The Victoria Mutual Building Society

Committed to Your Dreams and Life Goals

ANNUAL REPORT 2015

www.victoriamutualgroup.com

Building Your Financial Independence

The VICTORIA MUTUAL
Building Society

VISION

To be the leading provider of financial services

MISSION

We are a Mutual organisation whose mission is to maximise value for our Members and other key stakeholders by providing exceptional financial services locally, regionally and internationally to Caribbean nationals through enabling technology and a highly trained and motivated team to ensure superior Member and customer satisfaction.

CORE VALUES

- Flexibility
- Integrity
- Teamwork
- Innovation
- Respect
- Excellence
- Enthusiasm

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Outlook for 2016

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The VICTORIA MUTUAL Building Society

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **One Hundred and Thirty-Seventh Annual General Meeting of The Victoria Mutual Building Society** will be held in the Grand Caribbean Suite, The Knutsford Court Hotel, 11 Ruthven Road, Kingston 10, Jamaica on Thursday, July 28, 2016 at 3.00 p.m. for the following purposes:-

1. TO RECEIVE THE AUDITED GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2015 AND THE REPORTS OF THE DIRECTORS AND AUDITORS

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

Resolution No. 1

"THAT the Audited Group Accounts for the year ended 31 December 2015 and the Reports of the Directors and Auditors circulated with the Notice convening the meeting be and are hereby adopted."

2. TO ELECT DIRECTORS

(1) The Directors retiring from office by rotation pursuant to Rule Number 61(1) of the Society's Rules are Miss Sandra Shirley and Mr. Matthew Wright and being eligible, offer themselves for re-election.

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

Resolution No. 2 (a)

"THAT Miss Sandra Shirley be and is hereby re-elected a Director of the Society."

Resolution No. 2 (b)

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

(2) In accordance with Rule Number 62 of the Society's Rules, Mr. Courtney Campbell, having been appointed to the Board since the last Annual General Meeting, will retire from office and being eligible, offers himself for election.

Resolution No. 2(c)

"THAT Mr. Courtney Campbell be and is hereby elected a Director of the Society."

3. TO APPOINT AUDITORS AND AUTHORISE THE DIRECTORS TO FIX THE REMUNERATION OF THE AUDITORS

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

Resolution No. 3

"THAT Mr. Nigel Chambers and Mrs. Nyssa Johnson, Chartered Accountants of KPMG, being eligible for re-appointment as Auditors and offering themselves for re-appointment, be and are hereby appointed Auditors of the Society pursuant to Rule 71 of the Society's Rules to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Society."

4. TO TRANSACT ANY OTHER BUSINESS PERMISSIBLE BY THE SOCIETY'S RULES AT AN ANNUAL GENERAL MEETING

By Order of the Board

K Brown

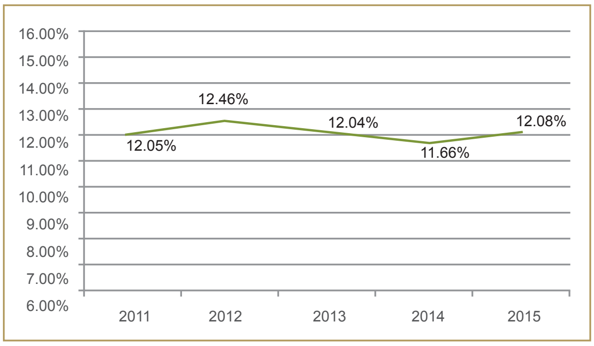
Keri-Gaye Brown
Secretary
Dated: 26th day of May 2016

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

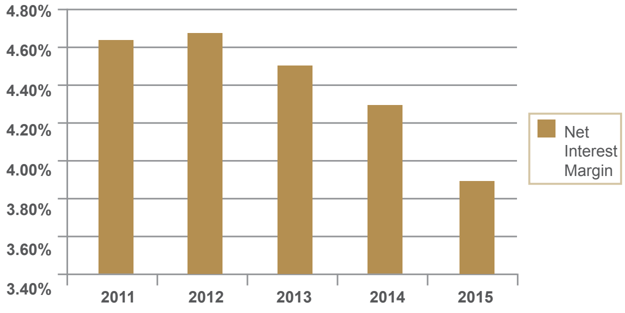
5 YEAR STATISTICAL REVIEW

GROUP	2011	2012	2013	2014	2015
Balance Sheet ($'000)					
Earning Assets	69,105,681	74,831,724	81,346,911	92,651,995	97,904,190
Loans	27,541,585	26,667,330	27,169,852	30,925,659	32,902,398
Total Assets	72,315,856	78,509,247	86,178,720	97,302,033	103,638,266
Savings Fund	44,884,480	49,674,876	54,509,776	60,584,397	66,475,723
Capital and Reserves	8,711,798	9,786,003	10,374,320	11,346,756	12,515,457
Income Statement ($'000)					
Net Interest Income	3,198,557	3,342,321	3,523,454	3,740,342	3,716,033
Operating Revenue	3,926,777	4,256,040	4,661,858	4,964,049	5,330,528
Administration Expenses	2,748,687	3,052,214	3,369,744	3,591,933	4,032,290
Surplus before income tax	1,188,953	1,205,426	1,267,450	1,332,220	1,246,983
Surplus	912,882	1,008,448	942,881	1,006,182	961,665
Ratios					
Net Interest Margin	4.63%	4.64%	4.51%	4.30%	3.90%
Return on Capital	13.65%	13.03%	12.57%	12.27%	10.45%
Return on Assets	1.64%	1.60%	1.54%	1.45%	1.24%
Efficiency Ratio	3.80%	4.05%	4.09%	3.92%	4.01%
Capital & Reserves as a percentage of assets	12.05%	12.46%	12.04%	11.66%	12.08%

GROUP CAPITAL & RESERVES AS % OF ASSETS



NET INTEREST MARGIN



DEFINITIONS USED

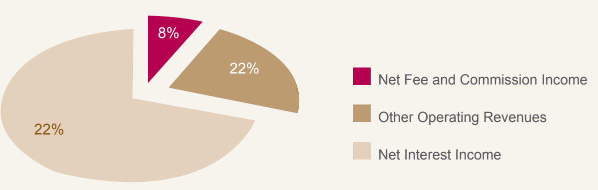
Administrative Expenses	-	Administration + Fee and commission expenses + Personnel costs
Earning Assets	-	Cash & Cash Equivalents + Investments + Resale Agreements + Loans + Other Assets
Net Interest Income	-	Interest on loans + Interest and dividends from investments - Interest expense
Operating Revenue	-	Interest on loans + Other operating revenues
Return on Capital	-	Surplus before income tax / Average Capital and Reserves
Return on Assets	-	Surplus before income tax / Average Total Assets
Net Interest Margin	-	Net interest income / Average Earning Assets
Efficiency Ratio		Administration Expenses / Average Total Assets

SOURCES

2011 - 2015 Audited Financial Statements

GROUP OPERATING REVENUE 2015

Net Fee and Commission Income	409,811
Other Operating Revenues	1,204,684
Net Interest Income	3,716,033



DIRECTORS' REPORT

The Directors take pleasure in presenting the One Hundred and Thirty-Seventh Annual Report and Statements of Revenue and Expenditure of the Group and the Society, for the year ended 31 December 2015, together with the Statements of Financial Position of the Group and the Society, as at that date.

SURPLUS

The Group Revenue and Expenditure Account shows Gross Revenue of $7.603 Billion (2014: $7.193 Billion) and Net Surplus of $961.665 Million (2014: $1,006.182 Million).

DIRECTORS

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

Mr. Michael McMorris, Chairman
Dr. Judith Robinson, Deputy Chairman
Rear Admiral Peter Brady
Mr. Noel daCosta
Mr. Fernando DePeralto
Mr. George Dougall
Mr. Paul Pennicook
Mr. Richard K. Powell
Mr. Richard M. Powell
Mrs. Jeanne Robinson-Foster
Miss Sandra Shirley
Mr. Matthew Wright
Mr. Brian Goldson
Dr. Maurice McNaughton
Mr. Courtney Campbell

APPOINTMENT OF COURTNEY CAMPBELL

Mr. Courtney Campbell was appointed on April 18, 2016 as a Director of the Board and President & CEO of the Society.

ROTATION

In accordance with Rule 61(1) of the Society's Rules, at the next Annual General Meeting, Miss Sandra Shirley and Mr. Matthew Wright will retire by rotation and being eligible, will offer themselves for re-election.

In accordance with Rule Number 62 of the Society's Rules, Mr. Courtney Campbell having been appointed to the Board since the last Annual General Meeting, will retire from office and being eligible, offers himself for election.

RETIREMENT/CESSATION OF DIRECTORSHIP

Mr. Richard Maurice Powell resigned from the Board of Directors effective March 22, 2016.

Mr. Richard Kevin Powell resigned from the Board of Directors on April 15, 2016 consequent on his retirement as President & CEO of the Society.

It is with regret and deep sadness that the Directors note the passing of Mr. Fernando DePeralto on April 4, 2016. Mr. DePeralto was appointed to the Board in 2005 and made an invaluable contribution to the Board and the Society during his tenure.

AUDITORS

Mr. Nigel Chambers and Mrs. Nyssa Johnson, Auditors of the Society, retire and, in accordance with Rule 71, being eligible, offer themselves for re-appointment.

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

By Order of the Board
26th May, 2016

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Keri-Gaye Brown
Secretary

8-10 Duke Street, Kingston
Jamaica, West Indies

BOARD OF DIRECTORS

Retired April 15, 2016

Mr. Michael A. McMorris, BA
Chairman

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

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

Mr. McMorris holds a Bachelor's Degree in Economics and Politics & Public Affairs from the University of Miami as well as advanced finance training from Citibank's School of Banking where he started his career.

Currently, Mr. McMorris also serves as Chairman of Victoria Mutual Wealth Management Limited and VMBS Money Transfer Services Limited, 1st Vice President of the Jamaica Chamber of Commerce and Director of other commercial enterprises. Previously, Mr. McMorris has served as President of the Merchant Bankers Association, Chairman of the Finance Committee of the Airports Authority of Jamaica and a member of the Board of the National Exim Bank.

Judith Robinson, PhD, FCCA, FCA
Deputy Chairman

Dr. Judith Robinson is a Chartered Accountant and Management Consultant, and the current Deputy Chairman of the Victoria Mutual Building Society Board of Directors. Her expertise lies in the areas of organisational development, financial planning and control, strategic planning and performance monitoring and evaluation.

A former partner in the management consulting practice of Price Waterhouse Jamaica, Dr. Robinson has held senior management and accounting positions at the Jamaica Telephone Company Ltd, the National Water Commission, NCR (Jamaica) Commission, and NCR (Jamaica) Ltd. She currently serves as Chairman of National Environment and Planning Agency (NEPA) Advisory Board, Director of the Caribbean Cement Company Limited, Industrial Gas Limited, National Water Commission and Finsac Limited, and is a member of the Public Sector Committee of the Institute of Chartered Accountants of Jamaica NCR (Jamaica) Limited.

Richard K. Powell, MBA, MSc, BSc (Hons)
President and Chief Executive Officer

Mr. Richard Powell, President and Chief Executive Officer, joined The Victoria Mutual Building Society in July 2005. He is the first leader of the Society to have been appointed from outside of the organisation. Mr. Powell is a highly qualified and respected executive, whose professional experience includes appointments as President and CEO of Life of Jamaica Limited and Blue Cross of Jamaica, as well as a senior management position at the Lascelles DeMercado Group of Companies.

He has also had a successful engineering career in the public sector and has a reputation for executing his responsibilities with unquestioned integrity, dedication and professionalism. Mr. Powell has initiated a drive to transform the Society and its subsidiaries into an integrated financial services provider. During his nine-year tenure, Mr. Powell has successfully led the drive that has resulted in the broadening of the Vision and Mission of the organisation and has repositioned the Group as a dynamic and customer-driven organisation. Mr. Powell serves on the boards of several public and private sector corporations, as well as non-governmental organisations, including the PSOJ Council; Chair, National Works Agency Advisory Committee; member of the South East Regional Health Authority; the Natural Resources Conversation Authority (NRCA); the Environmental Foundation of Jamaica (EFJ) and Chair of the Preparatory Committee of the 5th Biennial Diaspora Conference in June 2013 under the theme 'A Nation on a Mission: Jamaica - Diaspora Partnership for National Development.'

In recognition of his extraordinary management achievements, public service and community activism, the Jamaica Institute of Management presented him with the 2013 Manager of the Year Award.

BOARD OF DIRECTORS (CONT'D)

Mrs. Jeanne P. Robinson-Foster, CD, BA (Hons.), LL.B (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.

This Attorney-at-Law has over 30 years of experience and is the founding partner of Robinson-Foster & Associates. Even though 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. In fact, 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 is also presently a member of the General Legal Council of Jamaica, a director and past Chair of the Board of the Sam Sharpe Teachers' College and Chair of the Good Shepherd Foundation. She was also immediate Chair of the Mutual Societies Foundation of Jamaica, which sponsored a successful intervention initiative, the Centres of Excellence Programme in six (6) rural based high schools. Mrs. Robinson-Foster is a past President of the Soroptimist Club of Jamaica and 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, Montego Bay High School, Barracks Road Primary, St. James High School, the Cornwall Regional Hospital and the Western School's Trust. She is actively involved in many other organisations and is a Deacon of the Calvary Baptist Church.

Ms. Sandra M. Shirley, MBA, BSc

Ms. Sandra Shirley has extensive experience spanning over 20 years in wealth management, trust banking, strategic planning and implementation in the United States and the Caribbean. She currently serves as the Business Facilitator/Consultant of Sandra Shirley & Associates and is the Former President of First Global Financial Services Limited.

Ms. Shirley is a 2006 Fellow of the Jamaican Institute of Management, Former Commissioner, Anti-Dumping & Subsidies Commission, a member of the Justice Reform Committee of the Private Sector Organisation of Jamaica (PSOJ) and founding Finance Co-Chair of the Women's Leadership Initiative, The United Way of Jamaica. She has also served as Director and Vice President of the Jamaica Chamber of Commerce, Deputy Chairman of the Jamaica Stock Exchange (2008) and Secretary of the Jamaica Securities Dealers Association (2006-2008). Recently, Ms. Shirley has been appointed to chair the common Board of the Jamaica Business Development Corporation, the Micro Investment Development Agency, and the Self Start Fund in order to oversee the merger of the three entities.

Ms. Shirley also serves as a Director on the boards of Victoria Mutual Wealth Management and Prime Asset Management.

Rear Admiral Peter Brady, CD, CVO, MMM, J.P.

Rear Admiral Peter Brady has over 35 years of military experience, having served at the highest capacity as Chief of Staff of the Jamaica Defence Force. He is a graduate of the Royal Naval Staff College, Greenwich, UK, and was awarded a post-graduate degree in Maritime Management from Dalhousie University, Canada. He has received several accolades including Commander of the Royal Victorian Order, Commander of the Order of Distinction, and the Legion of Merit (Commander, USA).

Rear Admiral Brady has served as guest lecturer in Maritime Safety Administration and Maritime Security at the World Maritime University (WMU) in Sweden, Dalhousie University, Canada, and was appointed to the Board of Governors of the World Maritime University in 2007. In October 2015 he was elected as Vice Chairman of this Board of Governors. In 2006, Rear Admiral Brady was appointed Chairman of the National Hydrographic Committee of Jamaica and Honorary Consul of the Principality of Monaco.

He currently holds the position of Director General at the Maritime Authority of Jamaica (MAJ) and is Jamaica's chief technical delegate to the UN specialized agency for international regulatory matters for shipping, the International Maritime Organization (IMO) where he also served for 10 years as the consecutively elected Chairman of its 'Standards of Training and Certification' body for merchant marine officers, including masters and chief engineers. He was recently elected to the membership of the Nautical Institute (UK) as an Associate Fellow (AFNI). In 2015, Rear Admiral Brady received the IMO global themed SEATRADE award for maritime education and training.

Rear Admiral Brady was recently appointed as a joint Vice Chairman of the National Council on Ocean and Coastal Zone management (NCOCZM) has also served on the Board of Management of the Caribbean Maritime Institute, Secretary of the Environment Foundation of Jamaica and has been a Board Member of Victoria Mutual Building Society since 2002.

Mr. Paul Pennicook, BSc

Mr. Paul Pennicook, an experienced hotelier, has held several executive management positions in the hotel and tourism industry including management positions at the Holiday Inn, Montego Bay before going on to work as General Manager at Couples, Ocho Rios, and Senior Vice President of Sales and Marketing for SuperClubs.

Mr. Pennicook joined Unique Vacations, the Marketing arm of the Sandals Resorts chain, in 1995 as Executive Vice President. He was appointed to the position of President and Chief Executive Officer of Couples Resorts in 1997, served as First Vice President of The Jamaica Hotel and Tourist Association (JHTA) as well as Chairman of that organisation's Marketing Committee. He was named Hotelier of the Year in 2001 by the JHTA.

Mr. Pennicook previously held the position of Director of Tourism for Jamaica and has also served as Senior Vice President at Air Jamaica. He now serves as President of International Lifestyles Inc, the Worldwide Representative for SuperClubs Resorts. He also serves as a Board Member of Victoria Mutual Property Services.

He is a wine connoisseur who has visited Vineyards in California (USA), Australia and Europe studying blends indigenous to these regions.

Mr. Brian Goldson, MBA, BSc

Mr. Brian Goldson is an experienced and innovative business leader with expertise in the areas of finance and strategic management.

Mr. Goldson has more than 20 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 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 Managing Director of GraceKennedy Remittance Services Ltd. 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 as well as the Postal Corporation of Jamaica. He also serves on the Board of Directors for VMBS Money Transfer Services.

Mr. Goldson attained a BSc in Investment Finance from the University of New Orleans, and an MBA specialising in Strategic Management and Real Estate Finance from Georgia State University.

Mr. Mathew Wright, MPHIL, MA, BA

Mr. Mathew Wright is the Principal of IWC Capital Management LLC, a New York based private equity firm specialising in multi-family residential and commercial real estate investments in New York City. Mr. Wright has over 13 years experience in corporate finance, credit risk management and real estate management. He is the former Vice-President in the Infrastructure Finance Group of Citibank Global Capital Markets in New York, with responsibility for providing financial advisory and debt arrangement services to major infrastructure projects in North America, Latin America and the Caribbean. Mr. Wight has also served as Assistant Vice-President for Capital Markets in the Emerging Market and Corporate Bank for Citibank Jamaica.

Mr. Wright is a former Cambridge Commonwealth Scholar and holds a Master of Philosophy in Environment and Economic Development from Cambridge University in the United Kingdom, a Master of Arts Degree in International Development Policy from Stanford University, California and Bachelor of Arts Degree in Economics from Williams College, Massachusetts. He also serves as a Board member for Victoria Mutual Wealth Management.

Mr. Noel daCosta, CD., MASc, MBA, BSc, ACII

Mr. Noel daCosta was appointed to the Board of Directors in January 2006. He is currently a consultant, and previously was the Corporate Relations Director for Central America and the Caribbean at DIAGEO. He also held senior management positions at Desnoes & Geddes Ltd., including Brewmaster and Technical Director. This Commonwealth Scholar and Fellow of the Institute of Chemical Engineers (UK) and Fellow of the Jamaica Institute of Engineers, holds postgraduate degrees in Engineering and Management, and is certified in International Business, in Brewing and Malting Science, and is an Associate of the Chartered Insurance Institute (UK).

Mr. daCosta has served on many boards in the private and public sectors, and currently serves on the boards of the Office of Utilities Regulation, the Jamaica Chamber of Commerce, Consolidated Bakeries Limited, United Way of Jamaica, and the Jentech Group of companies.

The Jamaican government awarded Mr. daCosta the national honour of Commander of the Order of Distinction for his contribution to Engineering and Manufacturing.

Mr. George Dougall, MBA, BSc

Mr. Dougall is an Electrical Engineer, who is currently the proprietor and Managing Director of Dougall Flooring Ltd., a woodwork manufacturing organisation. His previous engagements include the Managing Directorship of Jamaican Floral Exports and Wherry Wharf Ltd. Mr. Dougall, an esteemed entrepreneur, with a Masters in Business Administration, also serves on the Board of Victoria Mutual Wealth Management and brings with him sound experience as an originator of business solutions and astute financial management.

He is married with four children and has a keen interest in squash and bridge.

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 and is currently 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 Directors of HEART College of Innovation & Technology.

Deceased April 4, 2016

Resigned March 22, 2016

Ms. Keri-Gaye Brown, LL.B
Board Secretary

Ms. Keri-Gaye Brown joined the Victoria Mutual family in August 2010 as Senior Vice President, Group Legal Compliance and Corporate Services. An Attorney-at-Law who has been practicing for over 15 years, she possesses extensive knowledge in the areas of banking law, insurance law, securities laws, corporate governance and also in the development of compliance and corporate governance policies.

Prior to joining Victoria Mutual, Ms. Brown worked in the financial sector and as a litigation practitioner in the court of Jamaica.

Fernando DePeralto, FCA, MSc, BSc

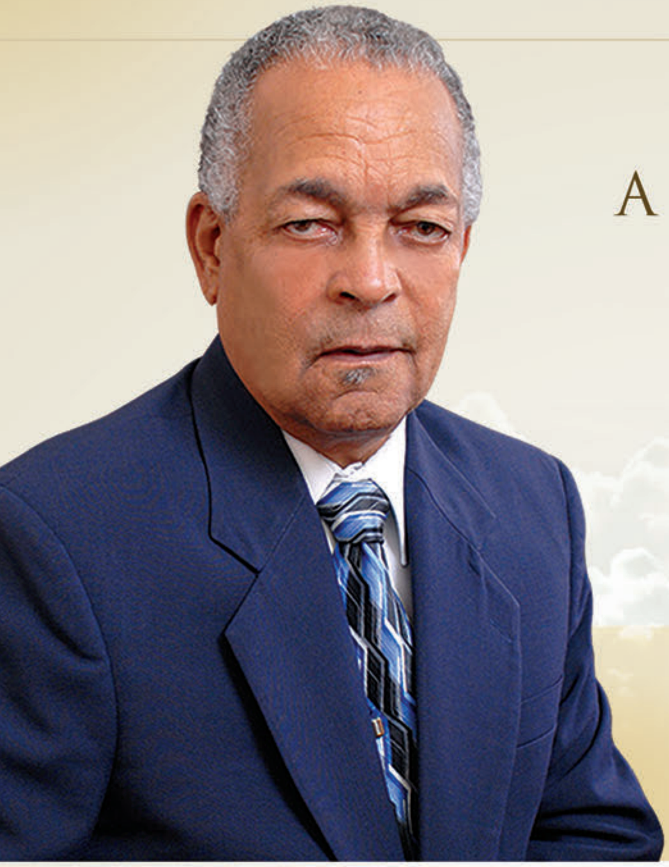
Mr. Fernando DePeralto has had a rewarding career in the field of finance. He gained a wealth of experience through his work with the International Monetary Fund (IMF), where he provided technical assistance to Central Banks in Africa and Asia for nine years. Additionally he has held the position of Director of Finance in the Bank of Zambia and Deputy Governor of the Bank of Jamaica.

Mr. DePeralto has served on the board of several other companies including the Bank of Jamaica, EX-IM Bank and Petrojam, and has also held the position of Chairman of the Jamaica Stock Exchange. Most recently, he provided services as a Financial Consultant.

Richard M. Powell, BA (Hons.)

Mr. Richard M. Powell is a co-founder and Managing Partner of AP Capital Partners (APCP), a leading middle-market private equity firm. APCP's portfolio has grown to generate revenues of approximately $1 Billion and employs over 6,000 people around the globe. Mr. Powell's key strengths are in finance, management and e-business and he has worked on a variety of transactions. Mr. Powell was the co-founder and CEO of Fuxito Worldwide, a venture-backed technology firm serving the $300 Billion global sports market. He has worked with, or consulted to, leading asset management, insurance and non-profit firms in the US and overseas.

Mr. Powell currently serves on the boards of Zero Chaos, eServices. He served the Board of The Victoria Mutual Building Society (VMBS) until his resignation in March 2016. He is also a board member of the Orlando chapter of the Association for Corporate Growth (ACG) and the 1420 Foundation, a non-profit that leverages education to advance sustainable global economic development. He was named one of the "40 under 40 Leaders to Watch" by the Orlando Business Journal and selected by the World Economic Forum as one of 200 Young Global Leaders (2009). He is also co-author of the forthcoming book titled, 'The Buyout Game,' and was nominated in the Jamaica Observer Business Leader
Awards in 2011.



A LEGACY OF INTEGRITY AND SERVICE

FERNANDO DEPERALTO
Director
Victoria Mutual Building Society

DECEASED APRIL 4, 2016

“A passionate defender of ideas,; “a champion for uncompromising standards” "An upright man with unquestionable integrity", these are just some of the sentiments used to describe the late Fernando DePeralto, Director of the Victoria Mutual Building Society (VMBS) and its subsidiaries. Fernando joined the Victoria Mutual Board in September 2004 and ultimately served as Chairman of the Group Risk and Compliance Committee and a Director of both VMBS Money Transfer Services Ltd. and Victoria Mutual Property Services Ltd.

Fernando hailed from the beautiful parish of Portland and served many organisations in Jamaica. During his career, he was Managing Director of the EX-IM Bank, Deputy Governor of the Bank of Jamaica, Chairman of the Jamaica Stock Exchange and Secretary of the Finsac Commission of Enquiry, just to name a few. The depth and breadth of his experience extended to international organisations, such as the International Monetary Fund, where he provided technical assistance to Central Banks in Africa and Asia and to the Bank of Zambia, in which he held the position of Director of Finance. It is from these local and international experiences that Director DePeralto was able to provide the Victoria Mutual Group with expert advice and helped to formulate policies which strengthened our Corporate Governance and operational integrity.

The Victoria Mutual family celebrates this outstanding Jamaican, for his tremendous legacy of integrity and service to the organisation and the nation.

On behalf of the Board and the Victoria Mutual family, we extend our deepest condolences to the family, friends and associates of Fernando DePeralto. He was a man of great character and Victoria Mutual has benefitted immensely from his guidance and generosity.

Walk good Fernando and know that your values live on in the Victoria Mutual Building Society, of which you will always be a part.

