approximately $Nil (2020: $Nil) have not been recognised in respect of tax losses of certain subsidiaries [note 37(b)], as management does not consider that it is probable that taxable profits will be available against which the asset will be realised within the foreseeable future.

13. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

(b) Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Group						
	2019	Recognised in income	Recognised in OCI	2020	Recognised in income	Recognised in OCI	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other receivables	9,503	37,282	-	46,785	3,030	-	49,815
Other liabilities	-	872	-	872	59,533	-	60,405
Employee benefits asset	(806,553)	-	-	(806,553)	7,380	-	(799,173)
Property, plant and equipment	56,078	69,926	-	126,004	85,897	-	211,901
Employee benefits obligation	326,318	13,824	230,387	570,529	38,700	37,170	646,399
Unrealised gains on units in unit trust	(541,061)	196,013	-	(345,048)	(76,704)	-	(421,752)
Unused tax loss	-	26	-	26	(3,769)	(30,060)	(33,803)
Investment securities	(31,632)	-	-	(31,632)	(61,670)	-	(93,302)
	(987,347)	317,943	230,387	(439,017)	52,397	7,110	(379,510)

	Society						
	2019	Recognised in income	Recognised in OCI	2020	Recognised in income	Recognised in OCI	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits asset	(806,553)	(11,460)	224,460	(593,553)	7,380	37,170	(549,003)
Property, plant and equipment	50,685	82,979	-	133,664	85,898	-	219,562
Employee benefits obligation	314,340	27,360	5,760	347,460	38,700	(30,060)	356,100
Other receivables	6,431	37,134	-	43,565	9,718	-	53,283
Unrealised gains on units in unit trust	(541,061)	191,981	-	(349,080)	(76,704)	-	(425,784)
	(976,158)	327,994	230,220	(417,944)	64,992	7,110	(345,842)

14. EMPLOYEE BENEFITS ASSET/OBLIGATION

The Group operates a defined-benefit plan, under which retirement benefits are calculated by reference to, *inter alia*, final salary. The plan is subject to a triennial actuarial funding valuation, the most recent performed as at December 31, 2020. For purposes of determining the employee benefit asset or obligation included in the financial statements at the end of the period and the costs for the period, an IAS 19 actuarial valuation is done each year. The Group also provides post-employment medical benefits to retirees.

The amounts in the statement of financial position in respect of the defined-benefit pension plans and post-employment medical benefits are as follows:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Employee benefits asset (i)	1,830,011	1,978,511	1,830,011	1,978,511
Other post-employment benefits (ii)	1,245,900	1,222,200	1,187,200	1,158,200

(i) Employee benefits asset

(a) Amount recognised in the statement of financial position

	Group and Society	
	2021	2020
	$'000	$'000
Present value of funded obligations	(7,282,600)	(6,440,500)
Fair value of plan assets	9,112,611	8,419,011
	1,830,011	1,978,511

14. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(i) Employee benefits asset (cont'd)

(b) Movements in the present value of defined benefit obligations

	Group and Society	
	2021	2020
	$'000	$'000
Balance at beginning of year	6,440,500	5,170,500
Benefits paid	(207,000)	(252,400)
Employee contributions (basic and voluntary)	79,100	125,100
Interest cost	596,300	396,300
Service cost	243,700	142,700
Transfers in	11,500	4,600
Remeasurement loss arising from:		
Financial assumptions	118,500	853,700
Balance at end of year	7,282,600	6,440,500

(c) Movement in plan assets

	2021	2020
Fair value of plan assets at beginning of year	8,419,011	9,077,400
Contributions paid into the plan	149,000	131,811
Benefits paid by the plan	(210,300)	(252,400)
Net interest income on plan assets	755,000	675,900
Transfers in	-	4,600
Administration expenses	-	(14,000)
Remeasurement gain on assets included in other comprehensive income	(100)	(1,204,300)
Fair value of plan assets at end of year	9,112,611	8,419,011
Plan assets consist of the following:		
Equity securities	4,179,300	3,792,900
Government securities	2,518,300	2,476,400
Real estate fund	2,143,000	1,901,400
Other assets	272,011	248,311
	9,112,611	8,419,011

14. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(i) Employee benefits asset (cont'd)

(d) Charge/ (credit) recognised in the income statement, net

	Group and Society	
	2021	2020
	$'000	$'000
Service costs	179,800	142,700
Interest on obligation	611,200	396,300
Interest on effect of asset ceiling	-	91,400
Administration expenses	-	14,000
Net interest income on plan assets	(755,000)	(675,900)
	36,000	(31,500)

(e) Charge/(credit) recognised in other comprehensive income, net

	Group and Society	
	2021	2020
	$'000	$'000
Remeasurement gain on obligations	118,500	853,700
Remeasurement gain on assets	100	1,204,300
Change in effect of asset ceiling	-	(1,309,800)
	118,600	748,200

(f) Principal financial assumptions at the reporting date (expressed as weighted averages)

	Group and Society	
	2021	2020
	%	%
Discount rate at December 31	8.0	9.0
Future salary increases	6.0	7.0
Future pension increases	5.0	5.5

14. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(i) Employee benefits asset (cont'd)

(g) Sensitivity analysis

A one-half percentage (2020: one-half percentage) point change at the reporting date to one of the relevant financial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by amounts shown below:

	Group			
	2021		2020	
Financial assumptions	0.5% point increase	0.5% point decrease	0.5% point increase	0.5% point decrease
	$'000	$'000	$'000	$'000
Discount rate	(6,709,200)	7,948,900	(5,958,500)	6,998,600
Rate of salary escalation	7,529,500	(7,052,600)	6,661,300	(6,243,700)
Future rate of pension	7,669,100	(6,931,600)	6,760,300	(6,149,800)

	Society			
	2021		2020	
Financial assumptions	0.5% point increase	0.5% point decrease	0.5% point increase	0.5% point decrease
	$'000	$'000	$'000	$'000
Discount rate	(6,210,300)	7,364,800	(5,365,800)	6,306,000
Rate of salary escalation	6,975,200	(6,529,800)	(5,998,500)	(5,627,400)
Future rate of pension	7,104,600	(6,417,600)	6,094,000	(5,536,500)

(h) The Group expects to pay $1,209,982,000 in contributions to the defined-benefit plan in 2022.

