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INDEPENDENT AUDITORS' REPORT

To the Members of
VM FINANCIAL GROUP LIMITED

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the separate financial statements of VM Financial Group Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 8 to 109 which comprise the Group's and Company's statements of financial position as at December 31, 2024, the Group's and Company's income statements, statements of comprehensive income, changes in capital and reserves and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2024, and of the Group's and the Company's financial performance and cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Jamaican Companies Act.

*Basis for Opinion*

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VM FINANCIAL GROUP LIMITED

**Report on the Audit of the Financial Statements (Cont'd)**

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Fair value of investments

   See notes 9 and 10 to the financial statements.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group holds level 3 investments measured at fair value which are instruments for which quoted prices are not available.<br><br>Valuation of these investments requires the use of unobservable inputs which require significant estimation and the selection of an appropriate valuation method. | Our procedures in this area included the following:<br><br>• Assessing the reasonableness of significant assumptions and suitability of the valuation models used by the Group.<br><br>• Involving our valuation specialists to determine or obtain yields or prices of specific securities and comparing these yield or prices to those used by the Group.<br><br>• Assessing the adequacy of the disclosures, including the degree of estimation uncertainty involved in determining fair values. |

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VM FINANCIAL GROUP LIMITED

**Report on the Audit of the Financial Statements (Cont'd)**

*Key Audit Matters (continued)*

2. Expected credit loss on financial assets

See note 4 (n) of the financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group is required to recognize expected credit losses ('ECL') on financial assets, the determination of which involves high estimation uncertainty and requires management to make significant judgements and estimates about the elements considered in calculating the ECL.<br><br>The key areas requiring greater management judgment include the identification of significant increase in credit risk (SICR), the determination of probability of default, loss given default, exposure at default, management overlay and application of forward looking information.<br><br>Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL calculations, which increases the risk of a material misstatement.<br><br>Therefore, impairment of financial assets has a high degree of estimation uncertainty. | Our procedures in this area included the following:<br><br>• Assessing and testing the design and implementation of the Group's control over the determination of expected credit losses.<br><br>• Updating our understanding of the models used by the Group for the calculation of expected credit losses, including governance over the determination of key judgements.<br><br>• Testing the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis.<br><br>• Involved KPMG Financial Risk Management specialists to challenge significant assumptions and judgements relating to the ECL Methodology.<br>• Evaluated the completeness, accuracy and relevance of data.<br>• Evaluated the appropriateness and tested the mathematical accuracy of models applied.<br><br>• Evaluating the adequacy of the financial statement disclosures, including disclosures of the key assumptions and judgements, for compliance with relevant accounting standard. |

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VM FINANCIAL GROUP LIMITED

**Report on the Audit of the Financial Statements (Cont'd)**

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

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

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

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

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6-7, forms part of our auditors' report.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VM FINANCIAL GROUP LIMITED

**Report on additional matters as required by the Jamaican Companies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Nyssa Johnson.

KPMG

Chartered Accountants
Kingston, Jamaica

April 30, 2025

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VM FINANCIAL GROUP LIMITED

**Appendix to the Independent Auditors' report**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's or Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

To the Members of
VM FINANCIAL GROUP LIMITED

**Appendix to the Independent Auditors' report (Continued)**

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# VM FINANCIAL GROUP LIMITED

## GROUP STATEMENT OF FINANCIAL POSITION
## December 31, 2024

| | Notes | Group 2024 $'000 | Group 2023 $'000 |
|---|---|---|---|
| ASSETS | | | |
| Cash resources | 8 | 15,921,782 | 11,099,468 |
| Investments - Jamaica Government securities | 9 | 24,131,695 | 24,908,353 |
| - Other | 10 | 28,716,222 | 26,664,443 |
| Resale agreements | 11 | 3,672,217 | 3,782,576 |
| Loans | 12 | 125,529,163 | 121,930,499 |
| Due from related entities | 13 | 1,238,576 | 637,159 |
| Other assets | 14 | 10,832,939 | 10,589,514 |
| Income tax recoverable | | 700,673 | 756,183 |
| Deferred tax assets | 15(a) | 1,808,448 | 1,354,769 |
| Employee benefits asset | 16 | 1,403,811 | 1,284,611 |
| Interest in associates | 18 | 4,870,463 | 4,741,299 |
| Intangible assets | 19 | 3,269,396 | 3,350,379 |
| Investment and foreclosed properties | 20 | 512,937 | 474,527 |
| Property, plant and equipment | 21 | 2,391,233 | 3,237,830 |
| **Total assets** | | 224,999,555 | 214,811,610 |
| LIABILITIES | | | |
| Savings fund: | | | |
| Regular savings | 22 | 142,613,364 | 135,655,715 |
| Depositors' savings | 23 | 10,466,268 | 6,967,898 |
| | | 153,079,632 | 142,623,613 |
| Due to specialised institution | 24 | 1,885,305 | 1,938,931 |
| | | 154,964,937 | 144,562,544 |
| Income tax payable | | 25,030 | 57,503 |
| Due to related entities | 13 | 272,326 | 17,401 |
| Other liabilities | 25 | 6,848,326 | 5,301,267 |
| Repurchase agreements | 26 | 14,708,425 | 16,348,883 |
| Other borrowings | 27 | 23,104,325 | 25,448,720 |
| Lease liabilities | 28 | 344,538 | 341,454 |
| Deferred tax liabilities | 15(a) | 10,526 | 10,793 |
| Employee benefits obligation | 16 | 1,110,400 | 850,800 |
| **Total liabilities** | | 201,388,833 | 192,939,365 |
| EQUITY | | | |
| Share capital | 29 | 17,424,846 | 17,424,846 |
| Reserve fund | 30(i), | 140,570 | - |
| Retained earnings reserve | 30(ii), | ( 200,002) | ( 200,002) |
| Non-distributable reserve | 30(iii) | 319,830 | 289,240 |
| Credit facility reserve | 30(iv) | 1,292,552 | 520,793 |
| Investment revaluation reserve | 30(v) | ( 296,887) | ( 400,475) |
| Currency translation reserve | 30(vi) | 342,023 | 338,562 |
| Retained earnings | | 3,962,679 | 3,399,239 |
| Total equity attributable to equity holders of the company | | 22,985,611 | 21,372,203 |
| Non-controlling interest | 32 | 625,111 | 500,042 |
| **Total equity** | | 23,610,722 | 21,872,245 |
| **Total liabilities and equity** | | 224,999,555 | 214,811,610 |

The financial statements on pages 8 to 109 were approved for issue by the Board of Directors on April 30, 2025 and signed on its behalf by:

Director
Michael McMorris

Director
Courtney Campbell

Countersigned:

Corporate Secretary
Keri-Gaye Brown

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

**VM FINANCIAL GROUP LIMITED**

**COMPANY STATEMENT OF FINANCIAL POSITION**
**December 31, 2024**

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| ASSETS | | | |
| Cash resources | 8 | 7,836 | 640,684 |
| Investment securities – other | 10 | 338,435 | - |
| Due from related entities | 13 | 1,200,312 | 380,920 |
| Other assets | 14 | 2,262,528 | 1,187,154 |
| Deferred tax assets | 15(a) | 155,278 | 19,790 |
| Interest in subsidiaries | 17 | 24,462,602 | 24,462,602 |
| Interest in associates | 18 | 2,230,624 | 1,816,951 |
| **Total assets** | | 30,657,615 | 28,508,101 |
| LIABILITIES | | | |
| Due to related entities | 13 | 82,132 | 193,797 |
| Other liabilities | 25 | 538,118 | 148,845 |
| Other borrowings | 27 | 12,733,449 | 11,024,010 |
| **Total liabilities** | | 13,353,699 | 11,366,652 |
| EQUITY | | | |
| Share capital | 29 | 17,424,846 | 17,424,846 |
| Retained earnings reserve | | ( 200,002) | ( 200,002) |
| Retained earnings | | 79,072 | ( 83,395) |
| **Total equity** | | 17,303,916 | 17,141,449 |
| **Total liabilities and equity** | | 30,657,615 | 28,508,101 |

The financial statements on pages 8 to 109 were approved for issue by the Board of Directors on April 30, 2025 and signed on its behalf by:

Director
Michael McMorris

Director
Courtney Campbell

Countersigned:

Corporate Secretary
Keri-Gaye Brown

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

**VM FINANCIAL GROUP LIMITED**

**INCOME STATEMENTS**
**December 31, 2024**

| | Notes | Group 2024 $'000 | Group 2023 $'000 | Company 2024 $'000 | Company Eleven months period 2023 $'000 |
|---|---|---|---|---|---|
| Interest income, calculated using the effective interest method | 34 | 13,666,570 | 12,459,101 | 186,102 | 193,525 |
| Interest expense | 34 | ( 6,938,645) | ( 6,525,248) | (1,231,865) | ( 754,263) |
| **Net interest income/(expense)** | | 6,727,925 | 5,933,853 | (1,045,763) | ( 560,738) |
| Fee and commission income | 35 | 2,632,771 | 2,176,404 | - | - |
| Fee and commission expenses | 35 | ( 247,002) | ( 236,456) | ( 13,471) | ( 9,133) |
| Net fee and commission income/(expense) | | 2,385,769 | 1,939,948 | ( 13,471) | ( 9,133) |
| Other operating revenue | 36 | 5,324,705 | 4,584,169 | 2,077,481 | 3,325,819 |
| **Net interest income and other revenue** | | 14,438,399 | 12,457,970 | 1,018,247 | 2,755,948 |
| Personnel costs | 37 | ( 6,060,580) | ( 5,158,248) | ( 359,931) | ( 37,733) |
| Impairment charge on financial assets | 5(a)(ii) | ( 303,961) | ( 270,377) | - | - |
| Depreciation and amortisation | 19, 20, 21 | ( 1,037,133) | ( 923,075) | - | - |
| Other operating expenses | 38 | ( 6,161,187) | ( 4,912,112) | ( 631,337) | ( 70,234) |
| | | (13,562,861) | (11,263,812) | ( 991,268) | ( 107,967) |
| Impairment charge on non-financial asset | 42(e) | - | ( 1,188,777) | - | (2,751,166) |
| Share of profits of associates | 18(b) | 455,448 | 442,161 | - | - |
| Profit/(loss) before income tax | | 1,330,986 | 447,542 | 26,979 | ( 103,185) |
| Income tax credit | 39 | 262,607 | 133,589 | 135,488 | 19,790 |
| **Profit/(loss)for the year/period** | | 1,593,593 | 581,131 | 162,467 | ( 83,395) |
| Profit/(loss) attributable to: | | | | | |
| Equity holders' of the Company | | 1,482,449 | 541,362 | 162,467 | ( 83,395) |
| Non-controlling interest | 32 | 111,144 | 39,769 | - | - |
| | | 1,593,593 | 581,131 | 162,467 | ( 83,395) |