VICTORIA MUTUAL

CHAIRMAN'S REPORT

The Victoria Mutual Group is privileged to be celebrating 137 years of serving you, our valued Members and clients. As a dedicated Mutual, we continue to place a significant emphasis on returning superior value to you. Over the years, we have created or acquired a number of subsidiary companies, to put the organisation in a better position to serve your needs as you progress through each stage of your financial lifecycle.

Victoria Mutual also maintains its commitment to nation building as a central tenet of the Society and Group. Therefore, we support a number of initiatives that help individuals and families to achieve a better quality of life through education, financial empowerment and community development.

OVERVIEW OF 2015 PERFORMANCE

Despite intense competition, a lack of meaningful growth in the local economy and the challenging operating environment that prevailed, the Victoria Mutual Building Society and its subsidiaries recorded a credible performance in 2015. The Group recorded an After-Tax Surplus of $962 Million. This represented a decline of $44.5 Million, attributable primarily to an increase in asset taxes for the Group of $166.8 Million over that reported for 2014. This was as a result of an increase in the asset tax rate imposed by the Government of Jamaica, which moved from 0.14% in 2014 to 0.25% in 2015.

As a Mutual, much of our performance is also measured by providing value for Members by way of favourable rates and fees. In 2015, income returned by way of such benefits was approximately $400 Million. This value does not form part of our Net surplus, as it is delivered in the form of lower mortgage rates, higher savings rates and lower transactional fees during the year.

MR. MICHAEL A. MCMORRIS, BA
Chairman

Other performance highlights recorded in 2015 were:

- Total Assets increased by $6.336 Billion or 6.5%.
- The Society's deposit liabilities increased by 10% to $77.6 Billion.
- The Society's Mortgage portfolio increased by 7.1% or $2.1 Billion.
- The Loan Quality of the mortgage portfolio improved, as loans in arrears greater than 90 days as a percentage of total mortgage loans fell from 4.23% to 3.52%.
- The Society's Operating Efficiency, which represents operating expenses as a percentage of mean assets, was 4.01%.
- Among the subsidiaries, Victoria Mutual Wealth Management (VMWM) increased its profit after tax by 31.35% to end the year at $310.98 Million compared with $236.7 Million in the prior year.
- Prime Asset Management, our pension fund investment management and administration arm, increased its profit after tax by 18.0%, moving from $38.0 Million in 2014 to $44.9 Million in 2015.

MACRO-ECONOMIC ENVIRONMENT

In 2015, the Government of Jamaica (GOJ) continued to implement its comprehensive economic reform programme, aimed at stabilising the economy, reducing debt and creating an environment that facilitates growth and resilience. Fiscal constraints and regulatory reform continued to dominate the government's agenda, as it made every effort to meet the requirements of the Extended Fund Facility (EFF) with the International Monetary Fund (IMF) and gain credibility with international capital markets. Strict adherence to the programme's targets resulted in the successful completion of all quarterly IMF reviews.

Despite the economic and social challenges resulting from the austerity measures implemented under the government's reform programme, the country has achieved a number of successes and we are beginning to see signs of increased confidence in the Jamaican economy. At a time when investors have been moving away from emerging market debt, Jamaica's credit rating improved and the government was able to raise US$2B in the international capital market. In the 2015 Doing Business Ranking, Jamaica jumped 27 places to number 58 out of 189 economies worldwide, and the Debt to GDP ratio continued to improve, moving from 130.5% in March 2015 to 126.8% as at March 31, 2016.

Interest rates continued their downward trend due to a low inflationary environment. Jamaica's inflation rate ended the year at a historic low of 3.7%, down from 6.4% in 2014 and 9.5% in 2013. The drastic decline in global oil prices, which began in the second half of 2014 and continued throughout 2015, was a major contributor to the low inflationary environment.

Though we remain guardedly optimistic, your Board is encouraged by the improvements in Jamaica's economic indicators. Material growth remains elusive but the country's prospects in this area are the best they have been in many years. We must therefore continue to demonstrate the commitment and discipline which are necessary to realise the long-term benefits of the economic reform programme, and to put Jamaica on a path to sustainable growth. Given our belief that economic growth must be private sector led, we encourage local entrepreneurs and holders of capital to take advantage of Jamaica's improved macro-economic conditions by advancing investments in initiatives and innovations that have the potential to contribute to growth in national output. We are pleased that in 2015, our Wealth Management arm brokered over US$100 Million in debt and equity financing deals for several corporate clients, which helped to finance growth for these entities as well as provided sound investment opportunities for our Members and clients. We expect this activity to be just as robust in 2016.

CORRESPONDENT BANKING

The withdrawal of correspondent banking relationships by many of the leading international banks is a major emerging problem for the Caribbean, Latin America and other developing regions. This had been underscored by the IMF and the World Bank, who have identified the Caribbean as the region most severely affected by these "de-risking" initiatives being undertaken by global banks with their base in the financial centers of North America and Europe.

This new development is now affecting Jamaica, as Barclays Bank UK (United Kingdom) has indicated that it will be terminating its relationship with financial institutions in the Caribbean and Latin American region, for which it provided correspondent banking services. Barclays' decision will affect our Members residing in the UK and those in Jamaica who receive pensions and other payments via UK banks.

We are pleased to report that the Society has alternative correspondent banking arrangements. Therefore, with the exception of over-the-counter payments, affected Members and clients in the UK will still be able to fund or receive payments in their accounts in Jamaica. The Society is committed to assisting affected Members through this transition, and will communicate directly with them to provide updates on the issue, as well as details on the available options.

COMMITTED TO MUTUALITY

Victoria Mutual remains committed to our Mutual origins and delivering on the vision of our founders, which was to empower a large segment of the Jamaican population to save diligently and eventually acquire their own homes. The objective then, as it remains today, was to establish a Mutual financial institution that would enable Jamaicans, at home and in the diaspora, to achieve Financial Independence and the goal of becoming proud homeowners.

In 2015, we strengthened the commitment to our founders' vision, with the launch of a Financial Independence Programme geared at empowering Jamaicans to achieve their goals, through a process that involves financial education, goal setting, planning, and tracking progress until the attainment of each goal. Going forward, we will continue to expose this programme to as many persons as possible, in order to make a meaningful contribution in the communities we serve, and improve the quality of life of our current and potential Members.

We accept the need to become increasingly nimble and to allocate adequate resources to be able to respond swiftly to your evolving needs, invest in technological advancements and innovation as well as put ourselves in a position to compete effectively in the market.

CUSTOMER EXPERIENCE

As we focus on the growth of our business lines, we will continue to execute projects and initiatives geared towards enhancing customer experience, and delivering quality products and services to meet your needs at each stage of your financial lifecycle.

In 2015, we initiated several projects aimed at improving efficiency and customer experience. Many of these activities involve process automation and leveraging technology to improve service delivery and consistency. We expect that Members will realise the benefits of these initiatives in 2016 and beyond. An example is our game changing, online self-service mortgage portal which is expected to go live in mid-2016.

We have made a concerted effort to increase communication with you and to regularly seek your feedback through ongoing surveys, so that we can better understand and keep abreast of your changing needs, as well as solicit suggestions for how we can improve the service we provide. Our aim is to deliver a market-leading customer experience built on trust, loyalty and mutual respect.

PASSING OF FERNANDO DEPERALTO

It is with deep regret and sadness that we announced the passing of Director Fernando DePeralto on April 4, 2016. Fernando joined the Victoria Mutual Board in September 2004 and served as Chairman of the Group Risk and Compliance Committee, and as a Director of both VMBS Money Transfer Services Ltd and Victoria Mutual Property Services Ltd.

Victoria Mutual benefitted immensely from Director DePeralto's expert advice and guidance, which helped the organisation formulate policies to strengthen Corporate Governance and operational integrity. The Victoria Mutual family celebrates the life of this outstanding Jamaican and salutes him for his tremendous legacy of integrity and service to the organisation and country.

RETIREMENT OF PRESIDENT AND CEO

In April 2016, after 10 years at the helm of the organisation, Richard K. Powell proceeded into retirement and we welcomed our new President and CEO, Courtney Campbell. We would like to thank Richard for his strong leadership and solid performance over the past decade. His contribution helped to build on the organisation's foundation of a strong culture, wholesome values and a commitment to helping all Jamaicans achieve financial success. Richard played a pivotal role in expanding our product offerings to include Pension Services, and led the charge of integrating the strategic business units within the Group. His contribution has certainly helped to position the Victoria Mutual Group for continued growth in the future. We wish Richard the best in all his future endeavours.

NEW PRESIDENT AND CEO

Our new President and CEO, Courtney Campbell, is an outstanding leader with impeccable credentials and a proven track record of performance. He has demonstrated a talent for developing customer-centric growth strategies, which will serve Victoria Mutual well in our relentless endeavour to enhance customer experience and Member value. The Board is confident that under Courtney's stewardship, the Victoria Mutual Group will continue to build on its legacy of success by providing modern financial solutions that speak to the ambitions of Members and clients at all important points along their life journey. Courtney assumed the new role on April 18, 2016.

OUTLOOK FOR 2016

The challenging operating environment is expected to continue throughout. The financial services market is expected to become increasingly competitive, particularly in the areas of savings, investments and mortgages, and the space will likely become more dynamic with the entry of non-financial entities offering mobile money and payment services. Interest rates are expected to remain low, at least in the short-term, and increases thereafter are likely to be gradual. Shrinking margins and the cost of regulations will continue to impact our surplus.

In 2016, the Victoria Mutual Group will continue to implement projects and initiatives aimed at improving service delivery and efficiency. We will also place a heavy emphasis on growing the business in a prudent manner, to ensure the long-term sustainability and relevance of the organisation.

> **The success of the organisation would not have been possible without the enthusiasm and commitment of our Team Members.**

THANK YOU

I take this opportunity to specially thank you, our valued Members and clients, for your continued support, loyalty and trust, and for choosing the Victoria Mutual Group as your partner in achieving Financial Independence. We remain committed to providing you with tangible value, relevant solutions and excellent service.

The success of the organisation would not have been possible without the enthusiasm and commitment of our Team Members. On behalf of the Board, I take this opportunity to commend them for their hard work and dedication to the Victoria Mutual Group.

In closing, I would like to express sincere gratitude to my fellow Directors for their continued service to the organisation. It is indeed an honour to lead the Board, and I look forward to working with you as we oversee the continued growth and development of the Victoria Mutual Group.

MICHAEL A. MCMORRIS
Chairman

CORPORATE GOVERNANCE

Victoria Mutual is fully committed to achieving best practice in corporate governance. To this end, principles, practices and processes have been established to ensure that the Group is managed well and held to the highest ethical standards.

The Corporate Governance Framework that has been adopted requires Boards and Board Committees to provide direction and oversight for the Group. The Society and each of its subsidiaries are directed by a Board of Directors, and Standing Committees of the respective Boards provide oversight in the areas of:

a) Audit and Compliance;
b) Finance, Investments and Loans;
c) Risk Management; and
d) Corporate Governance, Nominations and Compensation.

Each of these Committees is composed exclusively of non-executive Directors and is required to convene meetings and report to their respective Boards at least quarterly.

The following section provides a summary of the purpose and the scope of the mandates of each of the Standing Committees of the Society's Board of Directors.

The Audit and Compliance Committee

The primary purpose of this Committee is to assist the Board of Directors in fulfilling its accountability for the efficient and effective oversight in the following subject areas:

a) The integrity of the Society's financial statements;
b) The Society's compliance with legal and regulatory requirements;
c) The independent auditor's qualifications and independence;
d) The performance of the Society's internal audit function and the independent auditors; and
e) Internal controls and the operational environment.

The Committee also provides oversight of the audit function of all subsidiary companies of the Society, in addition to performing its substantive role as the Audit Committee of the Building Society.

The Finance, Investments and Loans Committee

This Committee assists the Board of Directors in fulfilling its responsibilities for overseeing the management of:

a) The financial performance of all entities within the Group;
b) The allocation of the Group's capital;
c) The assessment and conduct of due diligence for potential major transactions within the Group;
d) The monitoring of the performance, funding and adequacy of the pension scheme(s) operated by the Group;
e) The investment and loan portfolios of the Building Society including the review and approval of significant loans and extensions of credit. In this regard the Committee receives reports from and oversees the work of the Group Asset and Liability and Credit Committees of the Management.

The Risk Committee

The Risk Committee is charged with the responsibility of ensuring that appropriate policies, procedures and strategies are established and implemented on an enterprise-wide basis for managing the Group's risk exposures.

The Committee monitors the risk framework of the Group and provides assistance to the Board in undertaking the following functions:

a) Definition of enterprise risk appetite and the development of a policy framework to guide the design of a robust risk management system;
b) Review and evaluation of the Group's risk exposures;
c) Development and maintenance of an effective risk management culture; and
d) Monitoring the risk identification, measurement, monitoring and control processes.

The Governance, Nomination and Compensation Committee

The mandate of 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 reform, if necessary, 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; recommending changes in Director compensation to the Board; evaluating candidates for appointment to the position of Chief Executive Officer (CEO) of the Society and making recommendations to the Board in that regard; and assisting the CEO in selecting suitable candidates for appointment to senior management positions in the Group;
c) The formalization and oversight of senior management compensation programmes for all business units to ensure that compensation is consistent with the objectives, strategy and the control environment;
d) Recommending appropriate 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.

These committees assist the Board to effectively discharge its fiduciary responsibilities through effective governance.

RICHARD POWELL

FORMER PESIDENT & CEO

THANK YOU

Richard, yours was a philosophy that was driven by the purpose to lead and inspire; to be kind and fair; and to ensure that everyone working at Victoria Mutual was empowered by what they did and in turn found their own purpose.

In countless ways we benefitted from your acute and imaginative mind, which led to your own brand of thoughtful leadership. Your passionate insistence on accountability has served to challenge the ways in which all Team Members approach their work, and the way in which they nurture their relationships with our Members and each other. That is perhaps one of your most compelling quality.

We thank you for your leadership throughout the years. You led with an even, steady hand, always ensuring that the Victoria Mutual Group remained vibrant and relevant - a force in the lives of our Members.


Meadhaven are VMBS U-17 champs

GROUP EXECUTIVES

Retired April 15, 2016

RICHARD K. POWELL
MBA, M.Sc., B.Sc. (Hons.),
President &
Chief Executive Officer

PETER REID
B. A. (Hons.)
Senior Vice President &
Chief Operating Officer

JANICE McKENLEY
F.C.C.A., F.C.A., MBA (Hons.),
B.Sc. (Hons.),
Senior Vice President &
Group Chief Financial Officer

KERI-GAYE BROWN
LL.B. (Hons.)
Senior Vice President,
Group Legal Compliance &
Corporate Secretary

Resigned April 30, 2016

ALLAN LEWIS
A.S.A, Ed M., MBA, B.Sc. (Hons.)
Senior Vice President,
Group Strategy

LARAINE HARRISON
MBA, B.A. (Hons.),
Vice President, Group Human
Resources Administration

DEBBIE DUNKLEY
FCA, FCCA, MBA
Vice President,
Group Finance

VIVIENNE BAYLEY-HAY
B.Sc. (Hons.),
Vice President,
Group Marketing
& Corporate Affairs

JOAN BROWN
DIFA, F.C.C.A., M.Fin., MBA,
Assistant Vice President,
Risk Management

SHEALLY SOLOMON
FCCA, BBA.
Assistant Vice President,
Group Finance

KATHYA BECKFORD
CFA, M.Sc. (Distinction),
B.Sc. (Hons)
Assistant Vice President,
Group Strategy

Resigned
December 30, 2015

DAMION GALLIMORE
B. Sc. (Hons)
Assistant Vice President,
Group Information
Communication Technology

LEADERSHIP TEAM

SEATED l-r

KARLENE WAUGH
BSc, CiAPM
Assistant Vice President
Business Operations

AUDLEY KNIGHT
PFP, MBA, BBA (Hons)
Assistant Vice President
Sales & Service - Western Region

STANDING l-r

CONROY ROSE
CSC, MBA, BSc (Hons)
Assistant Vice President
Sales & Service - Eastern Region

CLIVE NEWMAN
MBA, FICB
Assistant Vice President
Credit

LEIGHTON SMITH
MBA, BA (Hons)
Chief Representative Officer
United Kingdom

RICKARDO EBANKS
BSc (Hons)
Vice President
Group ICT & Projects

CHRISTOPHER DENNY
MBA, BSc
Vice President
Distribution

PETER REID
BA (Hons)
Senior Vice President
& Chief Operating Officer

VICTORIA MUTUAL Wealth MANAGEMENT

LEADERSHIP TEAM

SEATED l-r

DEVON BARRETT
MBA
General Manager

COLANDO HUTCHINSON
MBA, FCA, CFA
Head, Capital Markets

STANDING l-r

KARLENE A MULLINGS
MBA
Manager
Sales & Client Relations

SHARON STERLING
MBA
Manager
Marketing

DENISE MARSHALL-MILLER
MBA
Manager
Bond Trading

NICOLE THOMPSON
CFA, FRM, MSc
Manager
Research & Stockbroking

EVETTE BRYAN
MBA
Manager
Treasury & Trading

HEKIMA K REECE
ACCA
Business Operations Manager

PRIME ASSET MANAGEMENT LIMITED

A subsidiary of VICTORIA MUTUAL

LEADERSHIP TEAM

SEATED

REZWORTH BURCHENSON
MBA, BSc
Managing Director

STANDING l-r

JUDI-ANNE MARZOUCA
BAA
Manager
Pensions Administration

LENNOX TURNER
FCCA, FCA, MBA
Financial Controller

TAMIEKA REECE
FCCA, MSc, BSc
Manager
Risk & Compliance

NATALIE K BENNETT
MBA, BSc
Manager
Risk & Compliance (Acting)

VICTORIA MUTUAL PROPERTY SERVICES

LEADERSHIP TEAM

l-r

MICHAEL NEITA
MBA, BEng, BSc
General Manager

LOUIS R. CHRISTIE
MRICS
Qualifying Director

VICTORIA MUTUAL MONEY TRANSFER

LEADERSHIP TEAM

l-r

OWEN BRUCE
Manager
Distribution

MICHAEL HOWARD
MBA, BA
General Manager

MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION

The Victoria Mutual Building Society (VMBS) is a mutual organisation, established 137 years ago to help average Jamaicans pool their savings in order to access mortgage loans and achieve their dream of home ownership. We remain fully committed to this mandate and to empowering our Members and clients to make sound financial decisions, as they work to achieve Financial Independence.

Our mutual status differentiates us from most other institutions that operate within the financial services sector, as we are owned by and run for the benefit of you, our Members, and not external shareholders. This allows us to return tangible value to you, by way of higher rates on savings, lower mortgage rates and no or low transaction fees.

The organisation provides individual consumers, small and medium businesses and large corporate entities with a suite of financial services, which include savings and investments; wealth and pension fund management; mortgages; real estate and money transfer services; and general insurance. These services are offered through five strategic business units and an affiliate company, supported by a network of 16 branches and 18 ATMs.

	Victoria Mutual Building Society	Savings, Mortgages, Share Loans, Foreign Exchange Trading and Financial Planning
	Victoria Mutual Wealth Management Ltd.	Fixed Income Solutions, Stocks, Bonds, Asset Management, Corporate Finance Services and Money Market Securities
	Prime Asset Management Ltd.	Pension Fund Management, Pension Administration, Pension Education, Retirement Planning and Pension Consultancy
	Victoria Mutual Property Services Ltd.	Real Estate Sales & Rentals, Valuations & Appraisals, Commercial Property Management and Project Management
	Victoria Mutual Money Transfer Services Ltd.	Direct Bank Deposits, Money Transfer, Bill Payments and Online Transfers
	British Caribbean Insurance Company Ltd. (affiliate)	Property Insurance, Motor Insurance, Accident & Roadside Assistance and Employers' Liability/ Liability Insurance

THE OPERATING ENVIRONMENT

The Jamaican economy continued to be stable in 2015, and there were improvements in key economic indicators:

- GDP grew by 0.8% during 2015, double the rate of the previous year;
- Inflation reached 3.6% at the end of the year, almost a 50-year low, aided by falling oil prices on the international scene;
- Interest rates declined, with 180-day Treasury bill rates moving from 7.1% at the beginning of the year to 6.0% by the end;
- The rate of depreciation of the Jamaican dollar vis-à-vis the US dollar was 5% which compared favourably with the depreciation rate of 7.8% in 2014; and
- The ratio of debt to GDP declined, moving from 130.5% in March 2015 to 126.8% as at March 31, 2016.

Improvements in the economy, and in particular the sound management of the country's fiscal affairs, led to both Moody's and Standard and Poor's upgrading the country's ratings during the year. It also allowed the country to pass all of the IMF quarterly reviews during the period, paving the way for the IMF Extended Fund Facility to remain in effect.

The state of the economy provided an environment for financial institutions to reduce their mortgage rates, and that opportunity was certainly taken. Between the beginning of 2015 and the end of the first quarter of 2016, practically all local mortgage lenders reduced their mortgage rates. This development not only highlights the impact that the country's fundamentals can have on businesses' decisions, but also highlights the level of competition in the market for mortgages. This competition was evident throughout the period, and is expected to continue for the foreseeable future.

The General Elections held in February 2016 resulted in a change in government from the People's National Party (PNP) to the Jamaica Labour Party (JLP). In May 2016, the new government announced a tax package that included, amongst other things, an increase in the income tax-free threshold and an increase in tax on fuel. Reducing the reliance on taxes from income and increasing consumption taxes widens the tax net, and for many, is seen as being more equitable. Once the impact on inflation can be minimised, this move should redound to the benefit of the entire nation.

2015 AREAS OF FOCUS

BRAND ENHANCEMENT

Victoria Mutual Building Society (VMBS) was established to help ordinary Jamaicans, who did not have access to traditional banking services, to achieve home ownership. 137 years later, home ownership continues to be one of the top goals for Jamaicans at home and in the Diaspora, and Victoria Mutual remains committed to helping them achieve it. In 2015, we rolled out an extensive programme geared at positioning the Victoria Mutual Group as the Home of Financial Independence, centred around homeownership.

We support a long-term approach to building Financial Independence, as we recognise that for most persons, it is a journey which evolves as they move through the various stages of life. We believe that although Financial Independence may mean different things to different people, it involves taking personal accountability and making the necessary sacrifices to achieve long-term success.

To launch the Financial Independence Programme, Victoria Mutual hosted an inaugural economic forum to promote a culture of planning for long-term financial success. The forum provided a platform for the discussion of strategies to promote economic growth and independence at the national level, while providing individuals with access to the tools, expertise, suite of financial solutions and support offered by the Victoria Mutual Group, to help them achieve Financial Independence.

The attainment of Financial Independence does not happen by chance and though the journey for each individual is unique, it should include the following prescribed steps:

1. An honest assessment of one's current financial situation and documentation of specific goals, including the value and timelines for achievement;
2. Specific plans for achieving each goal; and
3. Consistent monitoring to track progress along the way and make changes if necessary.

As part of the Financial Independence programme, we launched a Financial Independence Resource Centre, inclusive of a Financial Independence handbook, calculators and an innovative online diagnostic tool (VMFIT), which recommends customised product packages inclusive of savings, investments and loan products. Persons also have the added benefit of visiting a Victoria Mutual location to open accounts, set specific goals and track their progress until achievement.

If you have not already done so, please visit our Financial Independence Resource Centre which is accessed through the Victoria Mutual website (www.vmbs.com).

CUSTOMER EXPERIENCE

We remain committed to deepening our relationship with you, our valued Members, and to improving your experience at all our touchpoints. In 2015, we initiated a number of projects to upgrade our technological systems and automate many of our manual processes. These include the enhancement of our online banking platform to facilitate third party transfers to other local banks, and wire transfers to overseas financial institutions, as well as the upgrading of our core banking system. These are on track with scheduled completion in late 2016 and mid 2017 respectively.

During the year, we also rolled out a number of initiatives to increase communication and enhance service delivery. These included:

- Increased communication via email and SMS text messages
- Deployment of kiosks in four corporate area branches, allowing Members to access online banking, the Financial Planning Resource Centre, pay utility bills and make payments to over 30 payees. Full deployment across the VMBS branch network will be completed in 2016.

OUR PEOPLE

Our Team Members are critical to the success of the Victoria Mutual Group, and we therefore make every effort to attract and retain the best possible talent to achieve our business imperatives. In 2015, our focus was on strengthening our human resources infrastructure to meet the constantly changing needs of the organisation. Talent management competency-based tools, as well as our Culture of Accountability, continued to form the framework for strengthening our performance management system as well as the systems that relate to recruitment, on-boarding, retention, engagement, learning and development and succession planning.

During the year, we placed a significant emphasis on strengthening leadership capabilities within the organisation and we also employed experience-based learning and growth initiatives for Team Members at all levels, supported by targeted formal learning programmes, coaching, mentorship and feedback.

We recognise that if our Team Members are engaged, they will be personally invested in the organisation and will exercise the discretionary effort to go above and beyond the call of duty to ensure its success. In 2015, we initiated a number of engagement, wellness and welfare programmes to enhance Team Member engagement.

RISK GOVERNANCE

The Board is ultimately responsible for ensuring that adequate systems of risk management are in place, and that the Group's strategy, risk appetite, and risk management are consistent. To assist the Board, a Group Risk Committee (GRC) oversees the Risk Management and Governance Framework, and the Group's overall risk profile. The GRC meets at least four times a year and more frequently when required.

The Audit Committee assists the Board in fulfilling its accountability for the efficient and effective performance of the Group's compliance with legal and regulatory requirements; the internal controls and control environment; and the performance of the Group's internal audit function.

The Board and the GRC are supported by the Executive committees as follows:

- The Credit Committee is responsible for credit risk in the Society arising from the mortgage portfolio including lending policy, underwriting and limit setting and monitoring.
- The Asset and Liability Committee (ALCO) is responsible for managing liquidity risk, market risk and counterpart risk.

Additionally, the GRC is supported by an independent Group Risk Management Unit, which ensures that the Group follows an integrated approach to risk management.

RISK FRAMEWORK

The Group's risk management framework operates under the "three lines of defence" principle:

1	**Management – 1st line of defence**	Management and line staff, within the subsidiaries and functional business units, undertake day to day risk ownership, identification, assessment and management through implementation of the Risk Management Framework.
2	**Oversight – 2nd line of defence**	The Risk Management function and other control functions provide independent oversight and objective challenge of the 1st line of defence, as well as monitoring and control of risk.
3	**Assurance – 3rd line of defence**	Internal Audit provides independent assurance of the adequacy and effectiveness of the 1st and 2nd lines of defence.