(ii) Other post-employment benefits

The employee benefits obligation represents the present value of the constructive obligation to provide medical and other benefits to retirees.

14. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(ii) Other post-employment benefits (cont'd)

(a) Movement in present value of defined benefit obligation

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Present value of obligation at thestart of the year	1,222,200	1,101,400	1,158,200	1,047,800
Interest cost	121,200	84,400	110,000	81,000
Current service cost	40,500	33,600	38,900	32,400
Benefits paid	(25,400)	(21,650)	(25,000)	(22,200)
Remeasurement gain arising from:				
Financial assumptions	(112,600)	24,450	(94,900)	19,200
	1,245,900	1,222,200	1,187,200	1,158,200

(b) Charge recognised in the income statement

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Interest cost	121,200	84,400	110,000	81,000
Current service cost	40,500	33,600	38,900	32,400
Benefits paid	(25,400)	(21,650)	(25,000)	(22,200)
	136,300	96,350	123,900	91,200

(c) Items in other comprehensive income

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Remeasurement (gain)/loss on obligation	(112,600)	22,700	(94,900)	19,200
Prior year adjustment	-	1,750	-	-
	(112,600)	24,450	(94,900)	19,200

14. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(ii) Other post-employment benefits (cont'd)

(d) Principal actuarial assumptions at the reporting date (expressed as weighted averages)

	Group and Society	
	2021	2020
	%	%
Financial assumptions:		
Discount rate	8.0	9.0
Medical claims growth	7.0	8.0

Statistical assumptions:

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining life expectancy of an individual retiring at age 65 is 21 years for males and 26 years for females.

(e) Sensitivity to changes in financial assumptions

A one-half percentage (2020: one-half percentage) point change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by amounts shown below:

	Group			
	2021		2020	
	0.5% point increase	0.5% point decrease	0.5% point increase	0.5% point decrease
	$'000	$'000	$'000	$'000
Medical cost trend rate and rate of salary escalation	1,181,300	(965,000)	1,201,800	(979,300)
Discount rate	(965,000)	1,181,300	(979,300)	1,201,800

	Society			
	2021		2020	
	0.5% point increase	0.5% point decrease	0.5% point increase	0.5% point decrease
	$'000	$'000	$'000	$'000
Medical cost trend rate and rate of salary escalation	1,116,300	1,130,400	1,130,400	(921,600)
Discount rate	(911,900)	(921,600)	(921,600)	1,130,400

15. INTEREST IN SUBSIDIARIES

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Shares, at cost [see note 1(b)]	-	-	1,412,389	1,362,388
Current accounts	-	-	399,965	381,245
Loans and advances	-	-	10,355,536	6,114,181
	-	-	12,167,890	7,857,814

16. INTEREST IN ASSOCIATES

(a) The carrying amount of interest in associated companies represents the cost of shares acquired and the Group's share of post-acquisition reserves in British Caribbean Insurance Company Limited (BCIC) and Carilend Caribbean Holdings Limited, as follows:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Shares, at cost	1,361,314	1,186,079	1,255,211	1,095,313
Share of post-acquisition profits less dividends	856,519	671,166	-	-
Share of investment revaluation reserve	86,048	118,261	-	-
	2,303,881	1,975,506	1,255,211	1,095,313

(b) Group's share of profit/(loss) is broken out as follows:

	2021	2020
	$'000	$'000
British Caribbean Insurance Company Limited	354,049	147,329
Carilend Caribbean Holdings Limited	(33,239)	(36,004)
	320,810	111,325

16. INTEREST IN ASSOCIATES (CONT'D)

(c) The following table summarises the financial information of BCIC showing fair value adjustments on acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in this associate.

	2021	2020
	$'000	$'000
Percentage ownership interest	**39.24%**	**37.16%**
Assets	20,198,064	16,893,765
Liabilities	(15,043,802)	(12,546,251)
Net assets (100%)	5,154,262	4,347,514
Group's share of net assets	2,022,532	1,615,536
Fair value adjustments and elimination of differences in accounting policies and intra-group transactions	259,949	303,021
Carrying amount of interest in BCIC	2,282,481	1,918,557
Revenue	16,772,557	15,587,637
Profit for the year	937,132	307,899
Other comprehensive (loss)/ income, net of tax	(82,011)	89,358
Total comprehensive income	855,121	397,257
Group's share of profit for year	354,049	147,329
Share of other comprehensive (loss)/ income	(32,212)	26,963
Group's share of total comprehensive income	321,837	174,292

The interest in Carilend Caribbean Holdings Limited is not considered material for a similar disclosure.

17. INTANGIBLE ASSETS

	Group				Society		
	Goodwill	Computer software	Work in progress	Total	Computer software	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
December 31, 2019	609,215	2,288,982	1,197,793	4,095,990	1,833,184	1,131,501	2,964,685
Additions	-	5,012	595,073	600,085	1,055	576,031	577,086
Transfers	-	779,214	(773,602)	5,612	778,690	(778,690)	-
December 31, 2020	609,215	3,073,208	1,019,264	4,701,687	2,612,929	928,842	3,541,771
Additions	-	8,965	715,128	724,093	2,052	693,837	695,889
Transfers	-	351,673	(351,673)	-	341,776	(341,776)	-
December 31, 2021	609,215	3,433,846	1,382,719	5,425,780	2,956,757	1,280,903	4,237,660
Amortisation							
December 31, 2019	-	920,270	-	920,270	766,279	-	766,279
Charge for year	-	464,632	-	464,632	396,166	-	396,166
December 31, 2020	-	1,384,902	-	1,384,902	1,162,445	-	1,162,445
Charge for year	-	560,393	-	560,393	491,072	-	491,072
December 31, 2021	-	1,945,295	-	1,945,295	1,653,517	-	1,653,517
Carrying value							
December 31, 2021	609,215	1,488,551	1,382,719	3,480,485	1,303,240	1,280,903	2,584,143
December 31, 2020	609,215	1,688,306	1,019,264	3,316,785	1,450,484	928,842	2,379,326
December 31, 2019	609,215	1,368,712	1,197,793	3,175,720	1,066,905	1,131,501	2,198,406

Goodwill comprises the excess of cost over fair value of the net assets of Victoria Mutual Pensions Management Limited (*formerly Prime Asset Management Limited*) acquired in 2013. In testing goodwill for impairment, the recoverable amount of the cash-generating unit is estimated based on value-in-use. Where the recoverable amount exceeds the carrying amount, no impairment allowance is made. The recoverable amount of the cash-generating unit is arrived at by estimating the future cash flows and discounting those cash flows using long-term discount rates applicable to Jamaica.