**VM FINANCIAL GROUP LIMITED**

**STATEMENTS OF COMPREHENSIVE INCOME**
**December 31, 2024**

| | Notes | Group 2024 $'000 | Group 2023 $'000 | Company 2024 $'000 | Company Eleven months period 2023 $'000 |
|---|---|---|---|---|---|
| **Profit/(loss) for the year/period** | | 1,593,593 | 581,131 | 162,467 | (83,395) |
| **Other comprehensive income** | | | | | |
| Items that will never be reclassified to profit or loss: | | | | | |
| Net gains/(losses )on investments in equity securities designated at FVOCI | | 168,300 | ( 298,350) | - | - |
| Net gains on remeasurement of employee benefits asset and obligation | 16(i)(e),16(ii)(c) | 31,700 | 411,700 | - | - |
| Deferred income tax on net gains on remeasurement of employee benefits asset and obligation | 15 | ( 9,110) | ( 123,460) | - | - |
| | | 190,890 | ( 10,110) | - | - |
| Items that may be reclassified to profit or loss: | | | | | |
| Unrealised gains/(losses) on debt securities at FVOCI | | 31,822 | 492,107 | - | - |
| Deferred income tax on unrealised gains on investment securities measured at FVOCI | 15 | ( 10,398) | ( 62,284) | - | - |
| Realised (losses)/gains on fair value of debt securities at FVOCI | | ( 23,434) | 2,102 | - | - |
| Foreign currency translation difference on foreign exchange operations and other adjustments | | 6,386 | 90,633 | - | - |
| Share of investment revaluation of associates | | ( 24,882) | 19,351 | - | - |
| | | ( 20,506) | 541,909 | - | - |
| Total other comprehensive income for the year/period, net of tax | | 170,384 | 531,799 | - | - |
| **Total comprehensive income/(loss) for the year/period** | | 1,763,977 | 1,112,930 | 162,467 | (83,395) |
| Total comprehensive income/(loss) attributable to: | | | | | |
| Equity holders of the Company | | 1,613,408 | 1,100,602 | 162,467 | (83,395) |
| Non-controlling interest | 32 | 150,569 | 12,328 | - | - |
| | | 1,763,977 | 1,112,930 | 162,467 | (83,395) |

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

## VM FINANCIAL GROUP LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY
**Year ended December 31, 2024**

| | Share capital $'000 [note 29] | Retained earnings reserve $'000 [note 30 (ii)] | Non-distributable reserve $'000 [note 30 (ii)] | Credit facility reserve $'000 [note 30(iv)] | Investment revaluation reserve $'000 [note 30(v)] | Currency translation reserve $'000 [note 30(vi)] | Retained earnings $'000 | Total capital and reserves $'000 | Non-controlling interest $'000 | Total capital and reserves $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balances at December 31, 2022,** | 17,424,846 | (200,002) | - | - | (588,156) | 255,483 | 3,379,430 | 20,271,601 | 487,714 | 20,759,315 |
| **Total comprehensive income for 2023** | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 541,362 | 541,362 | 39,769 | 581,131 |
| Other comprehensive income: | | | | | | | | | | |
| Unrealised losses on debt securities at FVOCI, net of tax | - | - | - | - | 404,908 | - | - | 404,908 | 24,915 | 429,823 |
| Foreign currency translation difference on foreign subsidiaries' balances and other adjustments | - | - | - | - | - | 83,079 | - | 83,079 | 7,554 | 90,633 |
| Realised gains on debt securities at FVOCI | - | - | - | - | 2,102 | - | - | 2,102 | - | 2,102 |
| Unrealised losses on equity securities at FVOCI | - | - | - | - | (238,680) | - | - | ( 238,680) | ( 59,670) | ( 298,350) |
| Net gain on remeasurement of employee benefits asset and obligation, net of tax | - | - | 289,240 | - | - | - | ( 760) | 288,480 | ( 240) | 288,240 |
| Share of investment revaluation of associate | - | - | - | - | 19,351 | - | - | 19,351 | - | 19,351 |
| Total other comprehensive income | - | - | 289,240 | - | 187,681 | 83,079 | ( 760) | 559,240 | ( 27,441) | 531,799 |
| Total comprehensive income for the year | - | - | 289,240 | - | 187,681 | 83,079 | 540,602 | 1,100,602 | 12,328 | 1,112,930 |
| **Movements between reserves** | | | | | | | | | | |
| Credit facility reserve transfer | - | - | - | 520,793 | - | - | ( 520,793) | - | - | - |
| **Balances at December 31, 2023** | 17,424,846 | (200,002) | 289,240 | 520,793 | (400,475) | 338,562 | 3,399,239 | 21,372,203 | 500,042 | 21,872,245 |

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

## VM FINANCIAL GROUP LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY CONT'D
**Year ended December 31, 2024**

| | Share capital $'000 [note 29] | Reserve fund $'000 | Retained earnings reserve $'000 [note 30 (ii)] | Non-distributable reserve $'000 [note 30 (ii)] | Credit facility reserve $'000 [note 30(iv)] | Investment revaluation reserve $'000 [note 30(v)] | Currency translation reserve $'000 [note 30(vi)] | Retained earnings $'000 | Total capital and reserves $'000 [note 3] | Non-controlling interest $'000 | Total capital and reserves $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balances at December 31, 2023** | 17,424,846 | - | (200,002) | 289,240 | 520,793 | (400,475) | 338,562 | 3,399,239 | 21,372,203 | 500,042 | 21,872,245 |
| **Total comprehensive income for 2024** | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | 1,482,449 | 1,482,449 | 111,144 | 1,593,593 |
| Other comprehensive income: | | | | | | | | | | | |
| Unrealised losses on debt securities at FVOCI, net of tax | - | - | - | - | - | 17,264 | - | - | 17,264 | 4,160 | 21,424 |
| Foreign currency translation difference on foreign subsidiaries' balances and other adjustments | - | - | - | - | - | - | 3,461 | - | 3,461 | 2,925 | 6,386 |
| Realised losses on debt securities at FVOCI | - | - | - | - | - | ( 23,434) | - | - | ( 23,434) | - | ( 23,434) |
| Unrealised gains on equity securities at FVOCI | - | - | - | - | - | 134,640 | - | - | 134,640 | 33,660 | 168,300 |
| Net gain on remeasurement of employee benefits asset and obligation, net of tax | - | - | - | 30,590 | - | - | - | ( 6,680) | 23,910 | ( 1,320) | 22,590 |
| Share of investment revaluation of associate | - | - | - | - | - | ( 24,882) | - | - | ( 24,882) | - | ( 24,882) |
| Total other comprehensive income | - | - | - | 30,590 | - | 103,588 | 3,461 | ( 6,680) | 130,959 | 39,425 | 170,384 |
| Total comprehensive income for the year | - | - | - | 30,590 | - | 103,588 | 3,461 | 1,475,769 | 1,613,408 | 150,569 | 1,763,977 |
| **Movements between reserves** | | | | | | | | | | | |
| Credit facility reserve transfer [note 30 (iv)] | - | - | - | - | 771,759 | - | - | ( 771,759) | - | - | - |
| Other transfer [note 30 (i)] | - | 140,570 | - | - | - | - | - | ( 140,570) | - | - | - |
| Total movement between reserves | - | 140,570 | - | - | 771,759 | - | - | ( 912,329) | - | - | - |
| **Transaction with owner** | | | | | | | | | | | |
| Dividend paid to NCI 32(b) | - | - | - | - | - | - | - | - | - | ( 25,500) | ( 25,500) |
| Total transactions with owners | - | - | - | - | - | - | - | - | - | ( 25,500) | ( 25,500) |
| **Balances at December 31, 2024** | 17,424,846 | 140,570 | (200,002) | 319,830 | 1,292,552 | (296,887) | 342,023 | 3,962,679 | 22,985,611 | 625,111 | 23,610,722 |

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The accompanying notes are an integral part of the financial statements

**VM FINANCIAL GROUP LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY**
**Year ended December 31, 2024**
**(with comparatives for the eleven-month period ended December 31, 2023)**

| | Share capital $'000 (note 29) | Retained earnings reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|
| **Loss for the period, being total comprehensive loss** | - | - | ( 83,395) | ( 83,395) |
| **Transaction with owner:** | | | | |
| Issuance of shares | 17,424,846 | - | - | 17,424,846 |
| Transaction arising on restructuring (note 42) | - | (200,002) | - | ( 200,002) |
| Total transactions with owners | 17,424,846 | (200,002) | - | 17,224,844 |
| **Balances as December 31, 2023** | 17,424,846 | (200,002) | ( 83,395) | 17,141,449 |
| **Profit for the year, being total comprehensive income** | - | - | 162,467 | 162,467 |
| **Balances as December 31, 2024** | 17,424,846 | (200,002) | 79,072 | 17,303,916 |

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

**VM FINANCIAL GROUP LIMITED**

## GROUP STATEMENT OF CASH FLOWS
## Year ended December 31, 2024

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 1,593,593 | 581,131 |
| Adjustments for: | | | |
| Depreciation and amortisation | 19, 20, 21 | 1,037,133 | 923,075 |
| Amortisation of deferred fees | 12(e), 14 (c) | ( 210,814) | ( 184,104) |
| Employee benefits asset and obligation | 16(i)(d),(ii)(b) | 173,500 | 20,800 |
| Interest income | 34 | (13,666,570) | (12,459,101) |
| Interest expense | 34 | 6,938,645 | 6,525,248 |
| Gain from property/share swap | | - | ( 1,254,460) |
| Gain on disposal of property, plant and equipment and investment properties | 36 | ( 1,299,650) | ( 805,699) |
| Write off of intangible assets | 19 | 48,727 | - |
| Impairment reversal on associate | | ( 54,638) | - |
| Gain on investment activities | 36 | ( 1,636,618) | ( 1,412,180) |
| Unrealised fair value (gains)/losses | 36 | ( 766,219) | ( 59,493) |
| Share of profits of associates | 18(b) | ( 455,448) | ( 442,161) |
| Impairment charge on financial assets | 5(a)(ii) | 303,961 | 270,377 |
| Impairment charge on non financial asset | | - | 1,188,777 |
| Unrealised exchange losses/(gains) on foreign currency balances | | 40,320 | ( 532,066) |
| Income tax credit | 39 | ( 262,607) | ( 133,589) |
| | | ( 8,216,685) | ( 7,773,445) |
| Changes in: | | | |
| Cash reserves held at Bank of Jamaica | | ( 83,167) | ( 149,965) |
| Loan advances, net of repayments | | ( 3,735,686) | (10,389,687) |
| Related parties | | ( 346,492) | ( 286,239) |
| Resale agreements | | 110,874 | ( 1,666,180)* |
| Repurchase agreements | | ( 1,490,008) | ( 1,388,883)* |
| Change in other assets | | 1,248,925 | 786,503 |
| Employee benefits, net | | ( 1,400) | ( 1,500) |
| Deposit from customers | | 11,599,853 | 7,204,999 |
| Due to specialised institution | | ( 53,626) | 1,367,305 |
| Change in other liabilities | | 1,549,974 | ( 1,597,769) |
| | | 582,562 | (13,894,862) |
| Interest received | | 12,092,139 | 10,606,794 |
| Dividend received | | 362,096 | 124,804 |
| Interest paid | | ( 8,235,844) | ( 5,222,752) |
| Income taxes paid | | ( 187,810) | ( 978,981) |
| Net cash provided by /(used in) operating activities | | 4,613,143 | ( 9,364,997) |
| **Cash flows from investing activities** | | | |
| Purchase of investments | 9, 10 | (70,164,993) | (43,242,600) |
| Proceeds from disposal of investments | 9, 10 | 71,735,999 | 43,960,812 |
| Purchase of intangible assets | 19 | ( 457,121) | ( 518,514) |
| Acquisition of additional shares in associate | | - | ( 628,175) |
| Proceeds from disposal of shares in associates | | 8,816 | - |
| Purchase of investment properties | 20 | ( 122,642) | ( 41,286) |
| Purchase of property, plant and equipment | 21 | ( 164,336) | ( 394,866) |
| Proceeds of disposal of investment properties | | 240,253 | 36,385 |
| Proceeds of disposal of property plant and equipment | | 1,682,414 | 877,752 |
| Net cash provided by investing activities | | 2,758,390 | .49,508 |
| **Cash flows from financing activities** | | | |
| Proceeds from other borrowings | | 3,919,897 | 20,396,620 |
| Repayments of other borrowing | 27 | ( 6,264,292) | (11,783,450) |
| Payment of lease liabilities | 28(b) | ( 56,299) | ( 79,102) |
| Dividends paid to non-controlling interest | 32(b),43 | ( 25,500) | - |
| Net cash provided by financing activities | | ( 2,426,194) | 8,534,068 |
| Net (decrease)/increase in cash and cash equivalents for year | | 4,945,339 | ( 781,421) |
| Cash and cash equivalents at beginning of year | | ( 206,192) | 9,878,057 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 9,628,702 | 532,066 |
| Cash resources at end of year | 8 | 14,367,849 | 9,628,702 |