The Framework, inclusive of risk appetite, limits, policies and procedures, is subject to constant evaluation and monitoring by the GRC, to ensure that it meets changes in the operational environment, including regulatory standards and industry best practices.

PRINCIPAL RISKS

The principal risks inherent within the Group's operations are:

Credit Risk	The risk that a borrower or counterparty will not meet their financial obligations when they are due. The Group faces credit risk primarily from its mortgage lending operations and wholesale counterparties.
Financial Risk	The risk of the Group having inadequate earnings, cash flow or capital to meet current or future requirements and expectations. It includes loss or damage to the earnings capacity, market value or liquidity of the Group, arising from mismatches between the Group's assets, funding and other commitments, which may be exposed by changes in market rates, market conditions or the Group's credit profile. Financial risks include market risk and liquidity risk.
	Liquidity Risk: the risk that the Group is unable to raise cash to settle its financial obligations as they fall due and to maintain public and stakeholder confidence.
	Funding Risk: the risk that the Group is unable to realize assets or otherwise raise funds on reasonable terms and or within reasonable timescales.
	Market Risk: the risk that the value of, or income arising from, the Group's assets and liabilities changes adversely due to movements in interest rates; exchange rates and equity prices.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

CREDIT RISK

Credit risk is the biggest risk faced by the Group. Credit risk is created in the Group's direct lending operations and in its funding and investment activities where counterparties have repayment or other obligations to the Group.

The Group manages credit risk for each of the following portfolios:

Portfolio	Definition
Mortgage Loans	Loans for the purchase or construction of single family homes (owner occupied or not owner occupied), the purchase of residential vacant lots and the provision of equity loans for purposes revealed to and deemed acceptable by the Society.
Commercial Loans	A loan is deemed a commercial loan where the source of the income of the borrower which will be utilised to service the loan is commercial in nature, regardless of whether or not the security is commercial.
Share Loans	The Society grants share loans to Members, being cash secured against the borrower's savings account maintained with the Society.
Treasury Assets	Investment portfolio, cash and cash equivalents.

The Group's Credit Risk exposure arises primarily from mortgage loans. The primary risk associated with mortgage lending is that the borrower will be unable or unwilling to service the loan. In this regard, some types of mortgages will present greater risks and in particular, risks are likely to be increased for lenders:

- where repayment commitments represent an unusually high percentage of disposable income;
- where an unusually large proportion of the borrower's income is variable; or
- where the borrower has an impaired credit history.

Through its Credit Policy, the Group considers the risk profile of the different types of lending it undertakes, and puts limits and other mitigating controls in place.

FINANCIAL RISKS

Financial Risk is managed within a framework of approved assets, currencies and capital instruments supported by detailed limits set by the Board as recommended by ALCO.

Liquidity & Funding Risks

The Group's core business of financing long-term mortgages and treasury investments with short-term savings, involves a high degree of maturity conversion, which constitutes a major financial risk that the Group must effectively manage. Wholesale and retail funding are monitored to ensure that there are no excessive concentrations in future maturities. This enhances the Group's ability to refinance maturing liabilities.

The Group's management of Liquidity and Funding Risk aims to ensure that at all times there are sufficient liquid resources, in both amount and quality, to cover cash flow mismatches and fluctuations in funding, to retain public confidence and to enable the Group to meet financial obligations as they fall due even during stressful economic environments. This is achieved through the setting of appropriate risk limits to maintain a prudent funding mix, maturity profile and a level of high quality liquid assets.

The Board is responsible for setting risk appetite with respect to levels of liquidity and funding risks. The Board translates this into limits which define the minimum level of liquid resources, the funding mix, and the maturity profile of funding. The ALCO further sets more detailed limits within the Board limits, including the composition of liquid assets and concentration of funding and for monitoring the structure of the balance sheet.

The Treasury function is responsible for the day-to-day management of liquidity and wholesale funding with policy compliance being monitored by the Risk Function. This is reported at the meetings of the ALCO and the GRC.

Funding Profile

The Group aims to align its sources and uses of funding. As such, mortgage loans are largely funded by Members' local currency deposits and loans from specialized institutions, while primary liquidity and other treasury assets are largely funded by Members' foreign currency deposits, repo liabilities, equity and reserves.

Liquidity Portfolio

The Group ensures it has sufficient resources to meet day-to-day cash flow needs and to meet internal and regulatory liquidity requirements, which are structured to ensure the Group has sufficient liquidity, both in terms of amount and quality.

The Group maintains a high quality liquidity portfolio through continued investment in eligible securities which mature within nine months and eligible securities deemed liquid by the Government of Jamaica (GOJ) and the Bank of Jamaica (BOJ), but which have maturity dates in excess of nine months. The Group also holds other securities that are not eligible for central bank operations but can be monetized through repurchase agreements with third parties or through sale.

Market Risk

The main Market Risk faced by the Group is interest rate risk, which primarily arises from the Group's lending and borrowing activities.

Interest Rate Risk

Interest Rate Risk is the potential impact on the Group's earnings and net asset values of changes in interest rates. It arises when the Group's principal and interest cash flows have mismatched re-pricing dates.

The Group is exposed to Interest Rate Risk due to the differing interest rate characteristics and maturity profile of its financial assets and liabilities. From an earnings perspective, in the event of an upward or downward movement in interest rates, the Group is exposed to Net Interest Income variances, the extent of which depends on the interest rate characteristics of the balance sheet at the time of any rate change. Interest rate exposures are managed through the use of Board approved limits and the offsetting of financial assets and liabilities.

The Group uses sensitivity analyses to assess the change in value of, for example, the Group's net interest exposure against a one basis point shift in interest rates within each currency portfolio and on a consolidated basis. Policy limits on the impact of interest rate changes on the Group's net interest margin are set at least annually in the Market Risk Policy to ensure that the Group does not take on excessive Interest Rate Risk.

Foreign Currency Risk

This is the risk of loss arising from movements in foreign exchange rates. The Group is exposed to appreciation in the value of foreign currency denominated liabilities or depreciation in foreign currency denominated assets.
Foreign Currency Risk is primarily managed by maintaining matched portfolios of foreign currency financial assets and liabilities with Board approved limits for the maintenance of currency portfolio long or short gap positions.

Equities Risk

Equities Risk is the risk that the current value of assets and liabilities is affected by changes in stock prices.
To measure this risk, the Group uses Value-at-Risk (VaR) analysis to estimate potential losses that could occur on risk positions as a result of future movement in market rates and prices over a specified time horizon, and to a given level of statistical confidence. Exposures against Board-approved limits are reviewed by the ALCO. The Group also uses concentrations limits to ensure that portfolio diversification is maintained.

OPERATIONAL RISK

The table below highlights some of the key Operational Risk drivers within the Group and the steps taken to mitigate such risks:

Risk Driver	Overview of Risk	Risk Mitigation
Legal and Regulatory	Failures arising out of internal, regulatory, statutory or legal non-compliance and associated risks from engagement with third parties.	The Group remains committed to complying with its regulatory and legal responsibilities. The Group's Legal and Compliance Function is responsible for identifying regulatory developments and assisting team members in the delivery of required regulatory changes, within requisite timescales.
Business Continuity	Failures to establish resilient processes, adequate business continuity, and recovery arrangements.	The development of business continuity plans is an integral component of the Group's operational risk control environment. A working group develops continuity plans and testing strategies to allow for the management of unexpected events, such as the loss of business critical systems.
People	Inability to attract, retain and develop people resources appropriately for the delivery of Member and customer expectations and the Group objectives.	The Group aims to mitigate people risk through a rigorous recruitment process; formal orientation of new team members; and internal training. Personal development plans are put in place to ensure team members continue to develop expertise and experience throughout their employment with the Group.

Risk Driver (Cont'd)	Overview of Risk (Cont'd)	Risk Mitigation (Cont'd)
IT and Information Security	Failure to establish, develop and maintain an IT environment that secures Member and customer data and Group information.	The Group continues to invest in its technology infrastructure, so that it can maintain and develop products and services suitable for the evolving needs and expectations of Members and customers. While there is a strong focus on the development of customer interface and services, the Group is also aware of external threats, in particular cybercrime attacks designed to deny access to systems and to compromise or misuse the data and assets held on the Group's systems. Recognising the specialist nature of IT, information security, data governance and business resilience risks, the Group's Risk Management Framework incorporates various senior management led working groups, which oversee specific elements of the Group's risk universe and the sustainability of the associated control environment.
Financial Crime	Internal and external crime events relating to money and financial services; including offences involving fraud or dishonesty and handling the proceeds of crime.	The Group is committed to mitigate fraud losses suffered by the organisation. Policies and procedures are in place to ensure that all reported fraud allegations are adequately and consistently addressed by the Fraud Investigation Unit. The Anti-Fraud Committee provides oversight for the Fraud Management Framework and the Fraud Investigation Unit.
Process	Financial or opportunity loss arising from the failure to develop and maintain an effective infrastructure and processes to support delivery of the Group objectives.	Process risk includes business change risk, management information risk, model risk, outsourcing risk, systems and control risks, data risk and infrastructure risk. The Group continues to improve the control environment for process risk, which is managed by the 1st line of defence, with oversight provided by the Audit Committee.

GROUP FINANCIAL PERFORMANCE

Group Financial Position

Over the course of 2015, the Group's total on-balance-sheet assets increased by $6.336 Billion or 6.5%, to end the year at $103.638 Billion. This increase was primarily as a result of growth in the investment portfolio and book of mortgages.

Investments and other earning assets totalled $62.587 Billion, reflecting an increase of $3.025 Billion for the period.

ON-&-OFF BALANCE SHEET ASSETS FOR THE VM GROUP

Figures in `000s	2015	2014
Group on-balance-sheet assets	103,638,266	97,302,033
VMWM off-balance-sheet assets	7,990,824	4,279,796
Prime off-balance-sheet assets	27,825,000	24,273,000
Total	**139,454,090**	**125,854,829**
Growth in on-&-off balance sheet assets (%)	**10.8%**	**12.7%**

The loan portfolio at the end of the year totalled $32.909 Billion. The mortgage book grew by $2 Billion, which was as a result of disbursements totalling $4.7 Billion, offset by repayments of $2.7 Billion during the year. There was improvement in the quality of the mortgage loan portfolio, resulting in the loan quality ratio moving from 4.23% in 2014 to 3.52% at the end of 2015.

The Group's off-balance-sheet assets amounted to $35.815 Billion as at December 2015, which was $7.263 Billion or 25% over that reported for 2014.

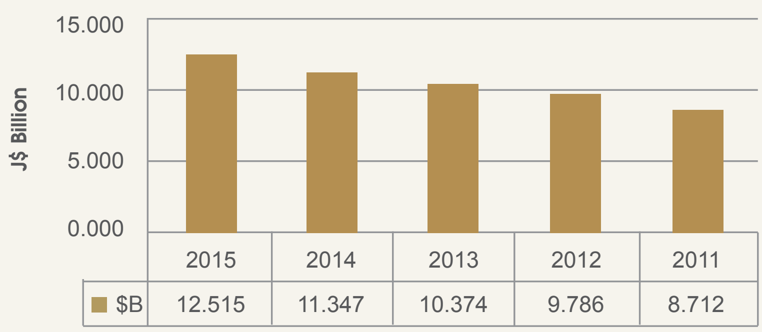
Funding

Despite the challenging environment, the depositors and Members/customers of the Group continued to recognise the value of our services, which resulted in the $5.891 Billion or 10% increase in the funding portfolio. During the year, keen attention was placed on the macro-economic environment and the Group positioned itself to respond to changes in market interest rates. We continued to develop and implement strategies in an effort to retain and increase funding obtained from Members and customers by way of savings and repurchase agreements.

Capital & Reserves

The Group's Total Capital & Reserves grew from $11.347 Billion to $12.515 Billion in 2015. The Society continues to transfer 100% of Net Surplus to capital after allocation is made to the Credit Facility Reserve, and in 2015, transferred $617.777 Million to the Permanent Capital Fund, and $68.642 Million to the Reserve Fund.

Group Total Capital & Reserves



Operating Results

The Group recorded a Net Surplus of $961.665 Million for the year ended December 31, 2015, compared to $1,006.182 Million for 2014. The Surplus is inclusive of the Society's 31.5% share of profits in BCIC, totalling $121.310 Million. The 2015 results for the Group were significantly impacted by the increase in asset taxes of $116.8 Million over that reported for 2014, which was as a result of the rate increase imposed by the government, from 0.14% in 2014 to 0.25% for 2015.

GROUP SUMMARY OF RESULTS

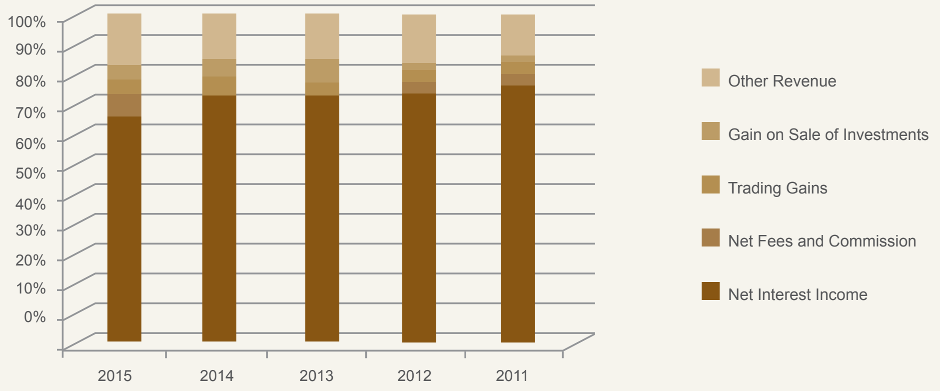
($'000's)	2015	2014
Net Interest Income	3,716,033	3,740,342
Other Operating Revenue	1,614,495	1,223,707
Total Operating Revenue	**5,330,528**	**4,964,049**
Non-Interest Expenses	4,204,855	3,751,843
Operating Surplus	**1,125,673**	**1,212,206**
Share of Profits of Associate	121,310	120,014
Surplus before Income Tax	**1,246,983**	**1,332,220**
Income Tax	285,318	326,038
Surplus after Income Tax	**961,665**	**1,006,182**

Operating Surplus was $1,125.673 Million for the year, which was a reduction of $86.533 Million or 7% when compared with the 2014 results.

Operating Revenue

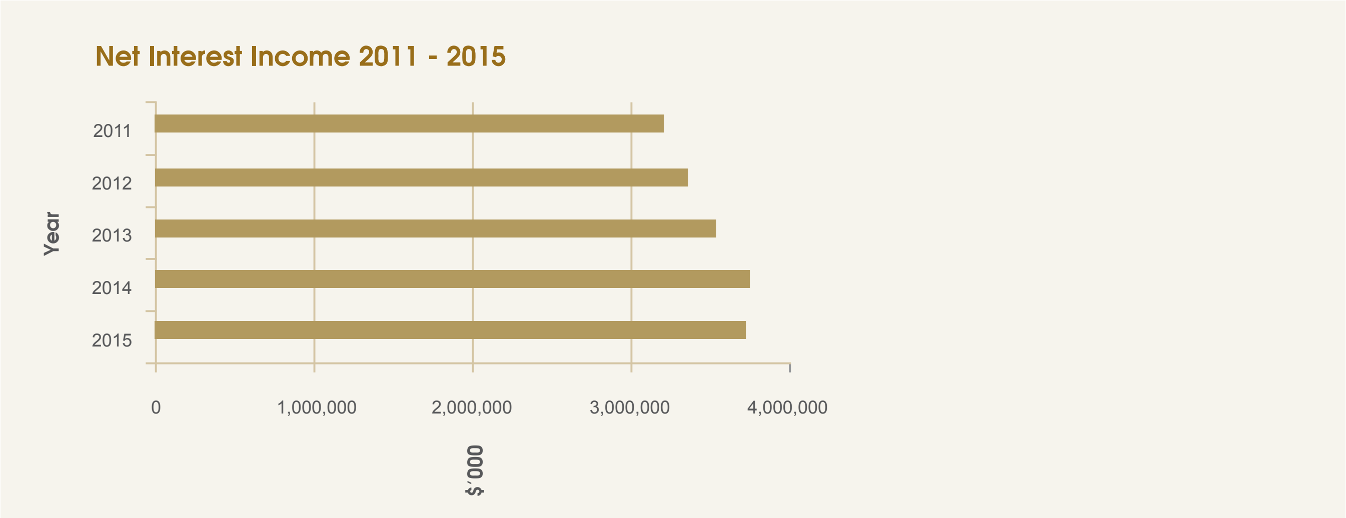
Operating Revenue, which includes Net Interest Income; net fees and commission income; gain on the sale of investments; and trading gains, totalled $5.331 Billion for the year. This reflected an increase of $366 Million or 7% over the 2014 results.

Total Operating Revenue



Net Interest Income

The Group's Net Interest Income totalled $3.716 Billion for the Financial Year ended December 31, 2015. This was a $24.309 Million or 1% decline from that reported for 2014, reflecting the impact of shrinking spreads in the current economic environment.



Total Interest Income was $5.920 Billion, an increase of $17 Million over that reported in 2014. This variance was due to a combination of an increase in loan interest income, and reduction in interest earned from investments during the period.

Loan interest income for the year surpassed that reported in 2014 by $263.627 Million. This was as a result of the Society's strategy of maintaining low mortgage interest rates, as well as a $2.116 Billion growth in the mortgage portfolio year over year.

Interest income from investments declined by $246.10 Million or 7%, reflecting an overall reduction in average yields on investments during the period.

Total Interest Expense increased by $41.836 Million or 2% for the year ended December 2015. This increase was largely as a result of increases in funding balances.

Other Operating Revenue

Other Operating Revenue for the year totalled $1,204.684 Million, reflecting an increase of $331.292 Million or 38% above that reported for 2014. The positive variance was due to gains realised on the sale of investments surpassing the 2014 results by $169.694 Million, as well as unrealised foreign currency gains exceeding that reported for the previous year by $182.566 Million.

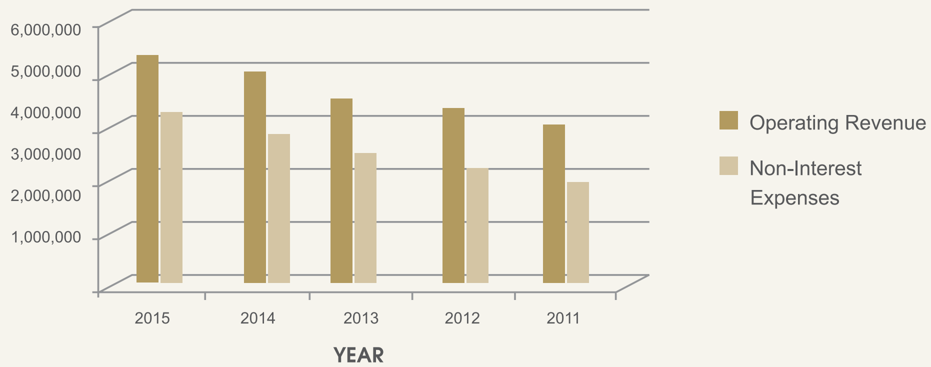
Operating Expenses

Operating Expenses, comprising of personnel costs and other operating expenses, totalled $4.032 Billion for the 2015 Financial Year, and surpassed the 2014 costs by $440 Million.

- Personnel costs increased by $408 Million, which includes an increase in compensation and other benefits of $220 Million, termination and gratuity expenses of $137 Million, as well as an actuarial adjustment of $50M to the defined benefit pension liability.

- Other operating expenses were $1.712 Billion, and reflected an increase of $32.103 Million or 2% over that reported for 2014. The difference included an increase in asset tax and irrecoverable GCT of $178.897 Million, which was offset by a reduction of $50 Million in maintenance expenses for buildings, furniture and fixtures; consultancy fees of $49 Million; operating expenses for investment properties of $54 Million, and other overheads totalling $45 Million.

Other Revenue & Expenses 2015/2014



Key Indicators

The return on average total assets was 1.24%, down from 1.45% reported for 2014. This was as a result of the growth in asset base and reduction in net profit performance, when compared to the previous year.

At the end of the year, the ratio of capital and reserves to total assets was 12.08%, which significantly exceeded the standard set by the regulators.

The Group's operating expenses as a percentage of mean assets moved from 3.92% in 2014 to 4.01% at the end of 2015.

At Victoria Mutual we are a family that promotes:

- Flexibility
- Innovation
- Teamwork
- Integrity
- Respect
- Excellence
- Enthusiasm

OVERVIEW OF BUSINESS LINES

VICTORIA MUTUAL BUILDING SOCIETY

The Victoria Mutual Building Society (VMBS) is a well-respected financial institution that was established in 1878 by a group of civic-minded individuals, including clergymen, who wanted to create an institution to help ordinary Jamaicans achieve the goal of homeownership. This resulted in the formation of a mutual organisation, which aimed to assist its Members to purchase homes, through a process that involved pooling their savings to facilitate mortgage loans. Over the years, the organisation has expanded its suite of services to meet the changing needs of Members and clients as well as assist them along the journey to Financial Independence.

Financial Performance

The Society recorded After-Tax Surplus of $783.2 Million for the year ended December 31, 2015, a decline of $195.6 Million or 19.98% when compared to the previous year. This decline was due primarily to adjustments relating to the Actuary's IAS 19 valuations of changes in employee benefit assets and post-retirement health obligation, which increased by $38.8 Million in 2015. Additionally, an increase in the government-imposed asset tax, which moved from $94.1 Million in 2014 to $193.23 Million in 2015, also contributed to the decline in After-Tax Surplus. In order to counter the ongoing impact of the imposed asset tax on Surplus year over year, we will continue to place greater emphasis on cost management while we also focus on growing the business.

The Society's Net Interest Income was reduced by 1.9% or $65.9 Million in 2015. This was the net result of a 1.3% increase in Interest Income, along with an increase of 8.3% in Interest Expense.

The overall cost of administration increased by 13.8% in 2015, moving from $3.043 Billion to $3.463 Billion. The personnel cost component, net of the reduction in the liability for the Defined Benefit Pension Plan, increased by 13.35%, moving from $1.508 Billion in 2014 to $1.741 Billion in 2015. Other Operating Expenses, inclusive of asset tax, increased by 9.7% year over year, moving from $1.540 Billion to $1.689 Billion.

We are pleased to report that the Society achieved growth in Total Assets of 7.6% during the year, moving from $83.3 Billion in 2014 to $89.7 Billion in 2015. The financial health of the Society was also assured, as the ratio of Capital and Reserves to Total Assets was 11.1%, which more than exceeded the minimum of 6.0% required by the regulators.

Highlights of the Society's Performance

	2013*	2014	2015
Pre-Tax Surplus ($M)	1,069.8	1,232.0	920.5
After-Tax Surplus ($M)	795.1	978.8	783.2
Total Assets ($B)	73.3	83.3	89.7
Total Loans ($B)	27.2	30.9	32.9
Deposit Liabilities ($B)	63.2	70.7	77.6
Net Interest Margin (Net Interest Income as % of Mean Interest Earning Assets)	4.77	4.73	4.20
Operating Expenses (as % of Mean Assets)	4.16	3.89	4.01
Capital and Reserves (as % of Assets)	10.99	10.54	11.06

*Restated

PETER REID
Senior Vice-President &
Chief Operating Officer

Savings

Loans

Mortgages

Investments

FX Trading

Savings

The Society recorded a 10% increase in deposit liabilities to end 2015 at $77.6 Billion. This accomplishment was attributable to increased referrals from existing Members and customers, competitively priced products and customized savings solutions, as well as increased engagement with Members through frequent surveys and other feedback mechanisms. Another significant initiative was the launch of our Financial Independence Programme, which highlighted Victoria Mutual's unique blend of capabilities to empower Members and clients to achieve their Financial Independence.

The launch of our Online Financial Independence Resource Centre, along with the Financial Independence "Dream" Promotion, also played a role in the growth of our savings base.

Despite the challenging economic conditions and fierce competition in the market, the Society was able to maintain its Market Share among deposit taking institutions.

Mortgage Loans

During 2015, the Society granted $4.72 Billion in new mortgage loans and increased the mortgage portfolio by $2.1 Billion or 7.1%.

In keeping with our strategy to grow the mortgage portfolio, improve our process and deliver an exceptional Member experience, we have been focused on the development of new capabilities to support our attractive mortgage offer and place us ahead of the competition.

Mortgage Loan Portfolio Quality

We are pleased to report that the quality of the Society's mortgage loan portfolio continued to improve in 2015. The loan portfolio quality, measured as non-performing mortgage loans (loans greater than 90 days in arrears) as a percentage of total mortgage loans, moved from 4.23% at December 31, 2014 to 3.52% at the end of 2015.

This positive result was achieved as key management initiatives with respect to customer engagement and process improvements were sustained throughout the year.

Members who had difficulty meeting their mortgage obligations were presented with various options which allowed them to resume satisfactory servicing and importantly, retain their homes. Despite our best efforts however, in some cases redemption was not possible and unfortunately, recovery action had to be taken.

We anticipate continued improvements in the loan quality as we leverage the significant gains over the past three years to give greater value to our Members. Our Team will continue to engage Members and work through any issues they may have with their mortgage repayment.

Efficiency

During 2015, the Society continued to execute on projects and initiatives that were geared towards improving efficiency and customer experience. Many of the activities involved the automation of manual processes and leveraging technology to improve service delivery and consistency. The consolidation of key support functions is an ongoing activity that will help us achieve greater efficiency and effectiveness, and during the year, we concluded the centralisation of group services relating to Finance, Investments, and the Treasury Front and Support Offices. Operating Expenses as a percentage of Mean Assets moved from 3.89% in 2014 to 4.01% in 2015, primarily as a result of the increase in the asset tax rate.

