Special Report 2022

Standing Stronger Together

VM GROUP

Transform Your Everyday


myvmgroup.com
Standing
Stronger
Together
VM GROUP
VM GROUP

Mission

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.

Vision

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

Core Values

- Member Focus
- Integrity
- Teamwork
- Innovation
- Excellence

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The Dawn of a New Era

A **VM Group Limited**

Special Report

In August 2022, VM Members gathered for a mass meeting at the National Arena in Kingston, satellite locations in Portmore, Mandeville and Montego Bay, and virtually from overseas. The task before them was to vote on a proposed restructuring of the organisation that would ensure compliance with the Banking Services Act and allow VM to raise capital should it need to do so.

The Dawn of a New Era

The results of the vote revealed overwhelming support for the restructure exercise. This vote followed approval from the Bank of Jamaica and later the Supreme Court of Jamaica, paving the way for the restructure to be effected.

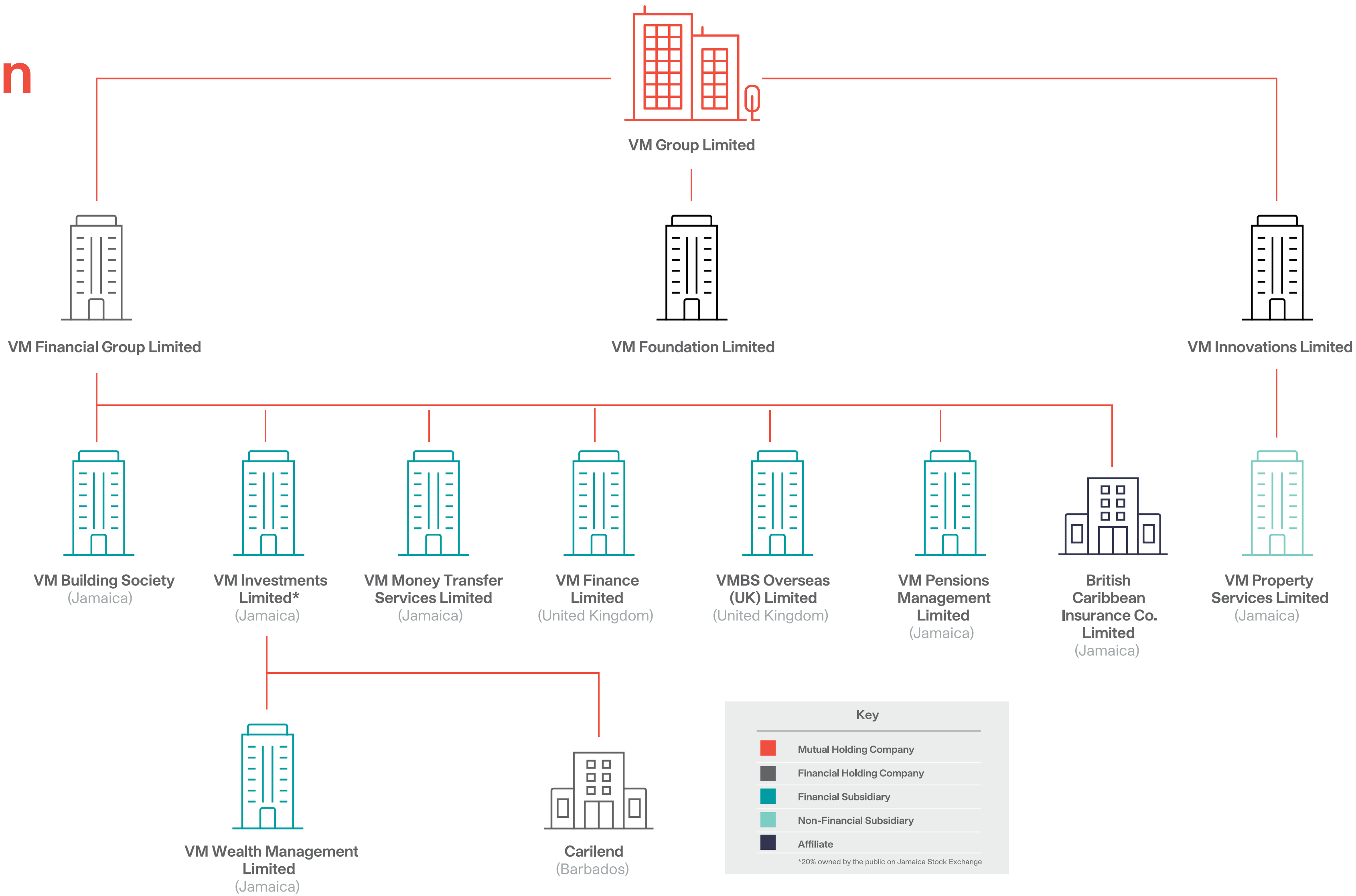
On February 1, 2023, a new day dawned for VM with the establishment of **VM Group Limited**, a mutual holding company owned by Members and parent to **VM Innovations Limited** (VM's non-financial holding company) and **VM Financial Group Limited** (VM's financial holding company which was established in tandem with VM Group Limited).

All the financial businesses of the Group are held under VM Financial Group Limited. These are: **VM Building Society** (which, as part of the change has been converted to a proprietary building society), **VM Investments Limited, VM Wealth Management Limited, VM Pensions Management Limited, VM Money Transfer Services Limited, and VM Finance Limited**. VM Innovations Limited is parent to **VM Property Services Limited**. The **VM Foundation** is held directly under VM Group Limited.

This VM Group Special Report has been prepared to provide updates on our business performance and activities in 2022 to our Valued Members – now owners of VM Group Limited – ensuring that you are kept up to date on all the transformational things happening at your VM during this very exciting time in our history.

The very first Annual Report of the newly formed VM Group Limited will be published in 2024. Until then, we hope that the updates presented here are well received as we share the good news of VM with you, our partners on this unfolding journey.

Corporate **Organisation Structure**



VM Group **Strategy**

The story of VM Group started on Thursday, November 14, 1878, when, just 13 years after the Morant Bay Rebellion and the end of the American Civil War, a group of clergymen in Jamaica, led by Rector of the Kingston Parish Church Reverend G.W. Downer, established the Victoria Mutual Building Society. Their aim was for the Member-based mutual to help combat the glaring financial inequity that existed at the time, effectively democratising home ownership and giving people who had long been economically marginalised, the freedom to dream boldly and achieve financial well-being.

VM Group **Strategy**

CONTINUED

A Purposeful Evolution

The founding purpose of the mutual would power the business through the proceeding decades as the world changed. Through two World Wars, The Great Depression, major man-made and natural disasters, and a booming global population, VM would grow and thrive, successfully facilitating the life aspirations of its Members, even as these evolved with the passage of time. As that time passed, VM's operations extended across oceans and seas and grew to include other subsidiaries and product offerings, with its founding purpose still the core of its global business.

Transformation Accelerated

The continuous growth of VM, marshalled by successive boards of directors, general managers and presidents, accelerated in 2016 with the appointment of career banker and executive leader Courtney Campbell who, upon assuming the role of Group President & CEO, immediately set about igniting a transformation of the organisation, including leading an ambitious digital transformation strategy, a cultural revolution, and an aggressive international expansion.

Who we are: The VM Group Limited

Today, VM Group Limited is a Strong, Integrated Group with products and services that meet the needs of the modern consumer while retaining a commitment to delivering not just expert service, but empathetic, thoughtful and personalised service, which has for generations set VM apart from competitors.

VM Group Limited is built on 145 years of excellence but is fuelled for the journey ahead by a reinvigorated spirit, audacious ambitions, an unrelenting commitment to Mutuality and to achieving even more for the Members who own the organisation and for whom it exists to serve.
While VM navigates confidently into the future where a world of opportunity awaits, its history remains an intractable part of the organisation's DNA, ensuring that VM continues to be the most well-rounded, authentic, purpose-driven financial institution in the region.

The VM Group Strategy

The year 2021 marked the beginning of the VM Group's new strategic planning period, under the theme Transforming Lives: Driving Growth, Innovation and Resilience.

There are four strategic goals which guide the VM Group as we fulfil our purpose.

- **Strong, Integrated Financial Group:** VM Group entities are cohesive and collaborate in teams to provide high value products, services, and customer experiences. The VM Group upholds best practices in enterprise risk management with strong capital base and seamless and efficient processes within and across its SBUs.

- **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. 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 in critical conversations to improve financial literacy about home ownership and financial well-being. Members are rewarded for their loyalty.

Year 2022 marked the second year of the plan. The following table highlights the progress made with the execution of initiatives under the Group's Strategy.

VM Group Strategy

PROJECT/INITIATIVE	STRATEGIC OBJECTIVE	STATUS/COMMENT
Build a high engagement and high-trust culture for Team Members by focusing on the following drivers: Leadership, Total Rewards, Work Life and Culture.	LG1. Engage Employees	**Ongoing.** Completed several leadership meetings with Culture Partners to continue to embed the culture of Accountability. Additionally, completed a Culture Diagnostic Survey to provide details on gaps and areas of improvement. Maintained Executive Coaching sessions and Vertical Team and Leadership Meetings to further embed the use of culture tools.
Continue the Total Rewards Framework as part of the talent acquisition and retention programme.	LG1. Engage Employees	**Ongoing.** Initial review of Group Surplus Share completed, and approvals received. Communication and Change Management Plans are being developed, following which roadshows will commence to reach all Team Members.
Accelerate the Talent Development and Management Programme in order to future proof Team Members by actively developing digital capabilities for roles, align Formal Learning Programmes with Business Needs including data analytics skills, and introduce experience-based learning assignments to develop collaboration, teaming and agility targeted at achieving the desired results.	LG1. Engage Employees	**Ongoing.** During 2022, the Accelerated Development Programme was implemented. The Talent Review Programme and Leadership Development Programmes are ongoing, with the Leadership Development Programme expanded to include Executive Education.
Build bench strength of our second-tier leadership group. Performance Management Framework – Embed a more robust Reward & Recognition and Performance Improvement Plan (PIP).		Several leaders have begun Coaching Certifications which will also bolster the bench strength of the Group's second-tier leadership.
Facilitate growth of the remittance business by expanding our network into the Caribbean through the acquisition of or partnership with a remittance entity.	LG2. Negotiate Partnerships & Strategic Alliances	**Ongoing.** Several opportunities are in the pipeline for the expansion of the Group's remittance business.
Expand the VM Group footprint across the region	LG2. Negotiate Partnerships & Strategic Alliances	**Ongoing.** VMIL has acquired 100% stake in Republic Funds Barbados Limited. Currently, the integration of that business is ongoing.
Canopy Insurance Strategic Alliance	LG2. Negotiate Partnerships & Strategic Alliances	**Ongoing.** Canopy Family Plan life insurance product was officially launched in February 2022. It is expected that Critical Illness and Health Insurance products will be available in 2023.
Launched strategic partnerships with Jamaica Manufacturers and Exporters Association (JMEA) and the Transport Operators Development Sustainable Services (TDOSS) for the provision of Pensions Services to their members.	LG2. Negotiate Partnerships & Strategic Alliances	**Ongoing.** VMPM will continue to seek out partnerships with professional bodies for the provision of pensions services, while leveraging existing partnerships to build their business as well as brand visibility.
Launched PropMan, digital property management service	LG3. Innovate Products	**Completed.** PropMan Residential was launched during Quarter Three of the year. This is part of a larger suite of products to be launched including PropMan Commercial, PropMan Residential App, PropMan Landlord. These will be completed during 2023.

VM Group **Strategy**

CONTINUED

PROJECT/INITIATIVE	STRATEGIC OBJECTIVE	STATUS/COMMENT
Expand the portfolio of ARS products to include four additional ARS portfolios at VMPM.	LG3: Innovate Products	**Completed.** Four new ARS products were launched. These are: ARS Property Moderator; Pooled International Equity Portfolio; Pooled Private Equity Portfolio; and the ARS Real Estate Portfolio.
Created Private Equity Business Line at VMIL.	LG3: Innovate Products	**Completed.**
Develop and Roll-out the Data Governance Framework across the Group.	IP1: Exploit Digital Technologies	**Ongoing.** Symptai, the selected vendor, has provided a first draft of the framework which is currently under review with a final sign-off by the end of November 2022. It is expected that the Data Governance Framework will be implemented within the first quarter of 2023.
Continued improving and digitalising processes under the Continuous Improvement Programme.	IP2: Increase Efficiency	**Completed.** Since the start of the year, 70 processes have been improved. These improvements have resulted in the elimination of 22 non-value activities, and over 1,000 hours saved.
Execute Land Tenure Titling Initiative with National Land Agency (NLA).	IP3: Impactful community service	**Ongoing.** The VM Foundation is in the process of finalising the land tenure titling initiative with the NLA.
Revised and implemented ERM (COSO, 2017) Framework.	IP4: Manage risks	**Completed.** During the first quarter of the year, the Group implemented the revised ERM framework which aligns with COSO, 2017.
Implemented an ESG policy and framework.	IP4: Manage risks	**Completed.** The Group's first ESG policy and framework were approved during the year. The implementation of the initiatives aligned with the framework is ongoing.
Engaged the Jamaica Diaspora through the establishment of a framework for selling and servicing Clients across the diaspora.	IP5: Integrate SBUs	**Ongoing.** The Group continues to engage the diaspora through activities and initiatives Including 'Bank on the Go' sessions in New York and Florida.
Employed various training and coaching methods to embed relationship selling and as well as build strong relationships with Members.	IP5: Integrate SBUs	**Ongoing.** As part of the Group's Centre of Excellence for Sales, several training and coaching sessions were undertaken to ensure that there is a strong sales culture, and increasing the ability to maintain strong ties with our Members and Clients.
Establish an online presence to assist with the promoting of VMF products and services.	IP5: Integrate SBUs	**Completed.**
Far advanced in the Group Restructuring Process with approval received from Members and Clients to proceed with the Group Restructuring by establishing Mutual Holding Company, Financial Holding Company and Non-Financial Holding Company. Strategic Plan submitted to the Bank of Jamaica.	IP6: Group Restructure	**Ongoing.** Approval to proceed with the Group restructuring was given by Members and Clients and the Supreme Court. The preparatory work for the licensing of the Financial Holding Company has begun. The three-year Strategic Plan for the Financial Holding Company was submitted to the Bank of Jamaica (BOJ) during October.

VM Group Strategy

PROJECT/INITIATIVE	STRATEGIC OBJECTIVE	STATUS/COMMENT
Executed strategies to help the Group achieve the 'Journey to One Million'.	C1. Grow active Members & Clients.	**Ongoing.** Several initiatives such as: ▸ Implemented Customer Referral Incentive Programmes ▸ Implemented automated email alerts, as well as utilising other mediums to contact Members whose accounts are about to go dormant, were undertaken during the year to help bolster the number of active members and clients. Additionally, launched the Group's Integrated Sales Incentive Programme.
Build tangible benefits around Mutuality and promote these benefits to our Members, Clients and the public in order to leverage as a key differentiator.	Customer Perspective / Strengthen Mutuality	**Ongoing.** Work to create a loyalty programme and expand the benefits of Mutuality is ongoing and expected to be completed during 2023.
Strengthen/reinforce the new Group Brand.	Customer Perspective / Strengthen Mutuality	**Ongoing.** Reinforced the Group's brand through the refurbishment of the several locations. Additionally, increased media pick-ups and sponsorship for Harbour View Football Club and the UK-Jamaica Rugby Team.

Notice of **Special Members' Meeting**

NOTICE is hereby given that a Special Members' Meeting of **VM GROUP LIMITED** (the "Company") will be held at the Terra Nova Hotel, 17 Waterloo Road, Kingston 10, in the Parish of St. Andrew, on **Thursday, May 25, 2023** at **3:00 p.m.**, for Members to attend in person or attend the meeting digitally via a private livestream link, for the following purposes:

- To receive reports from the Directors on the implementation of the Scheme of Arrangement, and transition to the VM Group.
- To provide information on the financial position of the VM Group.

DATED this 25th day of **April, 2023**.

BY ORDER OF THE BOARD

Keri-Gaye Brown
Corporate Secretary

REGISTERED OFFICE
6-10 Duke Street
Kingston 10

Five-year **Statistical Review**

GROUP	2018	2019	2020	2021	2022
Balance Sheet ($'000)					
Earning Assets*	113,877,731	127,327,244	133,929,651	164,196,440	170,366,041
Loans	48,973,660	62,035,211	77,677,406	102,843,284	112,123,802
Total Assets	133,117,216	151,932,096	166,034,983	192,261,570	199,699,857
Savings Fund	81,941,931	89,378,675	103,486,876	117,863,706	134,221,577
Capital and Reserves	15,853,409	20,109,700	22,199,655	22,672,575	22,514,599
Deposit Liabilities ($B)	95,117,659	104,148,052	105,063,228	122,230,742	134,793,203
Income Statement ($'000)					
Net Interest Income	4,220,444	4,334,241	5,077,641	5,725,648	5,833,042
Operating Revenue	7,594,686	8,998,777	12,554,131	10,914,728	12,829,157
Operating Expenses, excl impairment losses	5,502,705	6,757,389	8,051,521	8,879,660	10,349,503
Surplus before income tax	1,702,849	2,952,798	4,078,587	2,281,841	4,143,794
Surplus for the year after income tax	1,060,517	2,131,551	2,636,396	1,786,269	3,324,125
Share of profits of associates	87,840	210,498	111,325	320,810	105,500
Ratios					
Net Interest Margin*	3.77%	3.59%	3.89%	3.84%	3.49%
Return on Capital	6.77%	11.85%	12.46%	7.96%	9.40%**
Return on Average Total Assets	0.83%	1.50%	1.66%	1.00%	1.08%**
Efficiency Ratio (Admin Exp:Mean Assets)	4.29%	4.74%	5.06%	4.96%	5.28%
Efficiency Ratio (Cost:Income)	71.63%	73.38%	63.57%	79.03%	80.01%
Capital & Reserves as a percentage of assets	11.91%	13.24%	13.37%	11.79%	11.27%

*Non-interest bearing cash has been removed from Earning Assets
**These metrics have been calculated after removing the $1.2 billion representing extinguishment of dormant deposits.

Five-year Performance Highlights

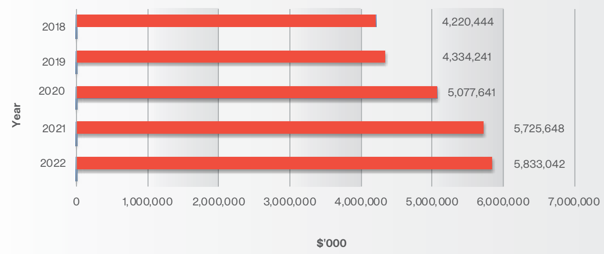
170.4B

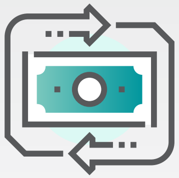
EARNING ASSETS

5.8B

NET INTEREST INCOME

Net Interest Income 2018 -2022

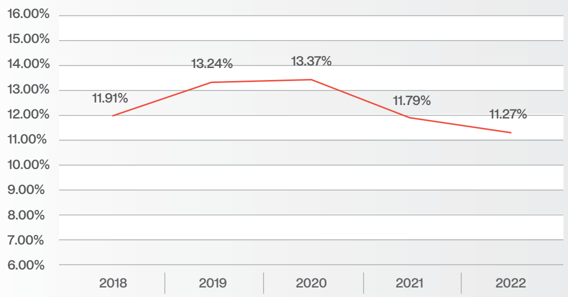




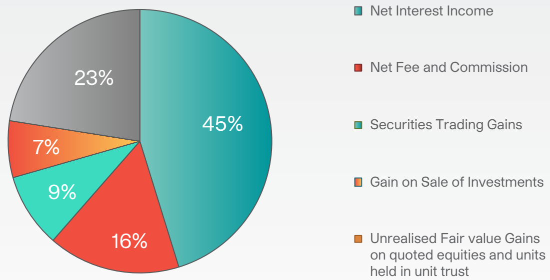
12.8B

OPERATING REVENUE

Group Capital & Reserves as % of Assets



Operating Revenue 2022



Standing Stronger **Together**

VM GROUP

Board of **Directors**

Mr Michael McMorris, BA
Chairman

Mr Michael McMorris has served as VM Group Chair since 2011 and VM Investments Limited Chairman since 2017. 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 also has the distinction of being elected to the post of President of the Jamaica Chamber of Commerce for the term 2022/2023.

Michael 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. He is a past president of the Jamaica Merchant Bankers Association.

Michael holds a Bachelor's Degree in Economics and Politics & Public Affairs from the University of Miami as well as advanced finance training from Citibank's School of Banking where he started his career. He was a member of the National Academic Honour society Pi Sigma Alpha during his time at the University of Miami and a Deal of the Year winner at Citibank.

Currently, he also serves as Chairman of VM Wealth Management Limited and is a director of several other commercial enterprises.

A strong believer in national service, he has been a member of the Government's Technical Task Force on Tourism (COVID) Recovery, Chairman of the Tourism Working Group on Entertainment, Chairman of the Enterprise Group for the Divestment for NMIA Operations, Chair of the Finance Committee of the Airports Authority of Jamaica, and a Director of the National EXIM Bank of Jamaica.

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. Matthew 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 Degree in International Development Policy from Stanford University, California, and a Bachelor of Arts Degree 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

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

Courtney joined VM 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 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 30 years.

A Caribbean focused entrepreneur with investments in Fintech companies, Mr. Goldson has more than 30 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 Caribbean. 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 Jamaica Junior Stock Exchange in October 2009. Mr Goldson served for 16 years as a member of senior management at GraceKennedy and 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.

Board of **Directors**

CONTINUED

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 fifteen years' experience in Corporate Relations, he is also has over three decades of technical and engineering leadership in the Petroleum and Brewing Industries. He is a founding partner in the Jentech group of engineering 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.

Mrs Jeanne P. Robinson-Foster, CD,
BA (Hons.), LLB (Hons.), CLE

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 area 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'.

This Attorney-at-Law has over 30 years' experience and is the founding partner of Robinson-Foster & Associates. Although a legal practitioner at this time, Mrs Robinson-Foster has 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-based high schools. A Past President of the Soroptimist Club of Jamaica, she has represented the Building Societies Association on the Governor-General 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.

Currently, 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, 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, Security 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, 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 Councilor and Past President of Soroptimist International (SI) Jamaica, and a former Vice President SI Caribbean Network of clubs.

Mrs Shirley-Auxilly attained a B.Sc. (Hons) Management Studies from The University of the West Indies, majoring in Financial Accounting & Finance and an MBA 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.

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, 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

Mr Phillip G. Silvera, FCCA, FCA;

Mr Phillip Silvera is a long-standing member of the VM 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 Security 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.

Mr Michael McAnuff-Jones, MSc, MBA (distn), 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 the MSc in Social Sciences/ Human Resources from the University of Leicester and the 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 then 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.

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 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.

Keri-Gaye Brown, LLB
Corporate Secretary

Keri-Gaye joined VM in August 2010. 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 VM, Keri-Gaye worked in the financial sector and as a litigation practitioner in the court of Jamaica.

Chairman's **Message**

On behalf of the VM Group Board of Directors, I present, with great pleasure, a Special Report on the performance and activities of the VM Group in 2022.

In what was a historic year for the organisation, VM Group navigated local and global economic headwinds and posted a solid performance with unprecedented Net Surplus of $3,324.13 million, which was ahead of our target by 85% and represented an increase of 86.09% when compared to the previous year. Meanwhile, Total On and Off-Balance Sheet Assets increased by almost $8 billion to $292.42 billion. These outcomes were, in part, due to the Group's strategic move to purchase NHT receivables, resulting in extraordinary inflows of approximately $1.82 billion as well as the $1.2 billion from the extinguishment of 15-year dormant deposits, approved by the Bank of Jamaica as part of the Group restructure exercise.

Perhaps the most significant development of the year was the completion of the Group's restructuring exercise. This was a key element of our strategic roadmap to fundamentally deepen our resilience and increase our competitiveness. I am pleased that, with your support, we were able to achieve the milestones required and engagement needed to receive court and regulatory approval for the execution of the corporate restructure of the VM Group. Key governance changes have been part of the restructure exercise. I have been appointed chairman of the new mutual holding company – VM Group Limited – and the financial holding company - VM Financial Group Limited. Brian Goldson has been appointed chairman of the VM Building Society, which has been converted to a proprietary building society. The new governance structure helps to compartmentalise risk across the Group while providing a more layered approach to oversight.

The restructured VM Group is also better positioned to raise capital, diversify business lines, and develop more opportunities for growth, including those through strategic partnerships, mergers and acquisitions. The VM Group has entered a new era and we are excited about what this means for the people we serve.

VM has always prioritised our Members' and Clients' needs and this focus continued throughout 2022, as we sought to create and deliver innovative products and services, including four new Approved Retirement Scheme (ARS) products at VM Pensions Management, and a new partnership with the Development Bank of Jamaica to provide its Credit Enhancement Facility (CEF), through VM Building Society. This partnership will bring new opportunities to support our business customers, particularly those that are MSMEs.

In addition, the first new product from our newest subsidiary, VM Innovations, PropMan, a property management software solution, was launched and has already begun to generate revenue.

Importantly, we continued to make headway with improving operational efficiency across the Group, streamlining and improving 71 processes across the Group under our Continuous Improvement Programme resulting in the elimination of 30 non-value activities, and over 1,100 hours saved. Approximately $31.2 Million in cost-savings will be realised from these enhanced processes. This improved efficiency and effectiveness will drive the VM Group in this new era and lead to greater results and transformation.

As we move forward, we remain committed to building on our successes and addressing the challenges that lie ahead. We will continue to invest in our people, technology, and processes to ensure that we remain competitive and resilient in the face of future headwinds. We will achieve this through sound governance, careful planning, and effective execution.

On behalf of the Board of Directors, I offer sincere thanks to the purpose-driven Leaders and Team Members of the VM Group for your continued commitment to ensuring our shared vision is achieved. Your work has a transformational effect on the people we serve, and your passion and dedication are appreciated.

Finally, I offer tremendous thanks to our Members and Clients for your crucial role in VM Group starting this new chapter. Your loyalty and strong support by way of active engagement with us help the Team to tailor the products and services that help to Transform Your Everyday. We are partners on your journey to financial well-being and the trust you place in us is not taken lightly. The VM Group is proud to stand by you as together we write the unfolding story of success of this iconic institution.

Exciting times are ahead.

Michael McMorris
Chairman, VM Group

ESG

ENVIRONMENTAL, SOCIAL & GOVERNANCE

VM Group **ESG Report**

Across the world, there is increasing focus being applied to Environmental, Social and Governance (ESG) as allied business imperatives. At the VM Group, we have always recognised the various aspects of ESG and done purposeful work in this regard. However, with the formal adoption of an ESG policy in 2022, we are now able to better integrate and embed these principles into the operations of the VM Group. We recognise that there is a complex link between the viability and profit levels of an organisation and the preservation of our environment. As global citizens, we have a responsibility to ensure that our practices are sustainable.

ESG principles are all encompassing with focus on a range of areas such as environmental considerations specifically, climate change, natural resources, pollution, and water management. Social considerations include responsible investing, 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 new opportunities to ensure the sustainability of our operations.

Improvement of processes at VM, increased Team Member engagement, increased efficiency and productivity, and the improved focus on ensuring that our Members and Clients are empowered are complemented 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 sector as these developments will lead to increased competition among industry players as more people understand the value.

VM Group **ESG Report**

CONTINUED

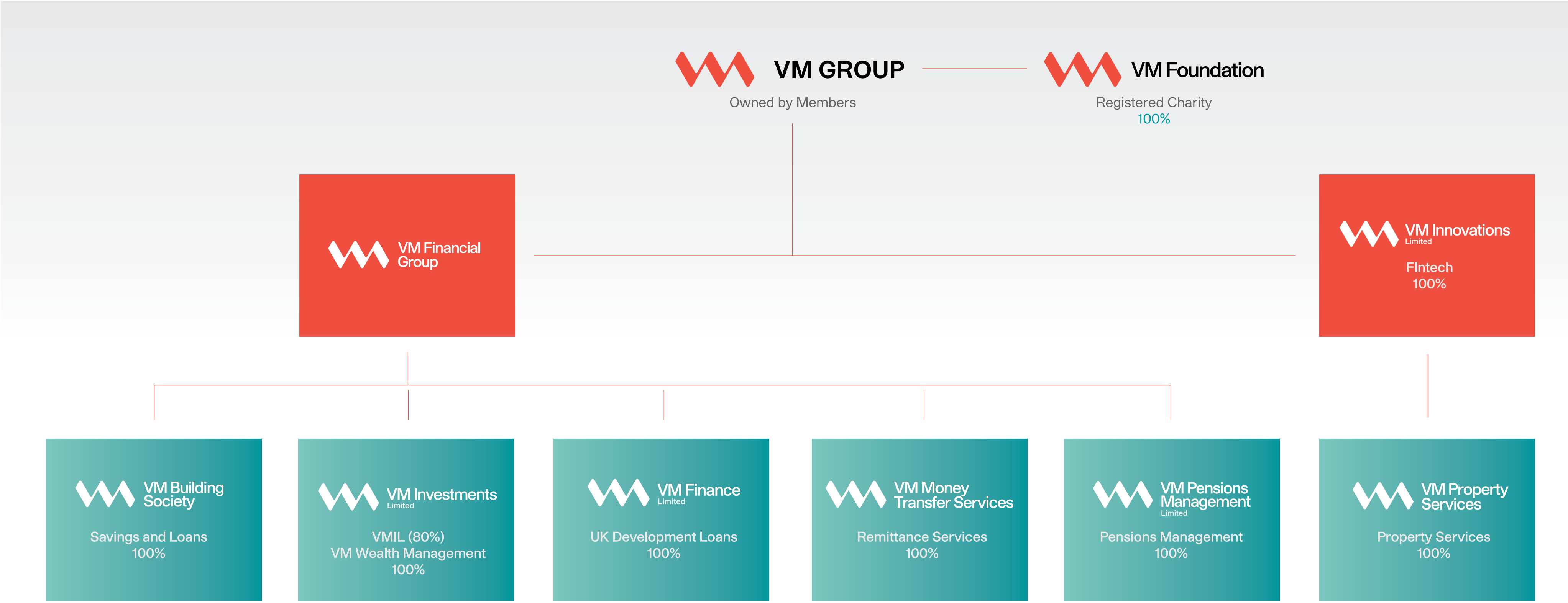
Corporate Governance Framework

The approval of the Scheme of Arrangement by Members on August 9, 2022, paved the way for a new corporate governance structure.

Under the new VM Group Limited, sound governance standards and principles are fundamental elements to guide the Board in its discharge of fiduciary obligations, to act in the best interest of Members and stakeholders, in ways which align with the VM Group's strategy and risk appetite.

The Board of VM Group will lead the strategic direction and plans to deliver long-term value to Members.

VM Group Limited, incorporated on February 1, 2023, has a new Corporate Structure, as shown below.



Board Composition

The Board of Directors is led by an independent Chairman, Mr Michael McMorris, and nine other independent members. The only executive Director is the Group President and CEO, Mr Courtney Campbell. The Board composition demonstrates VM Group's commitment to the highest standards of independence.

Board Committees

In keeping with sound Corporate Governance Principles and Best Practices, the Board has delegated oversight authority to the following Board Committees:

- Audit
- Corporate Governance, Nominations and Compensation.
- Digital and Information Technology Committee

Each Committee 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 Committees, recommendations implemented, and adherence to the respective Charters.