*Restated see note 44

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

**VM FINANCIAL GROUP LIMITED**

**COMPANY STATEMENT OF CASH FLOWS**
**Year ended December 31, 2024**
**(with comparatives for the eleven-month period ended December 31, 2023)**

| | Notes | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss)for the year/period | | 162,467 | ( 83,395) |
| Adjustments for: | | | |
| Interest income | 34 | ( 186,102) | ( 193,525) |
| Interest expense | 34 | 1,231,865 | 754,263 |
| Dividend income | | ( 469,345) | - |
| Income tax credit | 39 | ( 135,488) | ( 19,790) |
| | | 603,397 | 457,553 |
| Changes in: | | | |
| Other assets | | ( 889,273) | ( 1,054,337) |
| Other liabilities | | 466,655 | 152,006 |
| Related parties | | ( 931,057) | ( 187,123) |
| | | ( 750,278) | ( 631,901) |
| Dividend received | | 469,345 | - |
| Interest received | | - | 60,708 |
| Interest paid | | (1,309,247) | ( 757,424) |
| Net cash used in operating activities | | (1,590,180) | ( 1,328,617) |
| **Cash flows from investing activity** | | | |
| Purchase of investments | | ( 338,435) | - |
| Acquisition of associate | 18 | ( 422,489) | - |
| Proceeds from disposal of associate | 18 | 8,817 | - |
| Interest in subsidiaries | 40 | - | ( 9,054,709) |
| Net cash used in investing activity | | ( 752,107) | ( 9,054,709) |
| **Cash flows from financing activities** | | | |
| Additions to other borrowings | 27 | 1,709,439 | 11,024,010 |
| Net cash provided by financing activities | | 1,709,439 | 11,024,010 |
| Net (decrease)/increase in cash and cash equivalents for the year | | ( 632,848) | 640,684 |
| Cash and cash equivalents at beginning of the year | | 640,684 | - |
| Cash and cash equivalents at end of year/period | 8 | 7,836 | 640,684 |

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

## 1. IDENTIFICATION

(a) VM Financial Group Limited ("the Company") was incorporated on February 1, 2024, under the Jamaican Companies Act and is domiciled in Jamaica. The registered office of the Company is located at 6-10 Duke Street, Kingston, Jamaica.

The Company is a wholly owned subsidiary of VM Group Limited, incorporated in Jamaica.

The Company issued preference shares in a private listing and is listed on the Jamaica Stock Exchange.

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

In the previous year, the Company was formed as part of a Scheme of Arrangement ("the Scheme") for the restructuring of The Victoria Mutual Building Society ("Society") and its subsidiaries, in keeping with the requirements of the Banking Services Act, 2014. This Scheme which gave rise to the formation of the Company was sanctioned by order of the Supreme Court on November 24, 2022. Upon the Scheme taking effect on February 1, 2023, the subsidiaries listed at (b) were transferred to the Company (see note 42).

As the reorganisation was a transaction among entities under common control, the Group applied predecessor value method of accounting. Under the predecessor method:

- The Group did not restate assets and liabilities to their fair values. Instead, the Group incorporated the assets and liabilities at the amounts recorded in the books of the combined companies, adjusted to achieve harmonisation of accounting policies.

- No goodwill arose.

- The financial statements incorporated the combined companies' results as if the companies had always been combined.

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

| Entity | Country of incorporation | Nature of business | Percentage equity held by: The Company 2024 | The Company 2023 | Subsidiaries 2024 | Subsidiaries 2023 |
|---|---|---|---|---|---|---|
| The Victoria Mutual Building Society | Jamaica | Granting loans and accepting deposits | 100 | 100 | - | - |
| VM Investments Limited and its wholly-owned subsidiary: | Jamaica | Investment holding company and select corporate finance services | 80 | 80 | - | - |
| VM Wealth Management Limited | Jamaica | Stockbroking, securities trading, asset management, corporate finance and investment advisory services | - | - | 100 | 100 |

## 1. IDENTIFICATION (CONT'D)

(b) "Group" refers to the Company and its subsidiaries, which are as follows (cont'd):

| Entity | Country of incorporation | Nature of business | Percentage equity held by: The Company 2024 | The Company 2023 | Subsidiaries 2024 | Subsidiaries 2023 |
|---|---|---|---|---|---|---|
| VM Pensions Management Limited | Jamaica | Pension fund management and administration | 100 | 100 | - | - |
| Victoria Mutual Finance Limited | United Kingdom | Provision of management services to the Company and specialised lending in the UK | 100 | 100 | - | - |
| VM Money Transfer Services Limited | Jamaica | Management of money transfer services | 99 | 99 | - | - |
| VMBS Overseas (UK) Limited | United Kingdom | Promotion of the business of The Victoria Mutual Building Society | 100 | 100 | - | - |

(c) Interest in associated companies

(i) The Company has a 44.17% (2023: 44.45%) interest in British Caribbean Insurance Company Limited, which is a general insurance company incorporated in Jamaica. This investment is accounted for under the equity method as an associated company in the consolidated financial statements, and at cost in the company financial statements.

(ii) On March 27, 2024 the Company purchased a 30% interest in Carilend Caribbean Holdings Limited (Carilend), from its subsidiary VM Investments Limited for total consideration of $760.9M. The purchase consideration consisted of $422.4M for ordinary shares [and $338.4M for preference shares [see note 10]. Carilend is incorporated in Barbados and facilitates peer-to-peer lending. This investment is accounted for under the equity method as an associated company in the consolidated financial statements, and at cost in the company financial statements. No goodwill was identified as part of the transaction.

(iii) VM Investments Limited, a subsidiary of VM Financial Group Limited, acquired a 23% interest in Kingston Properties Limited (KPREIT) on December 30, 2022.

## 2. REGULATIONS AND LICENCE

VM Financial Group Limited was granted its licence pursuant to section 19(2) of the Banking Services Act 2014 to operate as a Financial Holding Company by The Bank of Jamaica on November 15, 2023. One of the VM Financial Group Limited's subsidiaries, The Victoria Mutual Building Society, is licensed by the Bank of Jamaica, and its financial statements are delivered, under the Building Societies Act, the Banking Services Act 2014 and applicable Regulations.

Two of the VM Financial Group Limited's subsidiaries, VM Wealth Management Limited and VM Pensions Management Limited, are licensed by the Financial Services Commission. VM Wealth Management Limited is a licensed investment advisor and securities dealer. It is also a member of the Jamaica Stock Exchange and is regulated as a securities broker/dealer. VM Pensions Management Limited is a licensed pension fund manager.

VM Investments Limited is listed on the main market of the Jamaica Stock Exchange. VM Money Transfer Services Limited is licensed by Bank of Jamaica as a remittance service provider.

Victoria Mutual Finance Limited is regulated by Financial Conduct Authority.

## 3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

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

**New and amended standards that became effective during the year:**

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements. The financial statements are prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (IFRS Accounting Standards).

Amendments under IFRS Accounting Standards did not result in any significant changes to amounts recognised or disclosed in these financial statements.

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

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

- IFRS 18 *Presentation and Disclosure in Financial Statements,* is effective for annual reporting periods beginning on or after January 1, 2027. Under current IFRS Accounting Standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. IFRS 18 promotes a more structured income statement. In particular, it introduces a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories (Operating, Investing and Financing) based on a company's main business activities. The Group is assessing the impact that the amendments will have on its future financial statements.

  All companies are required to report the newly defined 'operating profit' subtotal – an important measure for investors' understanding of a company's operating results – i.e. investing and financing activities are specifically excluded. This means that the results of equity-accounted investees are no longer part of operating profit and are presented in the 'investing' category.

  IFRS 18 also requires companies to analyse their operating expenses directly on the face of the income statement – either by nature, by function or using a mixed presentation. Under the new standard, this presentation provides a 'useful structured summary' of those expenses. If any items are presented by function on the face of the income statement (e.g. cost of sales), then a company provides more detailed disclosures about their nature.

**3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)**

(a) Statement of compliance (cont'd)

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

- IFRS 18 *Presentation and Disclosure in Financial Statements (cont'd)*

  IFRS 18 requires some 'non-GAAP' measures to be reported in the financial statements. It introduces a narrow definition for management performance measures (MPMs), requiring them to be a subtotal of income and expenses, used in public communications outside the financial statements and reflective of management's view of financial performance. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

  Companies are discouraged from labelling items as 'other' and will now be required to disclose more information if they continue to do so.

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 *Financial Instruments and* IFRS 7 *Financial Instruments: Disclosures.* The amendments apply for reporting periods beginning on or after 1 January 2026. The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognised and derecognised and to provide an exception for certain financial liabilities settled using an electronic payment system. The exception allows Companies to derecognise its financial liabilities before the settlement date, when it uses an electronic payment system that meets all of the following criteria:

  (i) no practical ability to withdraw, stop or cancel the payment instruction;
  (ii) no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
  (iii) the settlement risk associated with the electronic payment system is insignificant.

  The Group is assessing the impact that these standards will have on its future financial statements.

(b) Basis of preparation

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

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

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

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

Certain equity securities designated as at FVOCI measured at fair value

## 3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(b) Basis of preparation (cont'd)

The financial statements are prepared on the historical cost basis, except for the following (cont'd):

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

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

(c) Functional and presentation currency

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

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

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

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

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

(i) Key sources of estimation uncertainty

(1) Impairment of financial assets:

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

- Determining criteria for significant increases in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

## 3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

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

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

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

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

(2) Pension and other post-employment benefits

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

Making these estimates requires certain assumptions, including a discount rate, inflation rate, rate of future increases in medical claims, pensions and salaries, as more fully set out in notes 4(i) and 16. Management provides its appointed actuaries with some of the information, including certain key assumptions used in estimating the employee benefit amounts. The uncertainty inherent in these assumptions could mean significant differences between actual results and the estimates determined by management.

(3) Fair value of financial instruments

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

The yield curve is, in turn, obtained from a pricing source which uses indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach, which is categorised as a Level 2 fair value (see notes 9, 10 and 33). Some other fair values are estimated based on quotes published by brokers/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.

(4) Impairment of the carrying value of interest in associate

Impairment of interest in associate is dependent upon management's internal assessment of future cash flows from the associate. That internal assessment determines the amount recoverable value of the associate. The estimate of the amount recoverable from future operations of the associate is sensitive to the discount rates used.

## 4. MATERIAL ACCOUNTING POLICIES

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

(a) Basis of consolidation

The Scheme was accounted for as follows:

(i) Consolidated financial statements

In the financial statements for VM Financial Group Limited, the transaction is accounted for as a common control transaction using book value (carry-over basis) accounting, on the basis that the investment has simply been moved from one part of the Group to another.