2016 Focus

The Society has embarked on several innovation initiatives to grow the business and better serve our Members, through the expansion and enhancement of our financial solutions, service delivery and distribution channels in 2016. These initiatives include:

Service Improvement

- In mid-2016, VMBS will launch Jamaica's first online self-service mortgage portal. Persons who wish to apply for a mortgage loan, will no longer have to visit a VMBS branch to submit their application, but will instead have the option to complete an application form online, upload documents and track the application through to disbursement via a VMBS online self-service mortgage portal, accessed through our website. This game-changing service, which will be the first of its kind in Jamaica, simplifies the mortgage process and will create greater convenience for our Members.
- Extended service hours in the Member Engagement Unit to improve contact with Members who reside in Jamaica and overseas
- Using Net Promoter Surveys to build closer relationships with our Members, as we increasingly rely on them to provide feedback that will guide service quality improvement and product development

Improved Electronic Offerings

- Expansion of our Automated Banking Machine (ABM) island wide
- Deployment of new electronic deposit boxes in select branches
- Expansion of the kiosk network in our local and overseas offices
- Implementation of new features to enhance our online banking platform

Improved Technology and Branch Locations

- We have commenced an upgrade of our core banking infrastructure to improve the technology we use to serve our Members.
- Plans are underway for the physical upgrade of our branches in Jamaica which will provide efficiencies and ease of access for you, our valued Members.

VMBS

SUBSIDIARIES & AFFILIATE COMPANY

The Society owns a number of subsidiaries and has a significant investment in one affiliate: British Caribbean Insurance Company (BCIC). These entities play an important role in complementing the offerings of the Society and in helping its Members to achieve financial independence.

The key financial results of the Society's operating subsidiaries are presented in the table below.

AFTER TAX PROFIT FOR SELECTED SUBSIDIARIES (J$' MILLION)

	2015	2014	2013
VM Wealth Management Ltd.	310.98	236.76	146.58
VM Property Services Ltd.	(0.06)	(0.48)	3.19
VM Money Transfer Services Ltd.	8.47	11.64	26.77
Prime Asset Management	44.87	38.05	25.48*

*For the nine months ended December 31, 2013

VM WEALTH MANAGEMENT

Victoria Mutual Wealth Management Limited (VMWM) is the investment arm of the VM Group, providing investment solutions, including fixed income investment products, margin loans, stock brokerage and equity trading services, and asset management products. In addition, since 2011, the Company has made significant strides in the provision of advisory services to clients who are desirous of raising capital from the debt and equity markets.

Bonds

Stocks

Asset Management

Corporate Finance Services

Financial Performance

Despite the continued challenging market conditions, the results for the year ended December 31, 2015 demonstrate the strength and agility of the Company's leadership, and its ability to increase its revenues while managing operating expenses. Net profit for the year was $310.98 Million, which represents an increase of $74.23 Million or 31.35% over the prior year's profit of $236.76 Million.

VMWM's Total Operating Revenue increased to $808.08 Million, up 34.94% over the previous year. This was comprised mainly of Net Interest Income (NII) of $279.61 Million versus $314.82 Million in 2014, Gains from Investment Activities of $294.09 Million compared to $156.69 Million in 2014, and Net Fees and Commissions of $232.87 Million in 2015, which was recorded at $126.21 Million in 2014. The 11.18% decline in NII reflects the lower interest rate environment and the Company's continued diversification from the retail repo business model to fee-based asset management products. The strong performance of the local stock market was the main contributing factor to the 87.69% increase in Gains from Investment Activities over 2014.

The 84.51% increase in Net Fees and Commissions over the previous year is mainly attributable to increased capital markets activities, with VMWM brokering US$102.81 Million or J$12.06 Billion (US$23.38 Million or J$2.6 Billion in 2014) in debt and equity financing deals for several corporate clients, earning net fees of $153.85 Million in 2015 ($48.48 Million in 2014).

In addition, third party client funds managed by VMWM grew by $3.71 Billion or 86.71%, from $4.28 Billion at the start of the year to $7.99 Billion at year-end.

For the year ended December 31, 2015, Operating Expenses totalled $379.3 Million, representing an increase of $67.98 Million or 21.83% over the previous year. Staff costs, which represent 51.06% of Operating Expenses (54.08% in 2014), increased by $25.32 Million or 15.04% over 2014, due mainly to compensation adjustments and an increase in the staff complement during the year. Other Operating Costs of $185.62 Million grew by $42.65 Million or 29.83% over the previous year, mainly as a result of the increase in asset tax rate which moved from 0.14% to 0.25%, advertising and marketing costs, and higher information technology expenses to support the business. In respect of Operating Efficiency, VMWM achieved a 5.05 percentage improvement in its Operating Expenses/ Operating Revenue ratio, as it moved from 51.99% in 2014 to 46.94% in 2015.

Achievements

Victoria Mutual Wealth Management had an exceptional performance in 2015, and achieved a number of significant milestones:

- Highest annual profit recorded by the Company ($310.98 Million)
- Largest volume of business by the Capital Markets Unit (approximately J$12 Billion)
- Highest growth in Off-Balance-Sheet Assets Under Management ($3.7 Billion)

2016 Focus

The strategy for 2016 will be to capitalise on the improvement in the real estate market and increase market share for real estate brokerage and appraisals. The Company will also focus on implementing the slate of projects prioritised for the year.

PRIME ASSET MANAGEMENT LIMITED (PRIME)

PRIME ASSET MANAGEMENT LIMITED.

A subsidiary of VICTORIA MUTUAL

Prime Asset Management Limited (Prime) is the pension fund investment management and administration services arm of the Victoria Mutual Group, providing pension fund management, pension administration, pension education, retirement planning and pension consultancy services.

Prime Asset Management would like to take this opportunity to express our most sincere gratitude to the Trustees, Directors, Managers, Team Members and other key stakeholders for their continued support.

- Pension Fund Investment Management
- Pension Administration
- Pension Education
- Retirement Planning
- Pension Consultancy

Financial Performance

The Company recorded Net Profits After Tax of $44.9Million in 2015, an increase of 18% over the prior year, with all lines of business surpassing budget. This improved performance was due to:

- a much improved investment climate which witnessed robust growth across all asset classes;
- better rates for the pensions administration unit and;
- additional projects for the pension advisory arm.

Prime's Return on Equity rose to 101%, notwithstanding a higher retention of retained earnings to meet the Financial Services Commission's (FSC's) new minimum capital standards. Prime surpassed the FSC's regulatory ratios by a wide margin, as per the table below.

FSC's Regulatory Ratio	FSC's Benchmark	Prime's Results (Dec-15)
Capital Adequacy - Capital to Total Assets	6%	28%
Risk-weighted Assets/Capital Ratio	10%	32%

Achievements:

Prime Asset Management performed admirably in the 2015 review period and had a number of significant achievements, as follows.

- Stellar new business growth – we engaged two large pension funds with Funds Under Management (FUM) of approximately $3Billion.
- FUM grew by 15% in 2015 to end the year at $27.8 Billion.
- The Prime Approved Retirement Scheme (ARS) surpassed the $1 Billion mark in FUM.
- The Prime Approved Retirement Scheme (ARS) Accelerator Portfolio was the number 1 performing pooled equity fund in Jamaica.

During the Financial Year, Prime Asset Management participated in numerous events and forums pertaining to pensions and retirement planning, culminating with our eighth Annual Pensions Seminar, held in conjunction with the Private Sector Organization of Jamaica (PSOJ). The keynote speaker was Behavioural Economist, Kelly Peters, Managing Director of BEworks, who presented numerous case studies on the concept of nudging towards increasing participation in retirement plans.

2016 Focus

The Company continues to focus on numerous projects to boost efficiency and service delivery, primarily:

1. upgrade of the Investment Management System (IMS) software, which is expected to be implemented in 2017, and
2. upgrade of the pension administration system to bring additional functionalities in line with the market. It is anticipated that this will be completed in 2017.

For the 2016 Financial Year, it is our mission to provide our clients with exceptional customer experience; to be the number one investment manager in the industry; to comply with all regulatory requirements and to continue to prudently invest the Funds Under Management towards enabling our Members to achieve Financial Independence.

VM PROPERTY SERVICES

Victoria Mutual Property Services Ltd. (VMPS) is the Real Estate and Property Services arm of the Victoria Mutual Group, providing real estate sales and rental services, island wide property appraisals and valuations as well as commercial property management services. These services complement the Society's core business line of providing mortgages to finance properties in Jamaica. The Company also provides the business units within the Victoria Mutual Group with project management services.

Real Estate Sales & Rentals

Valuations & Appraisals

Commercial Property Management

Project Management

Financial Performance

Despite a challenging economic environment, Operating Revenue for VMPS grew by 11% year over year, moving from $85.9Million in 2014 to $95.1M in 2015. Revenues from real estate brokerage services increased by 24.7%, while property appraisals and project management revenues outperformed targets by 9% and 12% respectively.

In 2015, VMPS sold 42 properties valued at $330M, completed 599 valuations at a combined value of $8.4Billion and completed 28 projects at a total value of $160M. During the year, the Company managed 176,000 square feet of commercial and residential properties and was able to limit the year over year increase in maintenance costs on commercial properties to 3.5%.

Achievements

In July 2015, VMPS was able to increase its footprint in the real estate market with the launch of a new website, vmpsrealestate.com. Feedback on the new website has been extremely positive and daily visits are significantly higher than they were for the previous site. VMPS will continue to promote the website in an effort to increase traffic and engagement with the real estate marketplace.

2016 Focus

The strategy for 2016 will be to capitalise on the improvement in the real estate market and increase market share for real estate brokerage and appraisals. The Company will also focus on implementing the slate of projects prioritised for the year.

VMBS MONEY TRANSFER SERVICES

VMBS Money Transfer Services (VMTS) is the remittance arm of the Victoria Mutual Group. The Company offers direct to bank deposits, bill payments, online transfers and VM Money Cards, which allow cardholders to access funds at any Point of Sale or ABM machine in Jamaica, supported by free SMS notifications when funds arrive.

Direct Bank Deposits

Free SMS Notifications

VMBS Money Transfer Card

Bill Payments

Financial Performance

VMTS recorded Profit After Tax of $8.464 Million in 2015, a decline of 27.25% when compared with the prior year. In 2015, fee income increased by 13%, the number of transactions increased by 14% and the value of transactions increased by 9% when compared with 2014.

Achievements

VMBS Money Transfer Ltd. achieved the following successes in 2015.

- Developed a partnership with the second largest Remittance company worldwide - MoneyGram
- Started implementation of a cutting edge remittance software, which will reduce transaction processing time and increase efficiency
- Increased brand awareness and market share through the MoneyGram partnership
- Launched the VM Money Card, which provides added security and allows users to access their funds anytime, anywhere.

2016 Focus

Due to this changing operating landscape, VMBS Money Transfer Services Ltd. will focus on strengthening its business model in 2016.

Worldwide remittance growth is being driven by the globalisation of labour, as money moves from more developed economies to the less developed based on the movement of labour. Although cash remains the dominant payout option – as consumers demand greater convenience – there is a growing trend towards technologically based cashless options, such as digital cash and online transactions. In recent years, the remittance market has faced increased challenges due to more stringent regulations and compliance requirements, increased competition and the discontinuation of correspondent banking services for institutions in the Caribbean, Latin America and other developing regions.

BCIC
An affiliate of VICTORIA MUTUAL

BRITISH CARIBBEAN INSURANCE COMPANY

Our affiliated company, **British Caribbean Insurance Company Limited (BCIC)**, of which the Society owns 31.5%, continued to perform well in 2015 and provided satisfactory risk adjusted returns to its shareholders. Based on its performance, the Society received dividends totalling $99.8 Million from the Company in 2015.

Property Insurance

Motor Insurance

Accident & Roadside Assistance

Employers' Liability

CORPORATE SOCIAL RESPONSIBILITY

When founders Rev. G.W. Downer and a group of clergymen established the Victoria Mutual Building Society (VMBS), the basic principle of giving was at the heart of their mission - giving each Jamaican the power to realise their dream of home ownership, to achieve their financial goals and ultimately to become financially independent. VMBS was therefore established on the premise of mutuality, where all our Members benefit. This philosophy is one which we extend to our vision for Jamaica. We are committed to making a positive impact on national development through an active Corporate Social Responsibility (CSR) programme that we believe is integral to building a better and economically independent Jamaica. In 2015, we continued along this path, with our CSR initiatives spanning three key areas: Nation Building and Community Development; Education; and Sports. In addition to established sponsored programmes, the organisation also made contributions to several charities and community groups, some of which were done through the United Way of Jamaica.

The nation's leaders stand in respect during the playing of the National Anthem at the beginning of the 2015 National Leadership Prayer Breakfast. (L-R) Rev. Dr Stevenson Samuels, Chairman, NLPB Committee; the Most Honourable Portia Simpson Miller ON, MP, Prime Minister; His Excellency, the Most Honourable Sir Patrick Allen, ON, GCMCT, CD, Governor-General of Jamaica; Andrew Holness, Leader of the Opposition; the Honourable Mrs. Justice Zaila McCalla, OJ, Chief Justice; Richard Powell, President and Chief Executive Officer, Victoria Mutual Group; and Juliet Holness, wife of the Leader of the Opposition.

Richard Powell, President and Chief Executive Officer of the Victoria Mutual Group, accepts an award of appreciation from Patron of the NLPB, His Excellency, the Most Honourable Sir Patrick Allen, ON, GCMCT, CD, Governor-General of Jamaica, in recognition of the organisation's 30-year sponsorship of the National Leadership Prayer Breakfast.

NATION BUILDING AND COMMUNITY DEVELOPMENT

THE NATIONAL LEADERSHIP PRAYER BREAKFAST

On Thursday January 15, 2015, leaders of the State, the Church and civic life from all across Jamaica, gathered at the Jamaica Pegasus Hotel for the annual National Leadership Prayer Breakfast (NLPB). Held under the theme, "RETURN…RECONNECT…REBUILD WITH GOD", the Breakfast presented another opportunity for the key leaders of the nation to unite in prayer and seek divine direction for the development of the country.

Guest Speaker at the Breakfast, Rev. Everton Jackson of Calvary Baptist Church, challenged the audience to seek divine intervention to tackle crime and corruption. He also noted that when leaders unite to jointly use their skills and expertise, it can only redound for a better Jamaica.

Each year, donations collected at the Prayer Breakfast are given to a deserving charity. For 2015, the NLPB Committee donated over J$400,000 to the Theodora Project. Based in Negril, Westmoreland, the Theodora Project provides housing for at-risk youth, who are vulnerable to human trafficking and other forms of exploitation. The Project seeks to empower victims of the human trafficking trade through counselling, and by teaching them employable skills. Receiving the donation at the Handover

Ceremony held in May at Victoria Mutual's Corporate Office, Rev. Dr Margaret Fowler of the Theodora Project thanked the NLPB committee for selecting them as the 2015 Charity. She noted, "this much needed donation will go towards two areas – upgrading the computer room and creating a breakfast and lunch area at the facility."

President and CEO, Richard Powell also emphasised the importance of such a project.

"Jamaica is facing a worrying trend, with many of our youth being categorised as 'at-risk', primarily because of socio-economic realities and the breakdown of the family unit. Many of our children are being exploited at a very early age and exposed to illegal activities such as human trafficking, gang warfare, drugs and prostitution. It is essential that we take a proactive approach to ending this negative development, by supporting initiatives geared at rescuing these children and placing them on a path to becoming productive citizens of Jamaica. The Theodora Project is one such initiative which has been making an impact, through remedial education, skills training and employment opportunities," he continued.

In 2015, VMBS also celebrated 30 years of partnership with the NLPB Committee.

LABOUR DAY

Victoria Mutual Team Members from across Jamaica joined their hearts and hands to bring positive change to the lives of the youth in their communities. Following on the national theme, "Labour of Love: Nurturing Our Children", #VMProud Volunteers with paint brushes, rakes and shovels in hand, participated in several projects across the island. These included:

MANCHESTER:
Ebenezer Primary School, Ebenezer
- Painting
- Planting of trees
- Construction of a garbage receptacle

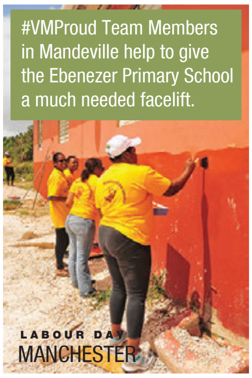
ST. ANN:
Servite Primary School, Brown's Town, St Ann
- Patching of play area
- General painting

Salmon Memorial Basic School, Ocho Rios
- Expansion of classrooms
- General painting and clean-up

ST. ANDREW:
Women's Centre of Jamaica Foundation
- General painting


Members of Government join hands in prayer at the 2015 National Leadership Prayer Breakfast.

Richard Powell, President and Chief Executive Officer of Victoria Mutual Group (centre); Rev. Dr Stevenson Samuels, Chairman of the NLPB Committee (left); Keri-Gaye Brown, Senior Vice-President, Group Legal, Compliance & Corporate Services at Victoria Mutual (2nd right); and Conroy Rose, Assistant Vice President Sales and Services (Eastern Region) Victoria Mutual (right) participate in the cheque presentation to Rev. Dr Margaret Fowler of the Theodora Project (2nd left) at the Cheque Handover Ceremony held at the Victoria Mutual Corporate Office.



#VMProud Team Members in Mandeville help to give the Ebenezer Primary School a much needed facelift.

#VMProud Team Member Jacqueline Brown paints a section of the Women's Centre of Jamaica Foundation.

The Mandeville Team Members are excited about a day well spent, labouring to transform the Ebenezer Primary School.

LABOUR DAY
ST. ANDREW

#VMProud Volunteers ensuring a clean environment for the young ladies at the Women's Centre of Jamaica Foundation.

LABOUR DAY
ST. ANN

#VMProud Volunteer Winzel Bailey was not afraid to join in construction activities at the Salmon Memorial Basic

Former Prime Minister of Jamaica, the Most Hononourable P.J. Patterson (right) and Richard Powell, President and Chief Executive Officer, Victoria Mutual Group, pose for a photo after the 6th Biennial Jamaica Diaspora Closing Plenary.

Victoria Mutual Executives, Richard Powell, President and Chief Executive Officer (3rd left) and Peter Reid, Senior Vice President and Chief Operations Officer (2nd right), pause for a photo with Government representatives (L-R) the Honourable Ronald Thwaites, MP, Minister of Education; Elaine Foster-Allen, Permanent Secretary in the Ministry of Education; the Honourable Fenton Ferguson, MP, Minister of Health; and the Honourable Arnaldo Brown, State Minister in the Ministry of Foreign Affairs and Foreign Trade, at the end of one of the VMBS sponsored power breakfasts on Health and Education on June 16th.

Conference attendees unwind with the Victoria Mutual Team at "Jamaica Nice Lyme", celebrating some of Jamaica's richest cultural traditions in food and music. Here, attendees are captivated by a performance by Freddie 'Big Ship' McGregor.

Richard Powell, President and Chief Executive Officer of the Victoria Mutual Group, enjoys a chat with Joan Walter, at the organisation's booth.

6TH BIENNIAL JAMAICA DIASPORA CONFERENCE

"Jamaica and the Diaspora: Linking for Growth and Prosperity", was the theme for the 6th Biennial Jamaica Diaspora Conference held at the Montego Bay Convention Centre, June 13 to June 18, 2015. The Conference, which is convened every two years by the Ministry of Foreign Affairs and Foreign Trade, sought to encourage Jamaicans locally and overseas to work together to achieve the goals outlined in the National Development Plan, Vision 2030. **These goals include:**

GOAL 1: Jamaicans are empowered to achieve their fullest potential.

GOAL 2: The Jamaican society is secure, cohesive and just.

GOAL 3: Jamaica's economy is prosperous.

GOAL 4: Jamaica has a healthy, natural environment.

The Victoria Mutual Group is one of four Legacy Partners that sponsor the hosting of the event in Jamaica. As he did in 2013, Richard Powell, President and Chief Executive Officer, served as the Chairman of the Preparatory Committee for the 2015 Conference. Additionally, Victoria Mutual Executives participated in business sessions on investment and housing in Jamaica. The Diaspora Conference, which saw a record 3,000 members of the Diaspora converging on the expansive grounds of the Montego Bay Conference Centre, featured a number of activities ranging from formal business sessions to sports, entertainment and community outreach activities. #VMProud volunteers were also in action elsewhere in St. James as part of the community outreach activities.

GOVERNOR-GENERAL ACHIEVEMENT AWARDS PROGRAMME

It is a most gracious reward when one is honoured for making selfless contributions to one's community and by extension, to one's nation. The Office of the Governor-General has been, for the past 24 years, recognising Jamaicans who have not only made personal achievements despite difficult and challenging socio-economic circumstances but those who have also been making remarkable contributions to the nation, through the Governor-General Achievement Awards (GGAA). This initiative, which forms part of the Governor-General's

Programme for Excellence (GGPE), honours outstanding Jamaicans who are not already recipients of National Awards and Honours.

The GGAA Awardees fall within the age cohort of 18 and 35 and are awarded on the basis of academic performance and voluntary service. Members of the Diaspora are not to be left out. Those who are not only making an impact on their home country but also on the territories in which they reside, are also eligible for the Governor-General Jamaica Diaspora Award for Excellence.

The GGAA hosts three ceremonies, one in each County, and culminates with a Pinning Ceremony. In 2015, Victoria Mutual delivered the sponsor remarks at the ceremony held at the Jamaica Conference Centre in Kingston, in the County of Surrey. Eleven individuals from across the County were recognised for their outstanding achievements.

Victoria Mutual has been a proud sponsor of the GGAA since its inception in 1991.

EDUCATION

Education is one of the key pillars of any progressive society. At Victoria Mutual, we believe that providing opportunities for our youth to maximise their full potential is essential to the enhancement of the society. With this in mind, we remain committed to providing financial support for students at different educational levels, enabling them to have an opportunity to reach their goals and contribute to the development of the nation.

SCHOLARSHIP AWARDS 2015

Fifty students from across Jamaica had one less thing to worry about as they embarked on a new school year in September 2015, thanks to the scholarships and bursaries they received under the Victoria Mutual "Head Start" Scholarship Programme. The scholarships and bursaries were awarded at our 2015 Victoria Mutual Scholarship Awards Presentation Ceremony, held at the Knutsford Court Hotel in St. Andrew.

Senior Vice President and Chief Operating Officer, Peter Reid, noted that the entire Victoria Mutual Team shared a common long-term vision of supporting Members and clients in pursuit of their goals.

"Our ultimate goal as a Mutual organisation is to assist our Members and clients to achieve their

Their Excellencies Sir Patrick Allen and Lady Allen (seated centre), along with Christopher Denny, Vice President, Distribution, Victoria Mutual (3rd right), celebrate with the Governor-General Achievement Awardees and their Custodes for the County of Surrey.

Christopher Denny, Vice President, Distribution, Victoria Mutual, delivering the sponsor remarks at the County of Surrey Ceremony at the Jamaica Conference Centre in Kingston on September 23, 2015.

Keri-Gaye Brown, Senior Vice President, Group Legal, Compliance & Corporate Services, Victoria Mutual (right) congratulates recipients of the 2015 VMBS Future Plan "Head Start" Scholarship Aheisha Wilkinson (2nd left) and Jovae Taylor (1st right) and Daniel Santos, recipient of a Special Bursary (centre). Vivienne Bayley-Hay, Vice President, Group Marketing and Corporate Affairs, Victoria Mutual (left) shares in the moment.

Victoria Mutual scholarship recipients writing their life goals on the Financial Independence Chalk Board, prior to the start of the Ceremony.

Members of the Victoria Mutual Team share in the happy moment with the 39 recipients of the 2015 VMBS Save2Grow Bursaries after the Victoria Mutual Scholarship Presentation Ceremony.

Professor Verene Shepherd, Director of the Institute for Gender & Development Studies and Professor of Social History at the University of the West Indies, Mona and Keynote Speaker at the Presentation Ceremony, presents Jovae Taylor, one of the three recipients of the 2015 VMBS Future Plan "Head-Start" Scholarship, with his award.

goals, which include gaining a sound education. Coupled with this is our need to highlight to our children and youth the importance of saving and its rewards, such as receiving a scholarship", he said.

The programme rewards the excellent scholastic achievement of VMBS student savers, by assisting them with much needed financial support to continue to pursue their academic goals.

Scholarships were awarded to students in the following categories:

GSAT 'Head-Start' Bursary
39 students received the VMBS GSAT 'Head-Start' Bursary, valued at J$15,000.00 each. Bursaries are awarded to the top saver in each of the schools that participates in the VMBS Save2Grow School Savings Programme.

Junior Plan 'Head-Start' Scholarship
Three students who were the top 2015 GSAT 'Junior Plan' savers in their County, received the VMBS Junior Plan 'Head-Start' Scholarship, valued at J$30,000.00 each, which they will receive each year for five years.

VMBS Teachers' Bursary
One Teacher received the 2015 VMBS Teachers' Bursary, valued at J$100,000.00, to assist with final year studies at the University of the West Indies.

VMBS Future Plan 'Head-Start' Scholarship
Three students matriculating to tertiary studies received the VMBS Future Plan 'Head-Start' Scholarship valued at J$120,000 each, which they will receive each year for the duration of the course or for a maximum of four years, depending on which is shorter.

VMBS Master Plan 'Head-Start' Scholarship
The VMBS Master Plan 'Head-Start' Scholarship, valued at J$150,000.00 was offered to a 'Master Plan' saver pursuing final-year studies at a local university.

In addition to these categories which are offered each year, two tertiary students received special bursaries valued at over J$200,000. Further, a special scholarship to commemorate the 25th staging of the VMBS/St James Football Association Under-13 Football Competition was awarded to the player with the highest GSAT score from among the Teams participating in the 2015 competition. The scholarship was valued at J$125,000.00.

Jovae Taylor, one of the 2015 Future Plan Scholarship Recipients, who spoke on behalf of the awardees stated, "I am ecstatic to know that I am a recipient and eternally grateful to God first and the Victoria Mutual Family. I see the scholarship as a pillar for success and much motivation to succeed in medical school."

Professor Verene Shepherd, Director of the Institute for Gender & Development Studies and Professor of Social History at the Mona Campus of the University of the West Indies, served as the Keynote Speaker at the event.

The Victoria Mutual "Head-Start" Scholarship Programme was in its 30th staging and has rewarded the educational aspirations of over 1,600 students since inception.

SPORTS

Victoria Mutual recognises the important role that sport plays in our Society and the rewards of investing in our children's future through the sponsorship of a wide variety of national and community-based sporting activities.