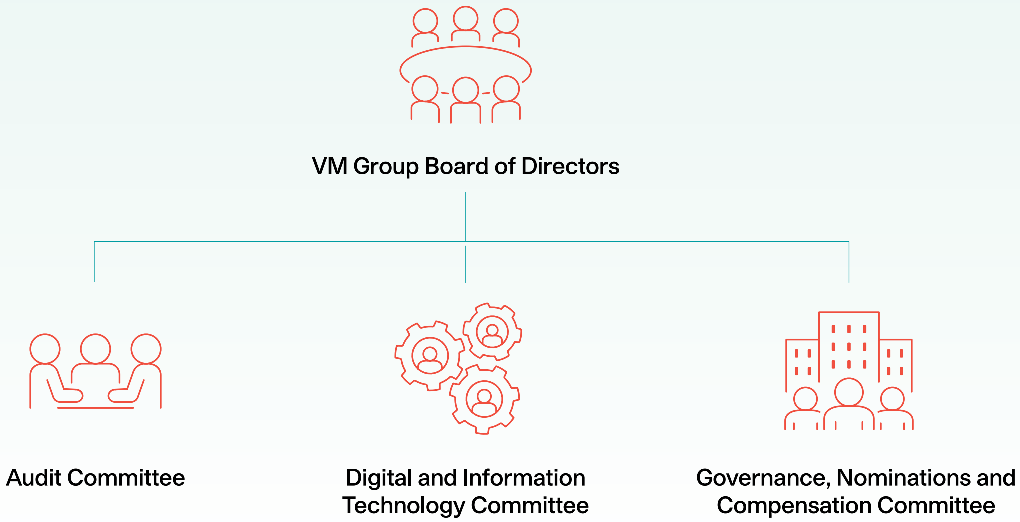
VM Group Ltd Board Membership

VM GROUP

Michael McMorris

- Courtney Campbell
- Phillip Silvera
- Colin Wharfe
- Matthew Wright
- Maurice McNaughton
- Jeanne Robinson-Foster
- Sandra Shirley-Auxilly
- Brian Goldson
- Noel DaCosta
- Michael McAnuff-Jones

VM Group Ltd Board Committees Reporting Structure



VM Group **ESG Report**

CONTINUED

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 financial statements;
b) The 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 Group.

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.

The Group Digital and Information Technology Committee

This Committee represents 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, IT architecture, IT operating model effectiveness, IT delivery performance, IT 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 Boards 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 meetings.

Subsidaries of VM Group Limited

The Scheme of Arrangement established subsidiaries owned directly by VM Group Limited. These subsidiaries are:

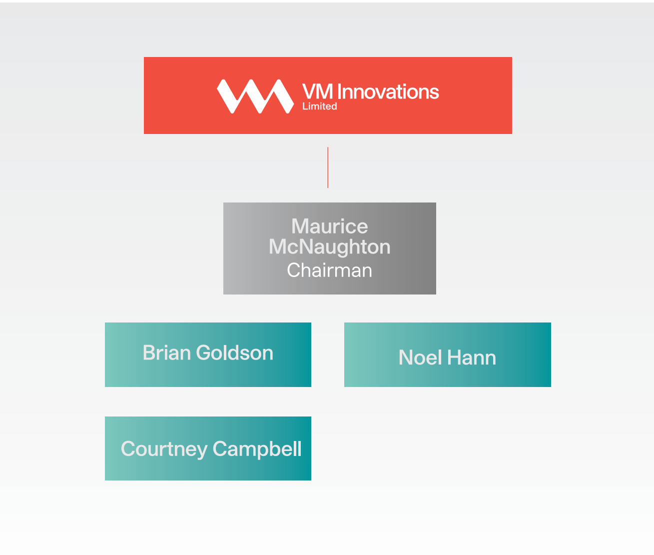
- **VM Financial Group Ltd**
- **VM Innovations Ltd (and its subsidiary VM Property Services Ltd)**
- **VM Foundation Ltd**

VM Innovations Ltd

This company represents the fintech arm of the Group and is focused on the delivery of cutting-edge solutions to execute the digital transformation of the VM Group. In addition, VM Innovations owns one subsidiary company, which is VM Property Services Ltd., which plays an important role in the real estate industry.

VM Innovations Board comprises directors with the requisite skills and experience to lead and direct our digital transformation agenda.

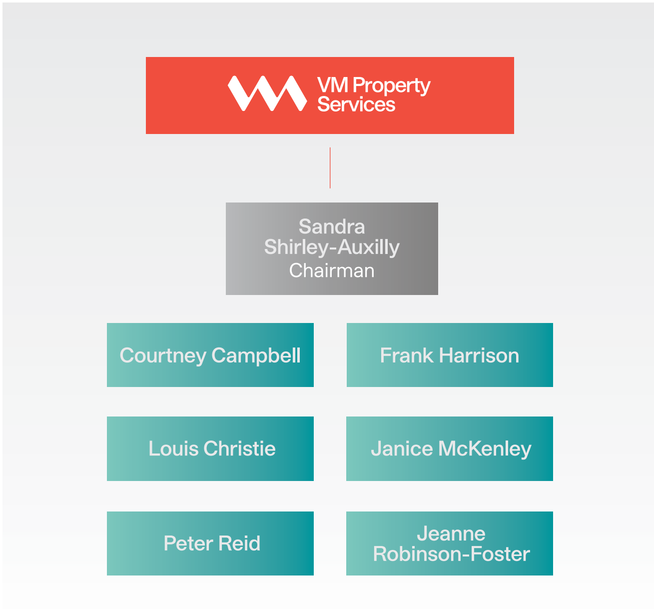
VM Innovations Ltd Board Membership



VM Property Services Ltd

The main objective of VM Property Services is property and project management and real estate consultation, sales, rentals, and valuations.

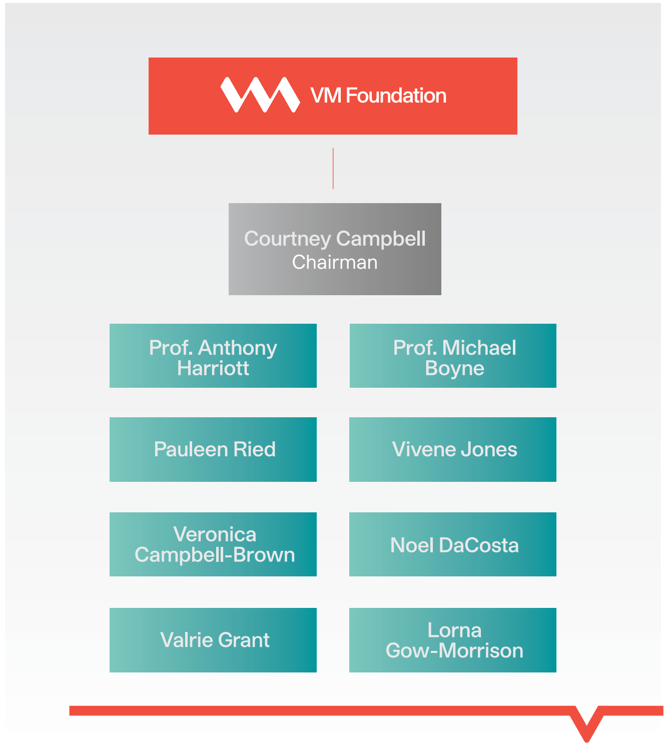
VM Property Services Ltd Board Membership



VM Foundation Ltd

The objective of VM Foundation is to improve the quality of life of Jamaicans by supporting activities that encourage literacy, skills development, community development, financial inclusion and economic prosperity for all Jamaicans. It is a charitable organization and an important demonstration of the VM Group commitment to being a good corporate citizen.

VM Foundation Board Membership



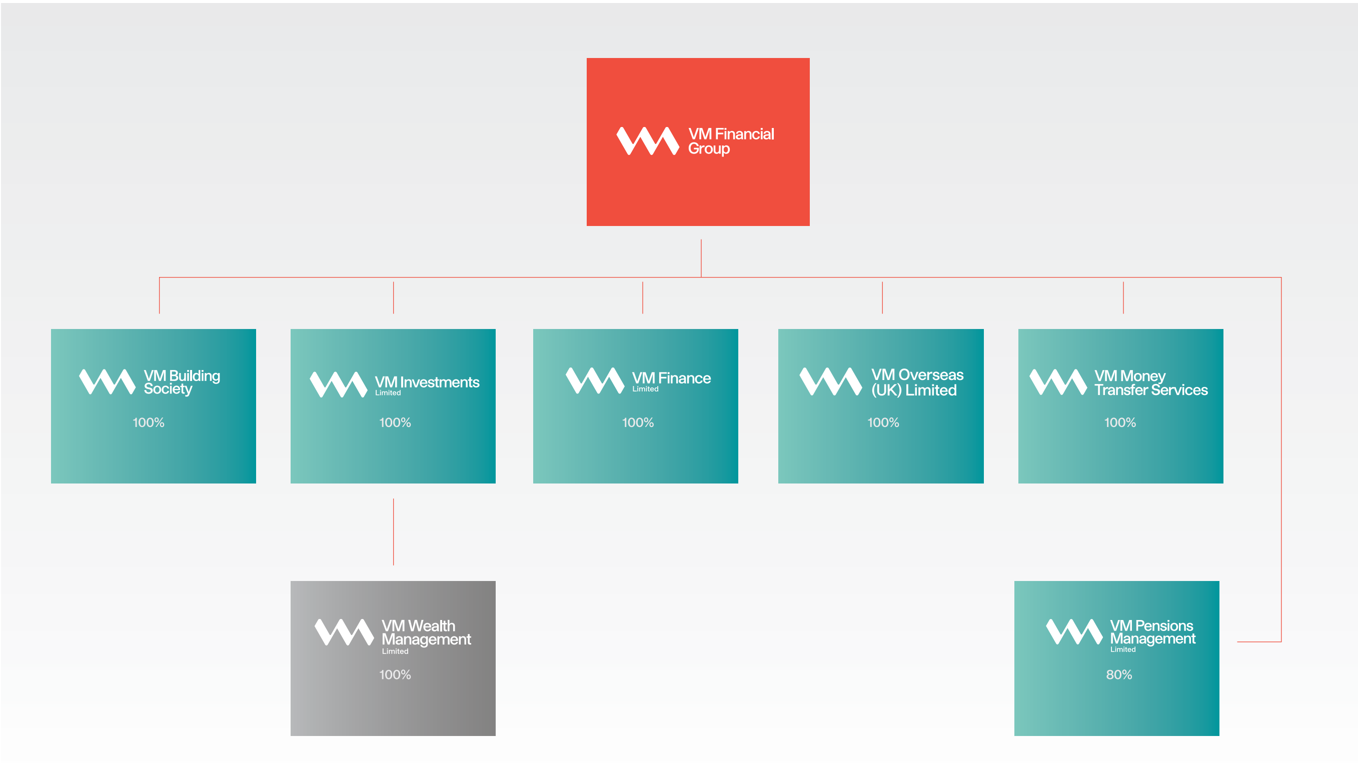
VM Group **ESG Report**

CONTINUED

VM Financial Group Ltd

The Scheme of Arrangement also established a new financial holding company on February 1, 2023, VM Financial Group Ltd, which operates as the direct parent company of all financial services businesses within the VM Group.

VM Financial Group and its Subsidiaries



In addition to the subsidiaries, there are two affiliate companies, under VM Financial Group, British Caribbean Insurance Company Limited and Carilend (Barbados) Ltd The VM Financial Group Ltd Board of Directors is led by the Chairman, Mr Michael McMorris, an independent director and nine other independent directors. The Group President and CEO, Mr Courtney Campbell, is an executive director of the Company. The Board composition demonstrates the VM Group's commitment to a high standard of independent leadership at the Board level.

VM Financial Group Ltd Board Membership

Subsidaries of VM Financial Group Limited

The subsidiaries of VM Financial Group are as follows:

- VM Building Society
- VM Money Transfer Services Ltd
- VM Investments Ltd and its subsidiary VM Wealth Management Ltd
- VM Pensions Management Ltd
- VM Finance Ltd
- VMBS Overseas (UK) Ltd

Governance of Subsidiary Companies

In addition to being ultimately accountable to the Board of Directors of the VM Group, each subsidiary of the VM Group 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.

The Board Members of the respective subsidiaries are as outlined below.

VM Building Society

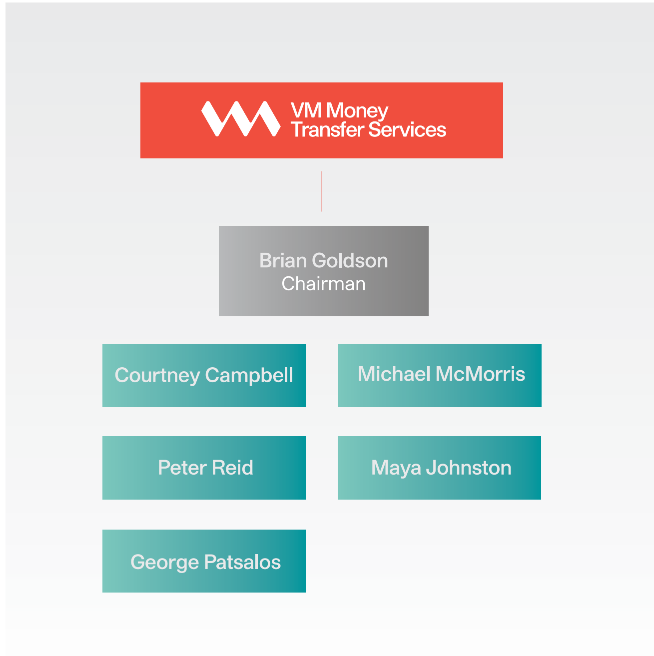
VM Building Society's main purpose is to grant loans and accept deposits, while empowering its Members globally to achieve financial well-being through home ownership and innovative investment solutions.

VM Building Society Board Membership

VM Money Transfer Services Ltd

The purpose of VM Money Transfer Services Ltd is to provide money transfer services between receivers in Jamaica and senders around the world, while empowering communities and strengthening bonds.

VM Money Transfer Board Membership



VM Group **ESG Report**

CONTINUED

VM Investments Ltd and VM Wealth Management Ltd

The purpose of VM Investments Ltd and its wholly owned subsidiary VM Wealth Management Ltd is the provision of stock and investment brokering, the provision of financial and investment advisory services, and money market dealing. These services empower our Members globally to achieve financial well-being through home ownership and innovative investment solutions that are delivered across multiple channels by an expert, caring team.

VM Investments Ltd is listed on the Jamaica Stock Exchange with 20% ownership by the public.

VM Investments and VM Wealth Management Board Membership

VM Investments Limited | VM Wealth Management Limited

Michael McMorris
Chairman

- Phillip Silvera
- Courtney Campbell
- Janice McKenley
- Sandra Shirley-Auxilly
- Matthew Wright
- Noel Hann
- Milton Samuda
- Devon Barrett
- Rezworth Burchenson
- Vikram Dhiman
- Bridget Lewis (VMIL)

VM Pensions Management Ltd

The purpose of VM Pensions Management Ltd is to provide pension administration, investment management and advisory services, and in so doing help companies deliver superior employee value proposition to their staff. Retirement planning and retirement security services are provided for individuals.

VM Pensions Management Board Membership

VM Pensions Management Limited

Michael McAnuff-Jones
Chairman

- Courtney Campbell
- Sandra Shirley-Auxilly
- Rezworth Burchenson
- Devon Barrett
- Glenn Lawrence

VM Finance Ltd

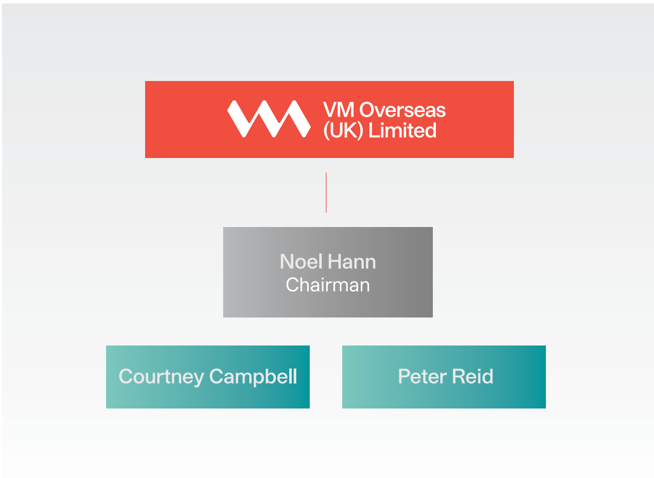
The main objective of VM Finance Ltd is the provision of management services to VM Building Society and specialised lending in the UK.

VM Finance Board Membership

VMBS Overseas (UK)

The main objective of VMBS Overseas (UK) Ltd is the provision of representative management functions, including the provision of assistance with marketing and promotional activities of the business of the VM Building Society in the UK.

VMBS Overseas (UK) Board Membership



Diversity, Equity & Inclusion

Here at VM, we provide a safe and inclusive space for all people. Our Diversity, Equity and Inclusion Policy speaks plainly to the ways in which we foster and tolerate differences within the Group, and 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 in mutual respect which is also codified through our Respectable Workplace Policy. Constant Collaboration leading to innovation and excellence, new ideas, and the ability to pivot easily are skills grounded in the environment we foster.

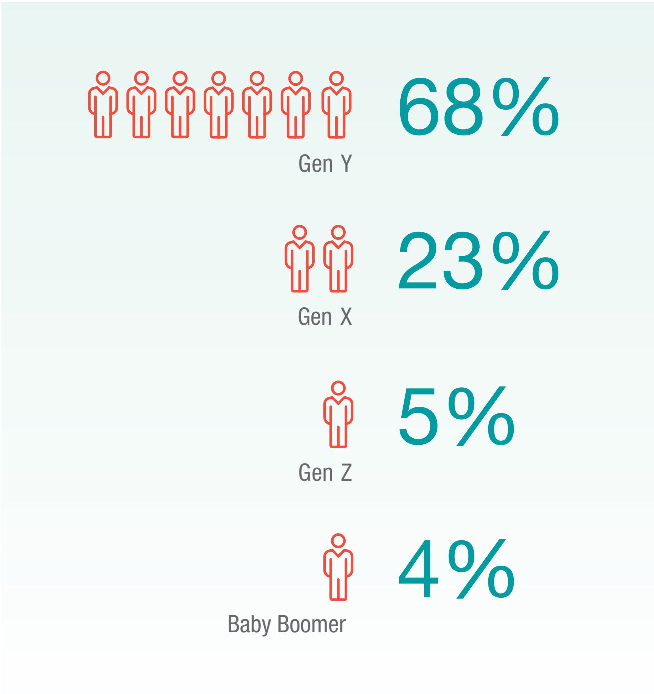
VM Group **ESG Report**

CONTINUED

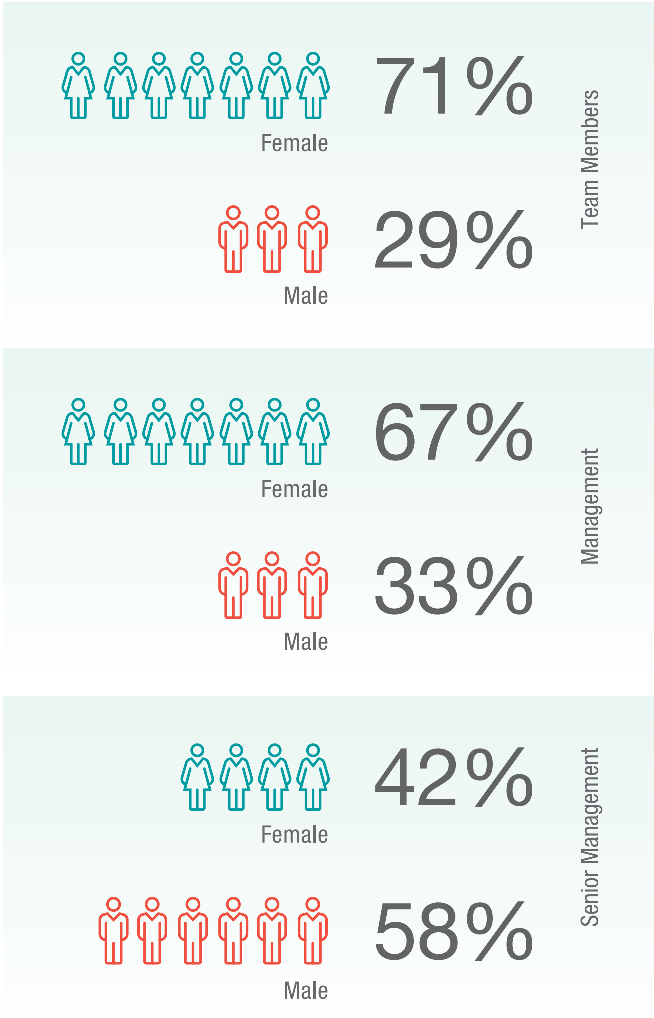
Diversity in Leadership

In 2022, the VM Group continued its efforts to ensure diversity across gender and generations. Additionally, more than 50% of Team Members have tenure over 5 years and this aligns well with the overall Team Member Engagement score of 75% in 2022, well above the global average of 66%.

Team Members by Generational Diversity



Team Members by Gender



Team Members by Employment Tenure

Governance Policies

Code of Business Conduct & Ethics

The VM Group abides by the Code of Business Conduct & Ethics which mandates ethical and professional standards that each Team Member must adhere to. 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

The Group's Whistle-blower 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

Our people are the lifeblood of our organisation. As a mutual organisation, that will always be the case. Throughout 2022, we continued to engage our Members and Clients through several avenues to provide timely and relevant information regarding our products and services. As we seek to be pioneers of financial inclusion, in 2022 we established a Financial Education Hub on our platform which houses information to ensure that our Members, Clients and the general public are given meaningful information which will help inform their financial decision making.

Key engagement activities throughout 2022 included:

- Continuously providing updates through various newsletters, blogs, videos and podcasts.
- Diaspora engagement tours, including our Bank on the Move Initiatives.
- 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.

Additionally, our quarterly customer surveys provide an avenue for our Members and Clients to provide feedback. They are also able to share feedback through our Complaints Management System which was introduced to allow us to rectify any issues our Members and Clients may express they have.

How we Engage our People

The formidable institution that you know as the VM Group would not be what it is without the considerable influence and impact made by our Team Members. They are the integral to the 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 2023, the Group's development programmes continued with 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 the 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

VM Group **ESG Report**

CONTINUED

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.'

How we Engage our Community

Since the VM Foundation was established in 2018, this has been the primary way through which we have engaged with in service to our community. As responsible corporate citizens, our dedication to transforming the lives of the people within our communities is of utmost importance, with over 76,000 lives positively impacted in the last year alone. As a testament to this value of community service being embedded across our organisation, it is notable that our Team Members' contribution to the VM Foundation was over $3.2 million in 2022, an increase of 14% over 2021 and 44% over 2020. Additionally, our Team Members led initiatives demonstrating a sustained dedication to service beyond monetary donations.

The primary areas of the Foundation through which we are able to effect change in our communities are: Leadership and Nation-Building; Health and Family; and Youth Empowerment.

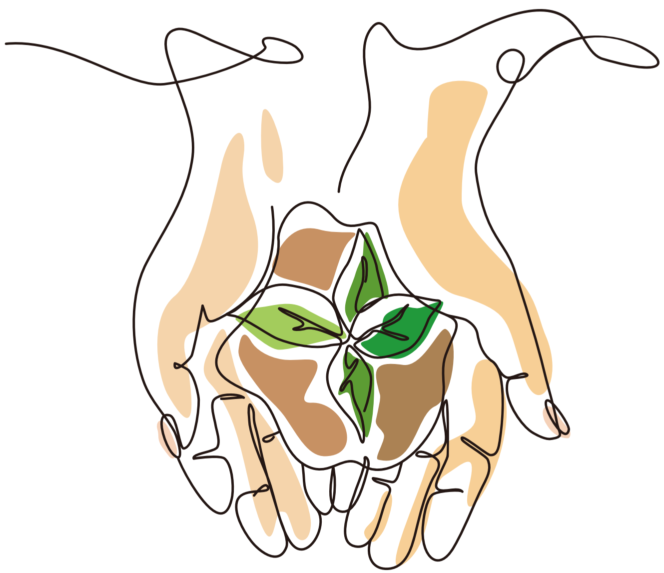
You may find more details on the work of the VM Foundation in the Management Discussion & Analysis.

Environmental Polices & Practices

During 2022, the Group's ESG Policy was approved by the Board of Directors, making the VM Group one of the first institutions to have such a policy locally. Since then, work has begun in earnest to ensure the seamless integration of ESG principles into the Group's strategy, thereby allowing for these principles to be embedded into 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 owing to their operations and investment activities.

The VM Group continues to contribute to the preservation of the environment, through embedding a culture of volunteerism and awareness around ESG principles among Team Members; identifying ways to reduce carbon emissions and implement methods to reduce our impact on the environment, such as implementing recycling initiatives across our locations, deploying energy efficient and motion sensor devices across our physical locations, and investing in projects that are sustainable and align with the vision of the VM Group.



2022 Performance Highlights

Net Surplus
$3.32B
86.09% above previous year

Total Assets increased by
$7.95B
(2.79 %) to $292.42 billion

Revenue Growth by 17.54%
$12.83B

Deposit Portfolio growth 10.28%
$134.79B

$9.28B
9.02% increase in loan portfolio

VM Finance Limited

39% increase in revenue

28% increase in net profit

Loan portfolio of **£53M**

Group President & CEO's **Report**

It is with great pride that I welcome our Valued Members to a new era of operations for the VM Group.

I am excited to share with you the transformational work that your VM Group has been doing and the positive impact it is already making. This Special Report has been created to ensure you have all the information you need as we journey together into this new, exciting phase of our operations. Here, I will share some of the changes that occurred during the 12 months to December 31, 2022, as well as the Group's performance in the context of an operating environment that has become increasingly unpredictable.

During the review period, the VM Group, like many other businesses globally, had to navigate many tough challenges related to the operating environment. Even while the effects of the pandemic waned significantly, businesses still faced challenges as the economic recovery forecast for 2022 was not as robust as many had expected. Additionally, inflationary pressures persisted, liquidity remained tight, interest rates continued to outpace expectations, and the strict guard rails of the regulatory framework remained in place.

Our performance in this uncertain environment brings into focus the VM Group's **people** strengths – the unwavering loyalty of our Members and Clients and the impact of the resilient and Customer Obsessed VM Team **Standing Stronger Together**. It has been my honour to lead this team of caring experts as we worked to help transform the 'everyday' of our Members, Clients, and communities.

Standing Stronger... the Newly Minted VM Group & VM Financial Group

Following the successful brand transformation of the VM Group in 2021, we continued full speed along our **Group Restructuring** journey. We closed the review period with the 'no objection' notification from the Bank of Jamaica, overwhelming endorsement from our Members, and the Supreme Court's seal of approval in hand. For the first time in its history, the VM enterprise was formally established as a financial group of companies, with its mutuality fully intact and housed in the parent company, The VM Group Limited. This became effective February 1, 2023. We are particularly excited about this **new VM Era** because it allows us to continue our aggressive growth path through our diversified financial subsidiaries, while retaining the flexibility to explore new business models and business lines through our non-financial subsidiaries.

The VM Building Society, our licensed deposit-taking institution (DTI) which has for more than 144 years been the 'parent' company, is now standing on its own as the VM Financial Group's proprietary Building Society. With its own Board of Directors chaired by Mr Brian Goldson, and without the obligations of subsidiary ownership, the VM Building Society is now a more focused and agile institution. Mr Michael McMorris, former Chairman of VM Building Society has been appointed Chairman of the mutual holding company, VM Group Limited, as well as the financial holding company, VM Financial Group Limited. The requisite governance structure, comprising new Boards of Directors and relevant Board Committees, has been organised to ensure the most effective strategic oversight.

You will be pleased to know also that our new structure allows the VM Financial Group to raise capital for its subsidiaries, thereby strengthening the Group not just to capitalise on growth prospects in the near and medium terms, but also to build the long-term strength and sustainability of the Group.

Strong Financial Performance

In 2022, VM focused on maintaining excellence in the execution of its planned initiatives, resulting in an improved year-over-year financial performance. We also emerged at the end of this review period stronger, more resilient, and more responsive to our Members and Clients.

These outcomes demonstrate VM's ability to refocus its efforts when necessary and reimagine execution plans as warranted by our changing priorities. With this approach, we were able to mitigate the adverse impact of market-induced triggers on some of our traditional revenue streams, capitalise on additional revenue opportunities, and execute aggressive cost management initiatives.

Accordingly, for the 12 months to December 2022, the VM Group reported **net surplus** of $3.32 billion, 86.09% above the previous year. Included in this result is $1.2 billion from the extinguishment of 15-year dormant deposits, approved by the Bank of Jamaica as part of the Group restructure exercise.

Bolstered by a one-off net gain from the purchase of loan receivables under the NHT Joint Mortgage Financing Programme with VM Building Society, the Group's revenue grew by 17.54% to $12.83 billion. Additionally, our total assets increased by $7.95 billion to $292.42 billion, reflecting strong growth in both on- and off-balance sheet assets.

Our Members and Clients continue to turn to us to assist in funding their investments, as reflected by the 9.02% increase in our loan portfolio and to entrust us with their savings, as our deposit portfolio grew by 10.28% to $134.79 billion.

Global Focus

Our commitment to our Members in the diaspora remained strong as we worked to deliver excellence via our Overseas Operations – New York, Florida, and United Kingdom. Additionally, our UK subsidiary – VM Finance Limited - performed extraordinarily well in 2022 with 39% increase in revenue, 28% increase in net profit and a loan portfolio that sits at £53 million in just over three years of operations. We are particularly pleased with VM Finance's performance and proud that on the merits of its performance and the strength of the VM Group, the business was able to secure a funding line of up to £50 million from NatWest Bank to help engineer its future growth.

Standing Stronger Together... for Our Members & Clients

We recognise that in choosing VM, our Members and Clients place their trust in us, a decision we do not take for granted. Accordingly, we remain singularly focused on providing you with access to transact your business in a

Group President & CEO's **Report**

CONTINUED

manner that works best for you. For example, in 2022, we launched our **Online Service for our Business Clients**, providing our business clients the flexibility to manage their accounts at their convenience; introduced **VMIL IPO Edge platform,** thereby broadening the investment options; and expanded the features offered on our **VM Wealth Client Portal**.

We will continue to listen and respond to your needs and in so doing provide you with an expanded range of products and services, including the six new products launched in 2022. Increasingly our Members and Clients are seeing the VM Group as their full-service financial provider and with the launch of our **suite of credit cards** during the year, this image was further cemented. We also made it easier for you to join the VM family with the **Online Onboarding Light** solution. The pending launch of our **Mortgage Ecosystem** and expanded take-up of our **PropMan** product will complement other initiatives to support our Members' home ownership and home-equity improvement goals.

Jamaicans at home and in the diaspora continue to spread the word about VM, with growth in new Members more than 70% greater than the previous year. Our Member loyalty score remained stable at 52 and the customer satisfaction score across all six dimensions improved to an average of 80%.

While we seek to expand the range of services to our Members, we also worked to improve how efficiently our systems and processes work to ensure that our Members enjoy seamless service. In 2022, we improved or digitalised over 70 processes, including providing our business customers with access to the Automated Clearing House (ACH) to allow them to process bulk payments and payrolls easily.

During the year we completed the renovation of our Market Street, Montego Bay branch, and relocated our Falmouth branch, to optimise the comfort of our Members, Clients, and Team Members. Additionally, our remittance subsidiary opened three new Money Express Stores.

In keeping with our commitment to empower our Members by providing **Financial Education because we care**, we continue to power transformational financial education activities and initiatives. In December, we launched the **VM Financial Education Hub**. We have made this Hub easily accessible on the VM Group's website and loaded it with Member-friendly financial content on a variety of topics such as home ownership, savings, investments, debt management and retirement.

Standing Stronger Together...for Our Team Members

It has been my absolute pleasure in 2022 to have witnessed and shared in the great, purposeful work undertaken by our VM Team. Our organisation's core values and cultural beliefs were on full display. The impact of the operating environment required Team Members to pull out all the stops to achieve our strategic objectives, especially the continued delivery of excellent service. To this end, the Group's flexi-work policy, which has been operating successfully over the past two years, has remained active and relevant in this **new VM Era** and with Team Members delivering on their agreed performance commitments.