17. INTANGIBLE ASSETS (CONT'D)

Future sustainable cash flows are estimated based on the most recent projections, after taking account of past experience. The cash flow projections include specific estimates for each of the five years following the reporting date, and a terminal value thereafter. These annual estimates and the terminal value are calculated using an assumed growth rate.

The key assumptions used in the discounted cash flow projections are as follows:

	2021	2020
Discount rate	18.00%	17.40%
Growth rate	5.00%	5.00%
Jamaica dollar inflation rate	3.00%	2.90%

18. INVESTMENT AND FORECLOSED PROPERTIES

	Group			Society		
	Investment properties	Foreclosed properties	Total	Investment properties	Foreclosed properties	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
December 31, 2019	134,381	212,914	347,295	134,381	330,234	464,615
Additions	-	85,101	85,101	-	85,101	85,101
Transfers	112,168	-	112,168	-	-	-
Disposals	-	(90,027)	(90,027)	-	(90,027)	(90,027)
December 31, 2020	246,549	207,988	454,537	134,381	325,308	459,689
Translation adjustment	11,083	-	11,083	-	-	-
Additions	8,486	-	8,486	-	-	-
Disposals	-	(47,007)	(47,007)	-	(47,007)	(47,007)
December 31, 2021	266,118	160,981	427,099	134,381	278,301	412,682

18. INVESTMENT AND FORECLOSED PROPERTIES (CONT'D)

	Group			Society		
	Investment properties	Foreclosed properties	Total	Investment properties	Foreclosed properties	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Depreciation						
December 31, 2019	39,407	42,143	81,550	39,408	42,142	81,550
Charge for the year	2,282	8,709	10,991	2,282	8,709	10,991
Eliminated on disposals	-	(16,648)	(16,648)	-	(16,648)	(16,648)
December 31, 2020	41,689	34,204	75,893	41,690	34,203	75,893
Charge for the year	2,282	7,701	9,983	2,282	7,701	9,983
Eliminated on disposal	-	(8,163)	(8,163)	-	(8,163)	(8,163)
December 31, 2021	43,971	33,742	77,713	43,972	33,741	77,713
Net book values						
December 31, 2021	222,147	127,239	349,386	90,409	244,560	334,969
December 31, 2020	204,860	173,784	378,644	92,691	291,105	383,796
December 31, 2019	94,974	170,771	265,745	94,973	288,092	383,065

The fair values of properties were determined, in the case of properties acquired by way of foreclosure, by several different VMBS-approved qualified independent property valuers, having appropriate recognised professional qualifications and recent experience in the locations and categories of the property being valued, and, in the case of investment properties, by management. This fair value measurement has been categorised as Level 3, based on the inputs to the valuation techniques used.

(a) Reconciliation of opening to closing fair value

	Group and Society							
	2019	Additions	Disposal	2020	Additions	Translation	Disposal	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Investment properties	1,377,000	-	-	1,377,000	8,486	-	-	1,396,569
Foreclosed properties	753,662	85,101	(90,027)	748,736	-	11,083	(47,007)	701,729
	2,130,662	85,101	(90,027)	2,125,736	8,486	11,083	(47,007)	2,098,298

(b) Valuation techniques and significant unobservable inputs

The fair value of investment properties was determined generally by the comparison method, taking account of what similar properties in similar locations have been sold for in the recent past (or near similar properties and locations, with appropriate adjustments made) and current market conditions.

19. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Right-of-use on leasehold properties	Freehold land and buildings	Office furniture and equipment	Motor vehicles	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
December 31, 2019	302,818	722,873	2,435,645	22,098	399,824	3,883,258
Translation adjustments	2,174	15,103	14,291	-	-	31,568
Additions	105,277	1,123	182,941	-	618,812	908,153
Disposals	-	-	(18,165)	-	-	(18,165)
Transfers to investment properties and intangible assets	-	7,084	38,236	18,484	(181,584)	(117,780)
December 31, 2020	410,269	746,183	2,652,948	40,582	837,052	4,687,034
Translation adjustments	5,565	4,690	12,054	-	-	22,309
Additions	17,170	754,187	96,361	33,991	482,136	1,383,845
Transfers	-	110	25,512	-	(25,622)	-
December 31, 2021	433,004	1,505,170	2,786,875	74,573	1,293,566	6,093,188
Depreciation						
December 31, 2019	36,238	168,627	1,598,438	19,176	-	1,822,479
Translation adjustments	561	(5,796)	5,952	-	-	717
Charge for year	55,647	26,802	181,991	4,719	-	269,159
Eliminated on disposal	-	-	(13,162)	-	-	(13,162)
December 31, 2020	92,446	189,633	1,773,219	23,895	-	2,079,193
Translation adjustments	1,435	-	5,048	-	-	6,483
Charge for year	56,946	27,105	185,724	5,177	-	274,952
December 31, 2021	150,827	216,738	1,963,991	29,072	-	2,360,628
Net book values						
December 31, 2021	282,177	1,288,432	822,884	45,501	1,293,566	3,732,560
December 31, 2020	317,823	556,550	879,729	16,687	837,052	2,607,841
December 31, 2019	266,580	554,246	837,207	2,922	399,824	2,060,779

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Society					
	Right-of-use on leasehold properties	Freehold land and buildings	Office furniture and equipment	Motor vehicles	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
December 31, 2019	189,810	650,133	2,122,449	21,933	394,735	3,379,060
Recognition of right-of-use assets on initial application of IFRS 16						
Additions	-	-	41,429	-	612,852	654,281
Transfer from work in progress	-	124,779	38,236	18,484	(181,499)	-
December 31, 2020	189,810	774,912	2,202,114	40,417	826,088	4,033,341
Additions	-	-	58,851	33,991	451,208	544,050
Transfer from work in progress	-	110	19,552	-	(19,662)	-
December 31, 2021	189,810	775,022	2,280,517	74,408	1,257,634	4,577,391
Depreciation						
December 31, 2019	24,625	131,459	1,464,109	19,158	-	1,639,351
Charge for year	24,440	18,904	153,596	4,686	-	201,626
December 31, 2020	49,065	150,363	1,617,705	23,844	-	1,840,977
Charge for year	21,988	18,411	142,581	5,143	-	188,123
December 31, 2021	71,053	168,774	1,760,286	28,987	-	2,029,100
Net book values						
December 31, 2021	118,757	606,248	520,231	45,421	1,257,634	2,548,291
December 31, 2020	140,745	624,549	584,409	16,573	826,088	2,192,364
December 31, 2019	165,185	518,674	658,340	2,775	394,735	1,739,709