THE VMBS/ST JAMES FOOTBALL ASSOCIATION UNDER-13 FOOTBALL COMPETITION

The VMBS/St James Football Association Under-13 football competition celebrated 25 years of investing in the lives of the youth in western Jamaica. The competition has been credited with contributing to Jamaica's football, by developing the talents of numerous players from the western section of the island who have gone on to play professionally, including Dane Richards, Richard McCallum, Deshaun Woolery, Sean Bucknor, Eshane Wilkins and Donovan "Tall P" Ricketts.

In 2015, to commemorate the special milestone, a 5-year scholarship was given to the top GSAT performer from the 31 schools that participated in the competition.

The scholarship, which is valued at $125,000, is also in support of the message that student athletes should balance their studies while playing the sport. In his remarks at the opening ceremony held in April at the Urban Development Corporation playing field in Montego Bay, Christopher Denny, Vice President of Distribution at Victoria Mutual, stated, "successful footballers over the years have learned to balance their school work while playing the sport and later on in life balancing work and play." He encouraged the players to "pay attention to your studies while playing this sport. Victoria Mutual strongly endorses our student athletes balancing school and sports."

Winfried Schäfer, Head Coach for the Jamaica Senior Football Team, gives these young footballers from the Anchovy Primary School some tips as they prepare for their Kick-Off match at the opening ceremony of the VMBS/St James Football Association Under-13 Football Competition. Victoria Mutual Executives and the Competition Coordinator, Hopeton Gilchrist, look on.

The winning team in the 2015 VMBS/St James Football Association Under-13 Football Competition, Catherine Hall Primary, in high celebration along with supporters after they beat Somerton All Age in the final.

Guest Speaker at the Opening Ceremony was Winfried Schäfer, Head Coach for the Jamaica Senior Football Team. In his presentation, he too encouraged the players to cater to their holistic development by focusing on their education while playing sports. He said, "don't forget education while playing [the] game, education is important for your holistic development while playing [the] sport."

After eight weeks of exciting play, Catherine Hall Primary came out on top, winning J$30,000.00 for their school. Runners-up Somerton All-Age received J$25,000.00 and the third place finishers, Montego Bay Christian Academy, received $20,000. Rounding off the top four was Howard Cooke Primary, who received $15,000. The top coach was not left out and received J$10,500. The top goal scorer walked away with $5,000.

VMBS IN THE DIASPORA

Victoria Mutual Building Society has been a pioneer in providing financial services to Jamaicans living in the Diaspora. The organisation is the first local financial institution to set up Representative Offices overseas, with the establishment of an office in the United Kingdom in 1981. Since then, offices have been established in Canada and the United States.

The Society maintains a strong presence in these communities, staying true to our commitment of helping Jamaicans from all walks of life achieve their dream of Financial Independence, primarily through home ownership, and to achieve their other financial goals. Many Jamaicans who live overseas continue to provide financial support to their families back home, with hopes of one day returning to enjoy the fruits of their hard labour. The VMBS overseas offices are making dreams come true by providing that valuable connection between Jamaicans in the Diaspora and their beloved homeland; a connection which also provides the Diaspora with opportunities to support in the transformation of their homeland through the mobilisation and capitalisation of their expertise and investments. Additionally, these offices are making significant contributions within the communities that they serve.

These are the highlights of the activities of our overseas offices in 2015.

(L-R) Leighton Smith, Chief Representative Officer, VMBS Overseas UK Limited; Wade Lyn, Honorary Consul of Jamaica, Birmingham; Keith Stokes-Smith, Director, Birmingham Commonwealth Association; Delores Cooper, Director, Victoria Mutual Finance Limited; Beverly Lindsay, OBE, OD, Founding Member, the Association of Jamaican Nationals in Birmingham & CEO of Diamond Travel; Sted Wallen, Director, Birmingham Sports & Cultural Day and Honorary Alderman, Alan Rudge, Former Deputy, Birmingham City Council, pause for a quick photo at the Victoria Mutual sponsored Birmingham Sports & Cultural Day.

Michael Hall, Business Development Officer, VMBS Overseas UK Limited, Brixton, (2nd left) gives mortgage advice to patrons in the VMBS booth at the Victoria Mutual sponsored Jamaica Basic School Family Fun Day in Crystal Palace, London.

L-R) Leighton Smith, Chief Representative Officer, VMBS Overseas UK Limited; Jane Kerpens-Lee, Manager, VMBS Overseas UK Limited, Tottenham; Ray Hassall, Lord Mayor of Birmingham; and Delores Cooper, Director, Victoria Mutual Finance Limited, take a break from the festivities at the Victoria Mutual sponsored Jamaica Basic School Family Fun Day in Crystal Palace, London.

VICTORIA MUTUAL BUILDING SOCIETY OVERSEAS UK LIMITED

VMBS maintains a strong presence in the UK with representative offices located in Brixton (London), Tottenham (London) and Birmingham. During the year, the team in London continued their drive to deliver expert financial advice to Jamaicans in the UK. With over 1,200 new accounts opened, valued at over £2.6Million and over £750,000.00 in mortgages written and disbursed, Team UK continues to deliver.

VICTORIA MUTUAL FINANCE LIMITED (UK)

Victoria Mutual Finance Limited (VMFL) is a limited liability company and wholly owned subsidiary of VMBS. The Company provides management services to the VMBS UK Representative Office. VMFL will be expanding its service with an application that was submitted to the Financial Conduct Authority (FCA) to undertake mortgage broking services in 2016/2017 within the United Kingdom.

VICTORIA MUTUAL BUILDING SOCIETY - FLORIDA REPRESENTATIVE OFFICE

Our legacy of making a positive impact on youth development and the building of strong communities extends beyond Jamaica's shores. The VMBS Florida Representative Office remains very active within the South Florida community. Throughout the year, the Office made significant contributions to Diaspora groupings, civic groups and churches, as we continued to cement our relationship with Jamaicans in these communities.

Dr Roslyn Artis, President of the Florida Memorial University (FMU), (2nd left), expresses her appreciation for a US$5,000.00 donation from corporate and civic sponsors through the Galleon Foundation. The occasion was the Galleon Foundation's Sixth Annual Charity Gala & Awards Dinner held at the Renaissance Hotel in Florida. FMU, Florida's only historically black university, will use the funds to assist Caribbean students in continuing education efforts at the University. Suzette Rochester, Manager, VMBS Florida Representative Office (4th right), shares in the moment with Carlos Segrera, IMC Equity Group (1st left); Dr Shalette East, American Exams.com (3rd left); Kenneth Lewis, Galleon Foundation (4th left); Charles Watkins (3rd right); Gary Wallace (2nd right), Pioneer Community Church; as well as Lindell Douglas, Galleon Foundation (1st right).

The Hon Arnaldo Brown, MP, Minister of State with responsibility for Diaspora Affairs, in the Ministry of Foreign Affairs (left); Suzette Rochester, Manager, VMBS Florida Representative Office (centre); and Mr Franz Hall, Consul General of Jamaica to Miami (right) share a light moment at the Launch of the 6th Bi-annual Jamaica Diaspora Conference 2015 at the Miramar Civic Centre.

Jamaica's Consul General Herman G. LaMont (2nd right) and Alfred McDonald, Senior Director, Commercial Development and Planning, Norman Manley International Airport (right), share the lens with Suzette Rochester, Manager, VMBS Florida Representative Office (2nd left) and Andrew Lawrence, President/Director of the Caribbean Trade Council Inc. in Hartford, CT (left). The VMBS Florida Representative Office joined the Jamaica Tourist Board and other partners in hosting a special reception for the Diaspora community in midtown Manhattan.

Suzette Rochester, Manager, VMBS Florida Representative Office (right) joins Suzette Finlayson, General Manager, Island Expert Travel (centre), to present an elated Liliana Brown (left), with her prize of a trip for two to Jewel Resorts Runaway Bay, Jamaica with round trip airfare from Ft Lauderdale. VMBS Florida collaborated with Island Expert Travel to award a lucky patron who visited the VMBS booth at the Miami Broward Carnival. VMBS was a sponsor at the event.

EASTERN REGION - BRANCH LEADERSHIP

SEATED l-r

CONROY ROSE
CSC, MBA, BSc
Assistant Vice President
Sales & Service
Eastern Region

RUTH OLIVER
Branch Manager
Spanish Town

STANDING l-r

ALLISON MORGAN
Branch Manager
Liguanea

ANDREA BICKNELL
Branch Manager
Half Way Tree

AINSLEY WHYTE
Branch Manager
New Kingston

CHERESE STEWART
Branch Manager
Linstead

JOY BUNTING-PUSEY
Branch Manager
Portmore

AUDRIA RANNIE
Branch Manager
Duke Street

SHELLIANN AFFLICK
Branch Manager
Papine

JACQUELINE JOHNSON
Former Branch Manager
Spanish Town

WESTERN REGION - BRANCH LEADERSHIP

SEATED l-r

AUDLEY KNIGHT
PFP, MBA, BBA
Assistant Vice President
Sales & Service
Western Region

SUZETTE RAMDANIE-LINTON
Branch Manager
Montego Bay & Fairview Sub-Branch

STANDING l-r

KAREN FOOTE
Branch Manager
Falmouth

ERICA ROBINSON
Branch Manager
Santa Cruz

FAITHLINE CAMPBELL
Branch Manager
Mandeville

SIMONE GEORGE-DAVEY
Branch Manager
Savanna-la-Mar

MARVIA EVANGELIST-ROACH
Branch Manager
May Pen

CHARMAINE McCONNELL-TAYLOR
Branch Manager
Ocho Rios

FINANCIAL STATEMENTS

31 DECEMBER 2015

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Chartered Accountants
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Jamaica, W.I.

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INDEPENDENT AUDITORS' REPORT

To the Members of
THE VICTORIA MUTUAL BUILDING SOCIETY

Report on the Financial Statements

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 55 to 136, which comprise the Group's and Society's statements of financial position as at December 31, 2015, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2015, and of the Group's and Society's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Report on other matters as required by the Building Societies Act

We have examined the mortgage deeds and other securities belonging to the Society. Title deeds numbering 7,745 were produced to us and actually inspected by us, and we are satisfied that the remaining 142 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.

Nigel R. Chambers   N. Johnson
Nyssa A. Johnson

Chartered Accountants
Kingston, Jamaica

March 24, 2016

THE VICTORIA MUTUAL BUILDING SOCIETY

STATEMENTS OF FINANCIAL POSITION

December 31, 2015

	Notes	Group 2015 $'000	Group 2014 $'000	Society 2015 $'000	Society 2014 $'000
ASSETS					
Cash and cash equivalents	7	11,467,126	10,267,797	11,109,747	10,152,295
Investments - Jamaica Government securities	8	27,837,054	28,049,242	18,573,016	17,381,583
- Other	9	10,283,261	5,456,034	6,409,760	4,336,459
Resale agreements	10	13,000,258	15,789,739	12,742,180	13,925,388
Loans	11	32,902,398	30,925,659	32,923,104	30,946,411
Other assets	12	2,414,093	2,163,524	2,005,569	1,774,178
Income tax recoverable		123,317	-	123,317	-
Deferred tax assets	13(a)	45,287	36,717	-	-
Employee benefits asset	14	1,910,111	1,560,700	1,910,111	1,560,700
Interest in subsidiaries	15	-	-	1,228,886	993,575
Interest in associate	16	1,010,535	898,771	659,200	659,200
Intangible assets	17	1,182,231	800,438	497,512	176,441
Investment and foreclosed properties	18	535,426	600,015	652,746	717,335
Property, plant and equipment	19	927,169	753,397	828,764	684,267
Total assets		**103,638,266**	**97,302,033**	**89,663,912**	**83,307,832**
LIABILITIES					
Savings fund:					
Shareholders' savings	20	65,388,652	59,578,363	66,280,724	60,264,051
Depositors' savings	21	1,087,071	1,006,034	1,087,071	1,006,034
		66,475,723	60,584,397	67,367,795	61,270,085
Due to specialised institution		10,208,764	9,385,913	10,208,764	9,385,913
		76,684,487	69,970,310	77,576,559	70,655,998
Income tax payable		51,035	66,744	-	26,359
Other liabilities	22	1,176,121	773,133	542,066	527,141
Repurchase agreements	23	12,039,440	12,295,848	-	-
Loans payable	24	-	1,840,721	525,481	2,366,202
Deferred tax liabilities	13(b)	233,800	196,638	233,658	196,393
Employee benefits obligation	14	937,926	811,883	873,126	751,383
Total liabilities		**91,122,809**	**85,955,277**	**79,750,890**	**74,523,476**
CAPITAL AND RESERVES					
Permanent capital fund	25	6,980,852	6,363,075	6,980,852	6,363,075
Reserve fund	26(i)	851,367	782,725	851,367	782,725
Retained earnings reserve	26(ii)	459,943	290,316	459,943	290,316
Capital reserve on consolidation	26(iii)	82	82	-	-
Credit facility reserve	26(iv)	1,380,914	1,284,097	1,380,914	1,284,097
Investment revaluation reserve	26(v)	303,806	83,269	229,946	54,143
General reserve		10,000	10,000	10,000	10,000
Currency translation reserve	26(vi)	245,505	188,295	-	-
Retained earnings		2,282,988	2,344,897	-	-
Total capital and reserves		**12,515,457**	**11,346,756**	**9,913,022**	**8,784,356**
Total liabilities and capital and reserves		**103,638,266**	**97,302,033**	**89,663,912**	**83,307,832**

The financial statements on pages 55 to 136, were approved for issue by the Board of Directors on March 24, 2016 and signed on its behalf by:

______________________ Director Countersigned:

M. A. McMorris

______________________ Director ______________________ Corporate Secretary

R. K. Powell K. Brown

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

THE VICTORIA MUTUAL BUILDING SOCIETY

INCOME STATEMENTS

Year ended December 31, 2015

		Group		Society	
	Notes	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Interest income	29	5,919,934	5,902,407	5,129,905	5,063,930
Interest expense	29	(2,203,901)	(2,162,065)	(1,720,849)	(1,588,919)
Net interest income		3,716,033	3,740,342	3,409,056	3,475,011
Fee and commission income	30	478,531	416,862	191,373	201,178
Fee and commission expenses	30	(68,720)	(66,547)	(68,720)	(66,547)
Net fee and commission income		409,811	350,315	122,653	134,631
Other operating revenue	31	1,204,684	873,392	1,002,232	806,135
Net interest income and other revenue		**5,330,528**	**4,964,049**	**4,533,941**	**4,415,777**
Personnel costs	32	(2,319,721)	(1,911,467)	(1,774,141)	(1,502,872)
Depreciation and amortisation	17,18,19	(172,565)	(159,910)	(149,632)	(140,926)
Other operating expenses	33	(1,712,569)	(1,680,466)	(1,689,642)	(1,539,996)
		(4,204,855)	(3,751,843)	(3,613,415)	(3,183,794)
Share of profits of associate	16	121,310	120,014	-	-
Surplus before income tax		1,246,983	1,332,220	920,526	1,231,983
Income tax charge	34	(285,318)	(326,038)	(137,290)	(253,139)
Surplus for the year, attributable to members of the Society		**961,665**	**1,006,182**	**783,236**	**978,844**

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

STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31, 2015

	Group		Society	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Surplus for the year	961,665	1,006,182	783,236	978,844
Other comprehensive income				
Items that will never be reclassified to the income statement:				
Gain/(loss) on remeasurement of employee benefits asset and obligation	246,524	(309,590)	242,324	(309,190)
Deferred income tax on gain/(loss) on remeasurement of employee benefits asset and obligation	(73,864)	99,719	(72,697)	95,519
Items that may be reclassified to the income statement:				
Foreign currency translation difference on foreign operations and other adjustments	(186,161)	44,614	-	-
Change in fair value of available-for-sale investments	105,841	172,566	175,803	(33,697)
Deferred income tax on available-for-sale investments	24,438	(72,058)	-	-
Other comprehensive income/(loss) for the year, net of deferred income tax	116,778	(64,749)	345,430	(247,368)
Total comprehensive income for the year	1,078,443	941,433	1,128,666	731,476

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

GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES

Year ended December 31, 2015

	Permanent capital fund $'000	Reserve fund $'000	Retained earnings reserve $'000	Capital reserve on consolidation $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Total capital and reserves $'000
Balances at December 31, 2013	**5,968,662**	**694,457**	**103,987**	**82**	**1,187,934**	**(48,242)**	**10,000**	**143,681**	**2,313,759**	**10,374,320**
Total comprehensive income for the year										
Surplus for the year	-	-	-	-	-	-	-	-	1,006,182	1,006,182
Other comprehensive income:										
Change in fair value of available-for-sale Investments, net of tax	-	-	-	-	-	100,508	-	-	-	100,508
Foreign currency translation difference on foreign subsidiaries' balances	-	-	-	-	-	-	-	44,614	-	44,614
Loss on remeasurement of employee benefits asset and obligation, net of tax	-	-	(213,671)	-	-	-	-	-	3,800	(209,871)
Total other comprehensive income	-	-	(213,671)	-	-	100,508	-	44,614	3,800	(64,749)
Total comprehensive income for the year	-	-	(213,671)	-	-	100,508	-	44,614	1,009,982	941,433
Movements between reserves										
Credit facility reserve transfer	-	-	-	-	96,163	-	-	-	(96,163)	-
Other transfers [notes 25 and 26(i)]	394,413	88,268	400,000	-	-	-	-	-	(882,681)	-
Total movement between reserves	394,413	88,268	400,000	-	96,163	-	-	-	(978,844)	-
Share of investment revaluation reserve of associate	-	-	-	-	-	31,003	-	-	-	31,003
Balances at December 31, 2014	**6,363,075**	**782,725**	**290,316**	**82**	**1,284,097**	**83,269**	**10,000**	**188,295**	**2,344,897**	**11,346,756**

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

GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES (cont'd)

Year ended December 31, 2015

	Permanent capital fund $'000	Reserve fund $'000	Retained earnings reserve $'000	Capital reserve on consolidation $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Total capital and reserves $'000
Balances at December 31, 2014	**6,363,075**	**782,725**	**290,316**	**82**	**1,284,097**	**83,269**	**10,000**	**188,295**	**2,344,897**	**11,346,756**
Total comprehensive income for the year										
Surplus for the year	-	-	-	-	-	-	-	-	961,665	961,665
Other comprehensive income:										
Change in fair value of available-for-sale Investments, net of tax	-	-	-	-	-	130,279	-	-	-	130,279
Foreign currency translation difference on foreign subsidiaries' balances other adjustments	-	-	-	-	-	-	-	57,210	(243,371)	(186,161)
Gain on remeasurement of employee benefits asset and obligation, net of tax	-	-	169,627	-	-	-	-	-	3,033	172,660
Total other comprehensive income	-	-	169,627	-	-	130,279	-	57,210	(240,338)	116,778
Total comprehensive income for the year	-	-	169,627	-	-	130,279	-	57,210	721,327	1,078,443
Movements between reserves										
Credit facility reserve transfer	-	-	-	-	96,817	-	-	-	(96,817)	-
Other transfers [notes 25 and 26(i)]	617,777	68,642	-	-	-	-	-	-	(686,419)	-
Total movement between reserves	617,777	68,642	-	-	96,817	-	-	-	(783,236)	-
Share of investment revaluation reserve of associate	-	-	-	-	-	90,258	-	-	-	90,258
Balances at December 31, 2015	**6,980,852**	**851,367**	**459,943**	**82**	**1,380,914**	**303,806**	**10,000**	**245,505**	**2,282,988**	**12,515,457**

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

SOCIETY STATEMENT OF CHANGES IN CAPITAL AND RESERVES

Year ended December 31, 2015

	Permanent capital fund $'000	Reserve fund $'000	Retained earnings reserve $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Retained earnings $'000	Total $'000
Balances at December 31, 2013	**5,968,662**	**694,457**	**103,987**	**1,187,934**	**87,840**	**10,000**	**-**	**8,052,880**
Total comprehensive income for the year								
Surplus for the year	-	-	-	-	-	-	978,844	978,844
Other comprehensive income:								
Change in fair value of available-for-sale Investments, net of tax	-	-	-	-	(33,697)	-	-	(33,697)
Loss on remeasurement of employee benefits asset and obligation, net of tax	-	-	(213,671)	-	-	-	-	(213,671)
Total other comprehensive loss	-	-	(213,671)	-	(33,697)	-	-	(247,368)
Total comprehensive income for the year	-	-	(213,671)	-	(33,697)	-	978,844	731,476
Movements between reserves								
Credit facility reserve transfer	-	-	-	96,163	-	-	(96,163)	-
Other transfers [notes 25 and 26(i)]	394,413	88,268	400,000	-	-	-	(882,681)	-
Total movement between reserves	394,413	88,268	400,000	96,163	-	-	978,844)	-
Balances at December 31, 2014	**6,363,075**	**782,725**	**290,316**	**1,284,097**	**54,143**	**10,000**	**-**	**8,784,356**

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

THE VICTORIA MUTUAL BUILDING SOCIETY

SOCIETY STATEMENT OF CHANGES IN CAPITAL AND RESERVES (cont'd)

Year ended December 31, 2015

	Permanent capital fund $'000	Reserve fund $'000	Retained earnings reserve $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Retained earnings $'000	Total $'000
Balances at December 31, 2014	**6,363,075**	**782,725**	**290,316**	**1,284,097**	**54,143**	**10,000**	**-**	**8,784,356**
Total comprehensive income for the year								
Surplus for the year	-	-	-	-	-	-	783,236	783,236
Other comprehensive income:								
Change in fair value of available-for-sale Investments, net of tax	-	-	-	-	175,803	-	-	175,803
Gain on remeasurement of employee benefits asset and obligation, net of tax	-	-	169,627	-	-	-	-	169,627
Total other comprehensive income	-	-	169,627	-	175,803	-	-	345,430
Total comprehensive income for the year	-	-	169,627	-	175,803	-	783,236	1,128,666
Movements between reserves								
Credit facility reserve transfer	-	-	-	96,817	-	-	(96,817)	-
Other reserves [notes 25 and 26(i)]	617,777	68,642	-	-	-	-	(686,419)	-
Total movement between reserves	617,777	68,642	-	96,817	-	-	(783,236)	-
Balances at December 31, 2015	**6,980,852**	**851,367**	**459,943**	**1,380,914**	**229,946**	**10,000**	**-**	**9,913,022**

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

GROUP STATEMENT OF CASH FLOWS

Year ended December 31, 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Surplus for the year		961,665	1,006,182
Adjustments for:			
Depreciation	17,18,19	172,565	159,910
Employee benefits asset and obligation		103,967	108,608
Interest income	29	(5,919,934)	(5,902,407)
Interest expense	29	2,203,901	2,162,065
Gain on disposal of investment property and property, plant and equipment		(15,834)	(7,683)
Share of profits of associate	16	(121,310)	(120,014)
Change in allowance for loan losses	11(b)	5,143	(22,373)
Income tax expense	34	285,318	326,038
		(2,324,519)	(2,289,674)
Unrealised exchange losses on foreign currency balances		(7,746)	(267,700)
Loan advances, net of repayments		(1,981,882)	(3,733,434)
Change in other assets		(195,768)	7,791
Change in employee benefits asset		(80,811)	(108,600)
Net receipts from shareholders and depositors		6,026,720	7,068,692
Change in other liabilities		393,357	177,663
		1,829,351	854,738
Interest and dividends received		5,970,730	5,675,257
Interest paid		(2,051,934)	(2,123,584)
Income taxes paid		(445,178)	(456,006)
Net cash provided by operating activities		5,302,969	3,950,405
Cash flows from investing activities			
Government of Jamaica securities		617,761	(1,740,604)
Other investments		(4,484,877)	(1,837,781)
Resale agreements		2,839,442	(4,757,033)
Purchase of intangible assets	17	(418,486)	(78,372)
Additions to investment properties	18	(8,957)	(55,533)
Purchase of property, plant and equipment	19	(286,614)	(203,598)
Proceeds of disposal of property, plant and equipment		73,523	100,106
Repurchase agreements		(623,320)	1,260,615
Net cash used by investing activities		(2,291,528)	(7,312,200)
Cash flows from financing activity			
Loans payable, net		(1,840,721)	1,840,721
Net increase/(decrease) in cash and cash equivalents for year		1,170,720	(1,521,074)
Cash and cash equivalents at beginning of year		10,267,797	11,729,017
Effect of exchange rate fluctuations on cash and cash equivalents		28,609	59,854
Cash and cash equivalents at end of year	7	11,467,126	10,267,797

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

SOCIETY STATEMENT OF CASH FLOWS

Year ended December 31, 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Surplus for the year		783,236	978,844
Adjustments for:			
Depreciation	17,18,19	149,635	140,926
Unrealised exchange losses on foreign currency balances		(29,338)	(195,497)
Employee benefits obligation		95,467	85,208
Interest income	29	(5,129,905)	(5,063,930)
Interest expense	29	1,720,849	1,588,919
Gain on disposal of property, plant and equipment		(15,674)	(7,494)
Gain on sale of investments		(213,053)	(43,359)
Change in loan impairment	11(b)	5,143	(22,374)
Income tax expense	34	137,290	253,139
		(2,496,350)	(2,285,618)
Loan advances, net of repayments		(1,981,836)	(3,734,261)
Interest in subsidiaries, (current account)		(235,311)	(711)
Change in other assets		(134,065)	(55,941)
Change in employee benefits asset		(80,811)	(108,600)
Net receipts from shareholders and depositors		6,392,794	6,531,461
Change in other liabilities		14,925	146,743
		1,479,346	493,073
Interest and dividends received		5,032,579	4,838,910
Interest paid		(1,728,572)	(1,697,248)
Income taxes paid		(322,398)	(395,437)
Net cash provided by operating activities		4,460,955	3,239,298
Cash flows from investing activities			
Government of Jamaica securities		(259,474)	(1,330,681)
Other investments		(2,069,647)	(783,706)
Resale agreements		1,183,208	(4,221,494)
Purchase of intangible assets	17	(351,633)	(78,093)
Additions to investment properties	18	(8,957)	(55,533)
Purchase of property, plant and equipment	19	(247,464)	(169,074)
Proceeds of disposal of property, plant and equipment		73,113	99,643
Net cash used by investing activities		(1,680,854)	(6,538,938)
Cash flows from financing activity			
Loans payable, being cash (used)/provided by financing activity		(1,840,721)	1,840,721
Net increase/(decrease) in cash and cash equivalents for year		939,380	(1,458,919)
Cash and cash equivalents at beginning of year		10,152,295	11,554,456
Effect of exchange rate fluctuations on cash and cash equivalents		18,072	56,758
Cash and cash equivalents at end of year	7	11,109,747	10,152,295

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

1. IDENTIFICATION

(a) The Victoria Mutual Building Society ("the Society") was incorporated under the Building Societies Act and is 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 home loans, accepting deposits, trading in foreign currencies, providing money transmission services, investing surplus funds, insurance premium financing, investment holding, stockbroking and securities trading, and real estate services.