The VM Group remained committed to effectively executing its Talent Strategy by attracting, developing, and retaining its mission-critical talent required to build a strong, sustainable organisation. Our **people-based** actions were framed within our Strategic Goal of **Employer of Choice** and delivered through our Talent Management Engagement & Wellbeing, as well as Total Rewards programmes. Coupled with the delivery of these programmes, I am compelled to highlight the future-proofing of our organisation through upskilling and re-skilling the VM workforce. We are excited that through VM Digital University and the continued certification of our Team Members in digital courses, we are on our way to improving VM's digital IQ. The focus on our people remains one of the key pillars of our transformation journey as we move the VM Group from "doing digital to being digital". We believe that these factors are primary contributors to our strong Team Engagement Score of 75% achieved during the period which compares favourably with the regional and global benchmark of 72% and 65% respectively.

Standing Stronger Together... for Our Communities

Throughout our history, we have always had an outward-looking posture focused on building the communities we serve and in 2022, we remained faithful to this commitment. In fact, our corporate social responsibility activities and initiatives through the VM Foundation and otherwise have expanded significantly. This was advanced through the active volunteerism, financial contribution of our Team Members and the building of alliances with loyal VM Foundation partners. During this period, the VM Group, through these projects and programmes positively impacted approximately 76,000 lives. The VM Team remains committed to this cause and will continue to execute in a manner dictated by our drive to transform our communities.

The VM Foundation, in its fifth year of operations, currently manages nine community impact programmes. Among these programmes, we are particularly proud of our new **Land Titling Grant Funding Initiative**. Through this initiative, the VM Group has endorsed Jamaica's growth agenda by helping to accelerate land registration and acknowledges the socio-economic resilience associated with regularised land possession. In 2022, the VM Foundation finalised its agreement with the National Land Agency and is expected to provide grant funding to over 400 beneficiaries over three years who voluntarily seek to register properties for the first time. This initiative will be officially launched in 2023.

Outlook

As we look ahead to 2023, we are confident and excited. We know that by **Standing Stronger Together,** there is nothing that this Team cannot achieve. Your VM will continue to execute with excellence and urgency. We will expand our reach, not only in Jamaica and the diaspora but also to other territories in the Caribbean and Latin America. Finally, the VM Group will continue to create opportunities to build financial inclusion in communities across Jamaica.

Thank You

I offer heartfelt thanks to our Board of Directors and the VM Team for your dedication, support and commitment to the VM Group. To our Members and Clients, thank you for allowing us to walk with you as you journey to financial well-being and reach for your respective goals. Our stories continue to unfold together, and I look forward to many more wonderful and meaningful chapters.

Courtney Campbell
Group President & CEO

LEADERSHIP TEAMS

Group **Executives**

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

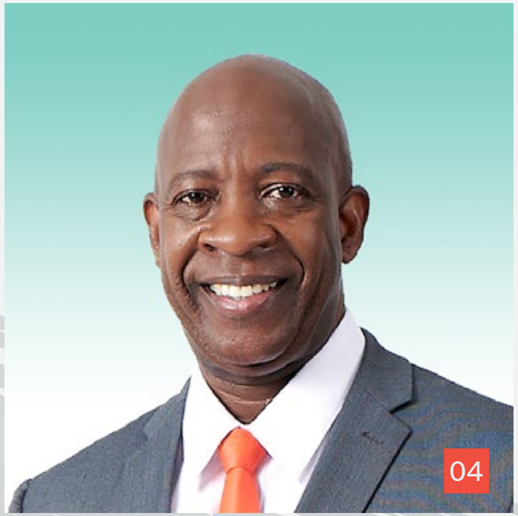
02 **Peter Reid***
BA (Hons)
Chief Executive Officer
Building Society Operations

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

04 **Devon Barrett**
MBA
Group Chief Investment Officer

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

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



*Role changed in 2023.

Group Executives | continued

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

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

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

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

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

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

*Role changed in 2023.

LEADERSHIP TEAMS

Group Executives

CONTINUED

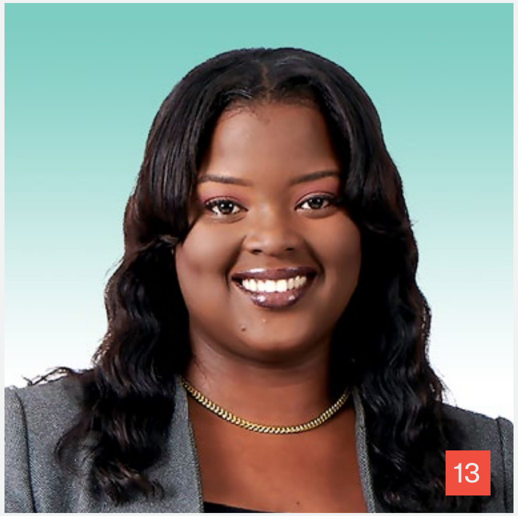
13 **Sheena Wedderburn Reid**
MSc, ITIL, CRISC, CISA
Group Chief Digital Officer

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

15 **Dayton Robinson**
PhD
Group Chief Human Resources Officer

16 **Dalton Richardson**
EMBAI
Group Chief Technology Officer

17 **Maurice Barnes**
MSc (Distinction)
Chief Executive Officer
VM Innovations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LEADERSHIP TEAMS

Senior Leaders with **Group Functions**

01 **Debbie Dunkley**
FCA FCCA, MBA
Vice President
Group Finance

02 **Karlene Waugh**
BSc
Assistant Vice President
Business Operations

03 **Clover Moore**
Assistant Vice President
Group Corporate Affairs and Communications

04 **Adam Harris**
Assistant Vice President
Strategic Investments

05 **Samantha Charles**
Chief Executive Officer
VM Foundation

VM Leadership Team

VM GROUP

LEADERSHIP TEAMS

VM Building Society

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

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

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

04 **Latoya Williams**
Assistant Vice President
Lending Solutions and
Business Banking

05 **Suzette Ramdanie-Linton**
B.Sc., MBA, JP
Assistant Vice President
Branch Distribution

06 **Clive Newman***
MBA, FICB
Assistant Vice President
Credit

07 **Leighton Smith***
MBA, BBA
Chief Representative Officer UK
and Overseas Offices, and
Managing Director VM Finance Limited

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

*Role changed in 2023.

LEADERSHIP TEAMS

VM Wealth Management Ltd

01 **Mr Rezworth Burchenson**
MBA, BSc
Chief Executive Officer

02 **Mr Brian Frazer**
BSc, CFA
Deputy Chief Executive Officer

03 **Mr Dwight Jackson**
MSc
Assistant Vice President
Capital Markets

04 **Mrs Karlene Waugh**
BSc
Assistant Vice President
VM Group, Business Operations

05 **Mrs Evette Bryan**
MBA
Assistant Vice President
Asset Management & Treasury

06 **Mrs Denise Marshall-Miller**
MBA, BBA (Hons)
Senior Manager
Bond, Equity and Digital Asset Trading

VM Wealth Management Ltd | continued

07 **Mrs Tamara Waul-Douglas**
MBA, BA
Senior Manager
Sales & Client Relations

08 **Ms Voniel Wynter**
FCCA, FCA, BBA (Hons)
Manager
Group Finance

09 **Mr Jason Bailey**
MSc, (Dist)
Manager
Risk and Compliance

10 **Mrs Nicole Adamson**
CFA, FRM, CSM, MSc
Manager
Research, Business Planning
& Investor Relations

LEADERSHIP TEAMS

VM Pensions Management

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

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

03 **Judi-Anne Marzouca**
BBA
Manager
Sales

04 **Davie Martin**
MBA
Manager
Asset Management

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

06 **Michelle Smith**
MBA
Assistant Manager
Pensions Administration

*Role changed in 2023.

LEADERSHIP TEAMS

VM Property Services

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

02 **Allison Morgan***
Senior Manager
Sales and Business Support

03 **Jermaine Williamson**
BSc
Senior Valuer

04 **Wheina Nelson**
Commercial Facilities Officer

05 **Marcia Sterling**
Assistant Manager
Sales/Valuation & Office Administration

06 **Wayne Robinson**
Manager
Property

07 **Winston Josephs**
Manager and Qualifying Director Designate | Valuations

*Role changed in 2023.

LEADERSHIP TEAMS

VM Money Transfer Services

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

02 **Rennata Blake**
Senior Business Support Officer

03 **Owen Bruce**
Manager
Business Development

04 **Kayon Morrison-Scott**
Assistant Manager
Compliance

05 **Shelly-Ann Douglas**
Business Network Officer

LEADERSHIP TEAMS

VM Innovations Ltd

01 **Maurice Barnes**
MSc (Distinction)
Chief Executive Officer
VM Innovations

02 **Khary Sharpe**
Manager
Start–up Programme

03 **Matthew Ormsby**
Manager
Innovations & Research

LEADERSHIP TEAMS

VM Finance Limited

01 **Leighton Smith***
MBA, BBA
Managing Director

02 **Andrew Evans***
Head of Lending Services

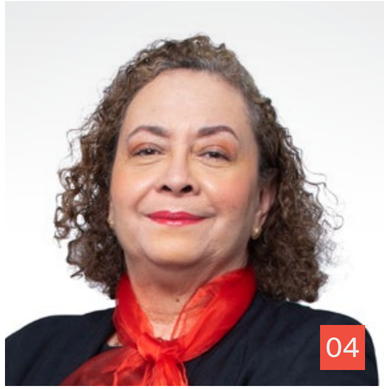
03 **John Wybar**
Relationship Manager

04 **Jane Kerpens-Lee**
Manager
Credit Administration

05 **Saheel Walji**
Assistant Manager
Specialised Lending

06 **Paul Ritchie**
Assistant Manager
Mortgage Brokering

07 **Donna Brown**
Administrative Manager



*Role changed in 2023.

LEADERSHIP TEAMS

Overseas Rep Offices | United Kingdom

01 **Leighton Smith***
MBA, BBA
Chief Representative Officer
United Kingdom

02 **Phyllis Peters**
Operations Officer
Birmingham

03 **Marsha Clarke**
Operations Officer
Brixton

04 **Shelly-Ann Scott**
Operations Officer
Tottenham

05 **Donna Brown**
Operations Manager
UK Representative Offices

*Role changed in 2023.

LEADERSHIP TEAMS

Overseas Rep Offices | Florida

CONTINUED

01 **Suzette Rochester-Lloyd**
Chief Representative Officer
Florida

02 **Beresford Nelson**
Business Development Associate
Florida Representative Office

03 **Gracelin Williams**
Member Services Specialist
Florida Representative Office

04 **Calene Grossett**
Business Support Rep
Florida Representative Office

LEADERSHIP TEAMS

Overseas Rep Offices | New York

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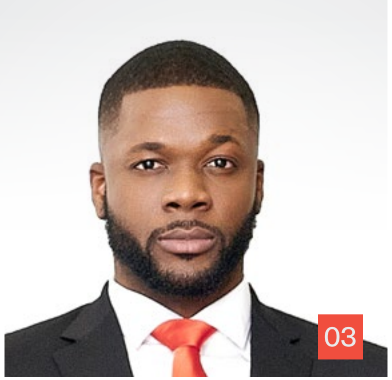


01 **Natasha Service**
Chief Representative Officer
New York

02 **Shawnette Reid**
Customer Service Representative
New York Representative Office

03 **Akeem Grace**
Customer Service Representative
New York Representative Office

04 **Jacqueline Pommells**
Customer Service Representative
New York Representative Office

LEADERSHIP TEAMS

Branch Leadership | Western Region

01 **Erica Robinson**
Branch Manager
Santa Cruz

02 **Andrea Arscott-Allen**
Branch Manager
Fairview

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

04 **Allison Shields**
Branch Manager
Savanna–la–Mar

05 **Sean Taylor**
Branch Manager
Falmouth

06 **Marsden Dennis**
Branch Manager
May Pen

07 **Faithline Campbell**
Branch Manager
Montego Bay

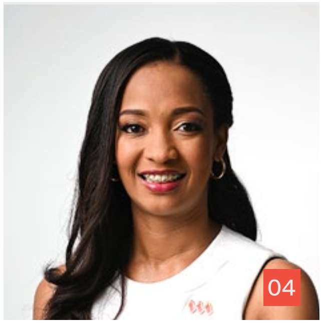
08 **Charmaine McConnell-Taylor**
Branch Manager
Ocho Rios

09 **Peta-Gaye Rodgers**
Acting Branch Manager
Mandeville

*Role changed in 2023.

LEADERSHIP TEAMS

Branch Leadership | Eastern Region



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

02 **Latoya Stewart-Rowe**
Branch Manager
Liguanea

03 **Sasha-Gay Wright-Wilson**
Branch Manager
Spanish Town

04 **Martina Allen**
Acting Branch Manager
New Kingston

05 **Cherese Stewart**
Branch Manager
Linstead

06 **Ruth Oliver**
Branch Manager
Duke Street

07 **Joy Bunting-Pusey**
Branch Manager
Portmore

08 **Ricardo Ellis**
Branch Manager
Half–Way Tree

09 **Tanya McKain**
Branch Manager
University of Technology

MD&A

MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion **& Analysis**

Introduction

The VM Group is a global financial institution with deep roots in Jamaica and a vibrant history of financial inclusion, thus empowering Members to transform their lives. With almost a century and a half of committed service, the VM Group is proudly etched in the landscape. Our people-focused ethos and ambitious vision have helped to fuel our drive to be the heartbeat of the nation.

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 2022.

It highlights the following VM priorities that are framed by our Special Report theme Standing Stronger Together and anchored in our strategic theme of Driving Growth, Innovation and Resilience:

The Discussion & Analysis provides our stakeholders and other readers with an analysis of the performance of the VM Group in 2022 relative to the prior period. It reflects the informed perspective of the Group's Management and provides context for our Audited Financial Statements, including the Notes of Financial Statements. Additionally, our Discussion and Analysis includes a brief, forward-looking segment that focuses on VM Group's goals and initiatives for the upcoming year. That takes into consideration economic conditions, industry indicators, market trends, and their anticipated impact on the various aspects of our business.

In this section, we will give our readers insight into our primary focus for the remainder of the 2023 strategic planning cycle.

The Operating Environment

The global and local economies faced significant challenges throughout 2022. Those setbacks were primarily due to the prevalence of the highly contagious Omicron variant of the novel coronavirus; geopolitical conflict; escalating inflation; and the tightening of global financial positions. The year, however, provided a silver lining in the pandemic cloud as the virus waned in several regions. The upshot: Improved supply-chain logistics and revived crossregional trade as containment measures were loosened or abandoned as businesses reclaimed lost economic ground.

The Global Economy

The global economy has been navigating some of the most difficult conditions it has seen since the 2008 financial crisis. The International Monetary Fund (IMF) identified the Russian invasion of Ukraine and the economic slowdown of one of the leading global producers, China, as influential forces of pressure in 2022. The Russian invasion destabilised the global economy by sparking a severe energy crisis that triggered the quadrupling of oil prices compared to 2021 levels.

However, as Russia was sanctioned by the G7 and COVID-19 restrictions were reinforced in China, demand diminished, and oil prices began stabilising in Q3 2022. The conflict also resulted in food insecurity within several regions, causing commodity prices to spiral.

Management Discussion & Analysis

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Consequently, a third of the global economy suffered consecutive quarters of contractions. Inflation was projected to peak a a 70-year high, and aggressive monetary policy has been adopted to tame inflation.

Despite those economic headwinds, the VM Group leveraged opportunities to grow and improve efficiency, executing strategies to cushion economic and social shocks that emerged during the financial year.

In the sections that follow, we summarise the major economic and other developments that occurred during the financial year in the various countries/regions in which we operate and how we managed to contain those effects.

Key Economic Indicators by Country – Actual & Forecast

Country	Variable	2020	2021	2022E	2023F	2024F
Jamaica	GDP Growth Rate(%)	-10.00	4.60	3.20	2.00	1.20
	BOJ Policy Rate (%)	0.50	2.50	7.00	7.50	6.75
	Debt-to-GDP (%)	94.80	109.70	96.30	88.00	81.00
	Inflation Rate (%)	5.21	7.30	9.35	6.50	5.31
	Unemployment Rate (%)	7.61	8.35	6.30	7.10	6.50
	Net International Reserves (US $M)	3,130.79	4,000.77	3,978.00	4,250.00	3,980.00
Barbados	GDP Growth Rate(%)	-13.50	-0.30	10.00	4.80	2.10
	CBB Policy Rate (%)	2.00	2.00	2.00	2.00	2.00
	Debt-to-GDP (%)	137.20	137.90	126.90	124.00	122.70
	Inflation Rate (%)	3.00	3.00	8.80	7.30	5.90
	Unemployment Rate (%)	13.60	10.90	9.30	9.70	8.40
	Gross Reserves (US $M)	2,660.70	3,058.80	2,805.90	3,270.00	3,100.00
USA	GDP Growth Rate(%)	-2.80	5.90	1.90	0.50	1.60
	Fed Funds Rate (%)	0.25	0.25	4.50	5.25	4.75
	Inflation Rate (%)	1.36	7.04	6.50	3.50	2.00
	Unemployment Rate (%)	6.70	3.90	3.50	4.20	3.80

Sources: Ministry of Finance and the Public Service, Bank of Jamaica, Statistical Institute of Jamaica, Central Bank of Barbados, Barbados Statistical Services, Bloomberg, World Bank, US Bureau of Labour Statistics, Analyst Estimates (E) Estimate (F) Forecast

Jamaica

The gradual decline in COVID-19 cases resulted in the withdrawal of the Disaster Risk Management Act (DRMA) during Q1 2022, which contributed to increased tourist arrivals, extended business hours, and the reopening of the long-hibernating entertainment sector.

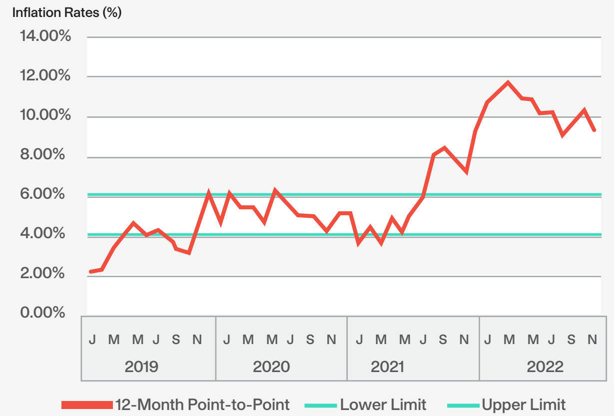
Following the 4.60% year-over-year growth in 2021, the domestic economy enjoyed uninterrupted quarters of expansion in 2022, thus lowering recession expectations for the local economy. The economy expanded 5.90% year-over-year in Q3 2022, primarily driven by the services industry. The 'Hotels and Restaurants' sector experienced double-digit growth, which helped to offset the contraction in the 'Mining and Quarrying' industry.

% Contributions to GDP Growth

The expanded economy boosted the domestic labour market, with the unemployment rate reaching an historic low of 6.00% in April 2022, before inching up to 6.60% in July 2022. Wholesale and Retail Trade was the main contributor, followed by Agriculture, Forestry and Fishing, Construction, and Accommodation and Food Services.

Inflation remained relatively high in the domestic economy, having peaked at 11.79% in April 2022. The main driver of this higher-than-planned inflation was the volatility in oil and fuel price, stemming primarily from the Russia-Ukraine conflict.

12-Month Inflation and Interest Rate



Movement in Inflation rate Relative to Target – Jamaica

In response to these monthly breaches throughout 2022, the Bank of Jamaica (BOJ), like other central banks globally, increased its policy rate. In the local economy, the BOJ hiked rates seven times, adding 450 basis points to the Overnight Rate, which ended the year at 7.00%. Feeding off BOJ's actions, market interest rates climbed, impacting yields on floating bonds and coupons on variable rate loans. The lagged impact of these rate increases marginally tempered the domestic inflation rate, which ended the year at 9.35%.

The stock of international reserves, which ended the year at US$3.98 billion, was within the IMF's 100% to 150% Assessing Reserve Adequacy (ARA) standard for emerging market economies and exceeded the 12-week international benchmark. The BOJ utilised these reserves to intervene 26 times in the foreign exchange market, injecting US$747.98 million. These interventions helped to reduce the volatility of the local currency as the Jamaican dollar appreciated 1.96% year-over-year against its US counterpart. The rebound in the tourism sector contributed to increased jobs, but at an opportunity cost of lower remittance inflows due to more 'cash-in-hand' transfers. Net remittances fell 1.99% year-to-date at the end of November 2022, when compared to the prior year, but the BOJ remains optimistic that remittances will exceed the US$3-billion mark in 2023.

The Government of Jamaica (GOJ) successfully lowered the debt-to-GDP ratio from 109.70% in FY 2020/21 to 96.30% in FY 2021/22. Though faced with interest rate, inflation rate and foreign exchange risks to its existing stock of debt, the uptick in tax revenue, ongoing local borrowing, and a supplementary revision to the Budget positively impacted the GOJ's fiscal account. These economic gains, as well as the recovery of the overall economy, resulted in the S&P Global Ratings affirming the 'B+' Long-Term Foreign and Local Currency Issuer Default Rating (IDR), with a 'Stable' outlook. Additionally, Jamaica and the IMF reached a US$1.70-billion agreement under the Resilience and Sustainability Facility (RSF) and Precautionary and Liquidity Line (PLL) to support Jamaica's climate-change strategy and offer insurance against growth-related downside risks, respectively.

Industry Overview

The local financial sector faced various challenges in 2022 arising from shocks to the global economy and domestic inflation-fighting monetary policies. However, with financial institutions adequately capitalised and liquid to withstand external shocks, the sector preserved its stability and enabled deposit-taking institutions (DTIs) to continue functioning profitably. The assessment of the industry's stability by the BOJ yielded mixed results. The leverage ratio (August 2022) for DTIs was above the requirement of 6.00% at 8.00%; the maturity transformation risk metric (June 2022) decreased by 1.30%, indicating lower mismatches between assets and liabilities; the 17.40% increase in liquidity transformation metric (June 2022) signalled liquidity issues for the sector because of a disproportionate decline in liquid assets relative to short-term liabilities held by DTIs and securities dealers. The BOJ's Building Societies' Balance Sheet, as at the end of November 2022, indicated total assets valued at $193.72 billion, a 5.16% year-over-year increase, driven primarily by 8.83% in mortgage loans; capital and reserves were $25.48 billion, a 4.10% decline year-over-year and a 13.60% increase in savings funds year-over-year. Despite the growth in mortgage loans, there was lower household debt relative to overall growth in assets, resulting in a reduction of DTIs' exposure to households, but the ratio of household past-due loans to total household loans increased by 3.60%. Additionally, in the face of a downturn in macro-financial conditions as signalled by the increased macro financial index from 27.00 in Q1 2022 to 33.00 in Q2 2022, there was a marginal increase in financial earnings and profitability of DTIs with increased Return on Assets (ROA) to 0.60%

Barbados:

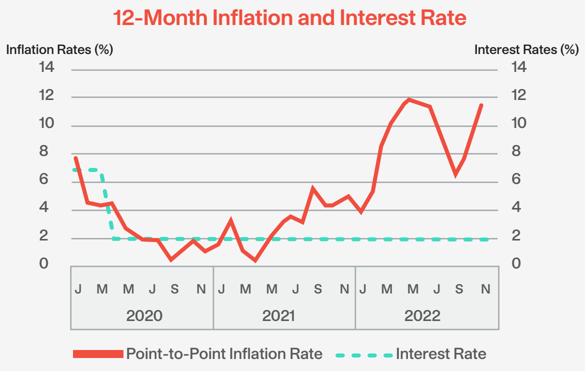
The Barbados economy continued its post-pandemic recovery in 2022, buoyed largely by the expansion of the tourism sector. The preliminary 10.00% year-over-year growth at the end 2022 compares favourably to the 0.30% contraction recorded in 2021. The increased economic activity, whil remaining below pre-pandemic output, resulted in a single-digit unemployment rate in 2022. In Q3 2022, the unemployment rate fell to 7.10%, from the 12.40% recorded in the same period in 2021, with notable job gains in the tourism, wholesale and retail trade, and construction industries.

The external economic environment impacted the non-tourism sectors through product scarcity and elevated

Management Discussion & Analysis

CONTINUED

prices. Increases in international oil prices contributed to the point-to-point inflation rate peaking at 11.87% in May 2022, before experiencing a decline. During H1 2022, international oil and commodity prices slowed, which positively impacted the domestic rate of inflation, accompanied by strategies for lowering prices by the government and the private sector. However, the inflation rate spiked again in November 2022 to 11.26%.



Movement in Inflation rate relative to target - Barbados

The Central Bank of Barbados (CBB) kept the benchmark interest rate constant at 2.00% during 2022 amid upward price pressures. Nonetheless, the financial industry remained robust. As capital buffers further improved in 2022, utilisation of the loan moratoria programme declined, as did non-performing loans (NPLs). The NPL ratio also fell. Social and economic recovery efforts supported banks and non-bank financial institutions, boosting capital positions and financial performance during 2022.

Elevated international prices, as well as reduced external borrowings from multinational sources, reduced the stock of international reserves to US$2.77 billion at year-end 2022. The impact was softened by foreign-currency revenue from the tourism sector and the international business sector.

The government of Barbados maintained a fiscal surplus for the first half of the current FY 2022/2023, which reduced the requirement for borrowing. The main financial transaction done in 2022 was the Dutch Auction, where the government purchased up to US$70 million of its outstanding BARBAD 6.50% 2029 notes. Barbados was later approved by the IMF for another Extended Fund Facility (EFF). Following several years of ratings downgrades, due to the selective default in 2018, Fitch Ratings assigned a 'B' rating with a stable outlook to Barbados. The upgrade, though still not reaching investment grade, is expected to alleviate the costs of borrowing for those operating in Barbados.

Latin America & Caribbean (LAC) Region:

As the LAC continued to recover from the effects of the pandemic, the growth in the regional GDP is projected higher-than-expected at 3.90% in 2022 due to higher commodity prices. The impact of the pandemic will persist in the region, especially as it battles higher poverty levels, global uncertainty, and inflationary pressures, resulting interest rate increases. Accordingly, as of January 2023, the IMF has projected lower levels of growth - 1.80% and 2.10% in 2023 and 2024, respectively.

Efforts to accelerate the reduction in monetary poverty, which declined to 28.50% in 2022 but remained high, are being made by addressing the rising educational and health crises, as well as climate change and its risk of more frequent catastrophic natural disasters. It is estimated that, by 2023, approximately 17 million people will be displaced from their homes because of a lack of clean water and exposure to flooding and excessive heat. The region has, therefore, seen increased climate financing from entities such as the Caribbean Catastrophic Risk Insurance Facility (CCRIF), which provides parametric insurance for Caribbean member countries that experience natural disasters.

United States

The US realised real GDP growth at an annual rate of 2.90% in Q4 of 2022, down from the 3.20% recorded at the end of Q3 2022. The Q4 increase was mainly a reflection of increased private inventory investment, consumer spending and federal government spending, which was offset by decreases in residential fixed investment and exports. Real GDP for 2022 saw a point-to-point increase of 2.10%, a slowing compared to the 5.90% expansion in 2021. Reduced supply, rising demand, as well as increased oil prices and manufacturing costs caused inflation to peak at 9.06% in June 2022 before decelerating to 6.50% at the end of 2022. To combat this 40-year-high inflation rate, US Federal Reserve (Fed) Federal Open Market Committee (FOMC) implemented restrictive monetary policy to pull back inflation to the 2.00% target. These robust policy decisions resulted in the US Fed ending 2022 with its seventh rate hike with a Federal Funds Rate range of 4.25% - 4.50%, the highest range since December 2007.

The Fed continued to reduce holdings of Treasury securities, agency mortgage-backed securities (MBS), and agency debt. For the period June to August 2022, Treasury securities, agency debt, and MBS were $30 billion and $17.5 billion per calendar month, respectively, and then doubled to $60 billion and $35 billion per month, respectively, from September 2022 onwards. The US 10-year Treasury yield commenced the year at 1.77% and ended December 2022 at 3.87%. The consecutive increases in the yields reflected the increased inflationary pressures as well as the interest rate hikes made by the Fed throughout the year. Additionally, the spread between the 2-year and 10-year yields first inverted in early July and remained so for the remainder of the year. This is indicative of a short-run economic downturn and has been used as a signal that preceded the last seven recessions. The US stock market saw its worst performance since 2008 with all three major indices closed 2022 lower at declines of 19.44%, 8.78%, and 33.10% for the S&P 500 (SPX), the Dow Jones Industrial Average (DJIA) and the Nasdaq Composite (NASDAQ), respectively.

The job market continued to strengthen with the unemployment rate down to 3.50%. The number of unemployed persons was 5.7 million in December and the number of long-term unemployed persons fell to 1.1 million as at December 2022.

United Kingdom

In 2022, the UK, like other developed economies, felt the harsh impacts of COVID-19 and the Russia-Ukraine war on its inflation and interest rates and, subsequently, on overall economic activity during 2022. Driven by housing and household services, food and non-alcoholic beverages, and transportation, the point-to-point inflation rate exceeded the Bank of England's (BOE) 2% target for the 12 months of 2022, peaking in October at 11.09%, then declined marginally to 10.51% at year-end 2022. To combat this breach, the BOE Monetary Policy Committee (MPC), by way of eight rate hikes, added a total of 325 basis points to the bank rate, with a year-end outcome of 3.50% This aggressive posture is expected to continue in 2023.

As interest rates and the inflation rate increased, mortgage rates spiked and savings for deposits dwindled, which lowered housing demand. Reduced housing demand resulted in slower annual property price growth for 4 consecutive months at the end of 2022. The number of approved mortgages by mortgage banks and building societies also experienced a decline to an estimated 35,000 in December 2022, the lowest level since January 2009, excluding the pandemic lockdown periods.

The UK unemployment rate did not experience a drastic increase in 2022, as it returned to pre-pandemic rates and vacancies remained at historically high levels. The unemployment rate remained relatively steady at 3.80% during H1 2022, before falling to 3.70% for the period September to November. Even as the labour market remained tight, the UK economy contracted during 2022, reflecting a 0.30% decline in GDP growth for the third quarter. Real GDP is estimated to be 0.08% lower in Q3 2022 than pre-pandemic level. Compounding the effects of external shocks were the upheavals in the government bond (Gilts) and currency markets due to the new fiscal mini budget announced in September 2022. To stem the sell-off of Gilts and restore Gilts prices, the BOE bought long-dated Gilts and postponed the commencement of its quantitative tightening programme, which helped to reduce the 10-year yield to 3.67% at year-end 2022.

Management Discussion **& Analysis**

CONTINUED

Economic Outlook

The past year was marred by elevated inflation, rising interest rates, and choppy stock markets. While many analysts have formed a consensus on the likelihood of a US, UK, and Eurozone recession in 2023, central banks and governments remain optimistic of a soft landing and a short slowdown. The World Bank expects global growth to slow from an estimated 2.90% in 2022 to 1.70% in 2023, which is the weakest rate since 2001, outside of the 2008 global financial crisis and the COVID-19-induced recession. Global inflation, which is expected to have already peaked in 2022, is projected to slow to 6.50% in 2023 and 4.10% in 2024. The pullback in inflation is expected to be driven by the lagged impacts of hawkish central banks, reduced consumer demand, and improved supply conditions.

Despite this decline, central banks internationally are expected to continue the series of rate hikes, but at a slower pace, before pivoting as early as Q4 2023.