20. SHAREHOLDERS' SAVINGS

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
General investment ("B") shares	1,526,061	1,402,203	2,432,582	2,225,339
Paid up investment ("C") shares	109,202,715	94,512,689	109,202,715	94,512,689
	110,728,776	95,914,892	111,635,297	96,738,028
Deferred shares [notes 28(i) and 29]	4,893,152	5,980,147	4,893,152	5,980,147
	115,621,928	101,895,039	116,528,449	102,718,175

Deferred shares are issued on terms that they shall not be withdrawable before the expiration of five years.

Included in shareholders' savings are accounts with the following maturity profile:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
On demand to 3 months	88,549,700	77,116,892	89,456,221	77,940,028
Three to 12 months	20,047,143	17,087,878	20,047,143	17,087,878
Over 12 months	7,025,085	7,690,269	7,025,085	7,690,269
	115,621,928	101,895,039	116,528,449	102,718,175

21. DEPOSITORS' SAVINGS

	Group and Society	
	2021	2020
	$'000	$'000
Due to depositors	2,241,778	1,591,837
Percentage of the Society's mortgage loan balances	2.83%	2.17%

Per section 27(B) of the Building Societies' Act, the total depositors' savings shall not at any time exceed ¾ (75%) of the mortgage loan balance due from members.

22. DUE TO SPECIALISED INSTITUTION

	Group and Society	
	2021	2020
	$'000	$'000
Conventional mortgage loans	4,367,036	1,576,352

This represents the balance of loans disbursed by the National Housing Trust under joint financing arrangements with borrowers of the Group.

In the previous year, the Society negotiated an early settlement of existing balances with the National Housing Trust, resulting in the derecognition of $15,245,022,000 of the balance and a gain of $4,177,136,000 [note 34].

23. OTHER LIABILITIES

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Deposits – private treaty sales	11,475	19,081	11,475	19,081
Customers' and clients' funds	429,990	569,837	429,990	569,837
Accrued expenses	1,032,931	870,002	1,007,450	831,445
Other payables	2,618,299	2,372,360	493,765	304,431
	4,092,695	3,831,280	1,942,680	1,724,794

24. REPURCHASE AGREEMENTS

The Group sells government and corporate securities, or interests therein, and agrees to repurchase them on specified dates and at specified prices prior to their maturity ("repurchase agreements").

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Denominated in Jamaica dollars	14,108,225	13,394,031	7,364,003	5,809,655
Denominated in United States dollars	12,085,353	8,853,860	-	-
	26,193,578	22,247,891	7,364,003	5,809,655

24. REPURCHASE AGREEMENTS (CONT'D)

Securities obtained under resale agreements and certain investments [see notes 9 and 10] and interest accrued thereon are pledged as collateral for repurchase agreements. These financial instruments have a carrying value of $27,494,026,000 (2020: $23,664,297,000) for the Group and $7,930,618,000 (2020: $6,404,149,000) for the Society.

25. OTHER BORROWINGS

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Deferred shares	8,939,984	6,519,307	8,939,984	6,519,307
Variable rate bonds	3,585,428	1,500,000	-	-
Certificate of deposits	601,134	-	601,134	-
Fixed rate bonds	1,883,618	1,535,836	-	-
	15,010,164	9,555,143	9,541,118	6,519,307

26. LEASES – IFRS 16

The Group leases office space and commercial space. The leases typically run for a period of five years, with options to renew. Right-of-use of assets are presented as leasehold properties and property, plant and equipment [see note 19]. Information about lease liabilities for which Group is a lessee is presented below.

Maturity analysis – contractual undiscounted cash flows:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Less than one year	74,488	71,189	29,626	30,409
One to five years	279,636	289,801	122,902	129,153
More than five years	57,704	94,214	27,125	50,500
	411,828	455,204	179,653	210,062
Carrying amount of lease liabilities:				
Current	53,871	51,717	18,571	22,344
Non-current	263,626	292,879	116,430	130,682
	317,497	344,596	135,001	153,026

26. LEASES – IFRS 16 (CONT'D)

(a) Amounts recognised in profit or loss

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Lease under IFRS 16:				
Interest on lease liabilities	28,700	28,313	12,383	13,757
Expenses relating to short-term leases	180	1,980	-	-
	28,880	30,293	12,383	13,757

(b) Amounts recognised in statement of cash flows:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Total cash outflow for leases	60,886	57,131	30,409	32,496

(c) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options and reassesses this conclusion if there is a significant event or significant changes in circumstances within its control.

At commencement date the Group includes the lease liability for extension options which it is reasonably certain to exercise.

26. LEASES – IFRS 16 (CONT'D)

(d) Leases as lessor

The Group leases out investment property consisting of commercial properties. All leases are classified as operating leases from a lessor perspective. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date.

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
One to two years	54,877	48,021	17,092	16,291
Two to three years	55,744	48,527	17,367	17,092
Three to four years	57,410	44,785	18,231	17,367
Four to five years	54,245	40,163	17,109	18,231
More than five years	62,415	99,072	65,514	82,623
	284,691	280,568	135,313	151,604

27. PERMANENT CAPITAL FUND

The Regulations [see note 2] require that every building society should maintain a minimum subscribed capital of $25,000,000. At least four-fifths of such subscribed capital is to be paid up in cash. Since "subscribed capital" does not apply to a mutual society, and as agreed with Bank of Jamaica, pending passage of appropriate legislation, a "Permanent Capital Fund" has been established in lieu of subscribed capital [see note 28(i)].

28. RESERVES

(i) Reserve fund

The Banking Services Act and Regulations require the Society to transfer at least 15% of its net surplus after income tax each year to the reserve fund until the amount of the reserve fund is equal to the amount paid up on its Permanent Capital Fund (which, though not formally recognised, is the fund substituted for the capital shares referred to in the Regulations [see notes 27 and 29]) and its deferred shares (note 20).