(b) "Group" refers to the Society and its subsidiaries, 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	Insurance premium financing and investment holding	100	-
Victoria Mutual Wealth Management Limited	Jamaica	Stockbroking and securities trading	-	100
Victoria Mutual Properties Limited *and its wholly-owned subsidiary:	Jamaica	Development and letting of real property	100	-
Victoria Mutual (Property Services) Limited	Jamaica	Housing development, property management and sales	-	100
Victoria Mutual Finance Limited	United Kingdom	Provision of management services to the Society	100	-
VMBS Money Transfer Services Limited	Jamaica	Management of the money transfer services of the Society	99	-
VMBS Overseas (UK) Limited	United Kingdom	Promotion of the business of the Society	100	-
VMBS Overseas (Canada) Inc*	Canada	Money transfer	100	-
Westin International Insurance Company Limited	The Cayman Islands	General insurance	100	-
Prime Asset Management Limited	Jamaica	Pension management	100	-

* Inactive subsidiaries, which, except for VMBS Overseas (Canada) Inc., are the subject of an undertaking, given to Bank of Jamaica, for their winding up.

(c) Interest in associated company

The Society has a 31.5% interest in British Caribbean Insurance Company Limited, which is a general insurance company incorporated in Jamaica and accounted for under the equity method as an associated company.

2. REGULATIONS AND LICENCE

The Society is licensed, and these financial statements are delivered, under the Building Societies Act, the Banking Services Act 2014 and Regulations 2015, that became effective on September 30, 2015.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

New, revised and amended standards and interpretations that became effective during the year

Certain new, revised and amended standards and interpretations became effective for the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements.

(i) IFRS 3, *Business Combinations,* has been amended to clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32, *Financial Instruments: Presentation,* rather than to any other IFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognised in the income statement. Consequential amendments are also made to IAS 39, *Financial Instruments: Recognition and Measurement,* and IFRS 9, *Financial Instruments,* to prohibit contingent consideration from subsequently being measured at amortised cost. In addition, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* is amended to exclude provisions related to contingent consideration of an acquirer. IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11, *Joint Arrangements,* i.e. including joint operations, in the financial statements of the joint arrangements themselves.

(ii) IFRS 13, *Fair Value Measurement,* has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

(iii) IAS 24, *Related Party Disclosures,* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognised as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

3. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

New, revised and amended standards and interpretations that became effective during the year (cont'd)

(iv) IAS 19, *Employee Benefits,* has been amended by the issue of "Amendments to IAS 19, *Defined Benefits Plans: Employee Contributions",* effective for annual reporting periods beginning on or after July 1, 2014, to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

The adoption of these amendments did not result in any changes to the amounts recognised, presented and disclosed in the financial statements.

New, revised and amended standards and interpretations that are not yet effective

At the date of approval of these financial statements, certain new, revised and amended standards and interpretations were in issue but were not effective at the reporting date and had not been early-adopted by the Group. The Group has assessed them with respect to its operations and has concluded that the following may be relevant:

(i) IFRS 15, *Revenue From Contracts With Customers,* effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts,* IAS 18, *Revenue,* IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate,* IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The Group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

3. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

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

(ii) IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

(iii) IAS 1, *Presentation of Financial Statements,* has been amended, effective for annual reporting periods beginning on or after January 1, 2016, to clarify or state the following:

- specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
- the order of notes to the financial statements is not prescribed;
- line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
- specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
- the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

(iv) IAS 16, *Property, Plant and Equipment,* and IAS 38, *Intangible Assets,* were amended by the issue of "Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation",* which is effective for annual reporting periods beginning on or after January 1, 2016, as follows:

- The amendment to IAS 16 explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

3. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

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

(iv) IAS 16, *Property, Plant and Equipment,* and IAS 38, *Intangible Assets* (cont'd)

- The amendment to IAS 38 introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

(v) IAS 27, *Separate Financial Statements,* has been amended by the issue of "Amendments IAS 27, *Equity Method in Separate Financial Statements",* effective for annual reporting periods beginning on or after January 1, 2016, and may be adopted earlier. The amendments allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.

(vi) *Improvements to IFRS, 2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after January 1, 2016. The main amendments applicable to the Group are as follows:

- IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases, when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset, e.g., if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

- IAS 19, *Employee Benefits,* has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

(vii) IFRS 16, *Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers,* is also adopted.

3. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

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

(viii) Amendments to IFRS 10, *Consolidated Financial Statements,* and IAS 28, *Investments in Associates and Joint Ventures,* in respect of sale or contribution of assets between an Investor and its Associate or Joint Venture, are effective for annual reporting periods beginning on or after January 1, 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognised when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations.*

(ix) Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 28, I*nvestments in Associates and Joint Ventures,* effective for accounting periods beginning on or after January 1, 2016, introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure, at fair value through profit or loss, all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

The Group is assessing the impact that these new standards, amendments and improvements will have on its financial statements when they become effective.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, modified for the inclusion of available-for-sale investments at fair value. In addition:

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

- the defined-benefit liability is the present value of the unfunded obligation.

(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(n). Amounts are rounded to the nearest thousand.

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 estimations, 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 in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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) Pension and other post-employment benefits

Determining employee benefit amounts to be included in the financial statements requires the actuaries to estimate the amount of future benefit that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets. 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(h) and 14. Management provides the actuaries with some of the information, including some assumptions, used in estimating the employee benefit amounts. The possibility of significant differences between actual results and the assumptions used means that uncertainty is inherent in these estimates.

(2) Allowance for impairment losses on financial assets

In determining amounts, if any, to be recorded for impairment of financial assets, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default or adverse economic conditions indicate that there may be a measurable decrease in the estimated future cash flows from outstanding balances. Management also makes estimates of the amount of future cash flows from balances determined to be impaired, as well as the timing of such cash flows. If the balances are individually significant, the amount and timing of cash flows are estimated for each receivable individually.

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)

(2) Allowance for impairment losses on financial assets (cont'd)

Where indicators of impairment are not observable on individually significant receivables, or on a group or portfolio of receivables that are not individually significant, management estimates the impairment by classifying each receivable or group of receivables according to their characteristics, such as credit risks, and applying appropriate factors, such as historical loss experience, to each class with similar characteristics. The use of assumptions makes uncertainty inherent in such estimates.

(3) Goodwill

Goodwill is not amortised but is tested annually for impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(4) Residual values and useful lives of property, plant and equipment

The residual value and the useful life of each asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful life of an asset is defined in terms of the asset's expected utility to the Group.

(5) Income taxes

In the ordinary course of the Group's business, it undertakes transactions, and is subject to events, the tax effects of which are uncertain. In the face of such uncertainty, the Group makes estimates and judgements in determining the provision for income taxes.

The final tax outcome attributable to matters subject to such estimates and judgements may be materially different from that which was initially recognised. Any such difference will impact the current and deferred income tax provisions in the period in which such determination is made.

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)

(6) Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets and liabilities. 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 28). 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 following are relevant to these financial statements:

- In classifying financial assets as "held-for-trading", the Group has determined that they meet the description of trading assets set out in accounting policy 4(b).

- In designating financial assets as at fair value through profit or loss, the Group has determined that they have met the criteria for this designation.

- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date.

- In classifying financial assets as 'loans and receivables' management concludes that, *inter alia*, they are not traded in an active market. This determination sometimes requires judgement.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The Group's financial statements include the audited financial statements of the Society and its subsidiaries as at and for the year ended December 31, 2015, after eliminating intra-group amounts, and the Group's interest in its associate. The investment in associate is accounted for using the equity method, and is initially recognised at cost, which includes transaction costs.

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

Associated entities are those, other than a subsidiary or joint venture, over which the Group has significant influence, but not control, over financial and operating decisions. Significant influence is presumed to exist when the Group holds at least 20% but not more than 50% of the voting power of another entity. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, from the date significant influence commences until the date significant influence ceases.

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

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

(i) Classification of financial instruments

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:

Loans and receivables: This comprises securities acquired and loans granted with fixed or determinable payments and which are not quoted in an active market.

Held-to-maturity: This comprises securities with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

Fair value through profit or loss: This comprises securities that the Group acquires for the purpose of selling or repurchasing in the near term, or that it holds as part of a portfolio that is managed together for short-term profit or position taking, or that it designates as such at the time of acquisition.

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)

Available-for-sale: This compromises securities with prices quoted in an active market or for which the fair values are otherwise determinable, or which are designated as such upon acquisition.

The Group classifies non-derivative financial liabilities into the "other financial liabilities" category.

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

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

The Group initially recognises loans and receivables and 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 not 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.

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

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

(iii) Measurement and gains and losses - Non-derivative financial assets

Loans and receivables: On initial recognition these are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Where securities classified as loans and receivables become quoted in an active market, such securities will not be reclassified as available-for-sale securities. An active market is one where quoted prices are readily and regularly available from an exchange, dealer, broker or other agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Measurement and gains and losses - Non-derivative financial assets (cont'd)

Held-to-maturity: On initial recognition these are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Any sale or reclassification of a significant amount of held-to-maturity investments that are not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the financial year in which sale or reclassification occurs and the following two financial years.

Financial assets at fair value through profit or loss: On initial recognition these are measured at fair value, with directly attributable transaction costs recognised in the income statement as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, as well as any interest or dividend income, are recognised in the income statement.

Available-for-sale: On initial recognition, these are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, with unrealised gains and losses arising from changes in fair value treated as follows:

- Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.

- When securities classified as available-for-sale are sold or impaired, and therefore derecognised, the fair value adjustments accumulated in other comprehensive income are reclassified to the income statement.

(c) Financial instruments – Other

(i) Cash and cash equivalents

Cash comprises cash on hand and demand deposits, including unrestricted balances held with the central bank. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments, rather than for investment or other purposes. Highly liquid investments include deposits where the maturities do not exceed three months from the acquisition date.

Cash and cash equivalents are measured at amortised cost.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Resale and repurchase agreements

Resale agreements are accounted for as short-term collateralised lending, and are classified as loans and receivables. On initial recognition they are measured at fair value. Subsequent to initial recognition they are measured 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 from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. Repurchase agreements are accounted for as short-term collateralised borrowing, and are classified as other liabilities. On initial recognition and subsequently, the securities given as collateral are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried 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 measured initially 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 the income statement.

(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 the income statement on the effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(vi) Other liabilities

Other liabilities are measured at cost or amortised cost.

(d) Revenue recognition

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

(i) Interest income

Interest income is recognised in the income statement for interest-earning instruments on the accrual basis using the effective interest method, except as described in the following paragraph. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to its carrying amount. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on treasury bills and other discounted instruments, and amortisation of premium on instruments bought at a premium.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the Banking Services Act (2014) stipulates that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, i.e., impaired, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. Future interest receipts are taken into account in estimating future cash flows from the instrument; if no contractual interest payments are expected to be collected, then the only interest income recognised is the unwinding of the discount on those cash flows expected to be received. For the Group and the Society, had interest income been recognised on past-due loans in accordance with IFRS, the interest income for the year would not have been materially different from the amount included in these financial statements.

(ii) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Interest expense

Interest expense is recognised in the income statement 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.

(f) Fee and commission expenses

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

(g) 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, in which case it is also recognised in other comprehensive income.

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, and in respect of unused tax losses.

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 not a business combination and that affects neither accounting nor taxable the income statement;

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) 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-employment 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 has established a defined-contribution pension plan and a defined-benefit pension plan to provide post-employment pensions (see note 14).

(ii) Defined-contribution pension plan

This plan is closed to new members and no further contributions are being made.

(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 the 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 belongs to the Society.

In respect of defined-benefit arrangements, the employee benefit 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Employee benefits (cont'd)

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

The Group's net obligation in respect of the defined-benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. 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 net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) 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.

(i) Interest in subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) 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 exceeding costs beyond one year, are recognised as intangible assets. These assets are stated 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 at five years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(k) Investment properties and repossessed properties

(i) Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties are stated 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.

(l) Property, plant and equipment and depreciation

(i) Cost

(a) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Cost (cont'd)

(b) Subsequent costs

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

(ii) Depreciation

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

The depreciation rates are as follows:-

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

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

(m) Identification and measurement of impairment

(i) Non-derivative financial assets

At each financial year end, the Group assesses whether there is objective evidence that financial assets, other than those carried at fair value through the income statement are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably. Objective evidence that financial assets are impaired includes the following:

(1) Default or delinquency by a debtor
(2) Restructuring of an amount due to the Group on terms that the Group would not otherwise consider
(3) Indications that a debtor or issue will enter bankruptcy
(4) Adverse changes in the payment status of borrowers or issuers
(5) The disappearance of an active market for a security
(6) Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

Financial assets measured at amortised cost

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both an individual and a collective level. All individually significant financial assets are individually assessed for impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Financial assets that are not individually significant are collectively assessed for impairment. Collective assessment is done by grouping together financial assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than that suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account. When the Group considers that there is no realistic prospect of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the income statement.

Differential impacts of IFRS and regulatory requirements

General provisions for loans are established against the portfolio where a prudent assessment by the Group of adverse economic trends and losses inherent in its portfolio suggests that losses may occur, but such losses cannot be determined on an item-by-item basis. This provision is maintained at the minimum 0.5% of the portfolio for residential mortgages and 1% for all other loans, being the rates established by the regulator, Bank of Jamaica.

As set out above, IFRS permits only specific impairment allowances, based on assessment of individual loans and/or a portfolio of loans with similar risk characteristics, and requires that the future cash flows of impaired loans be discounted and, thereafter, the increase in the present value be reported as interest income. The loan loss provision required under the Banking Services Act (2014) which is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable "credit facility reserve" [note 26(iv)].

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

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

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

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to the income statement. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through the income statement; otherwise subsequent increases in fair value are recognised through other comprehensive income.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of twelve months to be prolonged.

Equity-accounted investment

An impairment loss in respect of an equity-accounted investment is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in the income statement, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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.

(n) 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 currency classified as available-for-sale 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.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, 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 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 and from its operations:

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

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

Risk management framework

The Board of Directors of the Society has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the following three committees for risk management purposes:

(i) Risk Management Committee
(ii) Finance, Investment & Loan Committee ("Finance Committee"),
(iii) Audit Committee

These committees are responsible for developing and 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 risk management policies are established by the Risk Management Committee to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. 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 all employees understand their roles and obligations.

There are, in addition, an Asset and Liability Committee ("ALCO") and a Credit Committee, comprising members of executive management. ALCO reports to the Risk Management Committee as well as to the Finance Committee of the Board and has responsibility to monitor the liquidity, interest rate and foreign exchange risks of the Group. The Credit Committee reports to the Finance Committee and has responsibility to monitor the credit risk of the Society.

The Society, Victoria Mutual Wealth Management Limited and Prime Asset Management Limited have audit committees. The Society's Audit Committee is responsible for monitoring the Group's compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committees are assisted in these functions by Group Internal Audit, which undertakes both regular and *adhoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committees.

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

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

(a) Credit risk

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

(i) Exposure to credit risk

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

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

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

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

	Group and Society	
	2015	2014
	$'000	$'000
Loan commitments	1,224,526	1,215,795

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

The management of credit risk exposure to the Group's financial assets is as follows:

(1) Loans receivable

The management of credit risk in respect of loans receivable is delegated to the Society's Finance 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.

Quality of loans receivable

The credit quality of loans is assessed by reference to the extent to which loans are current or past due, and by the extent of impairment.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

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

(1) Loans receivable

Definition of impaired loans

Impaired loans are loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Group believes that impairment allowance is not appropriate on the basis of the level of security available and/or the stage of collection of amounts owed to the Group.

	Group and Society	
	2015	2014
	$'000	$'000
Past due but not impaired loans		
Under 3 months	5,284,581	5,254,994
3 months – 6 months	187,945	278,771
Over 6 months – 12 months	88,129	140,517
Over 12 months	506,173	442,112
Total carrying amount	6,066,828	6,116,394

Past due and impaired loans

These are loans where contractual interest or principal payments are past due and the Group believes that impairment allowance is appropriate on the basis of the level of security available and/or the stage of collection of amounts owed to the Group.

	Group and Society	
	2015	2014
	$'000	$'000
Past due and impaired loans		
3 months – 6 months	2,494	105,775
Over 6 months – 12 months	8,825	11,838
Over 12 months	256,537	330,690
Total carrying amount	267,856	448,303

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

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

(1) Loans receivable (cont'd)

Loans with renegotiated terms

Loans with renegotiated terms have been restructured due to deterioration in the borrowers' financial position and the Group has made concessions that it would not otherwise consider. Once a loan is restructured, it remains in this category irrespective of satisfactory performance after restructuring. The main restructuring activities for 2009 to 2015 were granting moratoria and rescheduling repayments. At December 31, 2015, the outstanding principal balances on loans that were restructured amounted to $135,982,000 (2014: $363,587,000).

Allowances for impairment

The Group has established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. Information on the impairment allowance is provided in note 11(b).

Write-off policy

The Group writes off a loan (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 borrower's 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 $3,843,766,000 (2014: $4,346,597,000). [see note 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 $290,114,000 (2014: $356,676,000). 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 acquisition. No financial or other assets (other than real property mentioned herein) were obtained during the year by taking possession of collateral.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

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

(2) Cash and cash equivalents

These are held with regulated financial institutions and collateral is not required for such accounts as management regards the institutions as strong.

(3) Investment securities

The Group manages the level of risk it undertakes by investing substantially in short-term investments which are 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.

No investment securities were considered impaired at the reporting date.

(4) 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.

(5) 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.

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

The Group holds collateral against loans and advances to customers and others in the form of mortgage interests over property, other registered securities over other assets, and guarantees. Estimates of fair value of such collateral are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities, and no such collateral was held at the current and previous reporting dates.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

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

An estimate, made at the time of borrowing, of the fair value of collateral and other security enhancements held against loans to borrowers and others is shown below:

	The Group				The Society			
	Loans and advances		Resale agreements		Loans and advances		Resale agreements	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Against neither past due nor impaired financial assets:								
Real property	72,222,839	67,358,494	-	-	72,222,839	67,358,494	-	-
Debt securities	-	-	18,764,221	17,985,439	-	-	17,444,195	16,082,624
Liens on motor vehicles	17,772	18,460	-	-	17,772	18,460	-	-
Hypothecation of deposits	2,075,639	2,263,996	-	-	2,075,639	2,263,996	-	-
Subtotal	74,316,250	69,640,950	18,764,221	17,985,439	74,316,250	69,640,950	17,444,195	16,082,624
Against past due (greater than 3 months) but not impaired financial assets:								
Real property	3,369,117	3,743,939	-	-	3,369,117	3,743,939	-	-
Against past due (greater than 3 months) and impaired financial assets:								
Real property	474,649	602,658	-	-	474,649	602,658	-	-
Total	78,160,016	73,987,547	18,764,221	17,985,439	78,160,016	73,987,547	17,444,195	16,082,624

There was no change in the types of exposures to credit risk to which the Group is subject or its approach to measuring and managing this risk during the year.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. These arise mainly from changes in interest rates, foreign exchange rates, credit spreads and equity prices and will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Management and monitoring of market risks

The Group separates its exposure to market risks between trading and non-trading portfolios. Market risks from trading activities are monitored by ALCO. ALCO monitors the price movement of securities on the local and international markets for both debt and equity securities. Market risks are managed through risk limits approved by the Board of Directors.

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. Interest rate risk and the other market risks associated with the non-trading portfolio are also monitored by 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 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.

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, by facilitating home ownership, and by carefully managing interest margins.

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 2015					
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	8,393,203	1,215,494	1,239,208	-	619,221	11,467,126
Investments	6,142,881	19,183,755	5,114,988	6,637,432	1,041,259	38,120,315
Resale agreements	1,597,263	1,787,185	8,032,783	1,583,027	-	13,000,258
Loans	-	32,902,398	-	-	-	32,902,398
Other assets	5	13,255	11,595	-	2,389,238	2,414,093
Total financial assets	16,133,352	55,102,087	14,398,574	8,220,459	4,049,718	97,904,190
Savings fund	-	49,454,500	12,990,559	4,030,664	-	66,475,723
Due to specialised institution	-	10,208,764	-	-	-	10,208,764
Other liabilities	-	-	-	-	1,176,121	1,176,121
Repurchase agreements	-	8,401,520	3,637,920	-	-	12,039,440
Total financial liabilities	-	68,064,784	16,628,479	4,030,664	1,176,121	89,900,048
Total interest rate sensitivity gap *	16,133,352	(12,962,697)	(2,229,905)	4,189,795	2,873,597	8,004,142
Cumulative gap	16,133,352	3,170,655	940,750	5,130,545	8,004,142	-

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

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

	Group					
	2014					
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	7,161,145	800,805	921,554	40,777	1,343,516	10,267,797
Investments	5,294,655	17,812,419	5,112,453	5,241,073	44,676	33,505,276
Resale agreements	1,659,349	7,468,814	6,607,934	53,642	-	15,789,739
Loans	-	30,925,659	-	-	-	30,925,659
Other assets	-	2,582	-	-	2,160,672	2,163,254
Total financial assets	14,115,149	57,010,279	12,641,941	5,335,492	3,548,864	92,651,725
Savings fund	-	46,268,033	11,392,578	2,923,786	-	60,584,397
Due to specialised institution	-	9,385,913	-	-	-	9,385,913
Other liabilities	-	-	-	-	773,133	773,133
Repurchase agreements	-	12,295,848	-	-	-	12,295,848
Loan payable	-	1,808,198	-	-	32,523	1,840,721
Total financial liabilities	-	69,757,992	11,392,578	2,923,786	805,656	84,880,012
Total interest rate sensitivity gap *	14,115,149	(12,747,713)	1,249,363	2,411,706	2,743,208	7,771,713
Cumulative gap	14,115,149	1,367,436	2,616,799	5,028,505	7,771,713	-

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

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

	Society					
	2015					
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	8,109,172	1,198,923	1,239,208	-	562,444	11,109,747
Investments	6,142,881	13,246,632	4,593,922	-	999,341	24,982,776
Resale agreements	1,620,105	1,644,101	7,894,947	1,583,027	-	12,742,180
Loans	-	32,923,104	-	-	-	32,923,104
Other assets	-	-	-	-	2,005,569	2,005,569
Total financial assets	15,872,158	49,012,760	13,728,077	1,583,027	3,567,354	83,763,376
Savings fund	-	50,346,572	12,990,559	4,030,664	-	67,367,795
Due to specialised institution	-	10,208,764	-	-	-	10,208,764
Loans payable	-	-	-	-	525,481	525,481
Other liabilities	-	-	-	-	542,066	542,066
Total financial liabilities	-	60,555,336	12,990,559	4,030,664	1,067,547	78,644,106
Total interest rate sensitivity gap *	15,872,158	(11,542,576)	737,518	(2,447,637)	2,499,807	5,119,270
Cumulative gap	15,872,158	4,329,582	5,067,100	2,619,463	5,119,270	-

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

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

	Society					
	2014					
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	7,114,994	790,022	921,554	40,777	1,284,948	10,152,295
Investments	5,294,655	12,775,045	3,233,830	-	414,512	21,718,042
Resale agreements	1,659,349	4,785,828	6,861,324	618,887	-	13,925,388
Loans	-	30,946,411	-	-	-	30,946,411
Other assets	-	-	-	-	1,774,178	1,774,178
Total financial assets	14,068,998	49,297,306	11,016,708	659,664	3,473,638	78,516,314
Savings fund	-	46,953,721	11,392,578	2,923,786	-	61,270,085
Due to specialised institution	-	9,385,913	-	-	-	9,385,913
Loans payable	-	1,808,198	-	-	558,004	2,366,202
Other liabilities	-	-	-	-	527,141	527,141
Total financial liabilities	-	58,147,832	11,392,578	2,923,786	1,085,145	73,549,341
Total interest rate sensitivity gap *	14,068,998	(8,850,526)	(375,870)	(2,264,122)	2,388,493	4,966,973
Cumulative gap	14,068,998	5,218,472	4,842,602	2,578,480	4,966,973	-

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

Sensitivity to interest rate movements

The following table shows the effect on surplus and reserves of a reasonably possible change in interest rates of the amount indicated. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis as for 2014.

	Group		Society	
	2015			
	Increase	(Decrease)	Increase	(Decrease)
Jamaica dollar	100bps	150bps	100bps	150bps
Foreign currencies	100bps	50bps	100bps	50bps
	$'000	$'000	$'000	$'000
Effect on surplus or deficit	11,673	(84,981)	79,347	(119,021)
Effect on reserves	(677,540)	674,045	92,336	(89,981)

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

(i) Interest rate risk (cont'd)

Sensitivity to interest rate movements

	Group		Society	
	2014			
	Increase	(Decrease)	Increase	(Decrease)
Jamaica dollar	250bps	100bps	250bps	100bps
Foreign currencies	200bps	50bps	200bps	50bps
	$'000	$'000	$'000	$'000
Effect on surplus or deficit	99,130	(55,969)	198,468	(79,387)
Effect on reserves	(513,359)	(654,042)	287,778	(99,201)

(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, Canadian dollar, Euro and the British pound.

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, was as follows:

	Group					
	2015			2014		
	USD '000	GBP '000	CDN '000	USD '000	GBP '000	CDN '000
Foreign currency assets	202,520	69,173	9,269	198,222	63,513	8,509
Foreign currency liabilities and capital	(190,908)	(68,876)	(8,998)	(193,286)	(62,972)	(8,152)
Net foreign currency assets	11,612	297	271	4,936	541	357

	Society					
	2015			2014		
	USD '000	GBP '000	CDN '000	USD '000	GBP '000	CDN '000
Foreign currency assets	144,002	68,972	9,272	138,360	63,336	8,510
Foreign currency liabilities	(136,084)	(68,764)	(9,002)	(132,178)	(62,922)	(8,154)
Net foreign currency assets	7,918	208	270	6,182	414	356

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 4(n)]; the rates are as follows:

	2015	2014
	J$	J$
United States Dollar	120.03	114.39
Canadian Dollar	84.09	97.02
Pound Sterling	176.43	176.82

A 1% (2014: 1%) strengthening of the Jamaica dollar against the following currencies at December 31, 2015 would have decreased profit 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 2014.