(ii) Separate financial statements

The company accounted for the investments in subsidiaries and associates at the original cost transferred from the Society, the predecessor parent of the Group (or a proxy thereof). The issue of shares to the previous mutual fund equity holders was recognised at this cost.

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

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

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

(iii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interest to have a deficit balance.

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

(a) Basis of consolidation (cont'd)

The Scheme was accounted for as follows (cont'd):

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

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

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

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

(i) Classification of financial instruments

**Financial assets**

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

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

- *Debt instruments*

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

**Financial assets (cont'd)**

- *Debt instruments (cont'd)*

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

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at note 4(n). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.
- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL.
- *Fair value through profit or loss (FVTPL):* Assets that do not meet the criteria for amortised cost or FVOCI. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss within 'Other operating revenue' in the period in which it arises. Interest income on these financial assets is included in 'interest income, calculated using the effective interest method'.

*Business model:* the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

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

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

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

**Financial assets (cont'd)**

- *Debt instruments (cont'd)*

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

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

- *Equity instruments*

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

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

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

**Financial liabilities**

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

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

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

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

The 'Investment in Jamaica Government securities "and 'Investment -Other" captions in the statement of financial position includes:

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

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

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

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

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

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

(c) Financial instruments – Other

(i) Cash resources

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

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

(ii) Resale and repurchase agreements

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

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

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

(iii) Other assets

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

(iv) Loans payable

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

(v) Other liabilities

Other liabilities are measured at amortised cost.

(d) Leases

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

(i) As a lessee

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

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

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

The Group accounts for the non-lease components separately.

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(d) Leases (cont'd)

(i) As a lessee (cont'd)

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

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

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

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

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

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

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

(e) Revenue recognition

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

(i) Interest income

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

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(e) Revenue recognition (cont'd)

(i) Interest income (cont'd)

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

(ii) Fees, commissions and other income

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

(f) Interest expense

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

(g) Fee and commission expenses

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

(h) Income tax

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

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

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

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(i) Employee benefits

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 or that affects neither accounting nor taxable profit; and

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

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

(i) General benefits

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

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

The Group operates a defined-contribution pension plan and a defined-benefit pension plan (see note 16) to provide post-employment benefits.

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

(ii) Defined-contribution pension plan

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(i) Employee benefits (cont'd)

(iii) Defined-benefit pension plan

The defined-benefit plan provides benefits for retired employees of Group entities. The subsidiaries are participating employers in a Group defined-benefit pension plan operated by the building society subsidiary. The building society subsidiary is directly responsible for any deficit in the plan. Additionally, all residual interest in the scheme belongs to the society. The plan is, therefore, accounted for as a defined-contribution plan in the financial statements of the individual participating subsidiaries. Each year, the sponsoring entity charges a contribution to each of the Group entities on an annual basis, based on the contributions recommended by the actuary.

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

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

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

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

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

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

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

(i) Employee benefits (cont'd)

(iv) Other post-employment benefits

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

(j) Interest in subsidiaries

Interest in subsidiaries is measured at cost less impairment losses. Dividends in the form of non-cash are recorded at the carrying value of the assets transferred.

(k) Intangible assets

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

(ii) Computer software

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

(iii) Exclusive rights

Exclusive rights arise from the acquisition of VM Wealth Funds Limited [*formerly* Republic Funds (Barbados) Incorporated] by VM Investments Limited and represent the Group's exclusive right to benefit from the management of the Funds and to appoint the manager of the Funds.

Amortisation

These assets are measured at cost less accumulated amortisation and, if any, impairment losses [note [(3)(n)(ii)]. Intangible assets are amortised using the straight-line method over their useful lives.

The estimated useful lives are as follows:

| | |
|---|---|
| Computer software | 5-7 years |
| Access rights | 20 years |

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(l) Investment and foreclosed properties

(i) Investment property, held to earn rental income and/or for capital appreciation, is measured at cost, less accumulated depreciation and impairment losses. Lease income from investment property is accounted for on the straight-line basis. The depreciation rate is 2.5%.

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

(m) Property, plant and equipment and depreciation

(i) Cost

(a) Recognition and measurement

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

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

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

(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.

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

(ii) Depreciation (cont'd)

The depreciation rates are as follows:

| | |
|---|---|
| Buildings | 2.5% |
| Office furniture and equipment | 10 - 30% |
| Motor vehicles | 20 - 25% |
| Right-of-use | Over life of lease |

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

(n) Identification and measurement of impairment

(i) Non-derivative financial assets

*Determining whether credit risk has increased significantly*

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

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

*Framework*

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

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

*Determining whether credit risk has increased significantly (Stage 2)*

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

- quantitative tests based on movement in Probabilities of Default (PD). Credit risk is deemed to increase significantly where the probability of default on a security or a loan has moved by six (6) basis points;
- qualitative indicators [5(a)(ii)]; and
- a backstop of 30 days past due. Due dates are determined without considering any grace period that might be available to the borrower.

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

*Determining whether credit risk has increased significantly (Stage 2) (cont'd)*

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

*Credit-impaired financial assets (Stage 3)*

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

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

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

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

*Purchased or originated credit-impaired financial assets (POCI)*

Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

*Restructured financial assets*

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

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

*Restructured financial assets (cont'd)*

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

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

*Measurement of expected credit losses*

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

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

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

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

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

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

*Incorporation of forward-looking information*

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Research team on an annual basis and provide the best and worst estimate views of the economy based on the expected impact of interest rates, unemployment rates and gross domestic product (GDP). The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and comparing historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The Group formulates three economic scenarios: a base case, which is the median scenario, one upside and one downside scenario. The Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The economic scenarios used as at December 31, 2024, the following key indicators represent scores used to adjust the forward-looking information for Jamaica for the years 2024 to 2025:

| | 2024 | 2025 |
|---|---|---|
| Unemployment rates | 5.0% | 4% |
| Base | 0.6 | 0.6 |
| Upside | 0.3 | 0.3 |
| Downside | 0.6 | 0.6 |
| Interest rates | 6.5% | 5% |
| Base | 0.2 | 0.2 |
| Upside | 0.2 | 0.2 |
| Downside | 0.2 | 0.2 |
| GDP Growth | 1.8% | 2% |
| Base | 0.2 | 0.3 |
| Upside | 0.2 | 0.2 |
| Downside | 0.3 | 0.3 |
| Inflation rates | 4.8% | 5% |
| Base | 0.2 | 0.1 |
| Upside | 0.1 | 0.1 |
| Downside | 0.2 | 0.2 |

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

*Presentation of allowance for ECL in the statement of financial position*

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

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

(ii) Non-financial assets

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

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

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

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

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

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

## 4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(o) Foreign currencies

(i) Transactions and balances

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

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

(ii) Foreign subsidiaries

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

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

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or Group that allocates resources to, and assesses the performance of, the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker. Income and expenses directly associated with each segment are included in determining business segment performance. The Group's internal measures used in reporting segment information are consistent with the IFRS. Reconciling items are limited to items that are not allocated to reportable segments, as opposed to a difference in the basis of preparation of the information.

## 5. FINANCIAL RISK MANAGEMENT

**Introduction and overview**

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

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

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

### Introduction and overview *(cont'd)*

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

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

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

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

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

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

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

## 5. FINANCIAL RISK MANAGEMENT (CONT'D

### (a) Credit risk

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

**(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 | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Loan commitments | 1,081,193 | 9,168,821 |

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

- Loans receivable

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

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

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

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

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

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

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

- *Credit risk grades*

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

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

- Debt securities

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

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

*Maximum exposure to credit risk and credit quality analysis*

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

- Loans receivable at amortised cost:

| | Group | | | | |
|---|---|---|---|---|---|
| | 2024 | | | | 2023 |
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Credit grade** | | | | | |
| Grade 3 - Low risk | 28,994,038 | 1,223,414 | 1,016,113 | 31,233,565 | 30,788,866 |
| Grade 4 -5 | 72,290,155 | 7,334,635 | 8,821,538 | 88,446,328 | 85,613,332 |
| Grade 6 - 8 | 2,366,351 | 341,213 | 395,769 | 3,103,333 | 3,261,431 |
| Grade 9 - 10 - High risk | 3,926 | 1,160,807 | 2,248,335 | 3,413,068 | 2,631,047 |
| | 103,654,470 | 10,060,069 | 12,481,755 | 126,196,294 | 122,294,676 |
| Loss allowance | ( 53,501) | ( 69,818) | ( 543,812) | ( 667,131) | ( 364,177) |
| Carrying amount | 103,600,969 | 9,990,251 | 11,937,943 | 125,529,163 | 121,930,499 |

**VM FINANCIAL GROUP LIMITED**

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**December 31, 2024**

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

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

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

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

| | Group | | | | |
|---|---|---|---|---|---|
| | 2024 | | | | 2023 |
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Aging of loans receivables** | | | | | |
| Current | 90,962,073 | 878,977 | 1,493,242 | 93,334,292 | 105,690,344 |
| Past due 1-30 days | - | 34,508 | 7,363,122 | 7,397,630 | 8,645,131 |
| Past due 31-60 days | 12,666,874 | 5,937,245 | 1,352,154 | 19,956,273 | 3,861,110 |
| Past due 61-90 days | 25,523 | 3,002,576 | 1,531,186 | 4,559,285 | 1,602,649 |
| Over 90 days | - | 206,763 | 742,051 | 948,814 | 2,495,442 |
| | 103,654,470 | 10,060,069 | 12,481,755 | 126,196,294 | 122,294,676 |
| **Loan commitments** | | | | | |
| Grades 1-3: Low risk | 1,081,193 | - | - | 1,081,193 | 9,168,821 |
| Loss allowance | (410) | - | - | (410) | (1,103) |

- Debt securities, resale agreements and cash at amortised costs:

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | Stage 1 | Stage 1 |
| | $'000 | $'000 |
| **Credit grade** | | |
| Investment grade | 2,937,221 | 4,943,080 |
| Non-investment grade* | 28,309,565 | 21,711,052 |
| | 31,246,786 | 26,654,132 |
| Loss allowance | (114,853) | (252,144) |
| Carrying amount | 31,131,933 | 26,401,988 |

| | Company | |
|---|---|---|
| | 2024 | 2023 |
| | Stage 1 | Total |
| | $'000 | $'000 |
| **Credit grade** | | |
| Non-investment grade*(note 9) | 364,271 | 640,684 |
| Carrying amount | 364,271 | 640,684 |

* Non-investment grade financial assets have credit ratings that range from BB+ to Default

## 5. FINANCIAL RISK MANAGEMENT (CONT'D

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

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

- Other assets at amortised cost:

| | Group 2024 Stage 1 $'000 | Group 2024 Stage 2 $'000 | Group 2024 Stage 3 $'000 | Group 2024 Total $'000 | 2023 Total $'000 |
|---|---|---|---|---|---|
| **Credit grade** | | | | | |
| Performing | 8,275,154 | 163,972 | 171,490 | 8,610,616 | 8,138,504 |
| Non-performing | - | - | 68,771 | 68,771 | 718,967 |
| Default | - | - | 1,164,724 | 1,164,724 | 721,246 |
| Gross carrying amount | 8,275,154 | 163,972 | 1,404,985 | 9,844,111 | 9,578,717 |
| Loss allowance | ( 17,584) | ( 168) | ( 754,628) | ( 772,380) | ( 708,176) |
| Carrying amount | 8,257,570 | 163,804 | 650,357 | 9,071,731 | 8,870,541 |

| | Company 2024 Stage 1 $'000 | Company 2023 Stage 1 $'000 |
|---|---|---|
| **Credit grade** | | |
| Performing | 2,211,517 | 1,171,978 |
| Carrying amount | 2,211,517 | 1,171,978 |