(ii) Retained earnings reserve

The Regulations permit the Society to transfer a portion of its profits to a retained earnings reserve, which constitutes a part of the capital base [see note 29]. Transfers of profits to the retained earnings reserve are made at the discretion of the Directors, but must be communicated to Bank of Jamaica to be effective.

28. RESERVES (CONT'D)

(iii) Non-distributable reserve

This represents the transfer of net accumulated remeasurement gains on the Group's employee benefits assets and obligations.

(iv) Credit facility reserve

Credit facility reserve represents provisions for loan losses required under the Building Societies Act in excess of the requirements of IFRS [see notes 4(n)(i) and 11(c)].

(v) Investment revaluation reserve

Investment revaluation reserve represents cumulative unrealised gains, net of losses, arising from the changes in fair value of investments measured at fair value through other comprehensive income until the investment is derecognised or impaired.

(vi) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Society's net investment in foreign operations.

29. REGULATORY CAPITAL

	Group and Society	
	2021	2020
	$'000	$'000
Permanent capital fund [note 27]	7,746,058	7,746,058
Reserve fund [note 28(i)]	1,560,636	1,464,444
Retained earnings reserve [note 28(ii)]	5,323,210	4,778,119
Deferred shares [note 20]	4,893,152	5,980,147
Total regulatory capital [note 6(a)]	19,523,056	19,968,768

"Regulatory capital" has the meaning ascribed in the Regulations.

30. NON-CONTROLLING INTEREST

The following table summarises information relating to the Group's material non-controlling interest (NCI) in VMIL, before any intra-group eliminations:

(a) Statement of financial position

	2021 $'000	2020 $'000
NCI percentage	20%	20%
Total assets	31,243,152	29,723,675
Total liabilities	(27,191,949)	(25,342,200)
Net assets	4,051,203	4,381,475
Carrying amount of NCI	810,241	876,295

(b) Profit and loss account and other comprehensive income:

	2021 $'000	2020 $'000
Revenue	2,023,525	1,875,589
Profit	564,137	433,590
Other comprehensive loss	(661,901)	(333,946)
Total comprehensive income	97,764	99,644
Group's share of total comprehensive income	(78,211)	79,715
Profit allocated to NCI	112,827	86,718
Other comprehensive loss allocated to NCI	(132,380)	(66,789)
Total comprehensive (loss)/income allocated to NCI	(19,553)	19,929

(c) Statement of cash flows

	2021 $'000	2020 $'000
Cash flows used in operating activities	(1,147,644)	(1,027,567)
Cash flows from investment activities	208,863	88,786
Cash flows from financing activities	2,230,811	572,292
Net increase/(decrease) in cash and cash equivalents	1,292,030	(366,489)

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Definition and measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In measuring fair value of an asset or liability, where a quoted market price is available, fair value is computed by the Group using the quoted bid price at the reporting date, without any deduction for transaction costs or other adjustments. Where a quoted market price is not available, fair value is computed using alternative techniques making use of observable data as far as possible. Fair values are categorised into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable. The different levels in the hierarchy have been defined as follows:

Level 1 refers to financial assets and financial liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 refers to financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3 refers to financial assets and financial liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

(b) Valuation techniques for investment securities classified as Level 2

The following table shows the valuation techniques used in measuring the fair value of investment securities:

Type	Valuation techniques
United States Dollar denominated Government of Jamaica, Bank of Jamaica securities and Foreign Government securities	• Obtain bid price provided by a recognised broker/dealer, namely, Oppenheimer • Apply price to estimate fair value
Jamaica Dollar denominated securities issued or guaranteed by Government of Jamaica and Bank of Jamaica	• Obtain bid price provided by a recognised pricing source (which uses Jamaica-market-supplied indicative bids) • Apply price to estimate fair value
Units in unit trusts	• Obtain prices quoted by unit trust managers • Apply price to estimate fair value

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Group							
		2021							
		Carrying amount				Fair value			
	Note	FVOCI	Fair value through profit or loss	Amoritised cost	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Government of Jamaica	8	-	24,933,680	1,284,942	26,218,622	-	26,218,622	-	26,218,622
Preference shares	9	-	-	410,647	410,647	-	-	410,647	410,647
Ordinary shares - quoted	9	873,120	2,777,704	-	3,650,824	3,650,824	-	-	3,650,824
Ordinary shares - unquoted	9	12,786	-	-	12,786	-	12,786	-	12,786
Net investments in finance lease	9	13,159,165	-	4,727,936	17,887,101	-	17,887,101	-	17,897,101
Treasury bills	9	-	-	155,836	155,836	-	-	155,836	155,836
Loans	11	-	-	102,843,284	102,843,284	-	-	100,614,734	100,614,734
Units in unit trust funds	9	-	4,389,026	-	4,389,026	-	4,389,026	-	4,389,026
		14,045,071	32,100,410	109,422,645	155,568,126	3,650,824	48,507,535	101,181,217	153,339,576
Financial liabilities									
Due to specialised institutions	22	-	-	4,367,036	4,367,036	-	-	4,426,238	4,426,238
Other borrowings	25	-	-	15,010,164	15,010,164	-	-	15,398,521	15,398,521
Lease liabilities	26	-	-	317,497	317,497	-	-	317,497	317,497
		-	-	19,694,697	19,694,697	-	-	20,142,256	20,142,256

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Accounting classifications and fair values (cont'd)

		Group							
		2020							
		Carrying amount				Fair value			
	Note	FVOCI	Fair value through profit or loss	Amoritised cost	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Government of Jamaica	8	17,791,038	-	532,910	18,323,948	-	18,323,948	-	18,323,948
Preference shares	9	-	570,069	-	570,069	-	-	570,069	570,069
Ordinary shares - quoted	9	1,036,320	2,636,526	-	3,672,846	3,672,846	-	-	3,672,846
Ordinary shares - unquoted	9	8,047	-	-	8,047	-	8,047	-	8,047
Bonds	9	11,904,061	-	3,565,525	15,469,586	-	15,725,002	-	15,725,002
Treasury bills	9	-	-	1,417,090	1,417,090	-	1,417,090	-	1,417,090
Net investments in finance leases	9	-	-	110,832	110,832	-	-	110,832	110,832
Loans	11	-	-	77,677,406	77,677,406	-	-	75,715,816	75,715,816
Units in unit trust funds	9	-	4,133,385	-	4,133,385	-	4,133,385	-	4,133,385
		30,739,466	7,339,980	83,303,763	121,383,209	3,672,846	39,607,472	76,396,717	119,677,035
Financial liabilities									
Due to specialised institutions	22	-	-	1,576,352	1,576,352	-	-	1,576,352	1,576,352
Other borrowings	25	-	-	9,555,143	9,555,143	-	-	9,714,766	9,714,766
Lease liabilities	26	-	-	344,596	344,596	-	-	342,725	342,725
		-	-	11,476,091	11,476,091	-	-	11,633,843	11,633,843