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
United States Dollar	(13,938)	(5,647)	(9,504)	(7,072)
Pound Sterling	(523)	(957)	(367)	(732)
Canadian Dollar	(228)	(346)	(265)	(345)
	(14,689)	(6,950)	(10,136)	(8,149)

A 8% (2014: 10%) weakening of the Jamaica dollar against the following currencies at December 31, 2015 would have 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 2014.

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
United States Dollar	111,505	56,457	76,029	70,716
Pound Sterling	4,183	9,571	2,937	7,320
Canadian Dollar	1,822	3,462	2,119	3,454
	117,510	69,490	81,085	81,490

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(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. An increase or decrease of 20% (2014: 10%) in share prices would result in an increase or an equal decrease, respectively, in reserves of $193,036,000 (2014: $45,556,000) for the Group and $143,181,000 (2014: $40,533,000) for the Society.

There was no change during the year in the nature of the market risks to which the Group is exposed or the way in which it measures and manages these risks.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Group to maintain sufficient cash and 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 ensures that sufficient funds are held in short-term marketable instruments to meet its liabilities when due, without incurring unacceptable losses or risk damage to the Group's reputation.

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 Board.

The Society and Victoria Mutual Wealth Management Limited are 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 by the Group for managing liquidity risk of the Society is the ratio of net liquid assets to shareholders' and depositors' savings. For this purpose, net liquid assets include cash and 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	
	2015	2014
Regulator's minimum required ratio	5.00%	5.00%

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(i) (Cont'd)

	Ratio of net liquid assets to deposits from customers 2015	2014
Actual ratios:		
As at December 31	14.07%	18.48%
Average for the year	14.99%	17.02%
Highest % attained for the year	19.29%	19.76%
Lowest % attained for the year	13.12%	11.81%

(ii) The stockbroking 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 2015	2014
Regulator's minimum required ratio	25.00%	25.00%
Actual ratio	75.76%	72.33%

The following table presents the contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

Group

	Within One month $'000	One to 3 months $'000	Three to 12 months '000	One to 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
2015							
Due to savers	124,519	48,616,468	14,111,229	10,173,560	-	73,025,776	66,475,723
Due to specialised institution	4,013,173	-	1,556	782,715	6,301,710	11,099,154	10,208,764
Repurchase agreements	-	8,124,783	4,129,409	-	-	12,254,192	12,039,440
Other liabilities	-	1,176,121	-	-	-	1,176,121	1,176,121
2014							
Due to savers	111,901	46,871,501	12,399,577	8,369,641	-	67,752,620	60,584,397
Due to specialised institution	2,981,615	244	3,608	987,490	6,213,427	10,186,384	9,385,913
Repurchase agreements	-	8,796,368	3,426,431	-	-	12,222,799	12,295,848
Loan payable	-	1,866,803	-	-	-	1,866,803	1,840,721
Other liabilities	-	773,133	-	-	-	773,133	773,133

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

(c) Liquidity risk (cont'd)

	Society						
	Within One month $'000	One to 3 months $'000	Three to 12 months '000	One to 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
				2015			
Due to savers	124,519	49,508,540	14,111,229	10,173,560	-	73,917,848	67,367,795
Due to specialised institution	4,013,173	-	1,556	782,715	6,301,710	11,099,154	10,208,764
Other liabilities	-	542,066	-	-	-	542,066	542,066
Loans payable	-	-	-	-	525,481	525,481	525,481
				2014			
Due to savers	111,901	47,177,523	12,399,577	8,369,641	-	68,058,642	61,270,085
Due to specialised institution	2,981,615	244	3,608	987,490	6,213,427	10,186,384	9,385,913
Other liabilities	-	527,141	-	-	-	527,141	527,141
Loans payable	-	1,866,803	-	-	525,481	2,392,284	2,366,202

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 avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to identify operational risk is assigned to senior management. This responsibility is supported by overall Group standards for the management of operational risk in the following areas:

- periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- appropriate segregation of duties, including the independent authorisation of transactions
- reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- reporting of operational losses and proposed remedial action
- development of contingency plans

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Operational risk (cont'd)

- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Group Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to senior management of the Group and the Audit Committees.

6. CAPITAL MANAGEMENT

Capital risk is the risk that the Group fails to comply with mandated regulatory requirements, resulting in a breach of capital adequacy ratios and the possible suspension or loss of one or more licenses. The Group's objectives when managing capital, which is a broader concept than the "capital" mentioned on the face of the statement of financial position are:

- To comply with the capital requirements set by the regulators;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for members and benefits for 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% (2014: 10%) of their risk weighted assets in capital.

	Society	
	2015	2014
	$'000	$'000
Capital base (note 27)	10,798,348	10,022,070
Qualifying capital	9,271,154	8,518,730
On balance sheet risk weighted assets	40,739,022	36,961,444
Off balance sheet risk weighted assets –Loan commitments	1,224,349	1,215,795
Foreign exchange exposure	2,592,033	2,209,871
Total risk assessed assets	44,555,404	40,387,110
Risk based capital adequacy ratio	20.81%	21.09%
Regulatory requirement	10.00%	10.00%

6. CAPITAL MANAGEMENT (CONT'D)

(b) Victoria Mutual Wealth Management Limited

The Financial Services Commission monitors compliance with the capital requirements established for entities involved in non-deposit taking financial services. The subsidiary's regulatory capital position as at the reporting date was as follows:

	2015 $'000	2014 $'000
Tier 1 Capital		
Ordinary share capital	115,000	115,000
Retained earnings	928,798	956,148
Current year surplus	310,984	126,750
	1,354,782	1,197,898
Less: Revaluation reserves	(54,694)	(5,817)
Total Tier 1 Capital	1,300,088	1,192,081
Tier 2 Capital		
Preference shares	43,867	42,934
Total qualifying capital	1,343,955	1,235,015
Risk weighted assets		
Deposits and other amounts due from local banks	55,448	13,322
Equity investments	241,764	44,760
Property, plant and equipment	104,797	47,237
Other assets	6,256,552	5,826,404
Foreign exchange exposure	381,400	218,294
	7,039,961	6,150,017

Capital ratios	Minimum required		Actual	
	2015	2014	2015	2014
Total regulatory qualifying capital/ Total risk weighted assets	10.00%	10.00%	19.09%	20.08%
Tier 1 Capital/Total regulatory capital	50.00%	50.00%	96.7%	97.00%
Capital base/Total assets	6.00%	6.00%	8.75%	8.29%

(c) Prime Asset Management Limited

Prime Asset Management Limited is regulated by the Financial Services Commission ("FSC"). The subsidiary's regulatory capital position as at the reporting date was as follows:

	2015 $'000	2014 $'000
Tier 1 Capital	64,661	41,289
Tier 2 Capital	(9,534)	(7,400)
Total regulatory capital	55,127	33,889
Risk-Weighted Assets:		
Per statement of financial position	133,773	76,809
Foreign exchange exposure	40,164	23,434
	173,937	100,243

6. CAPITAL MANAGEMENT (CONT'D)

(c) Prime Asset Management Limited (cont'd)

Capital adequacy ratios:

	FSC Benchmark	2015	2014
Tier 1 Capital/Total regulatory capital	Greater than 50%	117.29%	121.83%
Total regulatory capital/risk-weighted assets	Minimum 10%	31.69%	33.81%
Actual capital base /total assets	Greater than 6%	35.29%	30.22%

7. CASH AND CASH EQUIVALENTS

	Group		Society	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash in hand and at banks and other financial institutions	2,827,254	2,454,745	2,469,875	2,339,243
Statutory reserves held at Bank of Jamaica	640,197	573,284	640,197	573,284
Term deposits at banks	7,999,675	7,239,768	7,999,675	7,239,768
	11,467,126	10,267,797	11,109,747	10,152,295

Statutory reserves, required by regulation to be held at Bank of Jamaica, comprise cash reserves. They are not available for use by the Society in the ordinary course of business. The amounts are determined by the percentage of specified liabilities stipulated by Bank of Jamaica (see note 2). For the rate to remain at no more than one per cent of specified liabilities, as defined, the Society must have qualifying assets of a stipulated percentage of the specified liabilities, currently 40% (2014: 40%).

8. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES

These are securities issued or guaranteed by Government of Jamaica and comprise the following:

	Group		Society	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Available-for-sale securities				
Securities denominated in United States dollars:				
Bonds	7,065,340	8,254,593	2,635,965	3,198,794
Securities denominated in Jamaica dollars:				
Bonds	9,259,910	9,298,080	9,259,899	9,282,429
Certificates of deposit	4,793,662	5,555,330	-	-
Treasury bills	275,044	-	273,921	-
	14,328,616	14,853,410	9,533,820	9,282,429
	21,393,956	**23,108,003**	**12,169,785**	**12,481,223**

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

	Group		Society	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance brought forward	**21,393,956**	**23,108,003**	**12,169,785**	**12,481,223**
Fair value through the income statement				
Securities denominated in Jamaica dollar:				
Derivative - Put option	203,954	221,311	203,954	221,311
Loans and receivables				
Securities denominated in United States dollars:				
Bonds	156,812	153,126	116,945	112,247
Securities denominated in:				
Jamaica dollars:				
Certificates of deposit	1,326,008	101,000	1,326,008	101,000
Indexed bonds	79,979	160,055	79,979	160,055
United States dollars:				
Certificates of deposit	2,206,368	1,830,240	2,206,368	1,830,240
Pounds Sterling:				
Certificates of deposit	2,469,977	2,475,507	2,469,977	2,475,507
	6,239,144	4,719,928	6,199,277	4,679,049
	27,837,054	28,049,242	18,573,016	17,381,583

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

	Group		Society	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Within 3 months	1,309,980	160,055	1,309,980	160,055
From 3 months to 1 year	1,021,273	2,357,962	549,634	522,282
From 1 year to 5 years	16,540,602	11,326,606	9,832,375	7,755,300
Thereafter	8,965,199	14,204,619	6,881,027	8,943,946
	27,837,054	28,049,242	18,573,016	17,381,583

Certain Government of Jamaica securities are pledged by the Group as collateral for repurchase agreements (note 23).

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

Reclassified financial assets

As at October 1, 2008, the Group reclassified certain investment securities, previously classified as available-for-sale, to loans and receivables, in accordance with paragraph 50(E) of IAS 39. The standard requires that the reclassification be made at the fair value of the assets at the date of the reclassification.

	2015		2014	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
	Group			
US$ denominated GOJ Global bonds	156,812	147,608	153,126	148,374
	Society			
US$ denominated GOJ Global bonds	116,945	113,115	112,247	108,018

(a) Fair value gains of $2,909,000 (2014: $4,217,000) for the Group and $2,918,000 (2014: $4,228,000) for the Society, excluding deferred taxation, would have been included in reserves for the year had the investments not been reclassified as loans and receivables. This amount was estimated on the basis of the bid price of the securities as at December 31, 2015. Management believes that this price is indicative of the active market for the securities at the reporting date.

(b) The annual weighted average effective interest rate on the investment securities at the date of reclassification was 9.76% for USD denominated securities and 10.50% for EURO denominated securities, for the Group, and 11.625% for USD denominated securities for the Society. The undiscounted cash flows to be recovered from the investment securities reclassified are $219,823,000 (2014: $222,432,000) for the Group and $ 165,453,000 (2014: $162,734,000) for the Society.

9. INVESTMENTS – OTHER

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Investments securities at fair value through profit or loss:				
Quoted equities	49,043	41,900	-	-
Loans and receivables:				
Bank deposits	438,223	9,184	-	-
Bonds	1,682,806	3,377,182	1,682,806	3,377,182
Held to maturity securities:				
Bonds	75,950	83,351	75,950	83,351
Available-for-sale:				
Bonds	7,108,587	1,521,575	3,925,579	461,413
Ordinary shares - quoted	916,135	410,803	715,909	405,334
Ordinary shares - unquoted	3,040	2,899	39	39
Units in unit trusts	9,477	9,140	9,477	9,140
	10,283,261	5,456,034	6,409,760	4,336,459

Bank deposits include certificates of deposit issued by Bank of Jamaica.

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

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
No maturity	977,695	464,742	725,425	414,513
Within 3 months	798,462	8,170	240,057	-
From 3 months to 1 year	898,224	44,417	491,812	44,417
From 1 year to 5 years	4,216,627	2,910,329	2,714,750	2,909,314
Thereafter	3,392,253	2,028,376	2,237,716	968,215
	10,283,261	5,456,034	6,409,760	4,336,459

10. RESALE AGREEMENTS

Government and corporate securities are purchased under agreements to resell them on a specified date and at a specified price on maturity ('resale agreements').

10. RESALE AGREEMENTS (CONT'D)

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Denominated in Jamaica dollars	4,802,826	6,111,707	6,699,349	7,734,365
Denominated in Sterling	1,463,715	1,169,531	1,463,715	1,169,531
Denominated in United States dollars	6,733,717	8,508,501	4,579,116	5,021,492
	13,000,258	15,789,739	12,742,180	13,925,388

Under resale agreements, the securities obtained as collateral may themselves be sold under repurchase agreements (see note 23). At December 31, 2015, such securities had a fair value of $13,608,985,000 (2014: $17,985,439,000) and $13,518,673,000 (2014: $16,091,446,000) for the Group and the Society, respectively.

11. LOANS

(a) Composition of loans

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Conventional mortgage loans	31,613,119	29,502,315	31,613,119	29,502,315
Mortgage escrow (see below)	451,346	440,817	451,346	440,817
Allowance for impairment	(176,585)	(171,442)	(176,585)	(171,442)
Net conventional mortgage loans	31,887,880	29,771,690	31,887,880	29,771,690
Share loans	935,052	1,072,421	935,052	1,072,421
Commercial loans	-	-	20,706	20,752
Staff loans	79,466	81,548	79,466	81,548
Total loans, net	32,902,398	30,925,659	32,923,104	30,946,411

Mortgage escrow

This 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	
	2015	2014
	$'000	$'000
Balances at the beginning of the year	171,442	193,816
Net charge/(recovery) against income for the year	5,143	(22,374)
Balances at the end of the year per IAS 39 [see (c) below]	176,585	171,442

11. LOANS (CONT'D)

(c) Credit facility reserve

	Group and Society	
	2015	2014
	$'000	$'000
Regulatory loan loss provision	1,557,499	1,455,539
Less: Impairment allowance based on IAS 39 [see (b) above]	(176,585)	(171,442)
Credit facility reserve at end of year	1,380,914	1,284,097

The loan loss provision in excess of the impairment allowance required under IFRS is included in a non-distributable credit facility reserve [note 26(iv)].

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

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Within three months	56,652	277,144	25,969	277,144
3 months to 1 year	98,338	137,951	98,338	137,951
From 1 year to 5 years	2,027,167	2,150,450	2,027,167	2,150,450
Thereafter	30,720,241	28,360,114	30,771,630	28,380,866
	32,902,398	30,925,659	32,923,104	30,946,411

12. OTHER ASSETS

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Interest receivable	997,054	987,818	904,772	807,446
Income tax recoverable	856,994	723,363	812,161	692,647
Late fees	41,853	19,533	41,853	19,533
Sundry receivables and prepayments	518,192	432,810	246,783	254,552
	2,414,093	2,163,524	2,005,569	1,774,178

13. DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets

Deferred tax assets are attributable to the following:

	Group						
	2013 $'000	Recognised in income $'000	Recognised in equity $'000	2014 $'000	Recognised in income $'000	Recognised in equity $'000	2015 $'000
Investments	83,491	16,130	(72,058)	27,563	(15,561)	24,438	36,440
Other receivables	(40,467)	463	-	(40,004)	8,339	-	(31,665)
Property, plant and equipment	(2,595)	1,204	-	(1,391)	(3,130)	-	(4,521)
Other liabilities	32,602	3,497	-	36,099	(4,524)	-	31,575
Employee benefit obligation	11,175	3,516	4,200	18,891	700	(1,167)	18,424
Unrealised foreign exchange (loss)/gain	6,710	(11,587)	-	(4,877)	(525)	-	(5,402)
Provision for vacation leave	436	-	-	436	-	-	436
	91,352	13,223	(67,858)	36,717	(14,701)	23,271	45,287

Deferred tax assets of approximately $4,293,000 (2014: $4,863,000) have not been recognised in respect of tax losses of certain subsidiaries [note 35(b)] as, at this time, management does not consider that, in the foreseeable future, it is probable that taxable profits will be available against which the asset will be realised.

(b) Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Group						
	2013 $'000	Recognised in income $'000	Recognised in equity $'000	2014 $'000	Recognised in income $'000	Recognised in equity $'000	2015 $'000
Other receivables	(357)	112	-	(245)	103	-	(142)
Employee benefits asset	(531,090)	(32,580)	95,460	(468,210)	(24,243)	(80,580)	(573,033)
Property, plant and equipment	4,351	42,051	-	46,402	31,036	-	77,438
Employee benefit obligation	179,880	45,476	59	225,415	28,639	7,883	261,937
	(347,216)	55,059	95,519	(196,638)	35,535	(72,697)	(233,800)

	Society						
	2013 $'000	Recognised in income $'000	Recognised in equity $'000	2014 $'000	Recognised in income $'000	Recognised in equity $'000	2015 $'000
Employee benefits asset	(531,090)	(32,580)	95,460	(468,210)	(24,243)	(80,580)	(573,033)
Property, plant and equipment	4,351	42,051	-	46,402	31,036	-	77,438
Employee benefits obligation	179,880	45,476	59	225,415	28,639	7,883	261,937
	(346,859)	54,947	95,519	(196,393)	35,432	(72,697)	(233,658)

14. EMPLOYEE BENEFITS ASSET/OBLIGATION

The Group provides post-employment pension benefits through a defined-contribution pension plan and defined-benefit pension plan, both administered by trustees.

The defined-contribution plan is closed to new entrants and there are no further contributions. The defined-benefit plan is funded by contributions from the Group and employees in accordance with the rules of the plan.

Under the defined-contribution plan, retirement benefits are based on the Group's and employees' accumulated contributions plus interest and, therefore, the Group has no further liability to fund benefits. The defined-benefit plan, under which retirement benefits are calculated by reference to, *inter alia,* final salary, is subject to a triennial actuarial funding valuation, the most recent being as at December 31, 2013. 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Employee benefits asset (i)	1,910,111	1,560,700	1,910,111	1,560,700
Post-employment medical benefit obligation (ii)	937,926	811,883	873,126	751,383

(i) Employee benefits asset

	Group and Society	
	2015 $'000	2014 $'000
(a) Amount recognised in the statement of financial position		
Present value of funded obligations	(3,525,889)	(2,826,800)
Fair value of plan assets	5,436,000	4,387,500
	1,910,111	1,560,700

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

(i) Employee benefits asset (cont'd)

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

	Group and Society	
	2015 $'000	2014 $'000
Balance at beginning of year	2,826,800	2,236,900
Benefits paid	(142,911)	(160,700)
Voluntary contributions	27,000	23,300
Service cost	111,000	96,100
Interest cost	273,600	215,800
Transfer in	-	56,800
Remeasurement (gain)/loss arising from:		
Experience adjustment	(82,900)	176,200
Demographic assumption	-	182,400
Financial assumption	513,300	-
Balance at end of year	3,525,889	2,826,800

(c) Movement in plan assets

	2015 $'000	2014 $'000
Fair value of plan assets at beginning of year	4,387,500	4,009,800
Contributions paid into the plan	78,600	66,800
Benefits paid by the plan	(142,900)	(160,700)
Transfers in	-	56,800
Net interest income on plan assets	413,800	377,200
Remeasurement gain on assets included in other comprehensive income	699,000	37,600
Fair value of plan assets at end of year	5,436,000	4,387,500
Plan assets consist of the following:		
Equity securities	1,934,600	977,200
Government securities	2,640,900	2,355,100
Resale agreements	126,700	334,200
Other assets	733,800	721,000
	5,436,000	4,387,500

(d) Credit recognised in the income statement

	2015 $'000	2014 $'000
Current service costs	64,100	56,400
Interest on obligation	273,600	215,800
Net interest income on plan assets	(413,800)	(377,200)
Interest on effect of asset ceiling	-	200
	(76,100)	(104,800)

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

(i) Employee benefits asset (cont'd)

(e) Items recognised in other comprehensive income

	Group and Society	
	2015	2014
	$'000	$'000
Remeasurement loss in obligation	430,400	358,600
Remeasurement gain in asset	(699,000)	(37,600)
Change in effect of asset ceiling	-	(2,800)
	(268,600)	318,200

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

	Group and Society	
	2015	2014
	%	%
Discount rate at December 31	8.5	9.5
Future salary increases	6.0	6.0
Future pension increases	5.0	5.0

(g) Sensitivity analysis

A one 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 and Society	
Financial assumptions	1% point increase $'000	1% point decrease $'000
Discount rate	(525,688)	574,650
Assumed rate of salary escalation	221,793	(189,172)
Future rate of pension	416,017	(344,279)

(h) The Group expects to pay $6,277,000 in contributions to the defined-benefit plan in 2016.

(ii) Other post employment benefits

The employee benefits obligation represents the present value of the constructive obligation to provide medical and other benefits to retirees.

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

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

(a) Movement in present value of defined benefit obligation

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Present value of obligation at the start of the year	811,883	711,885	751,383	675,185
Interest cost	78,663	71,838	74,063	66,538
Current service cost	39,393	50,959	35,393	32,759
Benefit paid	(14,089)	(14,089)	(13,989)	(14,089)
Gain on curtailment		(100)	-	-
Remeasurement loss/(gain) arising from:				
Changes in demographic assumptions	(70,396)	70,918	(66,196)	70,518
Experience adjustments	92,972	(79,965)	92,972	(79,965)
Financial assumptions	(500)	437	(500)	437
	937,926	811,883	873,126	751,383

(b) Expense recognised in the income statement

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Interest cost	78,663	71,838	74,063	66,538
Current service costs	39,393	50,959	35,393	32,759
	118,056	122,797	109,456	99,297

(c) Items in other comprehensive income

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Remeasurement gain/(loss) on obligation	22,076	(8,610)	26,276	(9,010)

(d) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Group and Society	
	2015	2014
	%	%
Financial assumptions:		
Discount rate	8.5	9.5
Medical claims growth	7.0	7.5

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

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

(d) Principal actuarial assumptions at the reporting date (cont'd):

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.

The overall expected long-term rate of return on assets is nine percent (9%). The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

(e) Sensitivity to changes in financial assumptions

A one 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			
	2015		2014	
	1% point increase J$'000	1% point decrease J$'000	1% point increase J$'000	1% point decrease J$'000
Assumed medical cost trend rate and rate of salary escalation	213,900	(158,200)	179,400	(138,900)
Discount rate	(158,200)	213,900	(138,900)	179,400

	Society			
	2015		2014	
	1% point increase J$'000	1% point decrease J$'000	1% point increase J$'000	1% point decrease J$'000
Assumed medical cost trend rate and rate of salary escalation	192,800	(142,600)	160,900	(125,400)
Discount rate	(142,600)	192,800	(125,400)	160,900

15. INTEREST IN SUBSIDIARIES

	Society	
	2015 $'000	2014 $'000
Shares, at cost [see note 1(b)]	929,610	929,610
Current accounts	299,276	63,965
	1,228,886	993,575

16. INTEREST IN ASSOCIATE

The carrying amount of interest in associated company represents the cost of shares acquired and the Group's share of post acquisition reserves in British Caribbean Insurance Company Limited (BCIC), viz:

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Shares, at cost	659,200	659,200	659,200	659,200
Share of post-acquisition profits	222,518	201,012	-	-
Share of investment revaluation reserve	128,817	38,559	-	-
	1,010,535	898,771	659,200	659,200

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 material associate.

	2015	2014
	$'000	$'000
Percentage ownership interest	**31.5%**	**31.5%**
Assets	8,759,498	7,478,779
Liabilities	(5,781,952)	(4,848,680)
Net assets (100%)	2,977,546	2,630,099
Group's share of net assets	937,927	828,481
Fair value adjustments and elimination of differences in accounting policies and intra-group transactions	72,608	70,290
Carrying amount of interest in BCIC	1,010,535	898,771
Revenue	7,796,325	5,749,760
Profit for the year	385,110	380,997
Other comprehensive income, net of tax	286,534	98,415
Total comprehensive income	671,644	479,412
Group's share of total comprehensive income	211,568	151,015
Group's share of profit for year	121,310	120,014

17. INTANGIBLE ASSETS

	Group				Society		
	Goodwill $'000	Computer software $'000	Computer software work in progress $'000	Total $'000	Computer software $'000	Computer software work in progress $'000	Total $'000
Cost:							
December 31, 2013	609,215	317,812	93,430	1,020,457	265,071	93,430	358,501
Additions	-	279	78,093	78,372	-	78,093	78,093
Transfers	-	84,517	(84,517)	-	84,517	(84,517)	-
December 31, 2014	609,215	402,608	87,006	1,098,829	349,588	87,006	436,594
Additions	-	559	417,927	418,486	-	351,633	351,633
Transfers	-	66,927	(66,927)	-	66,927	(66,927)	-
December 31, 2015	609,215	470,094	438,006	1,517,315	416,515	371,712	788,227
Amortisation:							
December 31, 2013	-	260,849	-	260,849	228,817	-	228,817
Charge for year	-	37,542	-	37,542	31,336	-	31,336
December 31, 2014	-	298,391	-	298,391	260,153	-	260,153
Charge for year	-	36,693	-	36,693	30,562	-	30,562
December 31, 2015	-	335,084	-	335,084	290,715	-	290,715
Carrying value							
December 31, 2015	609,215	135,010	438,006	1,182,231	125,800	371,712	497,512
December 31, 2014	609,215	104,217	87,006	800,438	89,435	87,006	176,441
December 31, 2013	609,215	56,963	93,430	759,608	36,254	93,430	129,684

Goodwill comprises the excess of cost over fair value of the nest assets of the subsidiary 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.