Locally, the impacts of the COVID-19 pandemic have started to wane but possible fallouts in our key source markets pose downside risks to the economy for 2023. Slowdowns in these markets, namely the US, Canada and the UK, are likely to shrink remittance inflows through formal channels, reduce export earnings and lower foreign direct investments (FDI). Nevertheless, Jamaica is expected to return to pre-pandemic capacity in 2023, on the premise that government revenue will remain buoyant, allowing the administration to maintain its debt-reduction strategy. The tourism and construction sectors should continue to be the primary drivers of employment and interest rates are anticipated to further rise across the market. NIR is also projected to remain healthy and within the ARA benchmark of 100%-150%.

Domestic inflation is projected to pull back to the BOJ's 4% to 6% target by late 2023, and as international inflation cools, Jamaica's balance of payments is expected to improve in 2023. Due to a lower import bill, elevated interest rates are not expected to significantly increase loan defaults in 2023, but DTIs should remain cautious.

The capital market space is expected to remain active in 2023, mainly with new and additional public offers, as companies seek to raise capital to fund business opportunities. Private corporate bond offerings are also expected to remain upbeat, despite the increase in the cost of borrowing. The JSE Main Market index is expected to see marginal improvement over 2022 and the Junior Market is expected to outperform the Main Market given its composition of growth stocks.

The macro-financial index is constructed to reflect the influences of the financial sector, the real sector, the private sector, the public sector, and the external sector on bank soundness. Higher values of the index signal a worsening in macroeconomic conditions relative to a defined tranquil period.

MD&A

Risk Management

Approach and Governance

Effective risk management is fundamental to the business activities of the VM Group as it supports the delivery of our strategic objectives and the sustainable growth of our organization. While we remain committed to increasing member value by developing and expanding our business within our board-determined risk appetite, we are mindful of achieving this objective in line with the interests of all stakeholders.

We face business uncertainties frequently, however through a structured approach to risk management, we are able to proactively respond to, mitigate and manage these risks and embrace opportunities as they arise. The Group recognizes the importance of cultivating and embedding risk awareness into its culture and as such has integrated risk management into our business and decision-making processes, including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control, and day-to-day operations.

Risk Review Process for Investment Decisions

- VMG requires an independent, multi-disciplinary review of any investment proposal. Independent risk appraisal by Group Risk Management is part of the investment review process.
- Group Risk Management ensures a detailed project risk assessment is carried out for each investment project.
- Detailed checklists and worksheets are used to identify risks, formulate mitigation measures, and assess risk levels.
- Material risks and associated mitigations are highlighted and discussed at the Asset and Liability Committee, chaired by the CFO.

Risk Management Integrated with Internal Control Systems

- VMG has designed and implemented adequate internal control mechanisms to ensure that operations are functioning, efficient and in compliance with the strategy. The President & CEO, supported by the Management Team, is responsible to ensure that the group operates in accordance with the agreed and defined principles, follows laws and regulations, and reacts towards identified exceptions and takes adequate corrective actions.
- The financial reporting and information given to the management is reliable, sufficient, and timely
- Applicable laws and regulations as well as the company's internal instructions and ethical values are complied with at the VM Group

Risk Management in the Business Planning Process

- As part of the annual business planning process, business units are required to identify all material risks that may impact the delivery of their business strategy and objectives. Overarching strategic risks to the Group are also reviewed. Identified risks are evaluated on the same set of risk criteria as the quarterly risk review process and plans to mitigate the identified risks are developed.

Our risk management processes have continued to improve throughout the year with the implementation of the revised ERM Framework, which was derived from COSO's framework 'Enterprise Risk Management – Integrating with Strategy and Performance'.

At a strategic level, the group continuously seeks to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite The Group continues to focus significant attention on the implementation of Basel II/III, and to this end we have participated in several workshops conducted by the Bank of Jamaica.

Executive management remained closely involved in important risk management initiatives, which have focused particularly on preserving appropriate levels of liquidity and capital, and effectively managing the risk portfolios.

Management of Risk

The Group's approach to risk management is based on well-established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. Our robust risk management framework to effectively prioritize and manage risk within our risk appetite levels. An overview of the Group's risk management governance structure along with the key responsibilities within it is outlined in the diagram below.

MD&A

Risk Management

CONTINUED

Board of Directors

The Board has overall responsibility to ensure that appropriate risk management and internal control systems, designed to identify, manage, and mitigate risks which may impact the achievement of the Group's objectives are in place. The Board also ensure an appropriate risk appetite has been set and consider how the Group's longer-term viability may be impacted by the crystallization of one or more of these risks.

Audit Committee

Responsibility has been delegated by the Board to provide structured and systematic oversight of the Group's risk management and internal control systems. They review and monitor the effectiveness of the Group's risk management and internal control systems throughout the year. The function provides independent assurance to the VM Group Board and its Business Units, Senior Management Team on the quality and effectiveness of the VM Group's internal controls, risk management and governance processes.

Group Finance and Risk Management Committee (GFRMC)

Responsibility for implementing an integrated approach to risk management across the Group and ensuring its effectiveness is consistent with the strategic risk appetite of the Group including oversight of the Asset/Liability Committee, the Credit Committee, the Executive Risk Management Committee, and the Group Risk Function and report to VM Board. The GFRMC is also tasked with overseeing the implementation and management of the Group's ERM framework, risk appetite, policies and procedures, and roles and responsibilities.

Executive Risk Management Committee (ERMC)

Executive management is responsible for the effective operation of internal controls designed to manage and mitigate the material risks and uncertainties. The 3LOA model ensures accountability for risk management is embedded into processes and procedures. The ERMC also provides direct and ongoing oversight and support for the overall risk management framework by designing and executing the ERM programme while establishing a sound risk awareness culture.

Three Lines of Accountability

1 First Line

Business Unit Management teams of each entity are responsible and accountable for the ongoing management of risks including the identification, assessment, management, and reporting of risk

2 Second Line

The Group Risk Management and Compliance function ensures the first line is operating as designed, manage performance reviews, internal control verifications and facilitate risk assessments. These functions establish relevant Group-wide policies, standards, procedures, and guidelines and oversee the risk and control activities of business units relevant to their respective functions.

3 Third Line

Group Internal Audit function with other external assurance providers perform reviews which give independent assurance over the operation of the risk management framework, system of internal controls, and governance processes.

Management of Risk

During the year, the Group Finance and Risk Management Committee and the Board considered the Group's material risks in the context of our risk appetite and our approach is to minimise exposure to strategic, financial, compliance and operational risk, while accepting and recognizing a risk and reward trade-off in pursuit of our strategic objectives.

While there has been no significant change in the material risks in the last year, the Group operates in a dynamic environment where risks continue to evolve, and the Group continues to develop mitigation measures to address them. Each of the Group's top 12 risks is assigned an executive owner who is responsible for ensuring mitigating actions sufficient to bring risks to within the agreed appetite and the 3LOA model ensures that these mitigations and internal controls are embedded and operate effectively throughout the Group.

MD&A

Risk Management

CONTINUED

Material Risk and Uncertainties – Financial

Credit Risk

Description	Impact	How We Manage the 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. **Risk Trend:**	Increased exposure at default (EAD) arising from lending and related banking product activities. Poor asset quality, which reduces the profitability of the group.	▶ 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. ▶ Default management and recovery procedures in place.

Market and Treasury Risk

Description	Impact	How We Manage the Risk
The risk that portfolios will not meet their investment objectives due to liquidity, foreign exchange, interest rate and counterparty risks. Risk Trend:	Failure to manage these risks could negatively impact on the financial performance of the Group.	▶ Actively manages all treasury risks through cashflow forecasts, foreign currency exposure, and management of interest rate and counterparty risk. ▶ Regular independent investment risk reviews and analysis of portfolio risks across all asset classes and strategies (including market, liquidity, and credit counterparty). ▶ Reviewing liquidity, maintaining investment grade credit ratings, and preserving an adequate capital structure. ▶ Investment policy, restrictions, limits, and guidelines. ▶ Stress testing and scenario analysis.

Material Risk and Uncertainties – Operational

Information Systems and Cybersecurity

Description

The risk of financial or reputational loss or inability to deliver services and products due to computer hardware or software unauthorised access, use, disclosure, disruption, modification, or destruction of organisational data and/or systems.

Risk Trend: Risk has increased

Impact

A successful cyberattack, internal breach or other systems failure could result in theft, misappropriation of critical assets and/ or personal data and disruption to core business operations. This could result in a significant customer, financial, reputational and/or regulatory impact for the Group.

How We Manage the Risk

- An appropriate governance structure is in place, including an Executive Information Security Management Committee.
- Regular system performance monitoring, active capacity planning, maintenance, and drills (including disaster recovery).
- Introducing Group-wide cybersecurity policies and standards with appropriate controls, technologies, and practices at all levels, while cultivating a cyber resilience culture across the Group.
- Employees receive regular online cybersecurity training and ongoing awareness is promoted through monthly phishing training and other initiatives to keep employees abreast of new and emerging threats.
- Ongoing penetration testing and consultation with cybersecurity specialists
- Business continuity, disaster recovery and crisis management plans are in place and are tested on a regular basis.

MD&A

Risk Management

CONTINUED

Material Risk and Uncertainties – Operational

People and Talent Management

Description

The ability to attract, develop, engage, and retain a diverse, talented and capable workforce is critical if the Group is to continue to compete and grow effectively.

Risk Trend: Risk is unchanged

Impact

A failure to effectively manage talent, plan for leadership succession, and adapt to an evolving workplace environment driven by external factors may impede the realisation of the Group's strategic objectives.

How We Manage the Risk

- Employee engagement surveys to support retention.
- Succession planning to develop or attract talent for sustainable growth.
- Performance management processes to help develop and grow talent.
- The Group's approach to talent management and executive succession planning is regularly reviewed by the Group Executive Team.

Health, Safety and Security

Description

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.

Risk Trend: Risk has decreased

Impact

A significant safety incident could expose the Group to legal liability, and/or significant costs and damage the Group's reputation.

How We Manage the Risk

- A strong health and safety culture has been driven by management and employees at all levels.
- Staff well-being townhall meetings and increased leadership focus on communication and employee welfare, with regular staff surveys and feedback mechanisms in place.
- A robust health & safety management system is in place across all sites requiring employees to complete formal health & safety training (relevant to their role) at regular intervals. All locations are also subject to regular health & safety audits by Group Health & Safety Department and external assurance providers.

Material Risk and Uncertainties – Operational

Delivery, Execution and Process Management

Description	Impact	How We Manage the Risk
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. **Risk Trend:** Risk has increased		▸ Documented management framework to manage policies and procedures. ▸ Optimise the centralisation of business services and processes. ▸ Effective business continuity management. ▸ Process improvements introduced through various POWs. ▸ Complaint management system to track customer dissatisfaction. ▸ Automated workflows and robust system for exception reporting. ▸ Enhanced controls and procedures and strengthening operational resilience.

Material Risk and Uncertainties – Strategic

Market Dynamics

Description	Impact	How We Manage the Risk
The risk that the Group's products and solutions do not meet client preferences. This includes changing client needs, fee structures, and asset classes. **Risk Trend:** Risk is unchanged	If the Group does not make optimal strategic investment decisions, then opportunities for growth and improved margin could be missed.	▸ 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 lifecycle.

MD&A

Risk Management

CONTINUED

Material Risk and Uncertainties – Strategic

Project Execution

Description

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.

Risk Trend: Risk has decreased

Impact

Failure to manage projects can impact the Group's reputation, project cost overruns, project schedule delays, demotivation of the project team, and sustainability risk to the Group.

How We Manage the Risk

- 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.

Material Risk and Uncertainties – Compliance

Delivery, Execution and Process Management

Description

The risk that the Group will not be able to respond effectively to regulatory change or comply with relevant laws and regulations in locally and internationally.

Risk Trend: Risk is unchanged

Impact

Failure to effectively manage these risks could result in sanctions, fines, and reputational damage.

How We Manage the Risk

- 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)

Outlook

The Risk Management function, along with business units, will continue to monitor global and local risk trends, intelligence from risk organisations and lessons learnt. Ongoing development work to progress the risk culture will include webinars, training sessions and workshops to ensure that employees' knowledge, confidence, and awareness of risk are strengthened at all levels.

Framework reviews, a risk maturity review, and training will remain a focal point of risk activity throughout 2023, enabling all risk owners to confidently identify emerging threats and opportunities and manage these as effectively as possible.

MD&A

Our Overall **Performance**

VM GROUP

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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 the operating environment, the VM Group closed the second full year of its three-year strategic cycle with strong financial performance. That's testament to the Group's focused effort and firm commitment to excellence. During this period, it was necessary to focus on effective execution not only to counter the unrelenting challenges of the operating environment, but also to secure a strong footing on which to engineer success in the final year of this cycle. Accordingly, we executed across the Group, a portfolio of initiatives that are designed to deliver value to our Members and Clients, energise our Team Members, accelerate diversified business growth, while building a nimble, robust and resilient organisation. Effective execution of these initiatives has borne fruit, yielding strong financial outcomes.

During the review period, our Members and Clients continued to turn to us to finance their homes and other assets. As such, in 2022, loan portfolio grew by 9.02% to $112.12 billion. We also retained our 4th-place rank in the industry based on loan portfolio. We also grew our assets under management by $510.2 million to $92.72 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 $7.95 billion to $292.42 billion, bolstering our revenue growth by 17.5% to $12.83 billion, demonstrating our continued effective use of our assets to generate income. Our overall effort to build a **Strong Integrated Group** was a direct result of the growth in our individual business lines.

During this period, our businesses outside of Jamaica did well as we continued to support our Members and Clients in the diaspora in achieving financial well-being. VM Finance, our subsidiary operating out of the United Kingdom, reported net profit of £1.387 million, representing 37.85% above prior year. Meanwhile, the contribution of our Strategic Alliance, Carilend Barbados, continued to outperform its target. Year-over-year increases were also realised for our overseas representations in the United Kingdom, United States, and Canada, with total mortgage disbursements of more than £3.3 million, US$8.5 million, CAN$4.7 million, respectively. A combined total of J$840 million was used to assist Jamaicans and 'Friends of Jamaica' living in the diaspora to purchase properties in Jamaica. We also continued to support the Jamaican diaspora in their pursuit of financial well-being by facilitating the opening of more than 2,600 new accounts through our overseas operations in the UK, USA, and Canada.

The Real Estate Sales Team sold or rented, on behalf of our Members and Clients, 157 properties with a combined value of $2.2 billion, and appraised 671 properties valued at $18.4 billion. The Team also generated a 50.9% increase in revenue from their project management business line. As Members continue to utilise our VMBS Money Transfer Services to remit funds to their accounts at VM and elsewhere, their business conducted with us engineered an 18.33% increase in remittance transactions for the 12 months to December 2022. The number of direct-to-bank transactions improved by 34.23% over the same period.

The VM Group's Brand is Transformed

In 2021, the VM Group achieved undoubtably one of its most significant accomplishments for the review period with the transformation of its brand image, executing on schedule and coinciding with Members' Month in November. This **Brand Transformation** repositioned the VM Group as a Strong, Integrated Group providing a diversified suite of solutions at the same excellent standard at which it has for years delivered in the mortgage market. The new brand elements, including new logos for the Group and its subsidiaries, a new colour scheme and tagline, were successfully rolled out. The final phases were completed in 2022.

The new tagline **'Transform Your Everyday'** reflects the myriad ways in which the VM Group is able to support our Members and Clients as well as prospects to achieve their goals. 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 at home and overseas.

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Our Overall **Performance**

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The VM Group is Restructured

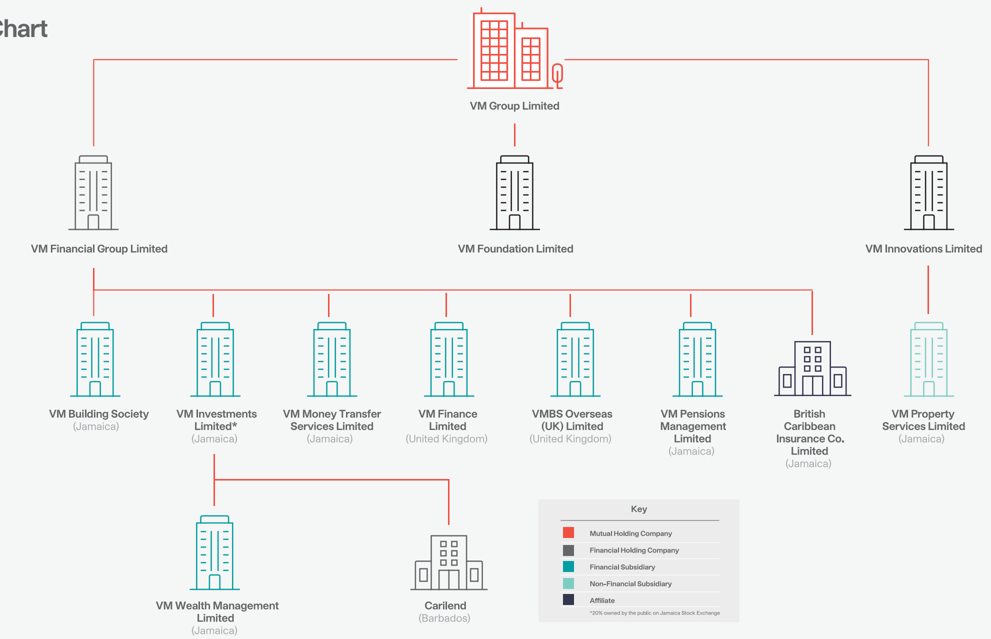
In 2021, the VM Group began the process to formally restructure its operations. The primary reasons for this undertaking were two fold: to ensure compliance with the Banking Services Act; and to provide more latitude in the opportunities the organisation is able to take advantage of, without constraints associated with VMBS's capital restrictions, and, in the case of the subsidiaries, being limited to providing at least 50% of service activities to the parent VMBS. Between 2021 and 2022, significant milestones were achieved in this initiative, including a crucial no-objection to the restructure by the Bank of Jamaica; VMBS Members and VMIL Clients voting for resolution for the Group restructuring; and the Supreme Court granting the order approving the Scheme of Arrangement for the reorganisation of the VM Group.

Effective February 1, 2023, the VM Group Limited and VM Financial Group were formally incorporated, legally formalising the establishment of these separate entities.

Further, the VM Financial Group Board of Directors ratified the documentation in support of the application to the BOJ for the licence for the financial holding company.

To this extent, the VM Group is now poised to execute on its regional expansion plans as part of its long-term growth strategy.

Group **Organisational Chart**



The VM Group is Recognised for Transforming Lives

In 2022, the VM Group continued to transform its business model through the continued 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 being recognised externally and in 2022, the VM Group copped a few international awards.

We were recognised:

- In The European, a UK publication as:

Best Bank for Sustainable Finance Jamaica 2022

Best Sustainable Caribbean Investment Manager 2022

Best Real Estate Investment Solutions Team Jamaica 2022

- At the Global Banking & Finance Awards as

Best CSR Company 2022

While we appreciate being recognised internationally, we will remain focused on fulfilling our purpose as we seek to **drive growth, innovation, and resilience.**

MD&A

Standing Stronger Together for our **Members & Clients**

The strategies implemented by the VM Group during 2022 underpinned our commitment to transform the 'everyday' of our Members and Clients, both at home and overseas. By so doing, the Group ensures 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 our Members and Clients with excellent service delivery, providing financial 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 and multiple avenues for feedback.

Providing Financial Solutions

In 2022, as part of our philosophy of being customer obsessed, we continued to focus on developing financial solutions that work best for our Members and Clients and are aligned to their needs.

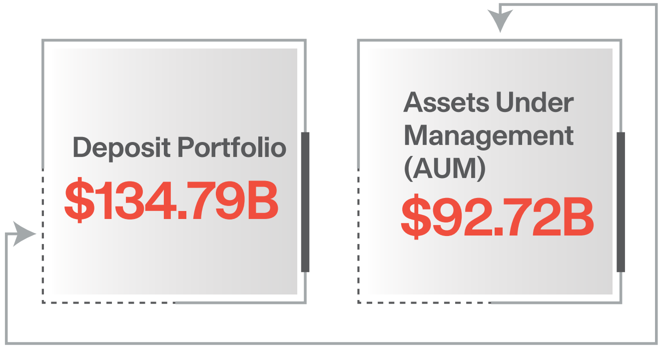
In pursuit of this objective, we improved our product and service offerings, both in terms of relevance with additional features and range in terms of new products.

To this end, in 2022, the Group launched six additional products and services, including our **International Credit Card** designed to provide our Members and Clients with the capability to access funds to conduct their business using our platforms. That innovation improved the nimbleness with which Members and Clients can respond to changes in their environment.

We also enhanced the VM Investments Limited Client Management Portal which broadens the pool of services offered to our Clients via that medium. This gives Clients greater access to the management of the funds and to assess the status of their portfolios being managed on their behalf. We also launched three additional pension investment portfolios which offer our Clients more expansive ways of investing in their pensions. These services are the **ARS Property Moderator, Pooled International Equity, Pooled Private Equity & ARS Real Estate** portfolios.

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. Accordingly, 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) and a DBJ Credit Enhancement Facility (CEF), which was launched in 2022. The CEF represents a new opportunity for our corporate customers to access additional funding. 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 growth in both our deposit portfolio and Assets Under Management (AUM) to $134.79B and $92.72B, respectively.



Providing Financial Education Because We Care

The financial solutions provided in 2022 were coupled with a comprehensive and robust programme of Financial Education initiatives. This was on full display in 2022 as we hosted a series of events targeting our communities both locally and globally.

Our portfolio of financial education activities included:

- Webinars such as VMBS' Making Moves, VMWM's Wealth Talks, VMPM's Future Forward series.
- Podcasts, for example WealthWise and VMPM's Debunked, as well as daily market updates.
- Insight newsletters that covered topics such as Investing in Cryptocurrency, Women in Investments, NFTs, Surviving Inflation in 2022 as well as The Power of ESG Investing.
- A Financial Web hub was also launched in December 2022. This is a consolidated Group financial education space that includes access to articles, videos, and support tools.
- The Annual Post Budget Forum on March 9 at the TVJ studios where our panellists shared their views on the economic landscape (Dr Damien King) and influence of crime (Prof Anthony Harriott). The event was advertised on both on traditional and digital media with special invite being shared to the diaspora in VM Rep Offices in the US.

The VM Group also capitalised on other opportunities to share financial education by publishing articles in the local newspapers, for example, **Special purpose acquisition corporations and Is there a silver lining to inflation?**

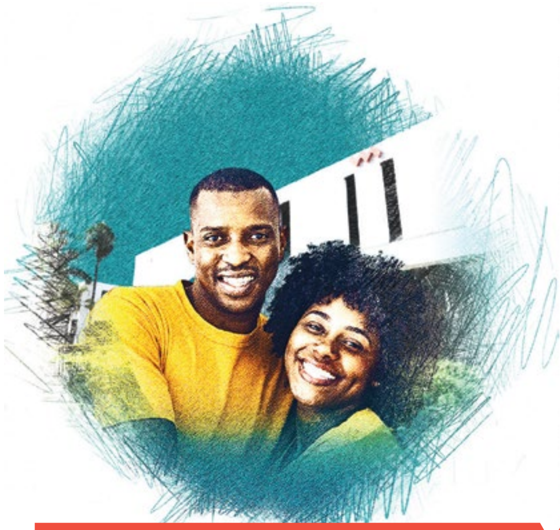
Listening to our Members and Clients

Listening to our Members and Clients remained a priority for us at the VM Group. Accordingly, during 2022, we actively encouraged this 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 2022, 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, to provide us with feedback on our efforts to serve them, as well as to recommend changes.

Additionally, we continued to hear from our Members and Clients by way of our contact-free feedback options such as our quarterly Net Promoter Score (NPS) and Customer Service surveys, as well as our Complaint Management Portal that records, monitors, reports, and analyses all complaints received from Members and Clients across the Group. This capability helped our Team to better understand service areas that we need to improve and customer pain points across the Group. That feedback informs the various strategies or initiatives required to respond to Members' and Clients' needs. 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, thereby improving the quality of our service delivery. For the review period, the Team achieved a complaint resolution of 98.61%. Coupled with these efforts are our ongoing campaigns and awareness initiatives that encourage our Members and Clients to enjoy the ease and convenience of our online and alternative channels.

The Group remains resolute in ensuring that Members and Clients have an exceptional experience. Therefore, we continue to focus on identifying and resolving gaps in our service delivery as well as any processes that may contribute to inefficiencies.

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, and our trustworthiness surpassed both target and prior years. These survey outcomes represent important temperature checks as we continue to listen and respond to Members and Clients and to capitalise on opportunities to convert their recommendations into service enhancements.



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Standing Stronger Together for our **Members & Clients**

CONTINUED

A Digital Transformation

Our vision to become a digitally transformed organisation remains a priority for the VM Group, fuelling the thrust for digitalisation of our processes, products, and services.

The VM Group took important steps in 2022 in advancing our efforts of becoming digitally transformed. Our vision of becoming a Modern Mutual: Relevant and integrated – digitally transformed by 2023 – is on the cusp of becoming a reality. Our aim is to ensure our digital strategy supports our corporate goals for growth and efficiency. We intend to do this by driving exceptional customer experience at all digital touchpoints.

In 2022, we focused on innovating and developing new digital products as well as establishing new digital business models within the Group. Our energy and drive for improving our internal processes and building the digital capabilities in the organization, such as improved decision-making through the use of data analytics and building digital skills and a digital culture to ensure business transformation, was even more fervent.

Enhancing the Digital Experience of our Members

The experience of our Members at our digital channels is extremely important to us. Continued digitalisation of our products and services, as well as the introduction of new digital channels, was high priority. Some key successful launches include:

- **Client Management System Wealth Online Phase 2** which providednew features for clients, giving them greater visibility and access to the details of their Settlement & Investment Accounts and Account details.
- **International Credit Cards** – Two consumer international credit card products were launched to our members.
- **Business Banking Application for Corporate Clients** Online banking capabilities were extended to business customers. This facilitated our business customers to manage user access levers, soft token app and performing transactions such as wires, bill payments, and bulk payments.
- **PropMan** – A solution for strata and community management to address the needs of property managers, proprietor, tenants, and regulators. An innovative, full-service digital property management platform developed and powered by our very own fintech arm VM innovations and, of course, delivered through our property services arm of the VM Group, VM Property Services.

Impending launches for 2023 include our Group Online Onboarding solution that will deliver the full omnichannel experience to our Members/Customers, enabling them to remotely onboard through any device with the option of being onboarded for services from any entity in the Group. As at December 2022 the Implementation rate for all planned digital activities was 96.4%. We should be hitting our target of 90%. The utilisation of our services by members is also quite encouraging. Approximately 78.53% of our transacting Members are actively using our digital channels.

Our focus on digitalising our internal processes gained momentum as enhancements were made to key processes that impact service delivery to our members and clients. Notable mentions include an expansion of our Financial Management System and our ACH capabilities, which were further leveraged to improve services. Localised digital solutions were also implemented using our O365 solution suite and these solutions were geared at improving productivity and internal efficiencies for our team. Our Continuous Improvement Programme (CIP), led by a cross-functional team dedicated to enhancing VM Group's processes was also expanded providing optimised processes through automation for Team Members across the Group.

Enhancing the Digital Capabilities of our People and the Organisation

The fostering of a digital culture and the upskilling of our people are critical for the growth of the digital IQ of the organisation. Our focus on our people remains one of the key pillars of our transformation and is the primary path to move the VM Group from “doing digital to being digital”. As such, we continued the expansion of our internal groupwide training programme, VM Digital U, and continued our certification programme for our Team in digital courses across the domains of Agile, Design Thinking and Data Analytics, as well as courses for the Group’s digital collaboration platform, the world leading Office 365 solution. The use of these digital capabilities and tools has allowed us to use existing resources more productively and has impacted key metrics and performance indicators across the Group. Significant advancements were also made with respect to the provision and consumption of data to drive decision-making. We are also well on our way in the development of a Business Intelligence portfolio. In the coming year, we will be adding to that portfolio, the use of analytics to assess the quality of the organisation’s data, and the further development of customer segmentation analytics to assist our corporate projects in taking a more targeted approach to product delivery.

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Standing Stronger Together for **Team Members**

VM Group aims to attract, develop, motivate, and retain top talent. This is guided by our Strategic Goal of Employer of Choice and promulgated through our Talent Management Programme, Engagement & Wellbeing Programmes, and our Total Rewards Framework. To future-proof the workplace and the work force there is a major focus on upskilling and re-skilling the VM workforce.

Talent Management

The VM Group's 2022 Talent Management programmes were designed to ensure greater alignment of People Management Strategy to Business Strategy. This requires that we remain relevant to meet the talent demands of the VM Group and our mission was to ensure that our Team continued to operate as caring experts, with fortified capabilities to take on specialised, expanded and/or new roles. Our accelerated development programme was fully implemented, and more Team Members were provided with experienced based learning across the organisation at different levels.

"Building the Bench Strength of our Second Tier Leadership" was a major initiative for 2022 and to support this initiative, we reviewed our competency framework; embarked on international coaching certification for some of our leaders and introduced another international leadership training programme.

Change Management and Culture of Accountability

The Change Management function of the VM Group was embedded in all our organisational transformational change and programme management activities. The function ensured that we were agile in managing Team Members', Members', Customers' and Clients' experiences at all change touchpoints. Throughout 2022, we remained purposeful in the alignment of the VM Group's digital roadmap and transformation programme with our change management and culture frameworks. Our inaugural Culture Change Symposium was launched in June 2022 with positive reviews on the timeliness and relevance of the programme. The symposium created a seismic shift for the attendees in how change and culture were viewed and positioned both as critical components to the success of the VM Group.

Our Culture of Accountability Programme and its integration activities continued in 2022 with the completion of a Culture Audit, Leadership Meetings, Vertical Team Meetings and Executive Coaching. Using the culture language and tools remained pivotal to the success of building a result-focused culture.

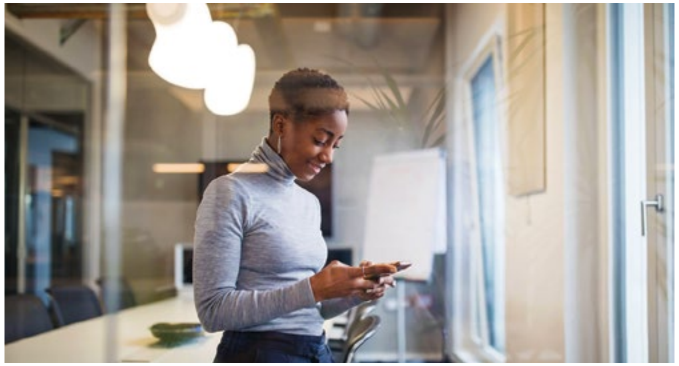
Team Member Well-being, Wellness and Engagement

The total well-being of the Team Member including mental well-being was given priority focus as our Team Members managed the changing workplace requirements while balancing work life. This required flexibility and thoughtfulness from Leaders and fellow Team Members. Included in our wellness programmes for 2022 was a resumption of physical activities to support physical well-being, using both in presence and virtual participation and a partnership with a major local gym "Express Fitness".

Total Rewards

Our Total Rewards Framework recognizes the value of the total Team Member experience as the basis for a compelling Team Member Value Proposition aligned with attaining our strategic goals – **Strong Integrated Group, Employer of Choice, Modern Mutual and Empowered Members.** The framework reflects a focus on business results; individual performance, contribution, and accountability; Team Member Well-being and Development. Our compensation philosophy is guided by business conditions, ability to pay, market competitiveness and external conditions. Emphasis is placed on performance-based pay aligned with embedding a high-performance culture.

Our Talent Management Programme has been integrated with our Total Rewards Framework to support talent acquisition, development, and retention. To support a high-performance culture, a review was done of the group surplus share component of our incentive plan. This was approved for implementation in 2023. We will continue the Total Rewards Framework as part of the talent acquisition and retention programme with a focus on specific initiatives that include the continuation of our variable pay structures for our Sales and Revenue Teams, cost reduction incentives and productivity incentive schemes for Sales Support & Other Support Roles.