- Debt securities at FVOCI:

| | Group 2024 Stage 1 $'000 | Group 2024 Stage 2 $'000 | Group 2024 Total $'000 | 2023 Total $'000 |
|---|---|---|---|---|
| **Credit grade** | | | | |
| Investment grade | 4,199,386 | - | 4,199,386 | 3,623,812 |
| Non-investment grade* | 27,235,735 | 519,685 | 27,755,420 | 29,254,765 |
| | 31,435,121 | 519,685 | 31,954,806 | 32,878,577 |
| Loss allowance | ( 43,369) | ( 42,671) | ( 86,040) | ( 76,338) |

* Non-investment grade financial assets have credit ratings that range from BB+ to Default

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

### (a) Credit risk

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

**Reconciliation of allowances for ECL**

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

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

| | Group 2024 Stage 1 | | | | 2023 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balance at January 1 | 318,617 | 23,401 | 982,479 | 1,324,497 | 954,120 |
| Transfer from Stage 1 to stage 2 | ( 1,580) | 1,580 | - | - | - |
| Transfer from Stage 1 to stage 3 | ( 2,633) | - | 2,633 | - | - |
| Transfer from Stage 2 to stage 1 | 1,975 | ( 1,975) | | - | - |
| Transfer from stage 2 to stage 3 | - | ( 2,633) | 2,633 | - | - |
| Transfer from stage 3 to stage 2 | - | 9,103 | ( 9,103) | - | - |
| Transfer from stage 3 to stage 1 | 68,842 | - | ( 68,842) | - | - |
| New financial assets originated/purchased | 88,268 | 3,804 | - | 92,072 | 295,724 |
| Financial assets fully derecognised during the period | (102,550) | (11,196) | ( 15,277) | ( 129,023) | ( 151,693) |
| Changes to inputs used in ECL calculation** | (185,515) | 47,902 | 468,772 | 331,159 | 220,302 |
| Foreign exchange adjustment | 514 | - | ( 98) | 416 | 8,796 |
| Net remeasurement of loss allowance | (132,679) | 46,585 | 380,718 | 294,624 | 373,129 |
| Other movements: | | | | | |
| Write off against provisions | - | - | ( 64,757) | ( 64,757) | ( 2,752) |
| Balance at December 31 | 185,938 | 69,986 | 1,298,440 | 1,554,364 | 1,324,497 |

- Debt securities at FVOCI:

| | Group 2024 | | | | 2023 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | TotalTotal | |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balance at January 1 | 36,650 | 39,688 | - | 76,338 | 176,849 |
| New financial assets originated or purchased | 8,521 | - | - | 8,521 | 10,710 |
| Financial assets fully derecognised during the period | ( 12,004) | ( 34) | - | ( 12,038) | ( 66,340) |
| Changes to inputs used on ECL calculation ** | 10,055 | 3,017 | - | 13,072 | ( 46,588) |
| Foreign exchange adjustment | 147 | - | - | 147 | 1,707 |
| Net remeasurement of loss allowance | 6,719 | 2,983 | - | 9,702 | ( 100,511) |
| Balance at December 31 | 43,369 | 42,671 | - | 86,040 | 76,338 |

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

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

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

**Reconciliation of allowances for ECL (cont'd)**

- Debt securities at FVOCI:

  ** This represents changes in the driving parameters, i.e., probability of default, loss given default, exposure at default and forward-looking information for the respective financial assets

- Impairment charge/(credit) on financial assets during the year is summarized below:

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Investment securities at amortised cost (note 9,10) | (126,882) | 111,333 |
| Investment securities at FVOCI [note 5a (ii)] | 9,702 | (100,511) |
| Loans and notes receivable [note 12(b)] | 303,100 | 51,005 |
| Resale agreement (note 11) | ( 515) | 95 |
| Other receivable [note 14 (b)] | 128,961 | 198,050 |
| Other financial assets (note 8) | ( 10,405) | 10,405 |
| | 303,961 | 270,377 |

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributes to changes in the loss allowance.

| | 2024 | | |
|---|---|---|---|
| | Impact: Increase/(decrease) | | |
| | Stage 1 | Stage 2 | Stage 3 |
| | $'000 | $'000 | $'000 |
| Loans and advances to customers at amortised cost | | | |
| Increase in loans due to strategic growth initiative | - | - | 375,802 |

| | 2023 | | |
|---|---|---|---|
| | Impact: Increase/(decrease) | | |
| | Stage 1 | Stage 2 | Stage 3 |
| | $'000 | $'000 | $'000 |
| Debt investment securities FVOCI | | | |
| Improved risk ratings on corporate bonds | 3,965 | - | 52,099 |

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

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

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

**Reconciliation of allowances for ECL (cont'd)**

*Loans with renegotiated terms*

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

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

As at December 31, 2024, the outstanding principal balances on loans that were restructured during the year amounted to $1,334,253,000 (2023: $1,700,000,000). The ECL amounts that were transferred from lifetime to 12 months amounted to $68,842,000 (2023: $41,113,000).

*Write-off policy, applicable for both periods*

The Group writes off loans (and any related allowances for impairment losses) when it determines that the loans are uncollectible. This determination is usually made after considering information such as changes in the borrowers' financial position, or that proceeds from collateral will not be sufficient to cover the entire exposure.

*Collateral*

Loan collateral represents mortgages over property, liens over motor vehicles and hypothecation of deposits held. The fair value of collateral that the Group held for loans past due (greater than three months) was $17,995,358,850 (2023: $34,571,752,075) in [see note 5(a)(iii)].

*Foreclosure*

The Group sometimes acquires properties by way of foreclosure in the process of recovering amounts from defaulting borrowers. At the reporting date, the carrying amount of these assets was $39,880,000 (2023: $113,000). The Group's policy is, in accordance with regulatory requirements, to pursue realisation of the collateral in a timely manner, that is, within three years of foreclosure. No financial or other assets (other than real property mentioned herein) were obtained during the year by taking possession of collateral.

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

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

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

The Group holds collateral against loans and advances to customers and others in the form of mortgage interests over property, other registered securities over other assets, and guarantees. Professional and other means are used to arrive at fair value of such collateral, based on the value of collateral assessed at the time of borrowing. These collateral values are updated across the board annually, with individual focus given to individual collateral values (including but not limited to professional valuations) when a loan is individually assessed as impaired. Collateral generally is not held over balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities.

(1) Cash resources

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

(2) Investment securities

The Group manages the level of risk it undertakes by investing substantially in short-term investments, such as Government of Jamaica securities, and subsequently monitoring the financial condition and performance of the debtors/issuers. There is significant concentration in securities issued or guaranteed by Government of Jamaica.

(3) Resale agreements and certificates of deposit

Collateral is held for resale agreements other than those acquired from Bank of Jamaica, as set out in note 5(a)(iii) below.

(4) Other assets

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.

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

| | Percentage of exposure that is subject to collateral requirements | | |
|---|---|---|---|
| | 2024 | 2023 | Collateral type |
| **Loan advances to retail customers** | | | |
| Mortgage lending | 100% | 94% | Real property |
| Auto loans | 100% | 100% | Liens on motor vehicles |
| Cash secured loans | 100% | 100% | Hypothecation of deposits |
| Resale agreements | 100% | 100% | Debt securities |
| **Loan advances to customers *** | | | |
| Margin loans | 75% | 75% | Debt and equity securities |
| Corporate loans | 85% | 100% | Commercial Property, floating charges over corporate assets |

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

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

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

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

Loans (note 12) and Margin & other loans receivable [note 14 (a)]

The following tables stratify credit exposures from loans by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for mortgage loans is based on the collateral value at origination updated based on changes in house price indices. For credit – impaired loans, the value of collateral is based on the most recent appraisals.

| Total Value of Exposure | 2024 $'000 | 2023 $'000 | Exposure of Credit Impaired Loans | 2024 $'000 | 2023 $'000 |
|---|---|---|---|---|---|
| **Mortgage Lending** | | | **Mortgage Lending** | | |
| LTV ratio | | | LTV ratio | | |
| Less than 50% | 15,113,223 | 13,880,686 | Less than 50% | 2,342,602 | 2,438,272 |
| 51-70% | 18,850,998 | 18,088,722 | 51-70% | 2,253,824 | 1,900,469 |
| 71-90% | 49,444,544 | 48,597,242 | 71-90% | 4,221,600 | 3,376,606 |
| 91-100% | 12,788,436 | 14,033,469 | 91-100% | 1,014,775 | 648,961 |
| More than 100% | 2,348,140 | 2,625,517 | More than 100% | 334,904 | 257,381 |
| Total | **98,545,341** | **97,225,636** | Total | **10,167,705** | **8,621,689** |
| **Cash Secured Loans** | | | **Cash Secured Loans** | | |
| LTV ratio | | | LTV ratio | | |
| Less than 50% | 396,331 | 352,472 | Less than 50% | - | 87 |
| 51-70% | 495,911 | 321,407 | 51-70% | - | 6,044 |
| 71-90% | 802,898 | 1,042,238 | 71-90% | 5,504 | 14,728 |
| 91-100% | 14,668 | 72,450 | 91-100% | - | - |
| More than 100% | 301 | - | More than 100% | - | - |
| Total | **1,710,109** | **1,788,567** | Total | **5,504** | **20,859** |
| **Margin Loans & Corporate Lending** | | | **Margin Loans & Corporate Lending** | | |
| LTV ratio | | | LTV ratio | | |
| Less than 50% | 3,715,003 | 2,544,430 | Less than 50% | 859,705 | 522,979 |
| 51-70% | 2,496,943 | 2,814,028 | 51-70% | 233,757 | 143,817 |
| 71-90% | 39,516 | 412,683 | 71-90% | 720,799 | 697,761 |
| 91-100% | - | 152,939 | 91-100% | - | - |
| More than 100% | 719,921 | 697,762 | More than 100% | 1,746 | - |
| Total | **6,971,383** | **6,621,842** | Total | **1,816,007** | **1,364,557** |
| **Auto Loans** | | | **Auto Loans** | | |
| LTV ratio | | | LTV ratio | | |
| Less than 50% | 1,179,122 | 935,257 | Less than 50% | 96,788 | 80,928 |
| 51-70% | 3,636,072 | 3,357,293 | 51-70% | 384,596 | 267,462 |
| 71-90% | 2,262,956 | 3,535,794 | 71-90% | 374,838 | 322,804 |
| 91-100% | 186,988 | 258,112 | 91-100% | 39,120 | 37,262 |
| More than 100% | 2,983 | 13,767 | More than 100% | 2,983 | 3,448 |
| Total | **7,268,121** | **8,100,223** | Total | **898,325** | **711,904** |