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Accounting classifications and fair values (cont'd)

		Society							
		2021							
		Carrying amount				Fair value			
	Note	FVOCI	Fair value through profit or loss	Amoritised cost	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Government of Jamaica	8	10,392,090	-	1,284,942	11,677,032	-	11,677,032	-	11,677,032
Ordinary shares - quoted	9	-	2,164,872	-	2,164,872	2,164,872	-	-	2,164,872
Ordinary shares - unquoted	9	39	-	-	39	-	-	39	39
Bonds	9	10,220,912	-	3,599,960	13,820,872	-	13,820,872	-	13,820,872
Loans	11	-	-	91,856,577	91,856,577	-	-	89,628,027	89,628,027
Units in unit trust funds	9	-	4,389,026	-	4,389,026	-	4,389,026	-	4,389,026
		20,613,041	6,553,898	96,741,479	123,908,418	2,164,872	29,886,930	89,628,066	121,679,868
Financial liabilities									
Due to specialised institutions	22	-	-	4,367,036	4,367,036	-	-	4,426,238	4,426,238
Other borrowings	25	-	-	8,939,984	8,939,984	-	-	9,237,341	9,237,341
Lease liabilities	26	-	-	135,001	135,001	-	-	135,001	135,001
		-	-	13,442,021	13,442,021	-	-	13,798,580	13,798,580

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Accounting classifications and fair values (cont'd)

		Society							
		2020							
		Carrying amount				Fair value			
	Note	FVOCI	Fair value through profit or loss	Amoritised cost	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Government of Jamaica securities	8	5,181,255	-	532,910	5,714,165	-	5,714,165	-	5,714,165
Ordinary shares - quoted	9	-	2,250,278	-	2,250,278	2,250,278	-	-	2,250,278
Ordinary shares - unquoted	9	39	-	-	39	-	-	39	39
Bonds	9	10,271,788	-	3,160,219	13,432,007	-	13,687,423	-	13,687,423
Treasury bills	9	-	-	1,417,090	1,417,090	-	1,417,090	-	1,417,090
Loans	11	-	-	73,429,428	73,429,428	-	-	71,575,113	71,575,113
Units in unit trust funds	9	-	4,133,385	-	4,133,385	-	4,133,385	-	4,133,385
		15,453,082	6,383,663	78,539,647	100,376,392	2,250,278	24,952,063	71,575,152	98,777,493
Financial liabilities									
Due to specialised institutions	22	-	-	1,576,352	1,576,352	-	-	2,199,085	2,199,085
Other borrowings	25	-	-	6,519,307	6,519,307	-	-	6,725,461	6,725,461
Lease liabilities	26	-	-	153,026	153,026	-	-	152,195	152,195
		-	-	8,248,685	8,248,685	-	-	9,076,741	9,076,741

32. NET INTEREST INCOME

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Interest income, calculated using the effective interest method:				
Investment securities	3,118,094	2,728,827	1,465,013	1,721,741
Loans to customers	5,515,516	4,629,064	5,616,839	4,629,064
	8,633,610	7,357,891	7,081,852	6,350,805
Interest expense				
Borrowings	(1,894)	(771,069)	(175,435)	(41,051)
Shareholders' savings	(1,073,320)	(927,632)	(1,124,675)	(1,095,259)
Depositors' savings	(1,832,748)	(581,549)	(793,605)	(573,333)
	(2,907,962)	(2,280,250)	(2,093,715)	(1,709,643)
Net interest income	5,725,648	5,077,641	4,988,137	4,641,162

33. NET FEE AND COMMISSION INCOME

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Fee and commission income				
Customers	1,093,288	1,092,162	675,024	551,532
Associated company	521,107	507,985	113,249	105,362
Other	303,769	237,460	-	12,222
	1,918,164	1,837,607	788,273	669,116
Fee and commission expenses				
Inter-bank transaction fees	(40,886)	(59,175)	(40,886)	(59,175)
Other	(67,620)	(64,928)	-	-
	(108,506)	(124,103)	(40,886)	(59,175)
Net fee and commission income	1,809,658	1,713,504	747,387	609,941

34. OTHER OPERATING REVENUE

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Foreign exchange trading gains, net	1,205,689	1,014,227	743,770	467,478
Fees for late payments	97,773	73,823	97,773	73,823
Rent	17,012	18,853	17,010	18,853
Dividends -from associates and subsidiaries	-	-	303,812	275,951
-other	63,541	20,813	62,579	19,961
Gain on investment activities	1,410,049	1,096,367	633,895	614,085
Gain on disposal of property, plant and equipment	22,666	26,871	22,666	26,871
Unrealised fair value gains/(losses) on units held in unit trust	169,477	(1,276,555)	169,477	(1,268,331)
Gain on settlement of balance with Specialised financial institution [note 22]	-	4,177,136	-	4,177,136
Other income	491,412	611,451	273,230	363,429
	3,477,619	5,762,986	2,324,212	4,769,256

35. PERSONNEL COSTS

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Salaries	2,800,024	2,475,820	1,676,406	1,512,349
Statutory payroll contributions	405,212	320,723	342,616	265,674
Pension and medical benefits [note 14, note 38(e)]	172,300	64,850	159,900	59,700
Termination payments	51,194	38,466	44,094	33,466
Other staff benefits	1,180,411	1,146,547	1,039,770	1,046,017
	4,609,141	4,046,406	3,262,786	2,917,206