Digitally Transforming the Lives of our People

Aligned with the VM Group's Digital Transformation is the Group Human Resources digital transformation agenda aimed at providing a digital workplace that drives Growth, Innovation & Resilience while simultaneously maximizing our Total Team Member experience. In 2022 we introduced the Group HR Chatbot, an after-service thermometer, and the VM Staff Loan App. Additionally, the activities surrounding the acquisition and implementation of a Human Resources Management System was at an advanced stage in 2022. In house activities geared at exploiting technologies were high on the agenda as we utilized technology to improve efficiencies.

We are also well on our way in the development of a Business Intelligence portfolio. In the upcoming year, we will be adding to that portfolio, the use of analytics to assess the quality of the organisation's data, and the further development of customer segmentation analytics to assist our corporate projects in taking a more targeted approach to product delivery.

We therefore believe that the 83% participation level in our Team Engagement survey as well as the survey score of 75% both indicate that our Team Members continue to respond well to the Group's efforts. Our Engagement Score for 2022 outperformed regional and global benchmarks.

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Standing Stronger Together for our **Communities**

Improving Quality of Life through the VM Foundation

The VM Foundation has officially entered its fifth year of impact, having grown exponentially since it was launched in 2018. As the Foundation pauses to acknowledge the over 76,000 lives transformed over the last year of growth, and the quality of impact delivered, the VM Foundation is also grateful for the renewed opportunity to serve and uplift the lives of Jamaicans globally. As the philanthropic arm of the VM Group, the VM Foundation is keen on actively pursuing the goals of the VM Group in the work that it does and integrating Members and Team Members in its activities. Indeed, their participation is integral to the Foundation's success. It is through this success that the Foundation is able to contribute to accelerating the achievement of the VM Group's Strategic Goals.

Team Member Volunteerism

n 2022, over $3.2M was collected in Team Member donations, which was a 14% increase over donations received in 2021, and approximately 44% more than the 2020 figure. Also, the VM Foundation supported 20 Team Member-led initiatives during the period under review. This consistent support from our Team Members can only be interpreted as a testament to the renewed endorsement of the VM Foundation as a major change agent in Jamaica.

VM Foundation Projects, Initiatives and Activities

The VM Foundation continued to witness growth in 2022, through the successful staging of several initiatives, grants, and donations, cumulatively mpacting over 76,000 lives. Capitalising on the success of the widescale rebranding and revitalisation of several of its programmes in 2021, the Foundation was able to cover more ground in 2022 - through extending several networks and partnerships, engaging new partners, and launching new programmes.

- **Adopt-a-Clinic** - The VM Foundation is proud to be recognised as one of the first entities to establish a long-term partnership with the Ministry of Health & Wellness through the Adopt-a-Clinic Programme. Having "adopted" the St Jago Park Health Centre in 2019 and renewed the partnership for another 3 years in 2022. The VM Foundation commemorated Parents' Month in November 2022 through the staging of the inaugural Financial Wellness and Parenting Expo at the St. Jago Park Health Centre.
- **Women's Centre of Jamaica Foundation** - The VM Foundation expanded its reach to engage and support the Women's Centre of Jamaica Foundation and its programmes for young mothers. In addition, the Foundation conducted financial education sessions for the benefit of the students and awarded gift certificates valued at $15,000 each to four mothers.
- **Positive Parenting Video Series** - The VM Foundation has continued its annual tradition of producing a Parenting Series for Parents' Month in November.

"For the Mommies Powered by VM Foundation" was a three-part series where the experts shared on a range of issues to include the psychological effects that expectations of mothering and motherhood have on mothers and other issues.

- **National Leadership Prayer Breakfast Charity Initiative** - The VM Group is a long-time supporter of the National Leadership Prayer Breakfast (NLPB) event. This is arguably thefirst major national event on the country's calendar. As the philanthropic arm of the Group, the VM Foundation supports the charity initiative of the NLPB. In 2022, through a combination of direct support from the Foundation and donations collected at the event, $750,000.00 was donated towards the Clifton Boys' Home Remedial Education Programme.

- **Land Titling Grant Funding initiative** - 2022 marked a further endorsement of the nation's growth agenda through the acceleration of land registration. The VM Foundation finalised its agreement with the National Land Agency that will see the Foundation providing grant funding to applicants who voluntarily seek to register land for the first time. The Foundation acknowledges the socio-economic resilience associated with regularized land possession and is pleased with the opportunity to assist over 400 beneficiaries over three years in registering titles for their land. The Foundation will provide $30 million in funding to assist applicants in offsetting costs to survey their land- as is required in the land titling process. To date, the VM Foundation has made the first payment of $4 million, in accordance with the agreement signed with the National Land Agency.

- **VM Ignite** - In a revitalised partnership with the Waltham Park New Testament Church of God, the University of Technology and Shortwood Teachers' College, this 9-week course focuses on the holistic development of students and seeks to fill gaps that may have been left in their socialisation and regular course of study.

- **VM UpLift** - has sponsored the St James Under-13 Football Competition for over 30 years. The VM Foundation's role in this programme has since matured, and has been rebranded as VM UpLift, focusing on instilling values of honesty, teamwork, and discipline, and providing advice and guidance on career choices.

- **VM Scholars** - The digitisation of the application platform for the Foundation's scholarship programme, VM Scholars, has contributed to a substantial increase in the number of applicants by 55% from 139 in 2021 to 215 in 2022. In 2022, the VM Foundation provided a record $6 million in new scholarships and over $3 million in recurring scholarships. Furthermore, two additional bursary categories were introduced. To date, over 1600 students have been impacted through the scholarship programme.

- **VM EnRich** - previously, the Social Enterprise in Secondary Schools Programme, coordinated by the British Council, has become VM Enrich – a programme that engages secondary school students in social enterprise, and encourages the development of 21st-century skills including communication, problem solving, and financial literacy. The programme rewards the innovation and ingenuity of youth, who are encouraged to identify a social or environmental issue and develop a business model around a solution to the issue.

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Standing Stronger Together for our **Communities**

CONTINUED

Looking Ahead:

The VM Foundation Transforming Lives in 2023 and beyond

The VM Foundation is shifting into an even higher gear as it embarks on its fifth year of life-transforming activities under a new strategy. For the period 2023 to 2027, the VM Foundation will prioritise three areas of focus - Youth Development, Community Development and Parenting. The Foundation's 2023-2027 Strategic Plan focuses on strategic philanthropy, symbolising the Foundation's alignment with the overarching goals of the VM Group.

Youth Development

- The roadmap for 2023 sees the Foundation maintaining a steady path toward Youth Development through VM Ignite, **VM EnRich, VM UpLift, VM Scholars,** and USAID-funded Project Impact, each prioritising a distinct area of youth transformation.

- The annual scholarship programme, VM Scholars, targets students in secondary and tertiary institutions, and invites applications during the April to June period. The initiative includes five categories of scholarships:

    - **PEP Bursary** – ($60,000.00)
    - **Junior Plan** – ($60,000.00)
    - **Future Plan** – ($450,000.00)
    - **STEM** - ($450,000.00)
    - **Master Plan** – ($450,000.00)

- The VM Foundation will continue its support of the Child Resiliency Programme, which in 2022, established an in-school model at the Mountain View Primary School in addition to its community-based model in Boys Town. Together, both models engage 85 youth.

Community Development

- Under Community Development focus area, the VM Foundation distributes small grants in multiple areas, including Team Member-led initiatives. Team Members will also be involved in a new project which will identify community leaders seeking support in creating change.

Parenting

- Under the umbrella of parenting, the VM Foundation has reinforced its commitment to helping Jamaicans experience increased financial literacy and parenting skills. In doing so, the Foundation plans to include quarterly financial education sessions as part of its outreach to the St Jago Park Health Centre, and stage another Financial Wellness Expo to coincide with Parents' Month.

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Group **Financial Performance**

The Group remains robust despite the global economic challenges, with total assets of $292.42 billion growing by $7.95 billion over 2021. This increase was primarily as a result of growth in the loan portfolio.

The loan portfolio at the end of the year totalled $112.12 billion up from $102.84 billion in 2021. Net of repayments and redemptions, the loan book grew by $9.28 billion of which disbursements totalled $25.68 billion, offset by repayments of $16.4 billion.

Included in Other Assets, the Margin Loans portfolio experienced a 54.84% growth standing at $5.47 billion compared to $3.53 billion in 2021.

Funding

The depositors and customers of the Group continue to recognise the value of our services, which resulted in the $12.56 billion or 10.28% increase in the deposit portfolio to $134.79 billion. The Group continued to develop and implement strategies to retain and increase funding from members and customers by way of savings and repurchase agreements

Capital & Reserve

The Group's total Capital & Reserves fell from $22.67 billion in 2021 to $22.51 billion in 2022. The global economic climate of high inflation and measures implemented in the form of increases in interest rates by central banks both locally and internationally, had a negative impact on Global Bond and local equity prices, which saw a sharp decline in the fair-value of investment securities and the Investment Valuation Reserve by $2.81 billion. The Society continues to transfer 100% of Net Surplus to capital after allocation is made to the Credit Facility Reserve. In 2022, $701.95 million was transferred to the Retained Earnings Reserve, and $123.87 million to the Reserve Fund. Additionally, $1.2 billion representing 15-year dormant balances, was transferred to the Retained Earnings Reserve via the Income Statement. See note 28 (ii).

Operating Results

The Group recorded a Net Surplus of $3.32 billion for the year ended December 31, 2022 compared to $1.79 billion for 2021. The surplus is inclusive of the Society's share of profits in BCIC totalling $105.5 million.

Also included in these results is the amount of $1.2 billion representing the extinguishment of 15-year dormant deposits. See note 28 (ii)

Group Summary of Results ($'000's)

	2022	2021
Net Interest Income	5,833,042	5,725,648
Net Fee & Commission Income	2,090,274	1,721,088
Other Operating Revenue	4,905,841	3,467,992
Total Operating Revenue	12,829,157	10,914,728
Operating Expenses	9,990,863	8,953,697
Operating Surplus	2,838,294	1,961,031
Extinguishment of dormant deposits	1,200,000	-
Share of Profits of Associate	105,500	320,810
Surplus before Income Tax	4,143,794	2,281,841
Income Tax	819,669	495,572
Surplus after Income Tax	3,324,125	1,786,269

Total Operating Revenue

Total Operating Revenue comprises net interest income, net fee and commission income and other operating revenue.

Total Operating Revenue totalled $12.83 billion representing an increase of $1.91 billion or 17.54% over the 2021. Net interest income accounted for 45.47% of total operating revenue, down from 52.46% in 2021. Net fee and commission income accounted for 16.29%, up from 15.77%% in the previous year.

Other operating revenue accounted for 38.24% and largely included gain on settlement of balance with Specialised financial institution of $1.82 billion, $1.18 billion from foreign exchange trading, gains on investment activities of $863.04 million and gains on disposal of property, plant and equipment $373.69 million.

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Group **Financial Performance**

CONTINUED

Operating Expenses

Operating Expenses, comprising personnel costs, impairment charge on financial assets, depreciation and amortisation, and other operating expenses, increased by 11.6% or $1.04 billion, to $9.99 billion. This was driven mainly by staff cost increase of $856.93 million which constituted inflationary increase as well as the continued Talent Management programmes, to ensure the talent demands are met, with staff taking on specialised, expanded and or new roles through training and development.

Of note is that despite the negative effects of the pandemic, the VM experience with our loan quality ratio (LQR), places us among the best in the industry, with 1.95% compared with the industry average LQR of 2.9%, as reported by the Bank of Jamaica. This had a major contribution to the reduction in the year-over-year Impairment Losses of $432.68 million.

Other operating expenses increased year-over-year by $533.49 million. Significant contributor was the increase in consultancy and other and professional fees by $196 million, attributable mainly to the legal fees paid by VM Finance in negotiating the £30M funding line with NatWest Bank. Additionally, computer maintenance expenses increased by $96.64 million, as we continue to upgrade the systems to improve our customer experience and exceed their expectations.

Operating Expenses
2022
$9.99B

Net Surplus
2022
$3.32B

Total Operating Revenue
2022
$12.83B

Key Performance Indicators

The return on average total assets was 1.08%, up from 1% for 2021. At the end of the 2022 financial year, the ratio of capital and reserves to total assets was 11.27%, compared to 11.79% in the prior year.

Net Interest Margin, which measures net interest income as a percentage of mean assets, decreased from 3.84% in 2021 to 3.49% in 2022.

The Cost to Income ratio increased from 79.03% in 2021 to 80.01% in 2022.

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Our Business Lines

The business of the VM Group is structured to deliver solutions to our Members and Clients at all stages of their lives. The discussion and analysis that follow reflect the performance of these business lines during 2022 and are reported under the umbrella of the respective subsidiaries that form the VM Financial Group, i.e., VM Building Society, VM Finance Limited, VM Investments Limited, VMBS Money Transfer Services, and VM Pensions Management Limited.

VM Building Society

The VM Group's proprietary building society - VM Building Society's strategies executed in 2022 were underpinned by our mission of empowering our Members globally to achieve financial independence by providing them with innovative financial solutions and excellent service delivery. This approach to support our Members is steeped in Mutuality, embracing and reinforcing 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 are met. The report that follows highlights the financial performance of the VM Building Society and the supporting projects and initiatives implemented during 2022.

Performance Highlights from 2022

For the 12 months to December 31, 2022, the VM Building Society reported pre-tax surplus of $3,141.62 million, more than 277% higher than the previous year. This strong performance was driven primarily by a 20.47% improvement in total operating revenue, with increases in all of the major categories (Net Interest Income, Fees & Commissions and Other Income). The growth in 'Other Income' is primarily attributable to gains from the sale of a loan portfolio with the National Housing Trust (NHT) under its Joint Mortgage Financing Programme. Loan income was the dominant contributor to Net Interest Income, accounting for almost 80% and propelled by an almost $11-billion increase in loans. This is further evidence of our commitment to supporting our financial aspirations. Our deposit portfolio also grew by over $12 billion as our Members continue to trust us with their savings funds.

Included in these results is the amount of $1.2 billion representing the extinguishment of 15-year dormant deposits. See note 28 (ii).

VM Building Society Key Financial Highlights

Financial Indicators	2022	2021	2020
Pre-Tax Surplus ($M)	3,141.62	832.59	3,167.93
After-Tax Surplus ($M)	2,644.71	729.94	2,014.90
Total Assets ($B)	168.35	160.47	139.37
Total Loans ($B)	102.61	91.86	73.43
Deposit Liabilities ($B)	135.56	123.13	105.89
Net Interest Margin	3.64%	3.99%	4.18%
Cost to Income Ratio	83.28%	88.67%	64.21%
Capital Adequacy Ratio	14.84%	15.42%	17.81%

In 2022, we invested in additional capital goods in an effort to increase, improve, or support the services we provide for our Members and Clients. Consequently, depreciation and amortisation-related charges grew by 8.6% relative to the previous year. Our efforts to grow revenue and effectively manage our costs resulted in an improved Cost-to-Income Ratio of 83.28%.

The continued growth in our business, reflected in 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,

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Our Business Lines

CONTINUED

as the Capital Adequacy Ratio closed the year at 14.84%. That achievement exceeded the regulatory required minimum threshold of 10%.

Additionally, despite our aggressive growth in loans, 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 processes.

Our Members' Savings Fund

At the centre of our deposit-growth strategy is the continued focus on Relationship Management. That pillar ensures that the needs of our Members are met at all life stages, providing them with the tools required to grow and manage their wealth and consolidate their overall financial well-being. The suite of products and services available to our Members includes special savings products such as our flagship product **iSave for Home geared towards home ownership.**

The VM Team is extremely pleased that for the financial year 2022, our Members continued to entrust to us their savings funds. The VM Building Society remains committed to honouring this trust every day. This is evident in the $16.2-billion growth in Members' Savings and the resultant growth in market share relative to 2021. The positive trajectory in both portfolio and market share is particularly encouraging given the tightened deposit market.

We however do not take for granted the gains we have made during the year and will continue to monitor Member satisfaction. Additional opportunities are being provided to facilitate Member feedback and to ensure timely responses.

Funding Our Members' Investments

Sustaining the financial well-being of Members and Clients underpins our efforts to deliver convenient and speedy loan application and disbursement processes and throughout all our other touchpoints (branch network, iABMs, online banking, Member engagement). We are committed to ongoing process improvements to make it easier for our Members to do transactions. Given that mandate, our loan portfolio grew to $102.61 billion, up from $91.86 billion in December 2021. This almost $11-billion growth was driven by strong performance in the value of loans disbursed to our Members and complemented by our success in preserving the quality of our loan portfolio.

In line with the VM Building Society's commitment to transform the lives of its Members, the Team executed a number of initiatives in 2022 that provided innovative products and services, superior service, improved access to expanded electronic and renovated physical channels. There was also greater focus on financial education to assist Members on their path to achieving financial well-being.

Some of these initiatives are highlighted below.

VMBS' Key Initiatives Executed in 2022

- Introduced credit cards and operating savings account specially designed to maximise value for our business members.
- Launched Mortgage Portal, a first of its kind in Jamaica, allowing them the convenience of accessing pre-approvals within 24 hours.
- Expanded fleet of ABMs to 27 and launched our Online Banking platform for Business Clients.
- Expanded the services offered to include self-service tablets at out 16 branches islandwide to wait time of our members.
- Renovated our Montego Bay Branch and relocated the Falmouth branch.
- Digitally enabled our Prospects and Members to be able to open new accounts online, including joint accounts.

VM Building Society's Plans for 2023

As we look ahead to 2023, the VM Building Society is committed to its Mission of supporting our Members on their journey to achieving financial wellbeing. Accordingly, in 2023 we will:

- Implement Phase 2 of our iABM project, which will upgrade our iABMs, to accept third-party transactions and real-time update of account balances for transactions done at the ATM or POS.
- Launch of our International Visa Debit Card and International Business Visa Credit Card.
- Implement a Groupwide onboarding solution to allow Members and Customers seamlessly to onboard online and remotely.
- Launch of our online consumer loan management system, allowing greater convenience for our Members.
- Deploy an additional five iABMs, increasing the number of iABMs to 34.
- Renovation of our Spanish Town branch.
- Upgrade of our online banking platform to include the additional billers and launch of our loan origination system. That innovation will provide members with an enhanced service standards through our digital loan application.

Additionally, we will continue to listen and respond to our Members by providing additional opportunities for them to offer feedback on service standards at all our customer touchpoints. We will also seek to tailor financial solutions and financial education content according to their wishes.

We believe that supporting the communities in which we operate is an important part of our commitment to transform lives. Accordingly, in 2023, we will continue to collaborate with the VM Foundation to impact lives.

The next 12 months promises to be exciting for our Members, Clients, and Communities as your Team at the VM Building Society continues to**Transform their Everyday.**

VM Finance Limited

Victoria Mutual Finance Limited (VMF) is the United Kingdom subsidiary of the VM Financial Group. 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 company acts as a mortgage intermediary to advise and arrange 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 our Clients by supporting their efforts to achieve their financial goals.

The 12 months to December 31, 2022, marked the end of the first four full years of VMF since the launch of its Specialised Lending Programme in June 2018. Year 2022 was also a period of significant financial achievement. During the review period, VMF achieved a significant milestone, reporting Net Profit After Tax (NPAT) of over £1.39 million, breaking the one million threshold for the second consecutive year, and outperforming prior year by 37.8%. The magnitude of this outcome was built on strong revenue growth of 47.8%. Consequently, that was one of the major contributors to the profitability of the VM Financial Group.

VM Finance:
Growth in Key Financial Indicators (2022 vs 2021)

MD&A

Our Business Lines

CONTINUED

Since the commencement of the Specialised Lending Programme in June 2018, VMFL has issued a total of 103 loans with a total disbursement of £104 million as at 31 December 2022. In readiness for the next phase of growth, VM Finance Limited, in 2022, secured a £30-million funding line from NatWest Bank, with an option for an additional £20 million. The management team of VM Group sees this as a significant achievement for the business and reflective of the quality of the existing loan book; the strength of VM's risk management and governance structure; and the significant potential for future growth within its traditional market of Greater London, as well as key regional markets in the United Kingdom. The rapid, yet sustainable growth of the loan book has been underpinned by a robust corporate governance and compliance framework. This is evidenced by our 0% delinquency ratio and nil capital losses incurred since the inception of the programme.

Year 2022 saw the expansion of VMFL's product offerings with the introduction of mezzanine lending options. This offered to select customers the opportunity to fully fund their projects with VMFL without involving third-party second-charge lenders. Efforts to accelerate the growth of VM Finance Limited and to diversify its revenue stream will continue in 2023. Those targets will be anchored on our commitment to deliver improved Customer satisfaction and to recruit and retain talented and caring Team Members while actively supporting the VM Foundation in impacting communities. In 2023, the VM Finance Limited will also continue to execute its digital strategy through process improvement and automation.

VM Investments Limited (VMIL)

VM Investments Limited (VMIL) is the only arm of the VM Group of companies that is publicly traded. During 2022, VMIL, as well as its subsidiary, VM Wealth Management Limited (VMWM), continued to meet its commitments to Clients and Shareholders. This was demonstrated through the acceleration of VMIL's transformation programme as well as the achievement of several milestones.

Performance Highlights from 2022

VMIL' 2022 Milestone

- CariCris reaffirmed VMIL's investment grade credit ratings.
- Best Financial Advisory Team - Caribbean 2021 Award from Capital Finance international.
- Carilend expanded to Trinidad & Tobago while we received regulatory approcals to proceed with RFI Barbados.
- Led the execution of Dolla's J$500M IPO which was oversubscribed by 950%.
- Acquired a 10% stake in Home Choice & partnerships with the Jamaica Reggae Industry, Kingston Beta and London-based Actus Partners.

In 2022, the VMIL Group continually reviewed and adapted our strategy to ensure that we successfully navigated the economic headwinds. Our financial performance was evidence of this with 57.23% improvement in Net Profit relative to 2021 to $691.86 million driven primarily by 28.61% growth in operating revenue to $2.39 billion. We also achieved similar performance in our profitability, regulatory and risk management ratios, with Return on Equity (ROE) of 20.45%, Capital to Total Assets of 10.59%, Capital Adequacy Ratio of 17.59% and an Enterprise Risk Management (ERM) Score of 85%. Additionally, our efficiency ratio remained strong at 63.71% reflecting effective cost management and improved efficiency

To this end, we focused on providing our Clients with improved access and convenience through automation of our processes, expansion of our online services, and broadening the delivery of financial education. Retail Statement Delivery is now done via our new and improved Customer Management System (CMS) which seeks to enhance Customers' online experience. In 2022, we maintained our commitment to financial education through the production of 12 WealthWise episodes of our podcasts and one Wealth Talks Webinar.

In line with the philosophy of the VM Group, VMIL views our Team Members as valuable assets and we pledge to continue investing resources to attract, develop, motivate, and retain top talent. In 2022, Brian Fraser joined the team as Deputy CEO. In his capacity, Brian focuses on driving revenue expansion and diversification. We also continue to support upcoming talent, hosting VM Wealth Executive Mentorship sessions during the year. We also facilitated three interns on rotation within VM Wealth Management.

VMIL also made great strides in formalising, activating, and building out our Corporate Social Responsibility (CSR) and Environmental Social and Governance (ESG) frameworks with several activities during the year such as 'Adopt a Hillside'; partnered with Recycle Partners of Jamaica; and advanced the process of attaining our Green Business Certification, which we achieved in early 2023.

VMIL's Plans for 2023

For 2023, we will focus on the execution of three major initiatives: (1) diversify and grow revenue lines; (2) build a proficient, best-in-industry Sales and Service Team; and (3) accelerate digitalisation and automation. These policies, we believe, will enhance our financial performance while exceeding our Customers' and Sreholders' expectations through robust, convenient, and accessible internal processes and channels supported by empowered employees.

VM Pensions Management

VM Pensions Management (VMPM), a wholly owned subsidiary of the VM Group since 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 while maximising Clients' investment returns. This is achieved through our commitment to provide high-quality service, timely responses to our Clients, consistent compliance with respect to our regulatory obligations; and deliver relevant financial education to our Clients.

Performance Highlights from 2022

In 2022, VMPM achieved a number of critical milestones:

- Partnerships were formed with three associations in 2022: the Jamaica Manufacturers and Exporters Association (JMEA), Transport Operators Development Sustainable Services (TODSS), and Bar Circle Association, in which VMPM is the preferred pension provider.
- Launched Onboarding Light Solution with the aim of onboarding new retail members who wish to open an Approved Retirement Scheme account.
- This is a fully integrated process-driven system and will allow prospective customers to sign up for an ARS account and provide Know Your Customer documentation at their convenience in the comfort of their own space.
- Launched four new portfolios in 2022: Pooled Private Equity Portfolio,Pooled International Equity Portfolio,ARS International Accelerator, and ARS Property Moderator.

VMPM Financial Highlights (2022 vs 2021)

MD&A

Our Business Lines

CONTINUED

- VMPM acknowledges and continues to demonstrate that Team Members are the most important resource, a philosophy that is at the heart of our recruitment, talent retention, and succession-planning policies. In August 2022, the Graduate Internship Programme provided opportunities for interns to access job experience and mentorship.

- Corporate Social Responsibility is an important part of our value proposition as we transform the communities in which we operate. In 2022, we delivered on several CSR activities and initiatives, including teaming up with VM Investments Ltd and the Forestry Department in the 'Adopt a Hillside' project as part of the '3 million in 3' initiative to plant three million trees in three years in Jamaica's forests.

VMPM's Plans for 2023

For 2023, VM Pensions Management Limited will focus on building, expanding and cementing relationships to support their current growth path; hearing from their Clients in order to remain focused on delivering excellent service; improving efficiency by expanding the online portal to offer Members of our superannuation funds convenient access to their account information as well as faster response to Clients; empowering Team Members; and supporting the VM Foundation's efforts to impact lives.

VM Money Transfer Services Limited (VMTS)

VMBS Money Transfer Services Limited (VMTS), the remittance arm of the VM Financial Group, continues to grow despite the challenging operating environment. In 2022, VMTS advanced its objective of being a key player in the remittance industry by expanding its reach and providing greater ease, convenience and flexibility to our customers. Through its extensive distribution network of 86 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 2022

During 2022, VMTS expanded its Money Express locations islandwide by opening three new VM Money Express locations - May Pen, Clarendon; Molynes Road, St Andrew; and Falmouth, Trelawny. This expanded reach has helped customers, given the range of services provided by VMTS such as bill payments, SMS notification on the arrival of funds, and DHL package pickup and drop-off.

VM Money Transfers Services: Key Performance Highlight (2022)

Activity: Growth in Transaction 19%

Visibility: 3 New Locations

Customer Loyalty Score 71

Even while executing its islandwide expansion plan, VMTS 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. For the financial year ended December 2022, the evidence suggests that the Customers continued to use this alternative with the number of direct-to-bank transactions increasing by 35%

VMTS has entered the foreign exchange trading market by launching at the VM Money Express location in Savanna-la-Mar in November 2022. VMTS also signed a partnership with Mastercard, one of the largest global payment service providers. Mastercard has entered the remittance market and has chosen to partner with VMTS in Jamaica. This partnership has contributed to the 18.33% growth in total remittance transactions relative to 2021.

The continued growth in our business in 2022 is an indicator of our Customers' consistent loyalty and satisfaction with the quality of VMTS's service delivery. The loyalty and satisfaction score recorded by our Net Promoter Score (NPS) closed the year at 71, significantly higher than the target.

Team Members were engaged in cross-training in different business areas, which resulted in Team Member promotions within VMTS and across the VM Group. Mentorship and coaching programmes continue as a staple in VMTS's talent development and retention efforts.

VMTS is a firm believer in giving back to the community. In 2022, we continued our philanthropic efforts to play our part in positively impacting the lives of the communities in which we operate, with donations to eight charities.

VMTS' Plans for 2023

In 2023, VMTS intends to continue our posture of aggressive growth; focus on increasing transactions; expanding our FX trading operations in all Money Express stores, and increase our presence islandwide with the addition of new partners and services. We will also focus on advancing our digital transformation programme with the digitalising of the business and the automation of processes with the Customer remaining a central part of our strategy.

VM Property Services Limited

VM Property Services Limited is a significant player in Jamaica's real estate sales and property valuation markets. In addition to the core services of property management and project management, the business is now positioned to enter the real estate development space with offerings in commercial and residential real estate.

Despite a challenging year, VM Property Services performed commendably, outperforming 2021's profit total by 39%. All our revenue lines grew with increases ranging from 2% to 73% for annual total net revenues of $191.4 million.

Our Real Estate Sales Team sold and rented 157 properties, for a combined value of $2.2 billion. The team also referred $450 million in mortgages to VM Building Society.

The Valuations Team undertook 671 valuations on properties with a combined value of $18.4 billion.

The Property and Project Teams continued the upgrade of the real estate holdings, including the addition of a new VM Building Society branch in Champion Plaza, Falmouth and the complete renovation of the Spanish Town branch at 22 Oxford Roadd. The property improvements were completed at a total project cost value of over $500 million.

For 2023, VM Property Services will start our entry into commercial and residential property development, an opportunity that will offer high quality commercial real estate for the Group, and attractive, high value, residential homes for sale to Members.

VM Innovations Limited

As the latest subsidiary to the VM Group, VM Innovations Limited, will continue to be committed to transforming the lives of the communities and team members through a mindset of great initiatives, projects and partnership to create new business models.

In 2022, the VMI team developed and launched two applications:

- **PropMan Residential and PropMan Home Mobile App** - An Online Software as a Services (SAAS) solution for Property and Community Management to address the needs of Property Managers, Proprietors, Tenants and Regulators in a user-friendly web and mobile app environment.

MD&A

Our Business Lines

CONTINUED

The system was successfully completed in May 2022 and launched in June 2022 with the onboarding of its first client Phoenix Park Village Association representing over 1,600 households.

- **Turnkey Platform MVP** – (Mortgage Ecosystem) A digital platform for the acquisition of assets such as homes and automobiles which provides a purchaser with an end-to-end online experience incorporating all stakeholders in the acquisition process. The platform connects Realtors, Valuers, Surveyors, Financial Institutions, Attorney-At-Laws, Purchasers and Vendors securely, transparently and conveniently in a digital space. The MVP for the platform was completed and went live in October 2022. The official public launch will be in 2023 Q3.

Financial Performance for 2022

Even though VM Innovations reported a loss for the financial year 2022, this newest addition to VM Group achieved gains in its financial outcomes earning its first revenue while reporting total expenses below plan.

Member & Client Focus

The PropMan Suite has provided our clients with a first-class community management solution with the Security module providing a digital solution for managing visitor access to the community. The number of users onboarded has grown from an initial 1,600 to 1,900.

People Development

VMI recognises our Team Members play a critical role to the success of the Group. We therefore take pride to foster an environment of learning, workshops, coaching, research and collective work team sessions.