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

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

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

| | Total Value of Exposure | | | Exposure of Credit Impaired Loans | |
|---|---|---|---|---|---|
| Staff Loan | 2024 $'000 | 2023 $'000 | Staff Loan | 2024 $'000 | 2023 $'000 |
| LTV ratio | | | LTV ratio | | |
| Less than 50% | 229,319 | 219,210 | Less than 50% | 6,445 | 4,027 |
| 51-70% | 172,156 | 146,738 | 51-70% | 293 | 560 |
| 71-90% | 259,700 | 150,908 | 71-90% | 6,660 | 961 |
| 91-100% | 61,186 | 55,414 | 91-100% | - | - |
| More than 100% | - | - | More than 100% | - | - |
| Total | 722,361 | 572,270 | Total | 13,398 | 5,548 |
| **Specialised loans** | | | **Specialised loans** | | |
| LTV ratio | | | LTV ratio | | |
| Less than 50% | - | 744,012 | Less than 50% | - | - |
| 51-70% | 1,240,701 | 8,618,104 | 51-70% | - | - |
| 71-90% | 585,932 | 2,606,505 | 71-90% | - | - |
| 91-100% | 154,625 | 139,633 | 91-100% | 5,793 | - |
| More than 100% | - | - | More than 100% | - | - |
| Total | 1,981,258 | 12,108,254 | Total | 5,793 | - |
| **Unsecured Lending** | 13,477,574 | 1,021,737 | **Unsecured Lending** | 107,011 | 122,708 |
| Mortgage escrow | 613,969 | 702,894 | | - | - |
| Consumer escrow | 26,066 | 27,690 | | - | - |
| | 131,316,182 | 128,169,113 | | 13,013,743 | 10,847,265 |

The Group monitors concentration of credit risk by sector and geographic location. An analysis of concentration of credit risk at the reporting date is shown below:

| | Group 2024 | | | | |
|---|---|---|---|---|---|
| | Cash resources $'000 | Loans $'000 | Investments $'000 | Resale agreements $'000 | Total $'000 |
| Concentration by sector: | | | | | |
| Retail | - | 115,568,525 | - | - | 115,568,525 |
| Corporate | - | 3,379,904 | 9,535,354 | - | 12,915,258 |
| Government of Jamaica | - | - | 20,361,387 | - | 20,361,387 |
| Other sovereign bonds | - | - | 8,102,188 | - | 8,102,188 |
| Bank of Jamaica | 1,553,932 | - | 3,754,180 | - | 5,308,112 |
| Financial institutions | 14,367,850 | 488,308 | 1,231,381 | 3,672,217 | 19,759,756 |
| Construction and land development | - | 6,092,426 | - | - | 6,092,426 |
| Equities & Unit Trusts | - | - | 8,668,797 | - | 8,668,797 |
| Other | - | - | 1,194,630 | - | 1,194,630 |
| | 15,921,782 | 125,529,163 | 52,847,917 | 3,672,217 | 197,971,079 |
| Concentration by location: | | | | | |
| Jamaica | 15,176,556 | 78,040,362 | 42,233,692 | 3,672,217 | 139,122,827 |
| United Kingdom | 745,226 | 19,871,738 | 1,214,372 | - | 21,831,336 |
| North America | - | 26,222,474 | 4,366,789 | - | 30,589,263 |
| Trinidad and Tobago | - | 11,869 | 2,970,952 | - | 2,982,454 |
| Dominican Republic | - | - | 1,114,548 | - | 1,114,548 |
| Other | - | 1,382,720 | 947,564 | - | 2,330,284 |
| | 15,921,782 | 125,529,163 | 52,847,917 | 3,672,217 | 197,971,079 |

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
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## 5. FINANCIAL RISK MANAGEMENT (CONT'D)

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

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

The Group monitors concentration of credit risk by sector and geographic location. An analysis of concentration of credit risk at the reporting date is shown below (cont'd):

| | Group | | | | |
|---|---|---|---|---|---|
| | 2023 | | | | |
| | Cash resources $'000 | Loans $'000 | Investments $'000 | Resale agreements $'000 | Total $'000 |
| Concentration by sector: | | | | | |
| Retail | - | 115,246,769 | - | - | 115,246,789 |
| Corporate | - | 2,177,730 | 9,319,910 | - | 11,497,640 |
| Government of Jamaica | - | - | 22,232,195 | - | 22,232,195 |
| Other sovereign bonds | - | - | 10,130,988 | - | 10,130,988 |
| Bank of Jamaica | 1,470,766 | - | 2,662,053 | - | 4,132,819 |
| Financial institutions | 9,628,702 | 62,969 | 709,118 | 3,782,576 | 14,183,365 |
| Construction and land development | - | 4,443,120 | | - | 4,443,120 |
| Equities & Unit Trusts | - | | 1,162,277 | - | 1,162,277 |
| Other | - | - | 5,356,255 | - | 5,356,255 |
| | 11,099,468 | 121,930,608 | 51,572,796 | 3,782,576 | 188,385,448 |
| Concentration by location: | | | | | |
| Jamaica | 10,141,619 | 77,244,676 | 39,911,802 | 3,782,576 | 130,931,646 |
| United Kingdom | 1,106,876 | 17,517,847 | 2,223,929 | - | 20,848,652 |
| North America | - | 24,049,641 | 5,151,145 | - | 29,200,786 |
| Trinidad & Tobago | - | 12,160 | 2,970,294 | - | 2,982,454 |
| Dominican Republic | - | - | 1,107,235 | - | 1,107,235 |
| Othe | - | 3,106,284 | 208,391 | - | 3,314,675 |
| | 11,248,495 | 121,930,608 | 51,572,796 | 3,782,576 | 188,385,448 |

### (b) Market risks

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

The Group separates its exposure to market risks between amortised cost, fair-value through profit and loss and fair value through other comprehensive income. Market risks are monitored by ALCO. The ALCO monitors the price movement of securities on the local and international markets for both debt and equity securities. Market risk is managed through the use of Board-approved limits, by offsetting financial assets and liabilities and maintaining matched portfolios of foreign currency financial assets and liabilities and by maintaining currency portfolio long and short gap position.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates and exchange rates.

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

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

### (b) Market risks (cont'd)

**Management and monitoring of market risks**

Interest rate risk and the other market risks associated with all portfolio are also monitored by the ALCO and managed in the following way:

(i) Interest rate risk

Interest rate risk is the potential for economic loss due to future interest rate changes within a specified period. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities. It can be reflected as a loss of future net interest income and/or a decline in current fair values.

The Group manages the risk by monitoring the savings fund to ensure its stability, by monitoring lending activity, by adjusting interest rates to the extent practicable within the overall policy of encouraging long-term savings and facilitating home ownership, and by carefully managing interest margins.

The following table summarises the carrying amounts of financial assets and liabilities in the statement of financial position to arrive at the Group's interest rate gap, based on the earlier of contractual re-pricing and maturity dates.

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | | | |
| | 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 | 11,876,124 | 2,214,516 | - | - | 1,831,142 | 15,921,782 |
| Jamaica Government Securities | 2,799,840 | 1,704,995 | 957,465 | 18,665,503 | 3,892 | 24,131,695 |
| Other investments | 1,469,310 | 594,840 | 1,248,334 | 17,191,015 | 8,212,723 | 28,716,222 |
| Resale agreements | 2,022,322 | 1,649,070 | 825 | - | - | 3,672,217 |
| Loans | - | 123,682,060 | 1,702,267 | 144,836 | - | 125,529,163 |
| Due from related entities | 185,814 | 195,337 | 47,602 | 375,201 | 434,622 | 1,238,576 |
| Other assets | - | 112,272 | 677,209 | 5,165,349 | 3,116,901 | 9,071,731 |
| Total financial assets | 18,353,410 | 130,153,090 | 4,633,702 | 41,541,904 | 13,599,280 | 208,281,386 |
| Savings fund | 83,576,118 | 20,603,165 | 37,247,793 | 10,509,898 | 1,142,658 | 153,079,632 |
| Due to specialised institution | - | - | - | 1,882,974 | 2,331 | 1,885,305 |
| Other liabilities | - | 1,006,749 | - | - | 5,770,311 | 6,777,060 |
| Repurchase agreements | 933,613 | 7,981,437 | 5,513,177 | 251,677 | 28,521 | 14,708,425 |
| Lease liabilities | - | - | 34,772 | 309,766 | - | 344,538 |
| Due to related entities | - | - | - | - | 272,326 | 272,326 |
| Other borrowings | - | 6,362,787 | 3,886,612 | 12,854,926 | - | 23,104,325 |
| Total financial liabilities | 84,509,731 | 35,954,138 | 46,682,354 | 25,809,241 | 7,216,147 | 200,171,611 |
| Total interest rat sensitivity gap * | (66,156,321) | 94,198,952 | (42,048,652) | 15,732,663 | 6,383,133 | 8,109,775 |
| Cumulative gap | (66,156,321) | 28,042,631 | (14,006,021) | 1,726,642 | 8,109,775 | - |

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

### (b) Market risks (cont'd)

**Management and monitoring of market risks (cont'd)**

(i) Interest rate risk (cont'd)

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | | | |
| | 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 | 4,581,484 | - | - | - | 6,517,984 | 11,099,468 |
| Jamaica Government Securities | 1,852,169 | 717,992 | 2,722,804 | 19,612,422 | 2,966 | 24,908,353 |
| Other investments | 40,957 | 1,720,337 | 4,676,125 | 13,038,142 | 7,188,882 | 26,664,443 |
| Resale agreements | 1,528,941 | 1,784,753 | 468,882 | - | - | 3,782,576 |
| Loans | - | 121,930,499 | - | - | - | 121,930,499 |
| Due from related Entities | - | - | - | - | 637,159 | 637,159 |
| Other assets | - | 296,824 | 1,046,413 | 3,336,362 | 4,190,942 | 8,870,541 |
| Total financial assets | 8,003,551 | 126,450,405 | 8,914,224 | 35,986,926 | 18,537,933 | 197,893,039 |
| Savings fund | 81,700,371 | 18,227,689 | 33,099,947 | 9,201,169 | 394,437 | 142,623,613 |
| Due to specialised institution | - | - | - | 1,936,552 | 2,379 | 1,938,931 |
| Other liabilities | - | - | - | - | 4,437,660 | 4,437,660 |
| Repurchase agreements | 743,325 | 10,657,986 | 4,947,572 | - | - | 16,348,883 |
| Lease liabilities | - | - | - | 341,454 | - | 341,454 |
| Due to related entities | - | - | - | - | 17,401 | 17,401 |
| Other borrowings | 4,144 | 7,066,437 | 2,383,250 | 15,986,612 | 8,277 | 25,448,720 |
| Total financial liabilities | 82,447,840 | 35,952,112 | 40,430,769 | 27,465,787 | 4,860,154 | 191,156,662 |
| Total interest rate sensitivity gap * | (74,444,289) | 90,498,293 | (31,516,545) | 8,521,139 | 13,677,779 | 6,736,377 |
| Cumulative gap | (74,444,289) | 16,054,004 | (15,462,541) | 6,941,402 | 6,736,377 | - |

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

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | | | |
| | 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 | 7,836 | - | - | - | - | 7,836 |
| Other investments | - | - | - | 338,435 | - | 338,435 |
| Due from related entities | - | - | - | - | 1,200,312 | 1,200,312 |
| Other assets | - | - | - | 1,683,095 | 528,422 | 2,211,517 |
| Total financial assets | 7,836 | - | - | 2,021,530 | 1,728,734 | 3,758,100 |

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

### (b) Market risks (cont'd)

**Management and monitoring of market risks (cont'd)**

(i) Interest rate risk (cont'd)

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | | | |
| | Immediately rate sensitive $'000 | Within 3 months $'000 | Three to 12 months $'000 | Over 12 months $'000 | Non-rate sensitive $'000 | Total $'000 |
| Due to related entities | - | - | | - | 82,132 | 82,132 |
| Other liabilities | - | - | - | - | 493,896 | 493,896 |
| Other borrowings | - | - | 808,190 | 11,925,259 | - | 12,733,449 |
| Total financial liabilities | - | - | 808,190 | 11,925,259 | 576,028 | 13,309,477 |
| Total interest rate sensitivity gap * | 7,836 | - | ( 808,190) | ( 9,903,729) | 1,152,706 | ( 9,551,377) |
| Cumulative gap | 7,836 | 7,836 | ( 800,354) | (10,704,083) | ( 9,551,377) | - |

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | | | |
| | 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 | - | - | - | - | 640,684 | 640,684 |
| Due from related entities | - | - | - | - | 380,290 | 380,290 |
| Other assets | - | - | - | - | 1,171,978 | 1,171,978 |
| Total financial assets | - | - | - | - | 2,192,952 | 2,192,952 |
| Due to related entities | - | - | - | - | 193,797 | 193,797 |
| Other liabilities | - | - | - | - | 148,845 | 148,845 |
| Other borrowings | - | - | - | 11,024,010 | - | 11,024,010 |
| Total financial liabilities | - | - | - | 11,024,010 | 342,642 | 11,366,652 |
| Total interest rate sensitivity gap * | - | - | - | (11,024,010) | 1,850,310 | ( 9,173,700) |
| Cumulative gap | - | - | - | (11,024,010) | (9,173,700) | |

* 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 profit and reserves of a reasonably possible change in interest rates. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis as for 2023.