36. OTHER OPERATING EXPENSES

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Asset taxes	377,424	350,316	317,028	298,203
Overseas business development	209,853	185,395	209,853	185,174
Irrecoverable GCT	351,990	365,226	340,108	351,217
Marketing	406,018	294,404	316,859	224,068
Computer maintenance	591,736	520,760	495,586	412,722
Maintenance – buildings, furniture and fixtures	272,533	254,657	206,508	194,875
Insurance	189,205	176,586	177,533	167,193
Administration	158,189	101,263	498,230	423,039
Postage, courier and stationery	141,785	120,099	100,231	86,803
Electricity, water and telephone	230,777	235,425	223,490	228,202
Consultancy and other professional fees	176,991	283,403	111,909	126,247
Audit fees	117,495	83,529	60,664	44,121
Directors' fees [note 38(e)]	69,891	55,559	22,968	20,944
Security	93,919	76,532	46,111	44,860
Service contracts	106,155	107,643	49,438	50,932
Direct operating expenses for investment property that generated rental income	29,427	49,536	29,427	49,536
	3,523,388	3,260,333	3,205,943	2,908,136

37. INCOME TAX EXPENSE

(a) Income tax expense is based on the surplus for the year, as adjusted for tax purposes, and is computed at statutory rates of 30% for the Society, 33⅓% for regulated local subsidiaries and 25% for certain foreign and local non-regulated subsidiaries. In computing taxable income of the Society, transfers to general reserves (as defined in the Income Tax Act) are exempt from income tax if the general reserves after such transfers do not exceed 5% of assets. The charge is made up as follows:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Current tax expense:				
Current tax at 30%	167,639	1,499,059	167,640	1,499,059
Current tax at 25% and 33½%	432,568	347,977	-	-
- provision for current year	1,826	2,618	-	-
- adjustment for prior year's under provision	8,344	(20,287)	-	(18,034)
	610,377	1,829,367	167,640	1,481,025
Deferred tax credit:				
Origination and reversal of other temporary differences [notes 13(a) and (b)]	(114,805)	(387,176)	(64,992)	(327,994)
	(114,805)	(387,176)	(64,992)	(327,994)
Actual tax expense recognised	495,572	1,442,191	102,648	1,153,031

37. INCOME TAX EXPENSE (CONT'D)

(b) Reconciliation of actual tax charge

The effective tax rate, that is, the income tax expense as a percentage of the reported surplus, is different from the statutory rates [note 37(a)] being 21.72% (2020: 35.36%) for the Group and 12.32% (2020: 36.40%) for the Society. The actual income tax expense differs from the expected income tax expense for the year, as follows:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Surplus before income tax	2,281,841	4,078,587	832,592	3,167,934
Computed "expected" income tax at 30%	684,552	1,278,620	249,778	950,380
Effect of different tax rates for subsidiaries	51,326	330	-	-
Tax effect of treating the following items differently for income tax than for financial statement purposes:				
Depreciation charge and capital allowances	22,255	8,960	3,550	(10,628)
Utilised tax loss	(1,001)	-	-	-
Tax exempt income	(341,919)	(258,596)	(158,831)	(124,557)
Disallowed expenses and losses, net	66,166	451,800	(6,106)	374,612
Other	5,849	(19,545)	14,257	(18,742)
	487,228	1,461,569	102,648	1,171,065
Adjustment for prior years (over)/under provision	8,344	(19,378)	-	(18,034)
Actual tax expense recognised	495,572	1,442,191	102,648	1,153,031

At the reporting date, taxation losses of certain subsidiaries, subject to agreement by the tax authorities in the relevant jurisdictions, amounted to approximately $Nil (2020: $28,311,000). In Jamaica, these losses may be carried forward indefinitely, but in any one year, prior year losses can be used to offset only 50% of chargeable income (before the deduction of any prior year losses).

38. RELATED PARTY TRANSACTIONS

(a) Definition of related party

A related party is a person or entity that is related to the Group.

(i) A person or a close member of that person's family is related to the Group if that person:

(1) has control, joint control or significant influence over the Group;

(2) is a member of the key management personnel of the Group.

38. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Definition of related party

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled, or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is part, provides key management personnel services to the group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(b) Identities of related parties

The Society has related party relationships with its subsidiaries, with its Directors, executives and senior officers, as well as those of its subsidiaries, and with its associated companies [note 1(c)]. The Directors, senior officers and executives are collectively referred to as "key management personnel".

38. RELATED PARTY TRANSACTIONS (CONT'D)

(c) The Society's statement of financial position includes balances, arising in the ordinary course of business, with related parties, as follows:

	2021 $'000	2020 $'000
Subsidiaries:		
Resale agreements	1,011,150	2,066,749
Repo receivable	16,517	25,145
Loan receivable	10,346,017	6,104,828
Other loans	9,519	34,299
Shareholders' savings	(894,289)	(823,032)
Repo payable	(4,052)	(7,842)
Securities sold under repurchase agreements	(300,000)	(1,800,000)
Key management personnel:		
Executive Management:		
Mortgage loans	168,445	213,383
Other loans	109,150	129,180
Shareholders' savings	(123,059)	(67,302)
Non-executive directors:		
Mortgage loans	51,242	54,954
Shareholders' savings	(15,690)	(18,138)
Associate:		
Investments	428,595	429,711
Interest on Investments	3,425	2,565
Shareholders' savings	(394,845)	(295,537)

Average interest rates charged on loans are lower than the rates that would be charged in an arm's length transaction.

The mortgages and secured loans granted are secured on property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

In relation to balances owing by key management personnel, or their immediate relatives, there has not been any specific allowance for impairment or general provision for losses.

38. RELATED PARTY TRANSACTIONS (CONT'D)

(d) The Society's income statement includes income earned/(expenses incurred) from transactions with related parties, as follows:

	2021 $'000	2020 $'000
Key management personnel:		
Executive Management:		
Interest from loans	8,943	16,562
Interest expense	(323)	(116)
Directors:		
Interest from loans	4,276	3,279
Interest expense	(95)	(63)
Subsidiaries:		
Interest and dividends from investments	186,003	235,001
Interest on loans	132,125	88,553
Other operating revenue	5,955	70,695
	336,884	413,911
Associate:		
Interest expense	(28,598)	(41,667)
Other operating expenses	(25,972)	(2,000)
Dividends	117,809	40,950
Interest on investments	3,425	2,565
Interest expense	(16,555)	(31,663)
Other operating income	113,656	106,202
Other operating expenses	(23,229)	(18,636)
	477,420	469,662

38. RELATED PARTY TRANSACTIONS (CONT'D)

(e) Key management personnel compensation

In addition to directors' fees paid to non-executive directors [note 36], compensation of key management personnel, included in personnel costs [note 35], is as follows:

	Group		Society	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Short-term employee benefits	703,560	597,755	579,427	479,322
Post employment benefits	8,580	5,741	7,255	5,741
	712,140	603,496	586,682	485,063

Those key management personnel under the defined benefit pension plan [Note 14], in addition to their salaries, are provided with non-cash benefits as well as post-employment benefits. In accordance with the rules of the plan, key management personnel, executive directors retire at age 62 (or 65 if joining after January 1, 2006) and may continue to receive medical benefits, at the discretion and approval of the Board of Directors. In the case of preferential staff rates on loans, this benefit continues to age 65 when the rate is adjusted with reference to market.