Purpose-driven activities

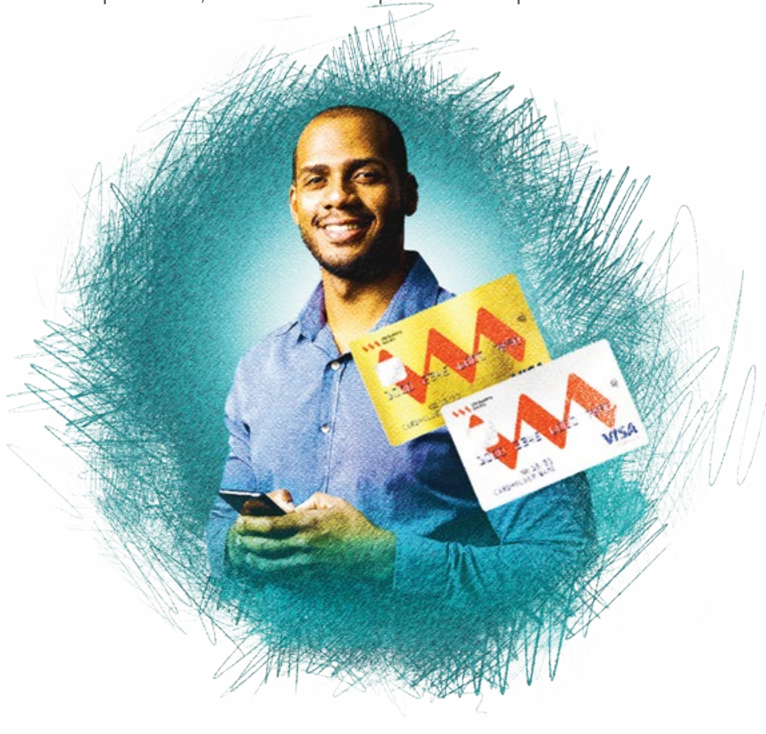
Community Service

In May 2022, VMI Team Members, in collaboration with colleagues at the VM Foundation, donated contributions to the Jamaica Sign Language Heartbeat Initiative to support its 'Advancing the Visualisation of Jamaica Sign Language' project.

Our commitment to support the communities in which we serve continued for the remainder of 2022 with all our Team Members contributing to the VM Foundation.

2023 Focus

In 2023, we'll be focused on enhancing our products and services and increasing our marketing and sales efforts to grow the business. We will be working more closely with the VM Group business lines to accelerate their digital transformation initiatives. We will be increasing our presence through various digital and traditional channels, including having a presence within the diaspora and strengthening our services by building brand awareness, new products, new relationships with new partners.



Standing Stronger **Together.**

VM GROUP

2022 **Pictorial Highlights**

(From left) Lora Rochester, Corporate Planner, Canopy Insurance Limited; Sean Scott, Managing Director, Canopy; Courtney Campbell, President & CEO, VM Group; and Adam Harris, Assistant Vice President, Strategic Investments, VM, display documents signed as part of a symbolic ceremony to launch the Canopy Family Plan in January, which offers affordable life insurance coverage to VM Building Society Members and their families.

(From left) Michael Howard, CEO, VM Money Transfer Services and Courtney Campbell, President and CEO, VM Group, celebrate after cutting the ribbon at the newly opened VM Money Express location in May Pen, Clarendon in February. Looking on are DSP Anton-Gur Cardoza and Inspector Evan Carney of the Jamaica Constabulary Force; Pastor Loxley Tulloch and Aldo Brown Past President of the Lay Magistrates Association.

Rev. Sam McCook (1st left), Chairman of the National Leadership Prayer Breakfast (NLPB) Committee; Samantha Charles (2nd left), CEO, VM Foundation; and Courtney Campbell (right), President and CEO, VM Group, present a cheque valued at $750,000 to Vincent Guthrie (3rd left), Chairman, Clifton Boys' Home, towards the Home's Education Intervention Project, which will assist wards academically impacted by the COVID-19 pandemic. The funds were raised through the NLPB's 42nd staging on January 20, as well as through a donation by the VM Foundation.

The VM Foundation recently made a cash donation of $100,000 towards the Joy Town Community Development Foundation to aid in the construction of a wellness and training centre in the Trench Town Community. Pictured is Samantha Charles, CEO, VM Foundation (left) handing over a symbolic cheque to Rev. Orando Williams, Chaplain & Community Action Officer, Joy Town Community Development Foundation.

(From left) Clyde Jureidini, General Manager of Harbour View FC; Odorland Harding, Team Captain, Harbour View FC; Mendel Thompson, Manager, Business Development, VM Group; and Ludlow Bernard Coach, Harbour View FC, photographed in conversation at the VM-led financial education session on the Club's grounds.

Photographed at the official Adopt-a-clinic signing (from left) is Courtney Cephas, Executive Director, Philanthropic Mobilization - Ministry of Health and Wellness, Dr. the Hon. Christopher Tufton, Minister of Health and Wellness; Samantha Charles, CEO - VM Foundation; and Ms. Shamalla McGregor (standing), Financial Services Specialist – VMBS.

2022 Pictorial Highlights

Members of the VM Chorale strike a pose after the December staging of Carols in the Courtyard.

(From left) Members of the VM Florida Representative Office: Leighton Smith, Chief Representative Officer Overseas; Gracelin Williams, Member Services Specialist; Calene Grossett, Business Support Representative; Beresford Nelson, Business Development Associate; Suzette Rochester Lloyd, Chief Representative Officer share a photo moment with Courtney Campbell, our Group President and CEO in August at the VM 2022 Florida Tour Community Meeting and Lyme.

During the VM 2022 Florida Tour, our Group President and CEO, Courtney Campbell received the keys to the City of Miramar from Mayor Wayne Messam for VM Group's outstanding work in the Diaspora.

Courtney Campbell, Group President and CEO presents the 2021 President's Award to Tiffany-Joy Smith, Innovation and Research Analyst, VM Innovations Limited during the 2021 I Am VM Awards.

Stakeholders participate in a symbolic signing ceremony at VM's corporate office in Kingston on June 14 to officially commence partnership with Phoenix Park Housing development as VM Property Services Limited launched its PropMan community management digital technology. Present are (seated from L-R): Lanny Mayne, president of the Phoenix Park Village Association, and Michael Neita, CEO VM Property Services. (Standing L-R): Deranjay Simpson, safety and security coordinator; Sherika Russell, vice-president, facilities and maintenance chairperson of the Phoenix Park Village Association; Allison Morgan, senior manager, sales and business support, VM Property Services Ltd, and Maurice Barnes, CEO of VM Innovations Ltd.

(From left, seated) Kareema Muncey, CEO, Home Choice Enterprise Limited; and Shaeed Muhammad, General Manager; sign documents alongside Rezworth Burchenson, CEO, VM Investments Ltd; and Dwight Jackson, Assistant Vice President, Capital Markets, VM Wealth Management to officially cement VMIL's private equity investment in the distribution and manufacturing company, during a signing ceremony on Monday, May 30.

(From left)) Rezworth Burchenson, Chief Executive Officer for VM Wealth; Kadeen Mairs, CEO of Dolla Financial Services Limited; and Dwight Jackson, AVP for Capital Markets at VM Wealth pump fists following the Investor Briefing for Dolla Financial IPO.

Financial
Statements

December 31, 2022

VM GROUP

Independent **Auditors' report**

To the Members of
Victoria Mutual Building Society

Report on the audit of the financial statements

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 107 to 215, which comprise the Group's and Society's statements of financial position as at December 31, 2022, 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, 2022, and of the Group's and the Society's financial performance and cash flows for the year then ended, in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS 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 IFRS 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.

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

Independent **Auditors' report**

CONTINUED

To the Members of Victoria Mutual Building Society

Report on the audit of the financial statements CONTINUED

Report on the Audit of the Financial Statements (Continued)

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

- 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.

KPMG

Chartered Accountants
Kingston, Jamaica

March 31, 2023

Statement of Financial Position

December 31, 2022

	Notes	Group 2022 $'000	Group 2021 $'000	Society 2022 $'000	Society 2021 $'000
ASSETS					
Cash and cash equivalents	7	11,260,944	8,882,261	9,153,021	8,027,392
Investments - Jamaica Government securities	8	23,337,231	26,218,622	10,396,804	11,677,032
Other	9	27,571,598	26,772,289	22,567,886	20,374,809
Resale agreements	10	2,116,491	7,293,712	2,250,285	4,062,075
Loans	11	112,123,802	102,843,284	102,611,042	91,856,577
Other assets	12	10,367,961	7,610,901	3,444,401	3,185,249
Income tax recoverable		123,354	581,356	107,997	563,368
Deferred tax assets	13(a)	1,048,928	362,822	-	-
Employee benefits asset	14	746,011	1,830,011	746,011	1,830,011
Interest in subsidiaries	15	-	-	10,536,281	12,167,890
Interest in associates	16	3,723,201	2,303,881	1,188,777	1,255,211
Intangible assets	17	3,475,208	3,480,485	2,354,651	2,584,143
Investment and foreclosed properties	18	522,400	349,386	205,306	334,969
Property, plant and equipment	19	3,282,728	3,732,560	2,789,718	2,548,291
Total assets		**199,699,857**	**192,261,570**	**168,352,180**	**160,467,017**
LIABILITIES					
Savings fund:					
Shareholders' savings	20	132,457,515	115,621,928	133,221,445	116,528,449
Depositors' savings	21	1,764,062	2,241,778	1,764,062	2,241,778
		134,221,577	117,863,706	134,985,507	118,770,227
Due to specialised institution	22	571,626	4,367,036	571,626	4,367,036
		134,793,203	122,230,742	135,557,133	123,137,263
Income tax payable		313,300	118,909	238,183	63,880
Other liabilities	23	6,291,097	4,092,695	3,153,794	1,942,680
Repurchase agreements	24	17,714,662	26,193,578	3,044,983	7,364,003
Other borrowings	25	16,835,550	15,010,164	7,967,022	9,541,118
Lease liabilities	26	421,165	317,497	201,005	135,001
Deferred tax liabilities	13(b)	100,181	379,510	81,514	345,842
Employee benefits obligation	14	716,100	1,245,900	683,700	1,187,200
Total liabilities		**177,185,258**	**169,588,995**	**150,927,334**	**143,716,987**

	Notes	Group 2022 $'000	Group 2021 $'000	Society 2022 $'000	Society 2021 $'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	1,684,509	1,560,636	1,684,509	1,560,636
Retained earnings reserve	28(ii), 29	7,225,160	5,323,210	7,225,160	5,323,210
Non-distributable reserve	28(iii)	(446,131)	(172,781)	(446,131)	(172,781)
Credit facility reserve	11(c), 28(iv)	2,569,620	1,950,735	2,569,620	1,950,735
Investment revaluation reserve	28(v)	(1,952,524)	859,631	(1,364,370)	332,172
General reserve		10,000	10,000	10,000	10,000
Currency translation reserve	28(vi)	255,496	415,217	-	-
Retained earnings		4,726,180	4,169,628	-	-
		21,818,368	21,862,334	17,424,846	16,750,030
Non-controlling interest	30	696,231	810,241	-	-
Total capital and reserves		**22,514,599**	**22,672,575**	**17,424,846**	**16,750,030**
Total liabilities and capital and reserves		**199,699,857**	**192,261,570**	**168,352,180**	**160,467,017**

The financial statements on pages 107 to 215 were approved for issue by the Board of Directors on March 31, 2022 and signed on its behalf by:

Director
Brian Goldson

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, 2022

	Notes	Group 2022	Group 2021	Society 2022	Society 2021
		$'000	$'000	$'000	$'000
Interest income, calculated using the effective interest method	32	10,161,496	8,633,610	8,354,086	7,081,852
Interest expense	32	(4,328,454)	(2,907,962)	(3,235,415)	(2,093,715)
Net interest income		5,833,042	5,725,648	5,118,671	4,988,137
Fee and commission income	33	2,353,724	1,927,791	861,337	797,900
Fee and commission expenses	33	(263,450)	(206,703)	(190,588)	(139,083)
Net fee and commission income		2,090,274	1,721,088	670,749	658,817
Other operating revenue	34	4,905,841	3,467,992	3,801,491	2,314,585
Net interest income and other revenue		12,829,157	10,914,728	9,590,911	7,961,539
Personnel costs	35	(5,466,075)	(4,609,141)	(3,929,659)	(3,262,786)
Impairment credit/(charge) on financial assets		358,640	(74,037)	337,629	(69,237)
Depreciation and amortisation	17, 18, 19	(924,745)	(845,328)	(748,312)	(689,178)
Other operating expenses	36	(3,958,683)	(3,425,191)	(3,308,946)	(3,107,746)
		(9,990,863)	(8,953,697)	(7,649,288)	(7,128,947)
Extinguishment of dormant deposits	28 (ii)	1,200,000	-	1,200,000	-
Share of profits of associates	16	105,500	320,810	-	-
Surplus before income tax		4,143,794	2,281,841	3,141,623	832,592
Income tax charge	37	(819,669)	(495,572)	(496,915)	(102,648)
Surplus for the year		3,324,125	1,786,269	2,644,708	729,944
Surplus attributable to:					
Equity holders' of the Society		3,181,217	1,673,442	2,644,708	729,944
Non-controlling interest	30	142,908	112,827	-	-
		3,324,125	1,786,269	2,644,708	729,944

Statement of Comprehensive Income

December 31, 2022

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Surplus for the year	3,324,125	1,786,269	2,644,708	729,944
Other comprehensive income				
Items that will never be reclassified to surplus or deficit				
Net losses on investments in equity securities designated at FVOCI [note 4(b)(iii)]	(64,771)	(163,200)	-	-
Net losses on remeasurement of employee benefits asset and obligation	(358,800)	(11,300)	(390,500)	(23,700)
Deferred income tax on net losses on remeasurement of employee benefits asset and obligation	107,600	3,110	117,150	7,110
	(315,971)	(171,390)	(273,350)	(16,590)
Items that may be reclassified to surplus or deficit:				
Unrealised losses on debt securities at FVOCI	(3,542,257)	(2,045,883)	(1,695,844)	(1,286,774)
Deferred income tax on unrealised losses on investment securities measured at FVOCI	615,177	252,850	-	-
Realised (gains)/losses on fair value of debt securities at FVOCI	(698)	650,523	(698)	650,523
Foreign currency translation difference on foreign exchange operations and other adjustments	(159,721)	79,265	-	-
Share of investment revaluation of associates	(78,631)	(32,213)	-	-
	(3,166,130)	(1,095,458)	(1,696,542)	(636,251)
Total other comprehensive loss for the year, net of tax	(3,482,101)	(1,266,848)	(1,969,892)	(652,841)
Total comprehensive (loss)/income for the year	**(157,976)**	**519,421**	**674,816**	**77,103**
Total comprehensive (loss)/income attributable to:				
Equity holders of the Society	(43,966)	499,868	674,816	77,103
Non-controlling interest	(114,010)	19,553	-	-
	(157,976)	519,421	674,816	77,103

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

Group Statement of
Changes in Capital and Reserves
Year ended December 31, 2022

	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, 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
Total comprehensive income for 2022												
Surplus for the year	-	-	-	-	-	-	-	-	3,181,217	3,181,217	142,908	3,324,125
Other comprehensive income:												
Unrealised losses on debt securities at FVOCI, net of tax	-	-	-	-	-	(2,681,010)	-	-	-	(2,681,010)	(246,070)	(2,927,080)
Foreign currency translation difference on foreign subsidiaries balances and other adjustments	-	-	-	-	-	-	-	(159,721)	-	(159,721)	-	(159,721)
Realised gains on debt securities at FVOCI	-	-	-	-	-	(698)	-	-	-	(698)	-	(698)
Unrealised losses on equity securities at FVOCI	-	-	-	-	-	(51,816)	-	-	-	(51,816)	(12,955)	(64,771)
Net gain on remeasurement of employee benefits asset and obligation, net of tax	-	-	-	(273,350)	-	-	-	-	20,043	(253,307)	2,107	(251,200)
Share of investment revaluation of associate	-	-	-	-	-	(78,631)	-	-	-	(78,631)	-	(78,631)
Total other comprehensive income	-	-	-	(273,350)	-	(2,812,155)	-	(159,721)	20,043	(3,225,183)	(256,918)	(3,482,101)
Total comprehensive income for the year	-	-	-	(273,350)	-	(2,812,155)	-	(159,721)	3,201,260	(43,966)	(114,010)	(157,976)
Movements between reserves												
Credit facility reserve transfer	-	-	-	-	618,885	-	-	-	(618,885)	-	-	-
Other transfers [notes 27 and 28(i)]	-	123,873	701,950	-	-	-	-	-	(825,823)	-	-	-
Total movement between reserves	-	123,873	701,950	-	618,885	-	-	-	(1,444,708)	-	-	-
Dormant deposit transfers [note 28(ii)]	-	-	1,200,000	-	-	-	-	-	(1,200,000)	-	-	-
Balances at December 31, 2022	7,746,058	1,684,509	7,225,160	(446,131)	2,569,620	(1,952,524)	10,000	255,496	4,726,180	21,818,368	696,231	22,514,599

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

Group Statement of **Changes in Capital and Reserves** CONTINUED

December 31, 2022

	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 losses 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 losses 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)
Share of investment revaluation of associate	-	-	-	-	-	(32,213)	-	-	-	(32,213)	-	(32,213)
Total other comprehensive income	-	-	-	(16,590)	-	(1,204,143)	-	79,265	7,000	(1,134,468)	(132,380)	(1,266,848)
Total comprehensive income for the year	-	-	-	(16,590)	-	(1,204,143)	-	79,265	1,680,442	538,974	(19,553)	519,421
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)
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, 2022

	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, 2021	7,746,058	1,560,636	5,323,210	(172,781)	1,950,735	332,172	10,000	-	16,750,030
Total comprehensive income for 2022									
Surplus for the year	-	-	-	-	-	-	-	2,644,708	2,644,708
Other comprehensive income:									
Unrealised losses on debt securities at FVOCI, net	-	-	-	-	-	(1,695,844)	-	-	(1,695,844)
Realised gains on debt securities at FVOCI	-	-	-	-	-	(698)	-	-	(698)
Loss on remeasurement of employee benefits asset and obligation, net of tax	-	-	-	(273,350)	-	-	-	-	(273,350)
Total other comprehensive loss	-	-	-	(273,350)	-	(1,696,542)	-	-	(1,969,892)
Total comprehensive income for the year	-	-	-	(273,350)	-	(1,696,542)	-	2,644,708	674,816
Movements between reserves									
Credit facility reserve transfer	-	-	-	-	618,885	-	-	(618,885)	-
Other reserves [notes 27 and 28(i)]	-	123,873	701,950	-	-	-	-	(825,823)	-
Total movement between reserves	-	123,873	701,950	-	618,885	-	-	(1,444,708)	-
Dormany deposit transfers [note 28(ii)]	-	-	1,200,000	-	-	-	-	(1,200,000)	-
Balances at December 31, 2022	7,746,058	1,684,509	7,225,160	(446,131)	2,569,620	(1,364,370)	10,000	-	17,424,846

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

Society Statement of Changes in Capital and Reserves CONTINUED

December 31, 2022

	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	77,103
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, 2022

	Notes	2022	2021
		$'000	$'000
Cash flows from operating activities			
Surplus for the year		3,324,125	1,786,269
Adjustment for:			
Depreciation and amortisation	17, 18, 19	924,745	845,328
Employee benefits asset and obligation		118,600	135,900
Interest income	32	(10,161,496)	(8,633,610)
Interest expense	32	4,328,454	2,907,962
Gain from property/share swap		(285,696)	-
Gain on disposal of investment property and property, plant and equipment		(373,686)	(22,666)
Gain on investment activities		(863,041)	(1,410,049)
Unrealised fair value losses/(gains)		34,137	(169,477)
Share of profits of associates	16(b)	(105,500)	(320,810)
Impairment (credit)/charge on financial assets		(358,640)	74,037
Unrealised exchange losses/(gains) on foreign currency balances		2,032,395	(826,789)
Income tax expense	37	819,669	495,572
		(565,934)	(5,138,333)
Changes in:			
Cash reserves held at Bank of Jamaica		(186,891)	(160,422)
Loan advances, net of repayments		(9,025,132)	(25,311,191)
Change in other assets		(247,748)	5,502,185
Employee benefits, net		76,800	24,600
Net receipts from shareholders and depositors		15,801,786	14,296,884
Due to specialised institution		(3,795,410)	2,790,684
Change in other liabilities		2,078,399	279,687
		4,135,870	(7,715,906)
Interest received		8,198,105	8,969,524
Dividends received		276,479	181,350
Interest paid		(3,763,920)	(2,755,237)
Income taxes paid		(409,934)	(2,188,719)
Net cash provided by/(used in) operating activities		8,436,600	(3,508,988)

	Notes	2022	2021
		$'000	$'000
Cash flows from investing activities			
Purchase of investments		(12,482,610)	(46,688,508)*
Proceeds from disposal of investments		11,175,582	37,035,807 *
Resale agreements		5,177,529	4,736,441
Purchase of intangible assets	17	(560,884)	(724,093)
Acquisition of additional shares in associate		(534,119)	(159,898)
Proceeds from disposals of shares in associates		66,434	-
Repurchase agreements		(8,478,916)	3,945,687
Purchase of investment properties	18	(322,405)	(11,083)
Purchase of property, plant and equipment	19	(510,423)	(1,383,845)
Proceeds of disposal of investment properties		123,183	-
Proceeds of disposal of property plant and equipment		386,082	61,510
Net cash used in investing activities		(5,978,547)	(3,187,982)
Cash flows from financing activities			
Additions on other borrowings		6,520,623	6,952,841*
Repayment of other borrowings		(4,695,237)	(1,497,820)*
Payment of lease liabilities	26(d)	(59,252)	(32,186)
Dividend paid to non-controlling interest		-	(46,501)
Net cash provided by financing activities		1,766,134	5,376,334
Net increase/(decrease) in cash and cash equivalents for year		4,224,187	(1,320,636)
Cash and cash equivalents at beginning of year		7,748,351	8,242,198
Effect of exchange rate fluctuations on cash and cash equivalents		(2,032,395)	826,789
Cash and cash equivalents at end of year	7	9,940,143	7,748,351

* See note 41

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

Society Statement of Cash Flows

December 31, 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Surplus for the year		2,644,708	729,944
Adjustments for:			
Depreciation and amortisation	17,18,19	748,312	689,180
Unrealised exchange gains on foreign currency balances		2,019,314	(812,707)
Employee benefits obligation		113,200	123,900
Interest income	32	(8,354,086)	(7,081,852)
Interest expense	32	3,235,415	2,093,714
Dividend income		(632,860)	(366,392)
Gain on disposal of property, plant and equipment		(1,834)	-
Loss/(gain) on disposal of foreclosed properties		11,689	(22,666)
Gain on investment activities		(219,405)	(633,895)
Unrealised fair value (gains)/losses		34,137	(169,477)
Impairment (credit)/charge on financial assets		(337,629)	69,237
Income tax expense	37	496,915	102,648
		(242,124)	(5,278,366)
Changes in:			
Cash reserves held at Bank of Jamaica		(186,891)	(160,422)
Loan advances, net of repayments		(10,511,411)	(18,559,869)
Interest in subsidiaries		1,910,057	(4,319,632)
Change in other assets		(165,732)	3,945,642
Employee benefits, net		76,800	29,900
Net receipts from shareholders and depositors		16,215,280	14,460,215
Due to specialised institution		(3,785,410)	2,790,684
Change in other liabilities		1,211,114	217,885
		4,511,683	(6,873,963)
Interest received		8,260,669	6,871,111
Divident received		354,412	375,950
Interest paid		(3,254,294)	(2,093,714)
Income taxes paid		(14,419)	(1,677,228)
Net cash provided by/(used) in operating activities		9,858,051	(3,397,844)

	Notes	2022 $'000	2021 $'000
Cash flows from investing activities			
Purchase of investments		(6,719,774)	(33,812,742)*
Proceeds from diosposal of investments		4,390,071	28,938,537*
Resale agreements		1,811,944	4,462,072
Repurchase agreements		(4,319,020)	1,554,348
Proceeds from disposal/(acquisition) of additional shares in associate		66,434	(159,898)
Purchase of intangible assets	17	(255,934)	(695,890)
Proceeds of disposal of foreclosed properties	18	109,225	61,509
Purchase of property, plant and equipment	19	(401,793)	(544,053)
Proceeds of disposal of property, plant and equipment		1,832	-
Net cash used in investing activities		(5,317,015)	(196,117)
Cash flows from financing activities			
Payment of lease liability	26	(8,887)	(18,026)
Additions on other borrowings		2,720,443	3,043,112*
Repayments of other borrowings		(4,294,539)	(21,300)*
Net cash (used in)/provided by financing activities		(1,582,983)	3,003,786
Net increase/(decrease) in cash and cash equivalents for year		2,958,053	(590,175)
Cash and cash equivalents at beginning of year		6,893,482	6,670,950
Effect of exchange rate fluctuations on cash and cash equivalents		(2,019,315)	812,707
Cash and cash equivalents at end of year	7	7,832,220	6,893,482

*See note 41

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

Notes to the
Financial Statements
December 31, 2022

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 WealthManagement 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 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 37.16% (2021: 39.24%) 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.

(iii) The Group, through its subsidiary, Victoria Mutual Investments Limited, acquired a 23% interest in Kingston Properties Limited (KPREIT) on December 30, 2022.

Notes to the **Financial Statements** CONTINUED

December 31, 2022

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 that became effective during the year:

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements. None of these new pronouncements resulted in any significant change to the amounts recognised or disclosed in the financial statements.

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 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.

Notes to the Financial Statements CONTINUED

December 31, 2022

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):

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.

- 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.

Notes to the Financial Statements CONTINUED

December 31, 2022

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):

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.

(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.

Notes to the Financial Statements CONTINUED

December 31, 2022

3. BASIS OF PREPARATION (CONT'D)

(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;
- 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.

Notes to the Financial Statements CONTINUED

December 31, 2022

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)

(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.

Notes to the Financial Statements CONTINUED

December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) Basis of consolidation (cont'd)

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.

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.

Notes to the
Financial Statements CONTINUED
December 31, 2022

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)

  - *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.

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.

Notes to the Financial Statements CONTINUED

December 31, 2022

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)

- *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.

Notes to the Financial Statements CONTINUED

December 31, 2022

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 a current 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 resources

Cash resources are measured at amortised cost. They comprise of 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.

Notes to the Financial Statements CONTINUED

December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Cash resources (cont'd)

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

(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 measured at amortised cost. 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.

Notes to the **Financial Statements** CONTINUED

December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(vi) Other liabilities

Other liabilities are measured at amortised cost.

(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 straightline 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 in-substance 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

Notes to the Financial Statements CONTINUED

December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (cont'd)

(i) As a lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following (cont'd):

- 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 in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use 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.

(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 straightline 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 follow:

(i) Interest income

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

(1) 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.

(2) 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).

Notes to the Financial Statements CONTINUED

December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Revenue recognition (cont'd)

(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.

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.

Notes to the Financial Statements CONTINUED

December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 paragraphs (ii), (iii) and (iv) below. 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.

(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.

Notes to the Financial Statements CONTINUED

December 31, 2022

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Employee benefits (cont'd)

(iii) Defined-benefit pension plan (cont'd)

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.

(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.

Notes to the Financial Statements CONTINUED

December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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

(1) 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.

(2) 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.

Notes to the
Financial Statements CONTINUED

December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

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.

Notes to the Financial Statements CONTINUED

December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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.
- 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.

Notes to the
Financial Statements CONTINUED
December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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 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.

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.

Notes to the Financial Statements CONTINUED

December 31, 2022

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 (cont'd)

The Group formulates three economic scenarios: a base case, which is the median scenario, one upside and one downside scenario. 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. The economic scenarios used as at December 31, 2022 and 2021, the following key indicators represents scores used to adjust the forward-looking information for Jamaica for the years 2022 to 2023:

	2022	2023
Unemployment rates	6.9%	7.6%
Base	0.6	0.6
Upside	0.3	0.3
Downside	0.6	0.6
Interest rates	7.0%	6.5%
Base	0.2	0.2
Upside	0.2	0.2
Downside	0.2	0.2
GDP Growth	2.4%	2.0%
Base	0.2	0.2
Upside	0.2	0.2
Downside	0.3	0.3
Inflation rates	8.5%	6.3%
Base	0.2	0.1
Upside	0.2	0.1
Downside	0.2	0.2

Notes to the **Financial Statements** CONTINUED

December 31, 2022

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 (cont'd)

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.

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.

Notes to the Financial Statements CONTINUED

December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

Notes to the
Financial Statements CONTINUED
December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

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.

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 resources and accounts receivable.

Notes to the Financial Statements CONTINUED

December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(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	
	2022	2021
	$'000	$'000
Loan commitments	9,076,458	13,.246,770

(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.

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.

Notes to the **Financial Statements** CONTINUED

December 31, 2022

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 (cont'd)

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 PDs 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.

Notes to the Financial Statements CONTINUED

December 31, 2022

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				
	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Grade 3 - Low risk	25,125,367	231,855	522,297	25,879,519	22,261,284
Grade 4 -5	72,613,809	2,721,018	4,812,619	80,147,446	74,152,558
Grade 6 - 8	2,840,835	95,949	546,376	3,483,160	3,687,742
Grade 9 - 10 - High risk	-	593,808	2,333,041	2,926,849	3,335,074
	100,580,011	3,642,630	8,214,333	112,436,974	103,436,658
Loss allowance	(77,392)	(13,858)	(221,922)	(313,172)	(593,374)
	100,502,619	3,628,772	7,992,411	112,123,802	102,843,284

	Group				
	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Aging of loans receivable					
Current	95,258,167	420,747	1,790,145	97,469,059	93,681,745
Past due 1-30 days	5,321,844	368,816	1,172,841	6,863,501	3,853,602
Past due 31-60 days	-	2,255,647	1,023,616	3,279,263	2,540,683
Past due 61-90 days	-	597,420	2,079,735	2,677,155	107,125
Over 90 days	-	-	2,147,996	2,147,996	3,253,503
Total	100,580,011	3,642,630	8,214,333	112,436,974	103,436,658
Loan commitments					
Grades 1-3: Low risk	9,076,458	-	-	9,076,458	13,246,770
Loss allowance	(6,369)	-	-	(6,369)	(30,705)

Notes to the Financial Statements CONTINUED

December 31, 2022

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				
	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Grade 3 - Low risk	15,612,607	231,855	522,297	16,366,759	11,237,429
Grade 4 -5	72,613,809	2,721,018	4,812,619	80,147,446	74,152,558
Grade 6 - 8	2,840,835	95,949	546,376	3,483,160	3,687,742
Grade 9 - 10 - High risk	-	593,808	2,333,041	2,926,849	3,335,074
	91,067,251	3,642,630	8,214,333	102,924,214	92,412,803
Loss allowance	(77,392)	(13,858)	(221,922)	(313,172)	(556,226)
	90,989,859	3,628,772	7,992,411	102,611,042	91,856,577

	Society				
	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Aging of loans receivable					
Current	85,745,407	420,747	1,790,145	87,956,299	82,657,890
Past due 1-30 days	5,321,844	368,816	1,172,841	6,863,501	3,853,602
Past due 31-60 days	-	2,255,647	1,023,616	3,279,263	2,540,683
Past due 61-90 days	-	597,420	2,079,735	2,677,155	107,125
Over 90 days	-	-	2,147,996	2,147,996	3,253,503
Total	91,067,251	3,642,630	8,214,333	102,924,214	92,412,803
Loan commitments					
Grades 1-3: Low risk	9,076,458	-	-	9,076,458	13,246,770
Loss allowance	(6,369)	-	-	(6,369)	(30,705)

Notes to the Financial Statements CONTINUED

December 31, 2022

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				
	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Investment grade	4,553,923	-	-	4,553,923	791,170
Non-investment grade	14,551,231	815,273	-	15,366,504	21,582,369
Default	-	-	41,939	41,939	25,208
	19,105,154	815,273	41,939	19,962,366	22,398,747
Loss allowance	(153,595)	(33,280)	(40,047)	(226,922)	(343,141)
	18,951,559	781,993	1,892	19,735,444	22,055,606

	Society				
	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Investment grade	4,553,923	-	-	4,553,923	791,170
Non-investment grade	7,766,066	321,193	-	8,087,259	11,416,780
Gross carrying amount	12,319,989	321,193	-	12,641,182	12,207,949
Loss allowance	(103,440)	(26,952)	-	(130,392)	(249,877)
	12,216,549	294,241	-	12,510,790	11,958,073

Notes to the Financial Statements CONTINUED

December 31, 2022

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					
	2022					2021
	Stage 1	Stage 2	Stage 3	Purchased credit impaired	Total	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Credit grade						
Investment grade	4,099,385	-	-	-	4,099,385	4,048,437
Non-investment grade	27,608,014	418,191	-	1,037,987	29,064,192	34,930,314
	31,707,399	418,191	-	1,037,987	33,163,577	38,978,751
Loss allowance	(131,610)	(44,363)	-	-	(175,973)	(178,961)

	Society					
	2022					2021
	Stage 1	Stage 2	Stage 3	Purchased credit impaired	Total	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Credit grade						
Investment grade	3,454,014	-	-	-	3,454,014	3,594,565
Non-investment grade	12,554,788	418,191	-	1,037,987	14,010,966	17,018,476
	16,008,802	418,191	-	1,037,987	17,464,980	20,613,041
Loss allowance	(54,216)	(44,363)	-	-	(98,579)	(76,306)

5.