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

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

### (b) Market risks (cont'd)

**Management and monitoring of market risks (cont'd)**

(i) Interest rate risk (cont'd)

*Sensitivity to interest rate movements (cont'd)*

| | Group 2024 | |
|---|---|---|
| | Increase | Decrease |
| Jamaica dollar | 25 basis points | 50 basis points |
| Foreign currencies | 25 basis points | 50 basis points |
| | $'000 | $'000 |
| Effect on surplus for the year | 420,998 | 14,626 |
| Effect on reserves | 2,275,560 | (7,926,181) |

| | Group 2023 | |
|---|---|---|
| | Increase | Decrease |
| Jamaica dollar | 25 basis points | 25 basis points |
| Foreign currencies | 25 basis points | 25 basis points |
| | $'000 | $'000 |
| Effect on surplus for the year | 353,232 | (3,665,486) |
| Effect on reserves | 948,189 | 3,370,937 |

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations in respect of transactions and balances that are denominated in currencies other than the Jamaica dollar. The main currencies giving rise to this risk are the United States dollar (USD), Canadian dollar (CAD) and the British Pound (GBP).

The Group manages this risk by ensuring that the net exposure is kept to an acceptable level through matching foreign currency assets and liabilities as far as practicable. At the reporting date, the net exposure, in nominal currencies, were as follows:

| | Group 2024 | | |
|---|---|---|---|
| | USD | GBP | CAD |
| | '000 | '000 | '000 |
| Foreign currency assets | 453,492 | 107,526 | 15,434 |
| Foreign currency liabilities | (357,647) | ( 72,495) | (10,637) |
| Net foreign currency assets | 95,845 | 35,031 | 4,797 |

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

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

### (b) Market risks (cont'd)

**Management and monitoring of market risks (cont'd)**

(ii) Foreign currency risk (cont'd)

| | Group | | |
|---|---|---|---|
| | 2023 | | |
| | USD | GBP | CAD |
| | '000 | '000 | '000 |
| Foreign currency assets | 345,560 | 147,491 | 13,784 |
| Foreign currency liabilities | (338,360) | ( 88,828) | ( 9,731) |
| Net foreign currency assets | 7,200 | 58,663 | 4,053 |

*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(o)]; the rates are as follows:

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | J$ | J$ |
| United States dollar | 155.60 | 154.27 |
| Pound Sterling | 193.11 | 194.23 |
| Canadian dollar | 108.38 | 116.90 |

A 1% (2023: 1%) strengthening of the Jamaica dollar against the relevant currencies at the reporting date would have increased/(decreased) surplus by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant.

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| United States Dollar | (149,137) | ( 11,107) |
| Pound Sterling | ( 67,650) | (113,941) |
| Canadian Dollar | ( 5,199) | ( 4,738) |
| | (221,986) | (129,786) |

A 4% (2023: 4%) weakening of the Jamaica dollar against the relevant currencies at the reporting date would have (decreased)/increased surplus by the amounts shown. The analysis assumes that all other variables, in particular, interest rates, remain constant.

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

### (b) Market risks (cont'd):

**Management and monitoring of market risks (cont'd)**

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| United States Dollar | 596,548 | 44,430 |
| Pound Sterling | 270,600 | 455,765 |
| Canadian Dollar | 20,796 | 18,951 |
| | 887,944 | 519,146 |

(iii) Equity price risk

Equity price risk arises from equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximise investment returns.

The equity securities which the Group holds are listed on the Jamaica Stock Exchange. A 6% (2023: 6%) increase in share prices would result in an increase in surplus of $420,726,000 (2023: $1,740,297,000) for the Group. A 2% (2023: 3%) decrease in share prices would result in a decrease in surplus of $140,332,000 (2023: $870,463,000) for the Group. As at December 31, 2024, the Group holds equity securities classified as fair value through other comprehensive income. A 6% (2023: 6%) increase in share prices would result in an increase in other comprehensive income of $40,800,000 (2023: $30,600,000). A 2% (2023: 3%) decrease in share prices would result in a decrease in other comprehensive income of $13,770,000 (2023: $15,300,000).

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

### (c) Liquidity risk

Liquidity risk is the risk that the Group is unable to raise cash to settle its financial obligations as they fall due or to meet its lending obligations to maintain public and stakeholder confidence. Liquidity risk could result from the Group's inability to manage unplanned decreases or changes in funding sources and the failure to recognise or address changes in market conditions that affect the Group's ability to liquidate assets quickly and with minimal loss in value. Prudent liquidity risk management requires the Group to maintain sufficient cash and high quality marketable securities, monitor future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

The management of the Group establishes and implements procedures to ensure that the Group maintains sufficient liquidity, including a buffer of unencumbered, high quality liquid assets, to meet liabilities that fall due in the short term; to meet any demands for funds by its members and creditors and to withstand a range of stress events, including those involving loss or impairment of both secured and unsecured funding sources.

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

### (c) Liquidity risk (cont'd)

The daily liquidity position is monitored by reports covering the positions of the Group. All liquidity policies and procedures are subject to review and approval by the Group Finance and Risk Management Committee.

The building society subsidiary, The Victoria Mutual Building Society is subject to externally imposed liquidity ratios. These ratios are taken into account by management in its measurement and management of liquidity risk.

(i) The key measure used for managing liquidity risk of the Society is the ratio of net liquid assets to prescribed liabilities. For this purpose, liquid assets include cash, cash equivalents and investment in debt securities for which there is an active and liquid market, less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. This calculation is used to measure the Society's compliance with the liquidity limit established by Bank of Jamaica.

| | Ratio of net liquid assets to deposits from customers | |
|---|---|---|
| | 2024 | 2023 |
| Regulator's minimum required ratio | 5.00% | 5.00% |

| | Ratio of net liquid assets to deposits from customers | |
|---|---|---|
| | 2024 | 2023 |
| Actual ratios: | | |
| As at December 31 | 10.99% | 8.24% |
| Average for the year | 10.24% | 6.49% |
| Highest % attained for the year | 14.19% | 8.24% |
| Lowest % attained for the year | 8.52% | 5.00% |

(ii) The securities dealer subsidiary, VM 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 | |
|---|---|---|
| | 2024 | 2023 |
| Actual ratio | 57% | 67% |

(iii) Maturity profile

An analysis of the undiscounted cash flows required to settle the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity is presented below. The analysis provided is by estimating the timing of settlement of the amounts recognised in the statement of financial position. The Group does not expect that all its customers will demand the payment of funds at the earliest date possible.

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

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

### (c) Liquidity risk (cont'd)

(iii) Maturity profile (cont'd)

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | | | | | | |
| | | Contractual undiscounted cash flows | | | | | |
| | Carrying amount $'000 | Total cashflow $'000 | Within 1 month $'000 | One to 3 months $'000 | Three to 12 months $'000 | One to 5 years $'000 | Over 5 years $'000 |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 14,367,849 | 14,367,876 | 12,621,376 | 1,681,598 | 64,902 | - | - |
| Balances with central Banks | 1,553,933 | 1,582,656 | - | - | 28,723 | - | 1,553,933 |
| Jamaica Government securities | 24,131,695 | 25,373,127 | 2,800,518 | 1,711,899 | 610,572 | 16,174,381 | 4,075,757 |
| Other investments | 28,716,222 | 31,667,989 | 1,475,917 | 1,122,649 | 5,696,739 | 10,509,117 | 12,863,567 |
| Resale agreements | 3,672,217 | 3,857,229 | 729,599 | 1,457,721 | 1,669,909 | - | - |
| Loans | 125,529,163 | 242,412,212 | 924,462 | 1,204,359 | 8,908,016 | 32,981,092 | 198,394,283 |
| Due from related parties | 1,238,576 | 1,418,538 | - | 195,337 | 1,223,201 | - | - |
| Other assets | 9,071,731 | 10,278,684 | 499,798 | 2,239,272 | 2,283,836 | 5,255,778 | - |
| Total financial assets | 208,281,386 | 330,958,311 | 19,051,670 | 9,612,835 | 20,485,898 | 64,920,368 | 216,887,540 |
| **Financial liabilities** | | | | | | | |
| Due to savers | 153,079,632 | 182,572,641 | 83,449,622 | 18,441,123 | 41,151,376 | 37,802,661 | 1,727,859 |
| Due to specialise institutions | 1,885,305 | 2,315,471 | 6,830 | 13,660 | 61,471 | 327,846 | 1,905,664 |
| Other liabilities | 6,777,060 | 6,346,570 | 727,682 | 5,618,888 | - | - | - |
| Lease liabilities | 344,538 | 524,046 | 3,947 | 17,127 | 65,856 | 261,923 | 175,193 |
| Due to related parties | 272,326 | 272,326 | - | 272,326 | - | - | - |
| Repurchase agreement | 14,708,425 | 14,854,941 | 1,250,785 | 7,809,444 | 5,542,987 | 251,725 | - |
| Other borrowings | 23,104,325 | 25,087,988 | - | 7,270,517 | 2,633,783 | 15,183,688 | - |
| | 200,171,611 | 231,973,983 | 85,438,866 | 39,443,085 | 49,455,473 | 53,827,843 | 3,808,716 |
| Unrecognised loan Commitments | 1,081,193 | 1,081,193 | 1,081,193 | - | - | - | - |
| | 201,252,804 | 233,055,176 | 86,520,059 | 39,443,085 | 49,455,473 | 53,827,843 | 3,808,716 |
| On statement of financial position gap being total liquidity gap | 7,028,582 | 97,903,134 | (67,468,389) | (29,830,250) | (28,969,575) | 11,092,525 | 213,078,824 |
| Cumulative gap | - | - | (67,468,389) | (97,298,639) | (126,268,214) | (115,175,689) | 97,903,135 |