No impairment loss was recognised during the year (2014: Nil) because the recoverable amount of the cash-generating unit was determined to be higher than the carrying amount.

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

	2015	2014
Discount rate	26%	21%
Growth rate	19%	4%
Jamaica dollar devaluation rate	4%	8%

18. INVESTMENT AND FORECLOSED PROPERTIES

	Group			Society		
	Investment properties $'000	Foreclosed properties $'000	Total $'000	Investment properties $'000	Foreclosed properties $'000	Total $'000
Cost:						
December 31, 2013	432,195	303,077	735,272	432,195	422,376	854,571
Additions:						
Transfers from property, plant and equipment (note 19)	3,026	-	3,026	3,026	-	3,026
Properties acquired by way of foreclosure	-	55,533	55,533	-	55,533	55,533
Disposals	-	(99,551)	(99,551)	-	(99,551)	(99,551)
December 31, 2014	435,221	259,059	694,280	435,221	378,358	813,579
Additions	8,957	-	8,957	8,957	-	8,957
Disposals	-	(62,272)	(62,272)	-	(62,272)	(62,272)
December 31, 2015	444,178	196,787	640,965	444,178	316,086	760,264
Depreciation:						
December 31, 2013	67,744	16,422	84,166	67,744	18,401	86,145
Charge for the year	6,817	10,686	17,503	6,817	10,686	17,503
Eliminated on disposals	-	(7,404)	(7,404)	-	(7,404)	(7,404)
December 31, 2014	74,561	19,704	94,265	74,561	21,683	96,244
Charge for the year	6,985	9,121	16,106	6,985	9,121	16,106
Eliminated on disposals	-	(4,832)	(4,832)	-	(4,832)	(4,832)
December 31, 2015	81,546	23,993	105,539	81,546	25,972	107,518
Net book values:						
December 31, 2015	362,632	172,794	535,426	362,632	290,114	652,746
December 31, 2014	360,660	239,355	600,015	360,660	356,675	717,335
December 31, 2013	364,451	286,655	651,106	364,451	403,975	768,426

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 location and category of the property being valued, and, in the case of investment properties, by Victoria Mutual (Property Services) Limited (note 1). 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						
	2013 $'000	Additions $'000	Disposals $'000	2014 $'000	Additions $'000	Disposals $'000	2015 $'000
Investment properties	1,765,000	132,300*	-	1,897,300	97,400*	-	1,994,700
Foreclosed properties	847,241	55,533	(99,551)	803,223	-	(62,272)	740,951
	2,612,241	187,833	(99,551)	2,700,523	97,400	(62,272)	2,735,651

* Gain on revaluation

18. INVESTMENT AND FORECLOSED PROPERTIES (CONT'D)

(b) Valuation techniques and significant unobservable inputs

The fair value of investment properties was determined generally by the comparison method, taking account of what similar properties in similar locations have been sold for in the recent past (or near similar properties and locations, with appropriate adjustments made) and current market conditions.

19. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Leasehold and freehold land and buildings $'000	Office furniture and equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Cost:					
December 31, 2013	306,646	1,244,149	26,679	79,484	1,656,958
Translation adjustments	3,976	781	-	-	4,757
Additions	13,752	22,341	281	167,224	203,598
Transfer from work in progress	42,492	165,475	-	(207,967)	-
Transfer to investment property (note 18)	-	-	-	(3,026)	(3,026)
Disposals	-	(5,746)	(116)	-	(5,862)
December 31, 2014	366,866	1,427,000	26,844	35,715	1,856,425
Translation adjustments	3,509	-	-	-	3,509
Additions	-	20,904	125	265,585	286,614
Transfer from work in progress	17,605	123,823	-	(141,428)	-
Disposals	-	(1,449)	(3,430)	-	(4,879)
December 31, 2015	387,980	1,570,278	23,539	159,872	2,141,669
Depreciation:					
December 31, 2013	84,599	907,765	13,028	-	1,005,392
Translation adjustments	(2,382)	739	-	-	(1,643)
Charge for year	12,788	87,736	4,341	-	104,865
Eliminated on disposals	-	(5,470)	(116)	-	(5,586)
December 31, 2014	95,005	990,770	17,253	-	1,103,028
Translation adjustments	(3,663)	-	-	-	(3,663)
Charge for year	15,915	100,107	3,744	-	119,766
Eliminated on disposals	-	(1,201)	(3,430)	-	(4,631)
December 31, 2015	107,257	1,089,676	17,567	-	1,214,500
Net book values:					
December 31, 2015	280,723	480,602	5,972	159,872	927,169
December 31, 2014	271,861	436,230	9,591	35,715	753,397
December 31, 2013	222,047	336,384	13,651	79,484	651,566

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

	Society				
	Leasehold and freehold land and buildings $'000	Office furniture & equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Cost:					
December 31, 2013	274,266	1,132,906	23,134	79,484	1,509,790
Additions	-	1,850	-	167,224	169,074
Transfer to investment property (note 18)	-	-	-	(3,026)	(3,026)
Transfer from work in progress	42,492	165,475	-	(207,967)	-
Eliminated on disposals	-	(504)	-	-	(504)
December 31, 2014	316,758	1,299,727	23,134	35,715	1,675,334
Additions	-	1,614	-	245,850	247,464
Transfer from work in progress	17,605	123,824	-	(141,429)	-
December 31, 2015	334,363	1,425,165	23,134	140,136	1,922,798
Depreciation:					
December 31, 2013	70,860	819,142	9,482	-	899,484
Charge for year	6,511	81,263	4,313	-	92,087
Eliminated on disposals	-	(504)	-	-	(504)
December 31, 2014	77,371	899,901	13,795	-	991,067
Charge for year	7,365	91,923	3,679	-	102,967
December 31, 2015	84,736	991,824	17,474	-	1,094,034
Net book values:					
December 31, 2015	249,627	433,341	5,660	140,136	828,764
December 31, 2014	239,387	399,826	9,339	35,715	684,267
December 31, 2013	203,406	313,764	13,652	79,484	610,306

20. SHAREHOLDERS' SAVINGS

	Group		Society	
	2015 J$'000	2014 J$'000	2015 J$'000	2014 J$'000
General investment ("B") shares	540,168	1,381,418	1,432,240	1,381,418
Paid up investment ("C") shares	62,342,298	55,610,991	62,342,298	56,296,679
	62,882,466	56,992,409	63,774,538	57,678,097
Deferred shares [notes 26(i) and 27]	2,506,186	2,585,954	2,506,186	2,585,954
	65,388,652	59,578,363	66,280,724	60,264,051

Deferred shares are issued on terms that they shall not be withdrawable before the expiration of three years and may be interest bearing.

20. SHAREHOLDERS' SAVINGS (CONT'D)

Included in shareholders' savings are accounts with the following maturity profile:

	Group		Society	
	2015 J$'000	2014 J$'000	2015 J$'000	2014 J$'000
On demand to 3 months	49,259,501	45,948,700	49,259,501	45,947,687
Three to 12 months	12,990,559	11,392,578	12,990,559	11,392,578
Over 12 months	3,138,592	2,237,085	4,030,664	2,923,786
	65,388,652	59,578,363	66,280,724	60,264,051

21. DEPOSITORS' SAVINGS

	Group and Society	
	2015 $'000	2014 $'000
Due to depositors	1,087,071	1,006,034
Percentage of the Society's mortgage loan balances *	3.44%	3.41%

* See section 27(B) of the Building Society's Act.

22. OTHER LIABILITIES

	Group		Society	
	2015 J$'000	2014 J$'000	2015 J$'000	2014 J$'000
Deposits – private treaty sales	70,601	58,841	70,601	58,841
Customers' and clients' funds	459,667	266,423	123,872	217,715
Accrued expenses and other payables	645,853	447,869	347,593	250,585
	1,176,121	773,133	542,066	527,141

23. REPURCHASE AGREEMENTS

The Group sells Government and corporate securities, or interests therein, and agrees to repurchase them on a specified date and at a specified price prior to their maturity ("repurchase agreements").

	Group	
	2015 $'000	2014 $'000
Denominated in Jamaica dollars	4,937,813	4,596,282
Denominated in United States dollars	7,101,627	7,699,566
	12,039,440	12,295,848

23. REPURCHASE AGREEMENTS (CONT'D)

At December 31, 2015, securities obtained under resale agreements and certain investments (see notes 8 and 10) and interest accrued thereon are pledged as collateral for repurchase agreements. These financial instruments have a carrying value of $12,969,880,000 (2014: $14,123,051,000) for the Group.

24. LOANS PAYABLE

	Group		Society	
	2015 J$'000	2014 J$'000	2015 J$'000	2014 J$'000
Jamaica dollar loan [see (a) below]	-	1,808,198	-	1,808,198
Jamaica dollar loan [see (b) below]	-	-	525,481	525,481
Interest payable	-	32,523	-	32,523
Total	-	1,840,721	525,481	2,366,202

(a) The loan matured on March 23, 2015.

(b) This loan, payable to a subsidiary, is unsecured and interest-free, and the repayment date has not been fixed. However, in the event of a default, the loan shall bear interest at 4% per annum.

25. PERMANENT CAPITAL FUND

The Regulations (see note 2) require that every building society maintains a minimum subscribed capital of $25,000,000. At least four-fifths of such subscribed capital is to be paid up in cash. In view of the non-applicability of "subscribed capital" to a mutual society, and in accordance with an agreement with Bank of Jamaica, pending passage of appropriate legislation, a "Permanent Capital Fund" has been established in lieu of subscribed capital [see note 26(i)].

26. RESERVES

(i) Reserve fund

The Regulations (see note 2) require the Society to transfer at least 10% 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 25 and 27)] and its deferred shares (note 20).

(ii) Retained earnings reserve

The regulations (see note 2) 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 27). Transfers of profits to the retained earnings reserve are made at the discretion of the Directors, but must be notified to Bank of Jamaica to be effective.

26. RESERVES (CONT'D)

(iii) Capital reserve on consolidation

Capital reserve on consolidation represents primarily subsidiaries' post acquisition retained earnings capitalised by the issue of bonus shares.

(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(m)(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 available-for-sale investments 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.

27. CAPITAL BASE

	Group and Society	
	2015	2014
	$'000	$'000
Permanent capital fund (note 25)	6,980,852	6,363,075
Reserve fund [note 26(i)]	851,367	782,725
Retained earnings reserve [note 26(ii)]	459,943	290,316
Deferred shares (note 20)	2,506,186	2,585,954
Total capital base [note 6(b)]	10,798,348	10,022,070

Capital base has the meaning ascribed in the regulations (see note 2).

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Definition and measurement of fair values

The Group's accounting policies on measurement and disclosure require the measurement of fair values for financial assets and financial liabilities. 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.

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

(a) Definition and measurement of fair values (cont'd)

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 available input data; the Group uses 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
US$ denominated GOJ securities	• Obtain bid price provided by a recognised broker/dealer, namely, Oppenheimer • Apply price to estimate fair value
J$ denominated securities issued or guaranteed by GOJ	• 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

28. 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										
		2015										
		Carrying amount						Fair value				
	Notes $'000	Loans and receivables $'000	Available-for-sale $'000	Fair value through profit or loss $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Government of Jamaica	8	-	16,325,250	-	-	-	16,325,250	-	16,325,250	-	16,325,250
Certificates of deposit	8	-	4,793,662	-	-	-	4,793,662	-	4,793,662	-	4,793,662
Derivative	8	-	-	203,954	-	-	203,954	-	203,954	-	203,954
Ordinary shares - quoted	9	-	916,135	49,043	-	-	965,178	965,178	-	-	965,178
Treasury bills	8	-	275,044	-	-	-	275,044	-	275,044	-	275,044
Ordinary shares - unquoted	9	-	3,040	-	-	-	3,040	3,040	-	-	3,040
Investments - other	9	-	7,108,587	-	-	-	7,108,587	-	7,108,587	-	7,108,587
Units in unit trust	9	-	9,477	-	-	-	9,477	-	9,477	-	9,477
		-	29,431,195	252,997	-	-	29,684,192	968,218	28,715,974	-	29,684,192

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

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

		Group									
		2014									
		Carrying amount					Fair value				
	Notes $'000	Loans and receivables $'000	Available-for-sale $'000	Fair value through profit or loss $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Government of Jamaica	8	-	17,552,673	-	-	-	17,552,673	-	17,552,673	-	17,552,673
Certificates of deposit	8	-	5,555,330	-	-	-	5,555,330	-	5,555,330	-	5,555,330
Derivative	8	-	-	221,311	-	-	221,311	-	221,311	-	221,311
Ordinary shares - quoted	9	-	410,803	41,900	-	-	452,703	452,703	-	-	452,703
Ordinary shares - unquoted	9	-	2,899	-	-	-	2,899	2,899	-	-	2,899
Investments - other	9	-	1,521,575	-	-	-	1,521,575	-	1,521,575	-	1,521,575
Units in unit trust	9	-	9,140	-	-	-	9,140	-	9,140	-	9,140
		-	25,052,420	263,211	-	-	25,315,631	455,602	24,860,029	-	25,315,631

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

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

		Society 2015										
		Carrying amount						Fair value				
	Notes $'000	Loans and receivables $'000	Available-for-sale $'000	Fair value through profit or loss $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Government of Jamaica	8	-	11,895,864	-	-	-	11,895,864	-	11,895,864	-	11,895,864
Derivative	8	-	-	203,954	-	-	203,954	-	203,954	-	203,954
Ordinary shares quoted	9	-	715,905	-	-	-	715,905	715,905	-	-	715,905
Treasury bills	8	-	273,921	-	-	-	273,921	-	273,921	-	273,921
Ordinary shares unquoted	9	-	39	-	-	-	39	39	-	-	39
Investments - other	9	-	3,925,579	-	-	-	3,925,579	-	3,925,579	-	3,925,579
Units in unit trust	9	-	9,477	-	-	-	9,477	-	9,477	-	9,477
		-	16,820,785	203,954	-	-	17,024,739	715,944	16,308,795	-	17,024,739

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

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

		Society									
		2014									
		Carrying amount						Fair value			
	Notes $'000	Loans and receivables $'000	Available-for-sale $'000	Fair value through profit or loss $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Government of Jamaica securities	8	-	12,481,223	-	-	-	12,481,223	-	12,481,223	-	12,481,223
Derivative	8	-	-	221,311	-	-	221,311	-	221,311	-	221,311
Bonds	9	-	461,413	-	-	-	461,413	-	461,413	-	461,413
Ordinary shares quoted	9	-	405,334	-	-	-	405,334	405,334	-	-	405,334
Ordinary shares unquoted	9	-	39	-	-	-	39	39	-	-	39
Units in unit trust	9	-	9,140	-	-	-	9,140	-	9,140	-	9,140
		-	13,357,149	221,311	-	-	13,578,460	405,373	13,173,087	-	13,578,460

29. NET INTEREST INCOME

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Interest income				
Investment securities	3,097,502	3,343,602	2,309,917	2,503,465
Loans to customers	2,822,432	2,558,805	2,819,988	2,560,465
	5,919,934	5,902,407	5,129,905	5,063,930
Interest expense				
On borrowings	(509,135)	(691,831)	(26,083)	(90,162)
To shareholders	(1,319,347)	(1,124,572)	(1,367,076)	(1,124,572)
To depositors	(375,419)	(345,662)	(327,690)	(374,185)
	(2,203,901)	(2,162,065)	(1,720,849)	(1,588,919)
Net interest income	3,716,033	3,740,342	3,409,056	3,475,011

30. NET FEE AND COMMISSION INCOME

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Fee and commission income				
Customers	369,226	306,767	82,068	91,083
Associated company	100,879	101,940	100,879	101,940
Other	8,426	8,155	8,426	8,155
	478,531	416,862	191,373	201,178
Fee and commission expenses				
Inter-bank transaction fees	(43,527)	(43,707)	(43,527)	(43,707)
Other	(25,193)	(22,840)	(25,193)	(22,840)
	(68,720)	(66,547)	(68,720)	(66,547)
Net fee and commission income	409,811	350,315	122,653	134,631

31. OTHER OPERATING REVENUE

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Securities trading gains	238,169	268,881	238,169	268,881
Fines for late payments	60,326	59,539	60,326	59,539
Unrealised foreign exchange gains	370,901	188,335	37,939	4,294
Rent	23,338	35,613	47,835	39,759
Dividends - from subsidiaries and associates	-	-	277,937	257,298
- other	39,720	37,797	39,197	37,797
Gain on sale of investments	213,053	43,359	213,053	43,359
Recovery of specific allowance for loan loss	-	18,882	-	18,882
Gain on disposal of property, plant and equipment	15,674	7,944	15,674	7,944
Management fees	194,426	172,503	-	-
Other income	49,077	40,539	72,102	68,382
	1,204,684	873,392	1,002,232	806,135

32. PERSONNEL COSTS

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Salaries	1,354,319	1,290,556	999,186	955,814
Statutory payroll contributions	149,794	147,646	132,367	119,364
Reduction in liability for defined benefit plan	48,429	(1,784)	33,356	(5,503)
Termination payments	56,138	-	40,725	-
Other staff benefits	711,041	475,049	568,507	433,197
	2,319,721	1,911,467	1,774,141	1,502,872

33. OTHER OPERATING EXPENSES

	Group		Society	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Irrecoverable GCT	231,274	169,177	219,544	162,883
Asset taxes	229,265	112,465	193,231	94,136
Marketing	203,973	184,049	170,493	154,671
Administration	200,950	196,486	155,469	136,172
Computer maintenance	160,089	130,944	126,901	104,274
Maintenance – buildings, furniture and fixtures	131,482	182,756	170,356	161,374
Insurance	111,070	105,301	110,456	104,717
Electricity, water and telephone	83,396	95,082	78,182	88,406
Postage, courier and stationery	80,135	79,630	68,433	68,485
Overseas business development	57,089	78,254	230,504	278,474
Direct operating expenses for investment property that generated rental income	38,502	92,915	38,502	40,637
Audit fees:				
Current year	35,143	32,359	19,100	17,600
Prior year	-	5,634	-	5,634
Directors' fees [note 35(e)]	33,804	29,492	20,482	17,573
Consultancy and other professional fees	29,555	68,388	26,570	47,622
Service contracts	21,554	27,461	21,554	27,461
Security	31,937	29,959	31,844	29,877
Specific provision for loan loss	8,021	-	8,021	-
Unrealised foreign exchange loss	25,330	38,900	-	-
Loss on dissolution of subsidiary	-	21,214	-	-
	1,712,569	1,680,466	1,689,642	1,539,996

34. 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 [note 34(c)]. 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	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
(i) Current tax expense:				
Current tax at 30%	182,690	308,086	182,690	308,086
Current tax at 25% and 33⅓%				
- provision for current year	133,774	88,320	-	-
- adjustment for prior year's over provision	(10,312)	(2,086)	(9,968)	-
	306,152	394,320	172,722	308,086
(ii) Deferred tax expense:				
Origination and reversal of temporary differences [notes 13(a) and (b)]	(20,834)	(68,282)	(35,432)	(54,947)
Actual tax expense recognised	285,318	326,038	137,290	253,139

34. INCOME TAX EXPENSE (CONT'D)

(b) At the reporting date, taxation losses of certain subsidiaries, subject to agreement by the tax authorities in the relevant jurisdictions, amounted to approximately $24,409,000 (2014: $24,407,000). These losses may be carried forward indefinitely, but in any one year, prior year losses can be used to offset only 50% of chargeable income (before the deduction of any prior year losses).

(c) Reconciliation of effective 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 34(a)] and is 22.88% (2014: 24.47%) for the Group and 14.91% (2014: 20.55%) for the Society. The actual income tax expense differs from the expected income tax expense for the year, as follows:

	Group		Society	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Surplus before income tax	1,246,983	1,332,220	920,526	1,231,983
Computed "expected" income tax using statutory tax rates	409,836	399,666	276,158	369,595
Tax effect of treating the following items differently for income tax than for financial statement purposes:				
Depreciation charge and capital allowances	(20,488)	(39,925)	(21,169)	(36,068)
Disallowed expenses	78,830	43,865	61,692	37,021
Unrealised exchange gains	(11,514)	(1,510)	(11,382)	(1,288)
Other	(161,034)	(73,972)	(158,041)	(116,121)
	295,630	328,124	147,258	253,139
Adjustment for prior year under-provision	(10,312)	(2,086)	(9,968)	-
Actual tax expense recognised	285,318	326,038	137,290	253,139

35. 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 or joint control over the Group;

(2) has significant influence over the Group; or

(3) 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 company [note 1(c)]. The Directors, senior officers and executives are collectively referred to as "key management personnel".

35. 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

	2015 $'000	2014 $'000
Subsidiaries:		
Resale agreements	1,253,527	952,524
Loan receivable	20,706	20,752
Shareholders' savings	(890,706)	(525,082)
Loan payable	(525,481)	(525,481)
Key management personnel:		
Mortgage loans	119,948	90,962
Other loans	16,560	17,973
Shareholders' savings	(49,478)	(52,502)
Non-executive directors - mortgage loans	37,115	30,004
Associate:		
Shareholders' savings	127,603	107,943

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 against this class of balances.

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

	2015 $'000	2014 $'000
Directors:		
Interest from loans	2,874	2,983
Key management personnel:		
Interest from loans	9,697	8,709
Interest expense	(767)	(1,608)
Subsidiaries:		
Interest and dividends from investments	234,648	160,018
Interest on loans	1,671	1,713
Other operating revenue	29,631	21,758
Interest expense	(15,907)	(9,313)
Other operating expenses	(280,138)	(303,661)
Associate:		
Dividends	99,804	80,049
Other operating activities	950	980
Interest expense	(7,154)	(1,631)
Other operating expense	(13,141)	(14,380)

35. RELATED PARTY TRANSACTIONS (CONT'D)

(e) Key management personnel compensation

In addition to directors' fees paid to non-executive directors (note 33), compensation of key management personnel, included in personnel costs (note 32), is as follows:

	Group		Society	
	2015 J$'000	2014 J$'000	2015 J$'000	2014 J$'000
Short-term employee benefits	272,882	170,998	186,695	89,896
Post employment benefits	94	131	94	131
	272,976	171,129	186,789	90,027

In addition to their salaries, key management personnel are provided with non-cash benefits, as well as post-employment benefits under a defined-benefit pension plan (note 14). In accordance with the rules of the plan, key management personnel 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.

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.

36. COMMITMENTS

(a) Operating lease commitments at the reporting date expire as follows

	Group		Society	
	2015 J$'000	2014 J$'000	2015 J$'000	2014 J$'000
Within one year after that date	28,708	25,117	27,028	24,981
Subsequent years	24,247	24,260	20,170	18,248

(b) Commitments for capital expenditure for the Group and the Society amount to approximately $111,132,000 (2014: $93,000,000) at the reporting date.

The Group leases a number of branch and office premises under operating leases. A lease typically runs for a period of 3 years, with an option to renew the lease after that date. Lease payments are increased every three to five years to reflect market rentals.

37. 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, 2015, these funds amounted to $9,745,433,000 (2014: $6,021,564,000).

Additionally, at December 31, 2015, there were custodial arrangements for assets totalling $19,914,725,000 (2014: $17,217,644,000).

CORPORATE DATA

GROUP EXECUTIVES

Richard K. Powell, MBA, MSc, BSc
President & Chief Executive Officer (Retired)

Courtney Campbell, MBA (Distinction), ACIB, BSc, JP
President & Chief Executive Officer

Peter Reid, BA (Hons.)
Senior Vice President & Chief Operating Officer

Janice McKenley, FCCA, FCA, MBA, BSc
Senior Vice President & Group Chief Financial Officer

Allan Lewis, ASA, Ed M, MBA, BSc
Senior Vice President, Group Strategy (Resigned)

Keri-Gaye Brown, LL.B
Senior Vice President, Group Legal, Compliance & Corporate Secretary

Laraine Harrison, MBA, BA
Vice President, Group Human Resources

Vivienne Bayley-Hay, BSc (Hons)
Vice President, Group Marketing & Corporate Affairs

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

Joan Brown, FCCA, MBA, DIFA
Assistant Vice President, Risk Management

Kathya Beckford, CFA, MSc (Dist.), BSc (Hons.)
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Sheally Solomon, FCCA, BBA
Assistant Vice President, Group Finance

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Rezworth Burchenson, MBA, BSc
Managing Director

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General Manager

VMBS MONEY TRANSFER SERVICES LIMITED
Michael Howard, MBA, BA
General Manager

VICTORIA MUTUAL PROPERTY SERVICES LIMITED
Michael Neita, MBA, BEng, BSc
General Manager

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Nyssa Johnson, F.C.A
Nigel Chambers, F.C.A.
Chartered Accountants, KPMG

ARBITRATORS

- Honourable Justice Ian Forte, President of the Court of Appeal (retired)
- Honourable Justice Clarence Walker, C.D. Justice of the Court of Appeal (retired)
- Mr. Karl P. Wright, C.D., MBA, B.Sc (Hons.)
- Miss Megan Dean, MBA, B.Sc (Hons.)

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
- Clarke, Robb & Company
- Robertson, Smith, Ledgister & Company
- Robinson, Phillips & Whitehorne
- Grant, Stewart, Phillips & Malcolm
- Nicholson Phillips
- Samuda & Johnson
- Wilmot Hogarth & Co.
- Harrison & Harrison
- Lex Caribbean
- L. Howard Facey & Co.
- Scott, Bhoorasingh & Bonnick

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
- Deutsche Bank Trust Company America

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Conroy Rose, CSC, MBA, BSc
Assistant Vice President, Sales and Service- Eastern Region

Audley Knight, PFP, MBA, BBA
Assistant Vice President, Sales and Service- Western Region

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1-866-967-VMBS (8627)

Free Phone (from UK)
0-800-068-VMBS (8627)

OPENING HOURS
Mondays - Fridays:
7:00 a.m. - 8:00 p.m.
Saturdays:
10:00 a.m. - 6:00 p.m.
Sundays:
10:00 a.m. - 3:00 p.m.

NOTES

NOTES

Committed to Your Dreams and Life Goals

The VICTORIA MUTUAL
Building Society

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SAVINGS & MORTGAGES

WEALTH MANAGEMENT

PENSION FUND MANAGEMENT

MONEY TRANSFER SERVICES

REAL ESTATE SERVICES

GENERAL INSURANCE

The VICTORIA MUTUAL
Building Society