Notes to the Financial Statements CONTINUED

December 31, 2022

6. 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				
	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Balance at January 1	492,334	75,196	331,986	899,516	877,915
Transfer to Stage 1	29,965	(9,678)	(20,287)	-	-
Transfer to Stage 2	(16,604)	33,511	(16,907)	-	-
Transfer to Stage 3	(4,116)	(4,668)	8,784	-	-
New financial assets originated/purchased	76,295	1,645	9,017	86,957	-
Financial assets fully derecognised during the period	(92,467)	(2,286)	(7,929)	(102,682)	-
Changes to inputs used in ECL calculation	10,779	(5,561)	13,837	19,055	21,601
Foreign exchange adjustment	(1,089)	(56)	(280)	(1,425)	-
Balance at December 31	495,097	88,103	318,221	901,421	899,516

Notes to the
Financial Statements CONTINUED
December 31, 2022

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)

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. (cont'd)

- Debt securities, loans receivable and resale agreements at amortised cost (cont'd):

	Society				
	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Balance at January 1	433,838	65,401	306,864	806,103	785,256
Transfer from Stage 1 to Stage 2	(11,134)	11,134	-	-	-
Transfer from Stage 1 to Stage 3	(4,116)	-	4,116	-	-
Transfer from Stage 2 to Stage 1	9,678	(9,678)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4,668)	4,668	-	-
Transfer from Stage 3 to Stage 2	-	16,907	(16,907)	-	-
Transfer from Stage 3 to Stage 1	20,287	-	(20,287)	-	-
New financial assets originated/purchased	46,961	38	9,017	56,016	-
Financial assets fully derecognised during the period	(63,936)	(1,870)	(7,929)	(73,735)	-
Changes to inputs used in ECL calculation	(249,658)	(36,399)	(57,339)	(343,396)	20,847
Foreign exchange adjustment	(1,089)	(56)	(280)	(1,425)	-
Balance at December 31	180,831	40,809	221,923	443,563	806,103

Notes to the Financial Statements CONTINUED

December 31, 2022

6. 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				
	2022				2021
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Balance at January 1	178,961	-	-	178,961	141,132
Adjustment to fair value reserve	-	-	-	-	1,113
Transfer to Stage 2	(5,219)	5,219	-	-	-
Transfer to Stage 3	-	-	-	-	-
New financial assets originated or purchased	15,518	-	-	15,518	-
New financial assets fully derecognised during the period	(16,328)	-	-	(16,328)	-
Changes to inputs used on ECL calculation	(39,318)	39,144	-	(174)	36,716
Foreign exchange adjustment	(2,004)	-	-	(2,004)	-
Balance at December 31	131,610	44,363	-	175,973	178,961

Notes to the
Financial Statements CONTINUED

December 31, 2022

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):

	Society					
	2022					2021
	Stage 1	Stage 2	Stage 3	Purchased Credit impaired	Total	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at January 1	76,306	-	-	-	76,306	42,587
Transfer to Stage 2	(2,484)	2,484	-	-	-	-
New financial assets originated or purchased	4,810	-	-	-	4,810	-
New financial assets fully derecognised during the period	(10,216)	-	-	-	(10,216)	-
Changes to inputs used on ECL calculation	(13,177)	41,879	-	-	28,702	33,719
Foreign exchange adjustment	(1,024)	-	-	-	(1,024)	-
Balance at December 31	54,215	44,363	-	-	98,578	76,306

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.

At the request of the borrowers, some loans have been restructured with renegotiated terms; arising from changes or anticipated changes in the borrowers' financial position and payment capacity. The Group has accommodated these changes and the loans have returned to satisfactory performance.

As at December 31, 2022, the outstanding principal balances on loans that were restructured during the year amounted to $600,000,000 (2021: $3,500,000,000).

Notes to the Financial Statements CONTINUED

December 31, 2022

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 $26,372,096,000 (2021: $5,098,058,000) [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 $117,179,000 (2021: $244,561,000). 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. Professional and other means are used to arrive at fair value of such collateral, based on the value of collateral assessed at the time of borrowing. These collateral values are updated across board annually, with individual focus given to individual collateral values (including but not limited to professional valuations) 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.

Notes to the
Financial Statements CONTINUED

December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(iii) Collateral and other credit enhancements held against financial assets (cont'd)

(1) Cash resources

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.

(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.

Notes to the Financial Statements CONTINUED

December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(iii) Collateral and other credit enhancements held against financial assets (cont'd)

Professional and other means used to arrive at 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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:				
Real property	137,736,995	122,857,012	-	-
Debt securities	-	-	3,184,410	14,306,225
Liens on motor vehicles	10,789,697	11,391,053	-	-
Hypothecation of deposits	2,622,517	2,917,880	-	-
Subtotal	151,149,209	137,165,945	3,184,410	14,306,225
Against past due (greater than 3 months) but not impaired financial assets:				
Real property	17,619,036	4,887,430	-	-
Liens on motor vehicles	2,094,654	-	-	-
Hypothecation of deposits	900,000	-	-	-
	20,613,690	4,887,430	-	-
Against past due (greater than 3 months) and impaired financial assets:				
Real property	5,475,970	210,627	-	-
Liens on motor vehicles	279,804	-	-	-
Hypothecation of deposits	2,632	-	-	-
	5,758,406	210,627	-	-
Total	177,521,305	142,264,002	3,184,410	14,306,225

Notes to the Financial Statements CONTINUED

December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(iii) Collateral and other credit enhancements held against financial assets (cont'd)

Professional and other means used to arrive at the fair value of collateral and other security enhancements held against loans to borrowers and others is shown below (cont'd):

1.

	Society			
	Loans and advances		Resale agreements	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:				
Real property	122,956,875	107,347,836	-	-
Debt securities	-	-	2,132,127	8,532,041
Liens on motor vehicles	10,789,697	11,391,053	-	-
Hypothecation of deposits	2,622,517	2,917,880	-	-
Subtotal	136,369,089	121,656,769	2,132,127	8,532,041
Against past due (greater than 3 months) but not impaired financial assets:				
Real property	17,619,036	4,887,430	-	-
Liens on motor vehicles	2,094,654	-	-	-
Hypothecation of deposit	900,000	-	-	-
	20,613,690	4,887,430	-	-
Against past due (greater than 3 months) and impaired financial assets:				
Real property	5,475,970	210,627	-	-
Lien on motor vehicles	279,804	-	-	-
Hypothecation of deposits	2,632	-	-	-
	5,758,406	210,627	-	-
Total	162,741,185	126,754,826	2,132,127	8,532,041

Notes to the Financial Statements CONTINUED

December 31, 2022

6. 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.

Notes to the Financial Statements CONTINUED

December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

A summary of the interest rate gap at the reporting date, using historical data as a basis, is as follows:

	Group					
	2022					
	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	6,588,181	9,675	-	-	4,663,088	11,260,944
Jamaica Government Securities	576,742	1,373,403	347,792	21,039,294	-	23,337,231
Other investments	198,906	1,027,529	5,696,879	12,750,578	7,897,667	27,571,559
Resale agreements	638,219	627,148	851,124	-	-	2,116,491
Loans	-	112,123,802	-	-	-	112,123,802
Other assets	-	8,175,108	258,233	5,155,956	4,143,927	17,733,224
Total financial assets	8,002,048	123,336,665	7,154,028	38,945,828	16,704,682	194,143,251
Savings fund	78,488,384	16,255,096	33,098,138	5,446,223	933,736	134,221,577
Due to specialised institution	-	-	-	570,999	627	571,626
Other liabilities	-	-	-	-	6,291,097	6,291,097
Repurchase agreements	1,881,333	10,823,537	4,966,736	-	43,056	17,714,662
Lease liabilities	-	-	60,319	294,501	66,345	421,165
Other borrowings	6,029	5,554,654	3,080,391	7,189,117	1,005,359	16,835,550
Total financial liabilities	80,375,746	32,633,287	41,205,584	13,500,840	8,340,220	176,055,677
Total interest rate sensitivity gap *	(72,373,698)	90,703,378	(34,051,556)	25,444,988	8,364,462	18,087,574
Cumulative gap	(72,373,698)	18,329,680	(15,721,876)	9,723,112	18,087,574	-

* The gap is in relation to items recognised in the statement of financial position. There are no "off balance sheet" exposures

Notes to the Financial Statements CONTINUED

December 31, 2022

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.

Notes to the
Financial Statements CONTINUED
December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

	Society					
	2022					
	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	5,326,191	-	-	-	3,826,830	9,153,021
Jamaica Government securities	576,742	970,625	347,792	8,501,645	-	10,396,804
Other investments	141,055	473,231	5,035,700	10,259,303	6,658,597	22,567,886
Resale agreements	604,548	905,874	739,863	-	-	2,250,285
Loans	-	102,611,042	-	-	-	102,611,042
Other assets	-	7,990,455	-	-	13,382,687	21,373,142
Total financial assets	6,648,536	112,951,227	6,123,355	18,760,948	23,868,114	168,352,180
Savings fund	78,488,384	16,255,096	33,098,138	6,210,153	933,736	134,985,507
Due to specialised institution	-	-	-	570,999	627	571,626
Repurchase agreements	1,881,333	358,991	761,603	-	43,056	3,044,983
Other borrowings	6,029	962,067	2,669,744	4,323,823	5,359	7,967,022
Other liabilities	-	-	-	-	4,157,192	4,157,192
Lease liabilities	-	-	30,063	170,942	-	201,005
Total financial liabilities	80,375,746	17,576,154	36,559,548	11,275,917	5,139,970	150,927,335
Total interest rate sensitivity gap *	(73,727,210)	95,375,073	(30,436,193)	7,485,031	18,728,144	17,424,845
Cumulative gap	(73,727,210)	21,647,863	(8,788,330)	(1,303,299)	17,424,845	-

* The gap is in relation to items recognised in the statement of financial position. There are no "off balance sheet" exposures.

Notes to the Financial Statements CONTINUED

December 31, 2022

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.

Notes to the Financial Statements CONTINUED

December 31, 2022

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 2021.

	Group		Society	
	2022			
	Increase	Decrease	Increase	Decrease
Jamaica dollar	100bps	50bps	100bps	50bps
Foreign currencies	100bps	50bps	100bps	50bps
	$'000	$'000	$'000	$'000
Effect on surplus for the year	2,293,946	32,006	2,381,775	(11,909)
Effect on reserves	1,207,835	3,026,367	2,117,895	2,633,659

	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

Notes to the Financial Statements CONTINUED

December 31, 2022

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					
	2022			2021		
	USD	GBP	CDN	USD	GBP	CDN
	'000	'000	'000	'000	'000	'000
Foreign currency assets	330,136	82,627	10,501	318,859	75,029	8,124
Foreign currency liabilities	(335,960)	(81,328)	(10,429)	(318,873)	(77,723)	(9,207)
Net foreign currency assets	(5,824)	1,299	72	(14)	(2,694)	(1,083)

	Society					
	2022			2021		
	USD	GBP	CDN	USD	GBP	CDN
	'000	'000	'000	'000	'000	'000
Foreign currency assets	249,026	82,574	10,501	222,332	74,983	8,124
Foreign currency liabilities	(260,197)	(81,172)	(10,429)	(224,868)	(77,567)	(9,207)
Net foreign currency assets	(11,171)	1,402	72	(2,536)	(2,584)	(1,083)

Notes to the Financial Statements CONTINUED

December 31, 2022

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:

	2022	2021
	J$	J$
United States dollar	151.01	153.92
Pound Sterling	179.50	209.12
Canadian dollar	108.20	122.28

A 1% (2021: 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 2021.

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
United States Dollar	17,590	44	(16,868)	7,807
Pound Sterling	(4,664)	11,269	2,517	10,807
Canadian Dollar	(156,122)	2,648	77	2,649
	(143,196)	13,961	(14,274)	21,263

Notes to the Financial Statements CONTINUED

December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(ii) Foreign currency risk (cont'd)

Sensitivity to foreign exchange rate movements

A 4% (2021: 8%) 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 2021.

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
United States Dollar	(70,361)	(176)	(16,868)	31,232
Pound Sterling	18,654	(45,073)	10,067	43,231
Canadian Dollar	624,489	(10,594)	309	10,588
	572,782	(55,843)	(6,492)	85,051

(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 6% increase (2021: 5%) in share prices would result in an increase in surplus of $125,960,000 (2021: $399,531,479) for the Group and $101,509,000 (2021: $327,694,885) for the Society, respectively. A 6% decrease (2021: 5%) in share prices would result in a decrease in surplus of $125,960,000 (2021: $399,531,479) for the Group and $101,509,000 (2021: $327,694,885) for the Society, respectively. As at December 31, 2022, the Group holds equity securities classified as fair value through other comprehensive income. A 6% (2021:5%) increase in share prices would result in an increase in other comprehensive income of $48,501,000 (2021:$21,828,000). A 6% (2021:5%) decrease in share prices would result in a decrease in other comprehensive income of $48,501,000 (2021:$21,828,000).

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.

Notes to the Financial Statements CONTINUED

December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(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.

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	
	2022	2021
Regulator's minimum required ratio	5.00%	5.00%

	Ratio of net liquid assets to deposits from customers	
	2022	2021
Actual ratios:		
As at December 31	6.78%	6.37%
Average for the year	5.93%	7.30%
Highest % attained for the year	6.78%	9.24%
Lowest % attained for the year	5.08%	5.76%

Notes to the
Financial Statements CONTINUED

December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(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	
	2022	2021
Regulator's minimum required ratio	25.00%	25.00%
Actual ratio	75.32%	63.37%

(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. However, based on historical experience, the Group has consistently recorded net inflows for 'Due to Savers.' This inflow, along with the high-quality liquid assets held in the portfolio are available to mitigate any liquidity exposure that may arise.

	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
				2022			
Due to savers	78,791,788	16,311,848	33,579,859	4,488,331	1,983,904	135,155,730	134,221,577
Due to specialised institution	-	627	-	-	570,999	571,626	571,626
Other liabilities	6,167,552	74,884	48,662	-	-	6,291,098	6,291,097
Lease liabilities	122	4,743	99,188	335,314	130,138	569,505	421,165
Repurchase agreements	1,906,391	10,799,694	5,356,781	-	-	18,062,866	17,714,662
Other borrowings	1,468,377	4,770,115	4,257,377	7,102,484	-	17,598,353	16,835,550
	88,334,230	31,961,911	43,341,867	11,926,129	2,685,041	178,249,178	176,055,677

Notes to the **Financial Statements** CONTINUED

December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(iii) Maturity profile (cont'd)

	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
	84,356,049	30,441,927	32,369,103	19,944,816	5,520,507	172,632,402	167,844,676

	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
				2022			
Due to savers	79,555,718	16,311,848	33,579,859	4,488,331	1,983,904	135,919,660	134,985,507
Due to specialised institution	-	627	-	-	570,999	571,626	571,626
Other liabilities	-	-	-	-	-	3,153,792	3,153,792
Lease liabilities	-	-	46,126	146,411	81,763	274,300	201,005
Repurchase agreements	1,906,391	184,020	974,923	-	-	3,065,334	3,044,983
Other borrowings	6,030	979,269	2,741,887	4,656,762	-	8,383,948	7,967,022
	81,468,139	17,475,764	37,342,795	9,291,504	2,636,666	151,368,660	149,923,935

Notes to the Financial Statements CONTINUED

December 31, 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(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
Repurchase 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
	83,130,139	16,030,731	27,293,416	14,145,936	5,517,267	146,117,489	142,120,064

There was no change to the Group's approach to managing liquidity risk during the year.

(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. 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.

Notes to the **Financial Statements** CONTINUED

December 31, 2022

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% (2021: 10%) of their risk weighted assets in capital.

	Society	
	2022	2021
	$'000	$'000
Regulatory capital (note 29)	19,932,552	19,523,056
Qualifying capital	17,181,792	17,690,880
On balance sheet risk weighted assets	105,492,410	106,057,167
Off balance sheet risk weighted assets - loan commitments	8,964,865	8,383,607
Foreign exchange exposure	1,329,452	252,741
Total risk assessed assets	115,786,727	114,693,515
Risk based capital adequacy ratio	14.84%	15.42%
Regulatory requirement	10.00%	10.00%

(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.

Notes to the Financial Statements CONTINUED

December 31, 2022

6. CAPITAL MANAGEMENT (CONT'D)

(b) Victoria Mutual Wealth Management Limited (cont'd)

	2022 $'000	2021 $'000
Tier 1 Capital	3,148,844	2,632,235
Tier 2 Capital	71,800	61,267
Total regulatory capital	3,220,644	2,693,502
Risk weighted assets:		
Per statement of financial position	17,515,265	17,588,349
Foreign exchange exposure	609,088	112,591
	18,124,353	17,700,940
Operational risk-weighted assets	271,366	289,168
	18,395,720	17,990,108

Capital ratios	Minimum required		Actual	
	2022	2021	2022	2021
Total regulatory qualifying capital				
Total risk weighted assets	10.00%	10.00%	17.51%	14.97%
Tier 1 Capital/Total regulatory capital	50.00%	50.00%	97.77%	97.72%
Capital base/Total assets	6.00%	6.00%	15.24%	12.81%

Notes to the Financial Statements CONTINUED

December 31, 2022

6. CAPITAL MANAGEMENT (CONT'D)

(c) Victoria Mutual Pensions 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:

	2022 $'000	2021 $'000
Tier 1 Capital	37,305	184,828
Risk-weighted assets:		
Operating assets	236,185	231,009
Per statement of financial position	206,440	208,218
Foreign exchange exposure	30,814	52,940
	473,439	492,167

Capital adequacy ratios:	Minimum required		Actual	
	2022	2021	2022	2021
Total regulatory capital/risk weighted assets	10.00%	10.00%	15.72%	70.66%
Tier 1 Capital/Total regulatory capital	50.00%	50.00%	100.00%	100.00%
Actual capital base /total assets	6.00%	6.00%	13.00%	72.08%

7. CASH RESOURCES

	Group		Society	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cash and cash equivalents for statements of cashflow [see (a)]	9,940,143	7,748,351	7,832,220	6,893,482
Cash reserves held at Bankof Jamaica [see (b)]	1,320,801	1,133,910	1,320,801	1,133,910
	11,260,944	8,882,261	9,153,021	8,027,392

(a) Cash and cash equivalents represents cash on hand, balances with banks and term deposit.

Notes to the Financial Statements CONTINUED

December 31, 2022

7. CASH RESOURCES (CONT'D)

(b) Cash reserves held at Bank of Jamaica represents statutory reserves required by regulation to be held at Bank of Jamaica. 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% (2021: 40%) of specified liabilities.

8. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES

These comprise:

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
FVOCI				
Securities denominated in United States dollars:				
Bonds	13,163,161	8,758,644	5,874,105	1,468,057
Securities denominated in Jamaica dollars:				
Bonds	8,986,696	15,699,053	3,368,778	8,924,033
Certificates of deposit	280,653	475,983	249,203	-
Treasury bills	2,003	-	-	-
	9,269,352	16,175,036	3,617,981	8,924,033
Balance carried forward to page 171	22,432,513	24,933,680	9,492,086	10,392,090

Notes to the
Financial Statements CONTINUED

December 31, 2022

8. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES (CONT'D)

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Balance brought forward from page 170	22,432,513	24,933,680	9,492,086	10,392,090
Amortised cost				
Securities denominated in United States dollars:				
Certificates of deposit	151,009	1,287,000	151,009	1,287,000
Securities denominated in Jamaica dollars Bonds	757,634	-	757,634	-
	908,643	1,287,000	908,643	1,287,000
	23,341,156	26,220,680	10,400,729	11,679,090
Less: Allowance for impairment on amortised cost	(3,925)	(2,058)	(3,925)	(2,058)
	23,337,231	26,218,622	10,396,804	11,677,032

Government securities mature, in relation to the reporting date, as follows:

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Within 3 months	1,329,520	1,725,958	926,742	650,000
From 3 months to 1 year	350,000	478,609	350,000	478,609
From 1 year to 5 years	4,995,731	7,092,911	2,471,042	3,044,547
Thereafter	16,661,980	16,921,144	6,649,020	7,503,876
	23,337,231	26,218,622	10,396,804	11,677,032

Certain Government of Jamaica securities are pledged by the Group as collateral for repurchase agreements (note 24).

Notes to the Financial Statements CONTINUED

December 31, 2022

9. INVESTMENTS - OTHER

	Group 2022	Group 2021	Society 2022	Society 2021
	$'000	$'000	$'000	$'000
FVTPL				
Unquoted equities	72,494	-	-	-
Quoted equities	2,099,334	2,777,704	1,691,816	2,164,872
Mandatorily designated:				
Preference shares	272,364	266,069	-	-
Units in unit trust funds	4,966,741	4,389,026	4,966,741	4,389,026
	7,410,933	7,432,799	6,658,557	6,553,898
Amortised cost				
Bonds	5,195,767	4,727,936	4,930,196	3,599,960
Preference shares	410,647	410,647	-	-
Treasury bills	2,388,162	-	2,388,162	-
Term deposits	618,038	-	618,038	-
Net investment in finance leases	-	155,836	-	-
	8,612,614	5,294,419	7,936,396	3,599,960
FVOCI				
Bonds	10,731,064	13,159,165	7,972,894	10,220,912
Ordinary shares - quoted	808,350	873,120	-	-
Ordinary shares - unquoted	8,637	12,786	39	39
	11,548,051	14,045,071	7,972,933	10,220,951
	27,571,598	26,772,289	22,567,886	20,374,809

Notes to the Financial Statements CONTINUED

December 31, 2022

9. INVESTMENTS - OTHER (CONT'D)

These investments mature, in relation to the reporting date, as follows:

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Within 3 months	906,507	791,171	352,209	791,170
From 3 months to 1 year	5,620,389	2,064,340	4,970,591	1,821,624
From 1 year to 5 years	7,016,669	6,405,371	5,847,690	3,257,341
Thereafter/no maturity	14,028,033	17,511,407	11,397,396	14,504,674
	27,571,598	26,772,289	22,567,886	20,374,809

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.

	Group			
	Fair value		Dividend income recognised	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Jamaica Stock Exchange	808,350	873,120	22,185	1,572
Other entities	8,637	12,786	-	-
	816,987	885,906	22,185	1,572

None of these investments was disposed of during the year ended December 31, 2022 (2021: Nil), and there were no transfers of any cumulative gain or loss within equity relating to these investments (2021: Nil). The change in fair value on these investments was $64,770,000 million for the year ended December 31, 2022 (2021: $158,461,000).

Notes to the Financial Statements CONTINUED

December 31, 2022

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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Denominated in Jamaica dollars	422,671	740,000	-	100,000
Denominated in United States dollars	1,694,327	6,554,527	2,250,362	3,962,305
	2,116,998	7,294,527	2,250,362	4,062,305
Less: Allowance for impairment	(507)	(815)	(77)	(230)
	2,116,491	7,293,712	2,250,285	4,062,075

The securities obtained as collateral under resale agreements, may themselves be sold under repurchase agreements (see note 24). At December 31, 2022, such securities had a fair value of $24,170,002,000 (2021: $14,306,225,000) and $2,132,127,000 (2021: $8,532,041,000) for the Group and the Society, respectively.

Notes to the Financial Statements CONTINUED

December 31, 2022

11. LOANS

(a) Composition of loans

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Conventional mortgage loans	89,326,855	79,034,014	89,326,855	79,034,014
Mortgage escrow (see below)	647,022	554,156	647,022	554,156
Total conventional mortgage loans	89,973,877	79,588,170	89,973,877	79,588,170
Share loans	1,757,472	1,627,898	1,757,472	1,627,898
Corporate loans	1,195,027	1,280,035	1,195,027	1,280,035
Consumer loans	9,413,885	9,374,350	9,413,885	9,374,350
Consumer escrow	31,137	35,884	31,137	35,884
Specialised loans	9,512,760	10,986,707	-	-
Staff loans	462,283	506,466	462,283	506,466
Credit cards	90,533	-	90,533	-
Total gross carrying value of loans	112,436,974	103,399,510	102,924,214	92,412,803
Less: allowance for impairment	(313,172)	(556,226)	(313,172)	(556,226)
Total loans, net	112,123,802	102,843,284	102,611,042	91,856,577

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	
	2022	2021
	$'000	$'000
Balances at the beginning of the year	556,226	423,507
Net remeasurement of allowance for ECL	(243,054)	132,719
Balances at the end of the year [see (c) next page]	313,172	556,226

Notes to the
Financial Statements CONTINUED

December 31, 2022

11. LOANS (CONT'D)

(c) Credit facility reserve

	Group and Society	
	2022	2021
	$'000	$'000
Regulatory loan loss provision	2,882,792	2,506,961
Less: Impairment allowance based on IFRS 9 [see (b) previous page]	(313,172)	(556,226)
Credit facility reserve at end of year	2,569,620	1,950,735

(d) Loan principal repayments and mortgage escrow payments are projected to be received, in relation to the reporting date, as follows:

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Within three months	692,125	442,711	692,125	442,711
3 months to 1 year	4,747,983	1,356,209	1,117,356	1,356,209
From 1 year to 5 years	12,181,705	12,644,956	6,299,572	7,532,449
Thereafter	94,501,989	88,399,408	94,501,989	82,525,208
	112,123,802	102,843,284	102,611,042	91,856,577

Notes to the Financial Statements CONTINUED

December 31, 2022

12. OTHER ASSETS

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Margin & other loans receivable	5,467,380	3,531,097	-	-
Income tax recoverable	8,007	77,509	-	-
Interest receivable	1,417,184	1,193,365	1,075,698	860,906
Rent receivable	105,188	138,734	105,188	138,734
Withholding tax recoverable	923,294	911,718	740,776	850,520
Late fees	107,398	64,620	94,888	60,005
Customers' receivable	325,809	22,081	-	-
Sundry receivables and prepayments	2,013,701	1,671,777	1,427,851	1,275,084
	10,367,961	7,610,901	3,444,401	3,185,249

13. DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets

Deferred tax assets are attributable to the following:

	Group						
	2020	Recognised in income	Recognised in OCI	2021	Recognised in income	Recognised in OCI	2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Investment securities	85,085	52,252	252,850	390,187	82,589	615,177	1,087,953
Other receivables	(39,205)	(10,656)	-	(49,861)	(7,515)	-	(57,376)
Property, plant and equipment	19,584	(940)	-	18,644	4,864	-	23,508
Finance lease	(15,839)	2,032	(400)	(14,207)	434	-	(13,773)
Other liabilities	9,223	1,360	-	10,583	8,873	-	19,456
Employee benefits obligation	7,425	(2,167)	(3,600)	1,658	(3,450)	(8,317)	(10,109)
Unrealised foreign exchange loss	(14,709)	20,527	-	5,818	(6,549)	-	(731)
	51,564	62,408	248,850	362,822	79,246	606,860	1,048,928

Notes to the Financial Statements CONTINUED

December 31, 2022

13. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

(b) Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Group						
	2020	Recognised in income	Recognised in OCI	2021	Recognised in income	Recognised in OCI	2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other receivables	46,785	3,030	-	49,815	(28,004)	-	21,811
Other liabilities	872	59,533	-	60,405	5,446	-	65,851
Employee benefits asset	(806,553)	7,380	-	(799,173)	24,210	300,990	(473,973)
Property, plant and equipment	126,004	85,897	-	211,901	72,095	-	283,996
Employee benefits obligation	570,529	38,700	37,170	646,399	33,057	(185,073)	494,383
Unrealised gains on units in unit trust	(345,048)	(76,704)	-	(421,752)	48,467	-	(373,285)
Unused tax loss	26	(3,769)	(30,060)	(33,803)	4,318	-	(29,485)
Investment securities	(31,632)	(61,670)	-	(93,302)	3,823	-	(89,479)
	(439,017)	52,397	7,110	(379,510)	163,412	115,917	(100,181)

	Society						
	2020	Recognised in income	Recognised in OCI	2021	Recognised in income	Recognised in OCI	2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits asset	(593,553)	7,380	37,170	(549,003)	24,210	300,990	(223,803)
Property, plant and equipment	133,664	85,898	-	219,562	79,718	-	299,280
Employee benefits obligation	347,460	38,700	(30,060)	356,100	32,790	(183,840)	205,050
Other receivables	43,565	9,718	-	53,283	(38,007)	-	15,276
Unrealised gains on units in unit trust	(349,080)	(76,704)	-	(425,784)	48,467	-	(377,317)
	(417,944)	64,992	7,110	(345,842)	147,178	117,150	(81,514)

Notes to the Financial Statements CONTINUED

December 31, 2022

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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Employee benefits asset (i)	746,011	1,830,011	746,011	1,830,011
Other post-employment benefits (ii)	716,100	1,245,900	683,700	1,187,200

(i) Employee benefits asset

(a) Amount recognised in the statement of financial position

	Group and Society	
	2022	2021
	$'000	$'000
Present value of funded obligations	(4,506,500)	(7,282,600)
Fair value of plan assets	9,109,211	9,112,611
Change in effect of asset ceiling	(3,856,700)	-
	746,011	1,830,011

Notes to the Financial Statements CONTINUED

December 31, 2022

14. EMPLOYEE BENEFITS ASSET/OBLIGATION(CONT'D)

(ii) Employee benefits asset (cont'd)

(b) Movements in the present value of defined benefit obligations

	Group and Society	
	2022	2021
	$'000	$'000
Balance at beginning of year	7,282,600	6,440,500
Benefits paid	(268,000)	(207,000)
Employee contributions (basic and voluntary)	111,100	79,100
Interest cost	596,800	596,300
Service cost	255,900	243,700
Transfers in	800	11,500
Remeasurement (gain)/loss arising from:		
Financial assumptions	(3,472,700)	118,500
Balance at end of year	4,506,500	7,282,600

(c) Movement in plan assets

	2022	2021
Fair value of plan assets at beginning of year	9,112,611	8,419,011
Contributions paid into the plan	187,000	149,000
Benefits paid by the plan	(292,000)	(210,300)
Net interest income on plan assets	724,800	755,000
Remeasurement loss on assets included in other comprehensive income	(623,200)	(100)
Fair value of plan assets at end of year	9,109,211	9,112,611
Plan assets consist of the following:		
Equity securities	3,455,800	4,179,300
Government securities	3,383,700	2,518,300
Real estate fund	1,820,300	2,143,000
Other assets	449,411	272,011
	9,109,211	9,112,611

Notes to the
Financial Statements CONTINUED
December 31, 2022

14. EMPLOYEE BENEFITS ASSET/OBLIGATION(CONT'D)

(iii) Employee benefits asset (cont'd)

	Group and Society	
	2022	2021
	$'000	$'000
(d) Charge/ (credit) recognised in the income statement, net		
Service costs	186,100	179,800
Interest on obligation	611,700	611,200
Net interest income on plan assets	(724,800)	(755,000)
	73,000	36,000
(e) Charge/(credit) recognised in other comprehensive income, net		
Remeasurement gain on obligations	(3,472,700)	118,500
Remeasurement gain on assets	623,200	100
Change in effect of asset ceiling	3,856,700	-
	1,007,200	118,600

(f) Principal financial assumptions at the reporting date (expressed as weighted averages)

	Group and Society	
	2022	2021
	%	%
Discount rate at December 31	13.0	8.0
Future salary increases	5.5	6.0
Future pension increases	4.5	5.0

Notes to the Financial Statements CONTINUED

December 31, 2022

14. EMPLOYEE BENEFITS ASSET/OBLIGATION(CONT'D)

(iv) Employee benefits asset (cont'd)

(g) Sensitivity analysis

A one-half percentage (2021: 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			
	2022		2021	
Financial assumptions	0.5% point increase	0.5% point decrease	0.5% point increase	0.5% point decrease
	$'000	$'000	$'000	$'000
Discount rate	(4,157,400)	4,932,900	(6,709,200)	7,948,900
Rate of salary escalation	4,684,200	(4,350,500)	(7,529,500)	(7,052,600)
Future rate of pension	4,747,000	(4,298,900)	(7,669,100)	(6,931,600)

	Society			
	2022		2021	
Financial assumptions	0.5% point increase	0.5% point decrease	0.5% point increase	0.5% point decrease
	$'000	$'000	$'000	$'000
Discount rate	(3,803,400)	4,531,400	(6,210,300)	7,364,800
Rate of salary escalation	4,297,200	(3,985,400)	6,975,200	(6,529,800)
Future rate of pension	4,357,100	(3,935,900)	7,104,600	(6,417,600)

(h) The Group expects to pay $1,209,982,000 in contributions to the defined-benefit plan in 2023.