Under the Society's rules, retired non-executive directors who have served the Board continuously for at least five years and have attained the age of 65 receive a pension at a specified percentage of the gross annual average director's fee received during the five years immediately preceding retirement, or alternatively, a gratuity in lieu of pension, based on a percentage of the annual pensions.

39. CAPITAL COMMITMENTS

Commitments for capital expenditure for the Group and the Society amount to approximately $1,186,732,512 (2020: $538,992,000) at the reporting date.

40. MANAGEMENT FUNDS AND CUSTODIAL ARRANGEMENTS

Victoria Mutual Wealth Management Limited acts as agent and earns fees for managing clients' funds on a non-recourse basis under management agreements. The Group has no legal or equitable right or interest in these funds and, accordingly, they have been excluded from the financial statements. At December 31, 2021, these funds amounted to $34,709,442,000 (2020: $32,823,912,000). Additionally, at December 31, 2021, there were custodial arrangements for assets totalling $ 12,743,221,000 (2020: $13,956,379,000).

Victoria Mutual Pensions Management Limited is responsible for funds under management in respect of segregated and pooled pension funds. Total value of pension assets under management at December 31, 2021 is $57,500,000,000 (2020: $52,992,000,000).

41. IMPACT OF COVID 19

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. In response to the pandemic, Management has adopted several measures specifically around financial risk management. These measures include:

(i) Established a cross-functional COVID Response Team that focuses on mitigating Occupational Health and Safety, Marketing and Sales, Supply Chain Monitoring and Communications risks, as well as reducing the financial impact of the coronavirus on our operations. The work of the COVID Response Team complements the work of the Asset and Liability Committee(ALCO). The COVID Response Team and the ALCO meet weekly and monthly respectively to discuss strategies and plans for managing the liquidity and the capital needs of the entire VM Group during the pandemic.

(ii) Implemented a Liquidity Recovery Plan, as per the recommendations of our Regulators. The key aspects of the plan include:

- Assessing the daily inflow and outflow of funds (liquidity forecasting);
- Identifying and assessing the adequacy of financial resources for contingent needs;
- Implementing measures geared at strengthening the entity's capital base; and
- Defining escalation and decision-making procedures to ensure that the plan can be executed timely.

(iii) Implemented measures to assist external clients during this crisis, such as:

- Payment moratoria on loans. It is not expected that there will be reclassification of loans from Stage 1 to Stage 2 as these payment holidays should not trigger a significant increase in the credit risk (SICR) unless other criteria indicating SICR are identified.
- Special arrangements with clients, such as increasing their loan to value ratio, based on approval by the appropriate Committee.

(iv) On-going Monitoring of Capital which included sensitivity analyses to determine:

- The impact of a downward adjustment in asset values on our regulatory ratios
- The impact of a downward adjustment in asset values on the projected profitability; and
- The level of capital shortfall, if any, and how additional capital could be raised to address any projected shortfall.

Corporate Data

External Auditors

KPMG Chartered Accountants

Bankers

- CIBC First Caribbean International Bank of Jamaica Ltd.
- Citibank N.A. (Jamaica Branch)
- National Commercial Bank Jamaica Ltd.
- Sagicor Bank Jamaica Ltd.
- Bank of Jamaica

Panel of Attorneys-At-Law

- Delroy Chuck & Company
- DunnCox
- Phillips, Malcolm, Morgan & Matthies
- O.G. Harding & Company
- Livingston, Alexander & Levy
- Murray & Tucker
- Myers, Fletcher & Gordon
- Nunes, Scholefield, Deleon & Company
- Rattray, Patterson, Rattray
- Robertson, Smith, Ledgister & Company
- Robinson, Phillips & Whitehorne
- Grant, Stewart, Phillips & Malcolm
- Nicholson Phillips
- Samuda & Johnson
- Matthew Hogarth & Co.
- Harrison & Harrison
- Lex Caribbean
- L. Howard Facey & Co.
- Scott, Bhoorasingh & Bonnick
- Russell & Russell
- Earle & Wilson
- Palomino, Gordon-Palomino
- G. Anthony Levy & Company

Group Executives

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Group President & CEO

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Group Chief Financial Officer

Devon Barrett, MBA
Group Chief Investment Officer

Peter Reid, BA (Hons.)
Chief Executive Officer
Building Society Operations

Rezworth Burchenson, MBA, BSc
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VM Wealth Management Ltd

Judith Forth Blake, MBA, BA (Hons.)
Group Chief Customer & Brand Officer

Keri-Gaye Brown, MBA (Dist),LL.B (Hons)
Group Chief Legal, Risk & Compliance Officer & Corporate Secretary

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VM Property Services Ltd

Michael Howard, MBA, BSc
Chief Executive Officer
VMBS Money Transfer Services Ltd

Carla McIntosh Gordon, MSc, BA, PMP, BSP
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Group Chief Technology Officer

Dayton Robinson, PhD
Group Chief Human Resources Officer

Maurice Barnes, Msc, BSc
Chief Executive Officer
VM Innovations Ltd.

Chief Executive Officers of Subsidiaries

Buidling Society Operations
Peter Reid
Chief Executive Officer

VM Investments Limited
Rezworth Burchenson
Chief Executive Officer

VM Wealth Management Limited
Rezworth Burchenson
Chief Executive Officer

VM Pensions Management Limited
Conroy Rose
Chief Executive Officer

VMBS Money Transfer Services Limited
Michael Howard
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VM Property Services Limited
Michael Neita
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