(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.

Notes to the Financial Statements CONTINUED

December 31, 2022

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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Present value of obligation at the start of the year	1,245,900	1,222,200	1,187,200	1,158,200
Interest cost	102,200	121,200	97,400	110,000
Current service cost	45,900	40,500	44,600	38,900
Benefits paid	(29,500)	(25,400)	(28,800)	(25,000)
Remeasurement gain arising from:				
Financial assumptions	(648,400)	(112,600)	(616,700)	(94,900)
	716,100	1,245,900	683,700	1,187,200

(b) Charge recognised in the income statement

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Interest cost	102,200	121,200	97,400	110,000
Current service cost	45,900	40,500	44,600	38,900
Benefits paid	(29,500)	(25,400)	(28,800)	(25,000)
	118,600	136,300	113,200	123,900

(c) Items in other comprehensive income

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Remeasurement gains on obligations	(648,400)	(112,600)	(616,700)	(94,900)

Notes to the Financial Statements CONTINUED

December 31, 2022

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	
	2022	2021
	%	%
Financial assumptions:		
Discount rate	13	8.0
Medical claims growth	7.5	7.0

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 (2021: 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			
	2022		2021	
	1% point increase	1% point decrease	0.5% point increase	0.5% point decrease
	$'000	$'000	$'000	$'000
Medical cost trend rate and rate of salary escalation	685,500	(515,800)	1,181,300	(965,000)
Discount rate	(515,800)	685,500	(965,000)	1,181,300

Notes to the
Financial Statements CONTINUED

December 31, 2022

14. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(ii) Other post-employment benefits (cont'd)

(e) Sensitivity to changes in financial assumptions (cont'd)

A one-half percentage (2021: 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:

	Society			
	2022		2021	
	1% point increase	1% point decrease	0.5% point increase	0.5% point decrease
	$'000	$'000	$'000	$'000
Medical cost trend rate and rate of salary escalation	647,900	(487,600)	1,116,300	1,130,400
Discount rate	(487,600)	647,900	(911,900)	(921,600)

15. INTEREST IN SUBSIDIARIES

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Shares, at cost [see note 1(b)]	-	-	1,562,389	1,412,389
Loans and advances	-	-	7,990,455	10,355,536
Current accounts	-	-	983,437	399,965
	-	-	10,536,281	12,167,890

Notes to the
Financial Statements CONTINUED
December 31, 2022

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), Carilend Caribbean Holdings Limited and Kingston Properties Limited (KPREIT), as follows:

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Shares, at cost	2,921,317	1,361,314	1,188,777	1,255,211
Share of post-acquisition profits less dividends	794,467	856,519	-	-
Share of investment revaluation reserve	7,417	86,048	-	-
	3,723,201	2,303,881	1,188,777	1,255,211

(b) Group's share of profit/(loss) is broken out as follows:

	2022	2021
	$'000	$'000
British Caribbean Insurance Company Limited	126,899	354,049
Carilend Caribbean Holdings Limited	(21,399)	(33,239)
	105,500	320,810

(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.

	2022	2021
	$'000	$'000
Percentage ownership interest	**37.16%**	**39.24%**
Assets	26,189,309	20,860,522
Liabilities	(20,546,782)	(15,043,802)
Net assets (100%)	5,642,527	5,816,720

Notes to the
Financial Statements CONTINUED

December 31, 2022

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. (cont'd)

	2022	2021
	$'000	$'000
Percentage ownership interest	**37.16%**	**39.24%**
Carrying amount of interest in BCIC	2,096,763	2,282,481
Revenue	23,048,610	16,772,557
Profit for the year	341,493	937,132
Other comprehensive loss, net of tax	(209,529)	(82,011)
Total comprehensive income	131,964	855,121
Group's share of profit for year	126,899	354,049
Share of other comprehensive loss	(78,631)	(32,212)
Group's share of total comprehensive income	48,268	321,837

The interest in Carilend Caribbean Holdings Limited is not considered material for a similar disclosure.

Notes to the Financial Statements CONTINUED

December 31, 2022

16. INTEREST IN ASSOCIATES (CONT'D)

(d) Effective December 30, 2022, the Group, through its subsidiary, Victoria Mutual Investments Limited, acquired 23% shareholding in Kingston Properties Limited (KPREIT). Accordingly, no share of profits have been recorded by the company in the current year.

The acquisition was effected via a swap transaction with the VM Wealth Unit Trust Property Fund (the Unit Trust), whereby Victoria Mutual Investments Limited sold its two commercial properties valued at $1,050,000,000 to the Unit Trust in exchange for 135,483,871 shares in KPREIT. Victoria Mutual Investments Limited had also acquired 67,895,963 shares in KPREIT during the current year. The fair value of the interest in KPREIT indicated by its quoted price on the Jamaica Stock Exchange as at 31 December 2022 is $1,726,694,790.

The balances are provisional as fair value of assets and liabilities for the purposes of this disclosure are yet to be established and are accordingly presented on a provisional basis.

	Group
	2022
	$'000
Percentage ownership interest	**23%**
Non-current assets	7,546,587
Current assets	1,278,626
Total assets	8,825,213
Non-current liabilities	1,545,566
Current liabilities	208,183
Total liabilities	1,753,749
Net assets (100%)	7,071,464
Carrying amount of interest in KPREIT	1,626,437

Notes to the
Financial Statements CONTINUED

December 31, 2022

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, 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
Additions	-	274,687	286,197	560,884	11,308	244,626	255,934
Transfers	-	260,618	(260,618)	-	214,434	(214,434)	-
December 31, 2022	609,215	3,969,151	1,408,298	5,986,664	3,182,499	1,311,095	4,493,594
Amortisation							
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
Charge for year	-	566,161	-	566,161	485,426	-	485,426
December 31, 2022	-	2,511,456	-	2,511,456	2,138,943	-	2,138,943
Carrying value							
December 31, 2022	609,215	1,457,695	1,408,298	3,475,208	1,043,556	1,311,095	2,354,651
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

Goodwill comprises the excess of cost over fair value of the net assets of Victoria Mutual Pensions 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.

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.

Notes to the Financial Statements CONTINUED

December 31, 2022

17. INTANGIBLE ASSETS (CONT'D)

The key assumptions used in the discounted cash flow projections are as follows:

	2022	2021
Discount rate	19.0%	18.0%
Growth rate	5.0%	5.0%
Jamaica dollar inflation rate	5.0%	3.0%

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, 2020	129,229	325,308	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	148,798	278,301	427,099	134,381	278,301	412,682
Additions	322,405	-	322,405	-	-	-
Translation adjustment	(17,457)	-	(17,457)	-	-	-
Disposals	(2,413)	(133,653)	(136,066)	-	(133,795)	(133,795)
December 31, 2022	451,333	144,648	595,981	134,381	144,506	278,887
Depreciation						
December 31, 2020	41,690	34,203	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	43,972	33,741	77,713	43,972	33,741	77,713
Charge for the year	2,282	6,469	8,751	2,282	6,469	8,751
Eliminated on disposals	-	(12,883)	(12,883)	-	(12,883)	(12,883)
December 31, 2022	46,254	27,327	73,581	46,254	27,327	73,581

Notes to the Financial Statements CONTINUED

December 31, 2022

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
Net book values						
December 31, 2022	405,079	117,321	522,400	88,127	117,179	205,306
December 31, 2021	104,826	244,560	349,386	90,409	244,560	334,969
December 31, 2020	87,539	291,105	378,644	92,691	291,105	383,796

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								
	2020	Additions	Translation	Disposal	2021	Additions	Translation	Disposal	2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	
Investment properties	1,377,000	8,486	11,083	-	1,396,569	322,405	(17,457)	(2,413)	1,699,104
Foreclosed properties	748,736	-	-	(47,007)	701,729	-	-	(133,653)	568,076
	2,125,736	8,486	11,083	(47,007)	2,098,298	322,405	(17,457)	(136,066)	2,267,180

(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.

Notes to the Financial Statements CONTINUED

December 31, 2022

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, 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 from work in progress	-	110	25,512	-	(25,622)	-
December 31, 2021	433,004	1,505,170	2,786,875	74,573	1,293,566	6,093,188
Translation adjustments	(8,766)	(14,797)	(29,066)	-	-	(52,629)
Additions	171,009	2,536	102,766	-	405,121	681,432
Disposals	(10,962)	(747,721)	(3,734)	(21,348)	-	(783,765)
Transfers from work in progress	-	508,891	271,242	-	(780,133)	-
December 31, 2022	584,285	1,254,079	3,128,083	53,225	918,554	5,938,226
Depreciation						
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
Translation adjustments	(3,703)	(314)	(9,813)	-	-	(13,830)
Charge for year	77,250	59,780	211,435	10,528	-	358,993
Eliminated on disposals	(10,962)	(14,286)	(3,697)	(21,348)	-	(50,293)
December 31, 2022	213,412	261,918	2,161,916	18,252	-	2,655,498
Net book values						
December 31, 2022	370,873	992,161	966,167	34,973	918,554	3,282,728
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

Notes to the
Financial Statements CONTINUED

December 31, 2022

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Society					
	Right-of-use on leasehold properties	Leasehold and freehold land and buildings	Office furniture & equipment	Motor vehicles	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
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
Additions	93,770	-	41,869	-	359,924	495,563
Disposals	(10,962)	-	-	(21,348)	-	(32,310)
Transfer from work in progress	-	508,891	271,242	-	(780,133)	-
December 31, 2022	272,618	1,283,913	2,593,628	53,060	837,425	5,040,644
Depreciation						
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
Charge for year	37,372	43,467	162,801	10,495	-	254,135
Eliminated on disposals	(10,963)	-	-	(21,346)	-	(32,309)
December 31, 2022	97,462	212,241	1,923,087	18,136	-	2,250,926
Net book values						
December 31, 2022	175,156	1,071,672	670,541	34,924	837,425	2,789,718
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

Notes to the Financial Statements CONTINUED

December 31, 2022

20. SHAREHOLDERS' SAVINGS

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
General investment ("B") shares	1,818,306	1,526,061	2,582,236	2,432,582
Paid up investment ("C") shares	127,377,924	109,202,715	127,377,924	109,202,715
	129,196,230	110,728,776	129,960,160	111,635,297
Deferred shares [notes 28(i) and 29]	3,261,285	4,893,152	3,261,285	4,893,152
	132,457,515	115,621,928	133,221,445	116,528,449

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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
On demand to 3 months	93,270,164	88,549,700	94,034,094	89,456,221
Three to 12 months	33,040,073	20,047,143	33,040,073	20,047,143
Over 12 months	6,147,278	7,025,085	6,147,278	7,025,085
	132,457,515	115,621,928	133,221,445	116,528,449

21. DEPOSITORS' SAVINGS

	Group and Society	
	2022	2021
	$'000	$'000
Due to depositors	1,764,062	2,241,778
Percentage of the Society's mortgage loan balances	1.97%	2.83%
Society's mortgage loan balances	89,682,268	79,246,510

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.

Notes to the Financial Statements CONTINUED

December 31, 2022

22. DUE TO SPECIALISED INSTITUTION

	Group and Society	
	2022	2021
	$'000	$'000
Conventional mortgage loans	571,626	4,367,036

This represents the balance of loans disbursed by the National Housing Trust under joint financing arrangements with borrowers of the Group.

During the year, the Society negotiated an early settlement of existing balances with the National Housing Trust, resulting in the derecognition of $6,418,729,000 of the balance and a gain of $1,823,237,000 (note 34).

23. OTHER LIABILITIES

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Deposits – private treaty sales	24,399	11,475	24,398	11,475
Customers' and clients' funds	1,725,854	429,990	1,725,854	429,990
Accrued expenses	1,031,602	1,032,931	980,528	1,007,450
Other payables	3,509,242	2,618,299	423,014	493,765
	6,291,097	4,092,695	3,153,794	1,942,680

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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Denominated in Jamaica dollars	6,459,453	14,108,225	1,372,056	7,364,003
Denominated in United States dollars	10,186,315	12,085,353	604,033	-
Denominated in Sterling	1,068,894	-	1,068,894	-
	17,714,662	26,193,578	3,044,983	7,364,003

Notes to the Financial Statements CONTINUED

December 31, 2022

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 $19,764,104,000 (2021: $27,494,026,000) for the Group and $2,417,000,000 (2021: $7,930,618,000) for the Society.

25. OTHER BORROWINGS

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Deferred shares	7,000,847	8,939,984	7,000,847	8,939,984
Variable rate bonds	2,402,947	3,585,428	-	-
Bank facility	1,462,347	-	-	-
Certificate of deposits	966,175	601,134	966,175	601,134
Fixed rate bonds	5,003,234	1,883,618	-	-
.	16,835,550	15,010,164	7,967,022	9,541,118

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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Less than one year	100,698	74,488	46,127	29,626
One to five years	330,114	279,636	146,411	122,902
More than five years	137,898	57,704	81,763	27,125
	568,710	411,828	274,301	179,653
Carrying amount of lease liabilities:				
Current	69,200	53,871	27,560	18,571
Non-current	351,965	263,626	173,445	116,430
	421,165	317,497	201,005	135,001

Notes to the Financial Statements CONTINUED

December 31, 2022

26. LEASES – IFRS 16 (CONT'D)

(a) Amounts recognised in profit or loss

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Leases under IFRS 16:				
Interest on lease liabilities	35,963	28,700	18,879	12,383
Expenses relating to short-term leases	-	180	-	-
	35,963	28,880	18,879	12,383

(b) Amounts recognised in statement of cash flows:

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Lease interest payments	35,963	28,700	18,879	12,383
Lease principal payments	59,252	32,186	27,766	18,026
Total cash outflow for leases	95,215	60,886	46,645	30,409

(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.

(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.

Notes to the Financial Statements CONTINUED

December 31, 2022

26. LEASES – IFRS 16 (CONT'D)

(d) Leases as lessor (cont'd)

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
One to two years	70,278	54,877	19,422	17,092
Two to three years	82,238	55,744	35,805	17,367
Three to four years	73,679	57,410	30,901	18,231
Four to five years	49,912	54,245	30,177	17,109
More than five years	29,553	62,415	28,327	65,514
	305,660	284,691	144,632	135,313

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.

As per page 34, Section 4.57 (c) (ii) of the Scheme of Arrangement approved by the Court, Bank of Jamaica and members at the Members' Meeting held August 9, 2022, the liability in the Statement of Financial Position represented by 15-year Dormant Accounts amounting to $1,200,000,000, was extinguished and transferred to the Retained Earnings Reserve by way of the Income Statement.

Notes to the Financial Statements CONTINUED

December 31, 2022

28. RESERVES (CONT'D)

(ii) Retained earnings reserve (cont'd)

A register has been established of the members of the Society comprising these dormant accounts aged 15 years and older. If any such member shall thereafter make contact with the Society, the account will be re-activated and will be accorded full membership rights to title and interest in the restored account in the same manner as if the account were never extinguished.

(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	
	2022	2021
	$'000	$'000
Permanent capital fund (note 27)	7,746,058	7,746,058
Reserve fund [note 28(i)]	1,684,509	1,560,636
Retained earnings reserve [note 28(ii)]	7,225,160	5,323,210
Deferred shares (note 20)	3,261,285	4,893,152
Total regulatory capital [note 6(a)]	19,917,012	19,523,056

"Regulatory capital" has the meaning ascribed in the Regulations.

Notes to the Financial Statements CONTINUED

December 31, 2022

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

	2022 $'000	2021 $'000
Total assets	29,872,253	31,243,152
Total liabilities	(26,391,099)	(27,191,949)
Net assets	3,481,154	4,051,203
Carrying amount of NCI	696,231	810,241
NCI percentage	20%	20%

(b) Profit and loss account and other comprehensive income:

	2022 $'000	2021 $'000
Revenue	2,418,612	2,790,930
Profit	714,542	564,137
Other comprehensive loss	(1,284,591)	(661,901)
Total comprehensive (loss)/ income	(570,049)	97,764
Group's share of total comprehensive loss	(456,039)	(78,211)
Profit allocated to NCI	142,908	112,827
Other comprehensive loss allocated to NCI	(256,918)	(132,380)
Total comprehensive loss allocated to NCI	(114,010)	(19,553)

(c) Statement of cash flows

	2022 $'000	2021 $'000
Cash flows used in operating activities	(1,458,033)	(1,147,644)
Cash flows from investment activities	503,172	208,863
Cash flows from financing activities	1,893,654	2,230,811
Net increase in cash and cash equivalents	938,793	1,292,030

Notes to the
Financial Statements CONTINUED

December 31, 2022

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

Notes to the Financial Statements CONTINUED

December 31, 2022

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 2022							
		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	22,432,513	-	904,718	23,337,231	-	23,949,026	-	23,949,026
Preference shares	9	-	272,363	-	272,363	-	410,647	272,363	683,010
Ordinary shares - quoted	9	808,350	2,099,334	-	2,907,684	2,907,684	-	-	2,907,684
Ordinary shares - unquoted	9	8,638	72,494	-	81,132	-	4,068	-	4,068
Bonds	9	10,331,755	-	4,992,661	15,324,416	-	15,324,416	-	15,324,416
Treasury bills	9	-	-	2,388,162	2,388,162	-	2,388,162	-	2,388,162
Loans	11	-	-	102,611,042	102,611,042	-	-	102,611,042	102,611,042
Term deposits	9	-	-	618,038	618,038	-	618,038	-	618,038
Units in unit trust funds	9	-	4,966,741	-	4,966,741	-	4,966,741	-	4,966,741
		33,581,256	7,410,932	111,514,621	152,506,809	2,907,684	47,661,098	102,883,405	153,452,187
Financial liabilities									
Due to specialised institutions	22	-	-	571,626	571,626	-	-	571,626	571,626
Other borrowings	25	-	-	16,835,550	16,835,550	-	-	16,835,550	16,835,550
Lease liabilities	26	-	-	421,165	421,165	-	-	421,165	421,165
		-	-	17,828,341	17,828,341	-	-	17,828,341	17,828,341

Notes to the **Financial Statements** CONTINUED

December 31, 2022

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Accounting classifications and fair values (cont'd)

		Group							
		2021							
		Carrying amount				Fair value			
	Note	FVOCI	Fair value through profit or loss	Amortised 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
Bonds	9	13,159,165	-	4,727,936	17,887,101	-	17,887,101	-	17,897,101
Net investments in finance lease	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

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31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Accounting classifications and fair values (cont'd)

		Society							
		2022							
		Carrying amount				Fair value			
	Note	FVOCI	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Government of Jamaica securities	8	9,492,086	-	904,718	10,396,804	-	10,396,804	-	10,396,804
Ordinary shares - quoted	9	-	1,691,816	-	1,691,816	1,691,816	-	-	1,691,816
Ordinary shares - unquoted	9	39	-	-	39	-	-	39	39
Bonds	9	7,972,894	-	4,930,196	12,903,090	-	12,903,090	-	12,903,090
Treasury bills	9	-	-	2,388,162	2,388,162	-	2,388,162	-	2,388,162
Loans	11	-	-	102,611,042	102,611,042	-	-	102,611,042	102,611,042
Term deposits	9	-	-	618,038	618,038	-	618,038	-	618,038
Units in unit trust funds	9	-	4,966,741	-	4,966,741	-	4,966,741	-	4,966,741
		17,465,019	6,658,557	111,452,156	135,575,732	1,691,816	31,272,835	102,611,081	135,575,732
Financial liabilities									
Due to specialised institutions	22	-	-	571,626	571,626	-	-	571,626	571,626
Other borrowings	25	-	-	7,967,022	7,967,022	-	-	7,967,022	7,967,022
Lease liabilities	26	-	-	201,005	201,005	-	-	201,005	201,005
		-	-	8,739,653	8,739,653	-	-	8,739,653	8,739,653

Notes to the
Financial Statements CONTINUED

December 31, 2022

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	Amortised 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

During the year, the Group and the Society experienced fair value losses related to instruments that are measured at FVOCI amounting to $3,542,257,000 and $1,695,844,000, respectively. The decline is as a result of market conditions such as discount rates, yields and other macro-economic factors that affect the fair values.

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December 31, 2022

32. NET INTEREST INCOME

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Interest income, calculated using the effective interest method:				
Investment securities	3,747,821	3,118,094	1,715,704	1,465,013
Loans to customers	6,413,675	5,515,516	6,638,382	5,616,839
	10,161,496	8,633,610	8,354,086	7,081,852
Interest expense				
Repurchase agreements	(666,519)	-	-	-
Borrowings	(780,516)	(1,894)	(333,933)	(175,435)
Shareholders' savings	(2,042,459)	(1,073,320)	(2,069,723)	(1,124,675)
Depositors' savings	(838,960)	(1,832,748)	(831,759)	(793,605)
	(4,328,454)	(2,907,962)	(3,235,415)	(2,093,715)
Net interest income	5,833,042	5,725,648	5,118,671	4,988,137

33. NET FEE AND COMMISSION INCOME

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Fee and commission income				
Customers	1,342,575	1,102,945	732,579	684,651
Associated company	582,649	521,107	128,758	113,249
Other	428,500	303,739	-	-
	2,353,724	1,927,791	861,337	797,900
Fee and commission expenses				
Inter-bank transaction fees	(104,234)	(72,395)	(104,234)	(72,395)
Credit card fees	(29,070)	-	(29,070)	-
Other	(130,146)	(134,308)	(57,284)	(66,688)
	(263,450)	(206,703)	(190,588)	(139,083)
Net fee and commission income	2,090,274	1,721,088	670,749	658,817

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December 31, 2022

34. OTHER OPERATING REVENUE

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Foreign exchange trading gains, net	1,175,007	1,205,689	694,211	743,770
Fees for late payments	116,074	88,146	116,074	88,146
Rent	93,602	17,012	18,774	17,010
Dividends -from associates and subsidiaries	-	-	536,052	303,812
-other	108,927	63,541	96,808	62,579
Gain on investment activities	863,041	1,410,049	219,405	633,895
Gains/ (losses) on disposal of property, plant and equipment	373,686	22,666	(9,855)	22,666
Unrealised fair value (loss)/gain on quoted equites and units held in unit trust	(34,137)	169,477	(34,137)	169,477
Gain on settlement of balance with Specialised financial institution (note 22)	1,823,237	-	1,823,237	-
Other income	386,404	491,412	340,922	273,230
	4,905,841	3,467,992	3,801,491	2,314,585

35. PERSONNEL COSTS

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Salaries	3,617,283	2,800,024	2,341,173	1,676,406
Statutory payroll contributions	497,638	405,212	379,812	342,616
Pension and medical benefits [note 14, note 38(e)]	237,630	172,300	215,000	159,900
Termination payments	52,009	51,194	48,809	44,094
Other staff benefits	1,061,515	1,180,411	944,865	1,039,770
	5,466,075	4,609,141	3,929,659	3,262,786

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36. OTHER OPERATING EXPENSES

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Asset taxes	423,125	377,424	365,648	317,028
Overseas business development	220,908	209,853	220,908	209,853
Irrecoverable GCT	366,654	351,990	357,415	340,108
Marketing	460,513	406,018	315,007	316,859
Computer maintenance	688,247	591,604	593,330	495,454
Maintenance – buildings, furniture and fixtures	329,588	272,533	213,769	206,508
Insurance	215,462	189,205	201,830	177,533
Administration	78,174	30,472	413,524	355,278
Postage, courier and stationery	136,012	141,785	96,679	100,231
Electricity, water and telephone	164,521	230,777	153,115	223,490
Consultancy and other professional fees	403,120	206,643	118,838	156,796
Audit fees	118,186	117,495	59,611	60,664
Directors' fees [note 38(e)]	67,676	69,891	25,097	22,968
Security	110,954	93,919	58,076	46,111
Service contracts	97,920	106,155	38,476	49,438
Direct operating expenses for investment property that generated rental income	48,464	29,427	48,464	29,427
Credit card expenses	29,159	-	29,159	-
	3,958,683	3,425,191	3,308,946	3,107,746

Notes to the Financial Statements CONTINUED

December 31, 2022

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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
(i) Current tax expense:				
Current tax at 30%	629,690	169,465	629,690	167,640
Current tax at 15%, 25% and 33½%	443,073	432,568	14,403	-
Adjustment for prior year's (over)/under provision	(10,436)	8,344	-	-
	1,062,327	610,377	644,093	167,640
(ii) Deferred tax credit:				
Origination and reversal of other temporary differences [notes 13(a) and (b)]	(242,658)	(114,805)	(147,178)	(64,992)
Actual tax expense recognised	819,669	495,572	496,915	102,648

Notes to the Financial Statements CONTINUED

December 31, 2022

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 (a)] being 19.48% (2021: 21.72%) for the Group and 15.82% (2021: 12.32%) for the Society. The actual income tax expense differs from the expected income tax expense for the year, as follows:

	Group		Society	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Surplus before income tax	4,143,794	2,281,841	3,141,623	832,592
Computed "expected" income tax at 30%	1,028,495	684,552	942,487	249,778
Tax at 15%	246,981	-	14,403	-
Effect of different tax rates for subsidiaries	60,659	51,326	-	-
Tax effect of treating the following items differently for income tax than for financial statement purposes:				
Depreciation charge and capital allowances	19,425	22,255	4,519	3,550
Utilised tax loss	-	(1,001)	-	-
Tax exempt income	(183,977)	(341,919)	(123,017)	(158,831)
Disallowed expenses and losses, net	(2,753)	66,166	47,329	(6,106)
Other	(338,725)	5,849	(388,806)	14,257
	830,105	487,228	496,915	102,648
Adjustment for prior years (over)/under provision	(10,436)	8,344	-	-
Actual tax expense recognised	819,669	495,572	496,915	102,648

Notes to the Financial Statements CONTINUED

December 31, 2022

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.

(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) Identity 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".

Notes to the Financial Statements CONTINUED

December 31, 2022

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:

	2022	2021
	$'000	$'000
Subsidiaries:		
Resale agreements	679,363	1,011,150
Repo receivable	19,042	16,517
Loan receivable	7,922,468	10,346,017
Other loans	67,987	9,519
Shareholders' savings	(2,298,865)	(894,289)
Repo payable	(11,249)	(4,052)
Securities sold under repurchase agreements	(229,000)	(300,000)
Key management personnel:		
Executive Management:		
Mortgage loans	419,393	168,445
Other loans	104,200	109,150
Shareholders' savings	(184,024)	(123,059)
Non-executive directors:		
Mortgage loans	27,144	51,242
Shareholders' savings	(24,408)	(15,690)
Associate:		
Investments	290,000	428,595
Interest on Investments	2,701	3,425
Shareholders' savings	(958,321)	(394,845)

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.

Notes to the Financial Statements CONTINUED

December 31, 2022

38. RELATED PARTY TRANSACTIONS (CONT'D)

(d) The Society's income statement includes income earned/(expenses incurred) from transactions with related parties, as follows:

	2022 $'000	2021 $'000
Key management personnel:		
Executive Management:		
Interest from loans	22,685	8,943
Interest expense	(1,386)	(323)
Directors:		
Interest from loans	2,789	4,276
Interest expense	(56)	(95)
Subsidiaries:		
Interest and dividends from investments	368,500	186,003
Interest on loans	196,350	132,125
Other operating revenue	77,309	5,955
Other operating expenses	(24,116)	-
Interest expense	(86,633)	-
	555,442	336,884
Associate		
Interest expense	(75,384)	(28,598)
Other operating expenses	-	(25,972)
Dividends	109,104	117,809
Interest on investments	28,921	3,425
Interest expense	(60,321)	(16,555)
Other operating income	129,025	113,656
Other operating expenses	(33,657)	(23,229)
	97,688	140,536
	653,130	477,420

Notes to the Financial Statements CONTINUED

December 31, 2022

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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Short-term employee benefits	793,084	703,560	609,681	579,427
Post employment benefits	11,732	8,580	9,141	7,255
	804,816	712,140	618,822	586,682

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 $1,848,899,794 (2021: $1,186,732,512) 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, 2022, these funds amounted to $33,919,646,000 (2021: $34,709,442,000). Additionally, at December 31, 2022, there were custodial arrangements for assets totalling $12,756,472,000 (2021: $12,743,221,000).

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, 2022 is $58,800,000,000 (2021: $57,500,000,000).

Notes to the Financial Statements CONTINUED

December 31, 2022

41. **RECLASSIFICATION**

For the purpose of presentation, in the statement of cash flows, the Group and the Society has reclassified the following comparative figures for the year ended December 31, 2021.

Purchase of investments and proceeds from disposal of investments and additions on other borrowings and repayment on other borrowing, previously combined as "Government of Jamaica Securities and other investments" and "other borrowings, net" respectively.

The above reclassifications did not result in any change in prior year's reported profit, equity or statement of financial position.

42. **SUBSEQUENT EVENTS**

Under an approved Scheme of Arrangement for the restructuring of the Society and its subsidiaries, a new mutual holding company, VM Group Limited, along with a new financial holding company, VM Financial Group Limited, were incorporated on February 1, 2023.

The VM Group Limited is wholly owned by its Members and is the parent to VM Financial Group Limited as well as VM Innovations Limited. VM Foundation is limited by guarantee.

VM Financial Group Limited has applied for a license under the Banking Services Act (2014) as the financial holding company for all the companies in the VM Group that offer financial services, namely:

- VM Building Society (formerly The Victoria Mutual Building Society)
- VM Investments Limited (formerly Victoria Mutual Investments Limited and continues as parent to Victoria Mutual Wealth Management Limited)
- VMBS Money Transfer Services Limited
- Victoria Mutual Pensions Management Limited
- Victoria Mutual Finance Limited
- VM Overseas (UK) Limited

British Caribbean Insurance Company Limited (BCIC) is now an associate of the VM Financial Group Limited. Carilend Caribbean Holdings Limited and Kingston Properties Limited (KPREIT) continue to be associate companies of the VM Investments Limited.

VM Innovations Limited, the non-financial holding company, is the parent of the other non-financial entity within the VM Group, Victoria Mutual Property Services Limited.

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

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

Janice McKenley, FCCA, FCA MBA, BSc
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
Chief Executive Officer
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

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

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

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

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

Dalton Richardson, EMBAI
Group Chief Technology Officer

Dayton Robinson, PhD
Group Chief Human Resources Offer

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
Chief Executive Officer

VM Property Services Limited
Michael Neita
Chief Executive Officer

VM Innovations Limited
Maurice Barnes
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Suzette Ramdanie-Linton
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Assistant Vice President, Credit

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Sundays: 10:00 a.m. - 3:00 p.m.

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