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | | | | | | |
| | | Contractual undiscounted cash flows | | | | | |
| | Carrying amount $'000 | Total cashflow $'000 | Within 1 month $'000 | One to 3 months $'000 | Three to 12 months $'000 | One to 5 years $'000 | Over 5 years $'000 |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 9,628,702 | 9,760,161 | 7,980,438 | 1,159,806 | 619,917 | - | - |
| Balances with central Banks | 1,470,766 | 1,470,766 | - | - | - | - | 1,470,766 |
| Jamaica Government securities | 24,908,353 | 25,851,538 | 1,859,906 | 769,706 | 2,770,439 | 8,150,670 | 12,300,817 |
| Other investments | 26,664,443 | 27,038,163 | 853,215 | 920,216 | 3,089,418 | 12,573,314 | 9,602,000 |
| Resale agreements | 3,782,576 | 3,807,880 | 383,745 | 1,037,076 | 2,387,059 | - | - |
| Loans | 121,930,499 | 143,376,154 | 342,832 | 12,124,218 | 1,888,201 | 6,013,061 | 123,007,842 |
| Other assets | 8,870,541 | 9,502,625 | 542,013 | 3,895,135 | 3,659,998 | 1,405,479 | - |
| Total financial assets | 197,255,880 | 220,807,287 | 11,962,149 | 19,906,157 | 14,415,032 | 28,142,524 | 146,381,425 |

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

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

### (c) Liquidity risk (cont'd)

(iii) Maturity profile (cont'd)

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | | | | | | |
| | Contractual undiscounted cash flows | | | | | | |
| | Carrying amount $'000 | Total cashflow $'000 | Within 1 month $'000 | One to 3 months $'000 | Three to 12 months $'000 | One to 5 years $'000 | Over 5 years $'000 |
| **Financial liabilities** | | | | | | | |
| Due to savers | 142,623,613 | 145,220,587 | 82,345,025 | 18,227,689 | 33,994,805 | 9,211,817 | 1,441,251 |
| Due to specialise institutions | 1,938,931 | 2,812,972 | 7,848 | 15,696 | 65,212 | 380,318 | 2,343,898 |
| Other liabilities | 3,541,582 | 3,542,582 | 1,874,834 | 1,667,748 | - | - | - |
| Lease liabilities | 341,454 | 459,617 | 3,763 | 18,439 | 67,865 | 276,257 | 93,293 |
| Due to related parties | 17,401 | 17,401 | - | 17,401 | - | - | - |
| Repurchase agreement | 16,348,883 | 16,535,099 | 752,188 | 10,095,624 | 5,662,899 | 24,388 | - |
| Other borrowings | 25,448,720 | 29,517,072 | 11,112 | 8,223,622 | 2,993,751 | 18,288,587 | - |
| | 190,260,584 | 198,105,330 | 84,994,770 | 38,266,219 | 42,784,532 | 28,181,367 | 3,878,442 |
| Unrecognised loan Commitments | 9,168,821 | 9,168,821 | 9,168,821 | - | - | - | - |
| | 199,429,405 | 207,274,151 | 94,163,591 | 38,266,219 | 42,784,532 | 28,181,367 | 3,878,442 |
| On statement of financial position gap being total liquidity gap | ( 2,173,525) | 13,533,136 | (82,201,442) | ( 18,360,062) | ( 28,369,500) | ( 38,843) | 142,502,983 |
| Cumulative gap | - | - | (82,201,442) | (100,561,504) | (128,931,004) | (128,969,847) | 13,533,136 |

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | | | | | | |
| | Contractual undiscounted cash flows | | | | | | |
| | Carrying amount $'000 | Total cashflow $'000 | Within 1 month $'000 | One to 3 months $'000 | Three to 12 months $'000 | One to 5 years $'000 | Over 5 years $'000 |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 7,836 | 7,836 | 7,836 | - | - | - | - |
| Other investments | 338,435 | 338,435 | - | - | - | 338,435 | - |
| Due from related parties | 1,200,312 | 1,200,312 | - | 1,200,312 | - | - | - |
| Other assets | 2,211,517 | 2,211,517 | - | - | 1,057,065 | 1,154,452 | - |
| Total financial assets | 3,758,100 | 3,758,100 | 7,836 | 1,200,312 | 1,057,065 | 1,492,887 | - |
| **Financial liabilities** | | | | | | | |
| Other liabilities | 493,896 | 493,896 | 493,896 | - | - | - | - |
| Due to related parties | 82,132 | 82,132 | 82,132 | - | - | - | - |
| Other borrowings | 12,733,449 | 13,537,975 | - | 626,401 | - | 12,911,574 | - |
| | 13,309,477 | 14,114,003 | 576,028 | 626,401 | - | 12,911,574 | - |
| On statement of financial position gap being total liquidity gap | ( 9,551,377) | ( 10,355,913) | ( 568,192) | 573,911 | 1,057,065 | (11,418,687) | - |
| Cumulative gap | - | - | ( 568,192) | 5,719 | 1,062,784 | (10,355,903) | ( 10,355,903) |

The Company intends to mitigate liquidity risks arising from the projected shortfall between contractual liability maturities and expected asset inflows over the next 1 to 5 years through planned refinancing activities, including a combination of debt issuance and equity capital raising. VMFG's established market reputation and track record of successful capital raising are expected to support the effective refinancing of these obligations.

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

### (c) Liquidity risk (cont'd)

(iii) Maturity profile (cont'd)

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | | | | | | |
| | Contractual undiscounted cash flows | | | | | | |
| | Carrying amount $'000 | Total cashflow $'000 | Within 1 month $'000 | One to 3 months $'000 | Three to 12 months $'000 | One to 5 years $'000 | Over 5 years $'000 |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 640,684 | 772,143 | 152,226 | - | 619,917 | - | - |
| Other assets | 1,171,978 | 1,552,055 | - | 52,740 | 93,836 | 1,405,479 | - |
| Total financial assets | 1,812,662 | 2,324,198 | 152,226 | 52,740 | 713,753 | 1,405,479 | - |
| **Financial liabilities** | | | | | | | |
| Due to related parties | 17,401 | 17,401 | 17,401 | - | - | - | - |
| Other borrowings | 11,024,010 | 14,019,882 | - | 288,217 | 867,817 | 12,863,848 | - |
| | 11,041,411 | 14,037,283 | 17,401 | 288,217 | 867,817 | 12,863,848 | - |
| On statement of financial position gap being total liquidity gap | (9,228,749) | (11,713,085) | 134,825 | (235,477) | (154,064) | (11,458,369) | - |
| Cumulative gap | - | - | 134,825 | (100,652) | (254,716) | (11,713,085) | (11,713,085) |

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

### (d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to eliminate control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to identify operational risk is assigned to the Executive ERM Committee with oversight given by the Group Finance and Risk Management Committee. This responsibility is supported by overall Group standards for the management of operational risk to minimise exposure to key operational risk areas, including new products and marketing initiatives, continuity of critical services and processes, talent retention and development, information security and internal and external fraud. Where these risks arise, the Group will consider the impact to its reputation and take measures to mitigate the risk, within the context of its relevant risk appetite.

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

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

## 6. SEGMENT REPORTING

The Group is organised into the following business segments:

(a) Consumer & business banking – This incorporates the granting of loans and accepting deposits.

(b) Wealth, asset management & investment banking – This incorporates stock brokerage, securities trading, asset management, corporate finance, investment advisory services and other financial services provided by overseas subsidiaries.

(c) Pension fund management – This incorporates pension fund management and administration.

(d) Money transfer services – This incorporates the provision of money transfer services.

(e) Other operations of the Group – This comprises the parent company.

Unallocated assets and liabilities:

Unallocated assets and liabilities comprise current income tax payable and recoverable, deferred income tax assets and liabilities and retirement asset and obligation.

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | | | | | | |
| | Consumer & business banking | Wealth management & investment banking | Pension fund management | Money transfer services | Other | Consolidation adjustments | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest income calculated using the effective interest rate method | 10,815,018 | 3,115,412 | 17,688 | 11,592 | 186,102 | (479,242) | 13,666,570 |
| Interest expense | (3,944,812) | (2,231,910) | (1,141) | (8,178) | (1,231,865) | 479,261 | (6,938,645) |
| Net fee and commission income | 420,790 | 1,376,060 | 487,454 | 222,159 | (13,471) | (107,223) | 2,385,769 |
| Other operating revenue | 3,438,994 | 1,559,684 | 17,036 | 519,581 | 2,077,481 | (2,288,071) | 5,324,705 |
| **Net interest income and other revenue** | 10,729,990 | 3,819,246 | 521,037 | 745,154 | 1,018,247 | (2,395,275) | 14,438,399 |
| Personnel costs | (3,647,721) | (1,418,523) | (268,060) | (366,345) | (359,931) | - | (6,060,580) |
| Impairment charge on financial assets | (41,130) | (234,862) | 425 | - | - | (28,394) | (303,961) |
| Depreciation and amortisation | (831,304) | (115,580) | (28,953) | (60,156) | - | (1,140) | (1,037,133) |
| Other operating expenses | (5,426,410) | (1,465,188) | (108,209) | (310,025) | (631,337) | 1,779,982 | (6,161,187) |
| **Total operating expenses** | (9,946,565) | (3,234,153) | (404,797) | (736,526) | (991,268) | 1,750,448 | (13,562,861) |
| Share of profits or associates | - | 193,370 | - | - | - | 262,078 | 455,448 |
| Profit/(loss) before income tax | 783,425 | 778,463 | 116,240 | 8,628 | 26,979 | (382,749) | 1,330,986 |
| Income tax charge | 153,709 | 8,241 | (32,000) | (2,831) | 135,488 | - | 262,607 |
| **Profit/(loss) for the year** | 937,134 | 786,704 | 84,240 | 5,797 | 162,467 | (382,749) | 1,593,593 |
| **Segment assets** | 183,173,473 | 34,992,233 | 544,641 | 1,261,215 | 30,502,337 | (29,387,276) | 221,086,623 |
| Unallocated assets | | | | | | | 3,912,932 |
| **Total assets** | | | | | | | 224,999,555 |
| **Investment in associates** | - | 1,875,083 | - | - | 2,230,624 | 764,756 | 4,870,463 |
| **Segment liabilities** | (162,045,539) | (28,885,553) | (183,405) | (796,954) | (13,353,699) | 5,022,273 | (200,242,877) |
| Unallocated liabilities | | | | | | | (1,145,958) |
| **Total liabilities** | | | | | | | 201,338,835 |
| **Capital expenditure** | 502,448 | 187,860 | 14,210 | 39,581 | - | - | 744,099 |

## 6. SEGMENT REPORTING (CONT'D)

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | | | | | | |
| | Consumer & business banking | Wealth management & investment banking | Pension fund management | Money transfer services | Other | Consolidation adjustments | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest income calculated using the effective interest rate method | 10,049,967 | 2,762,124 | 9,961 | 1,834 | 193,525 | ( 558,310) | 12,459,101 |
| Interest expense | ( 4,176,885) | ( 2,140,763) | ( 966) | ( 10,681) | ( 754,263) | 558,310 | ( 6,525,248) |
| Net fee and commission income | 289,691 | 1,224,591 | 375,093 | 226,112 | ( 9,133) | ( 166,406) | 1,939,948 |
| Other operating revenue | 2,050,914 | 988,159 | 15,575 | 556,293 | 3,325,819 | ( 2,352,591) | 4,584,169 |
| **Net interest income and other revenue** | 8,213,687 | 2,834,111 | 399,663 | 773,558 | 2,755,948 | ( 2,518,997) | 12,457,970 |
| Personnel costs | ( 3,418,995) | ( 1,103,867) | ( 228,327) | (325,751) | ( 37,733) | ( 43,575) | ( 5,158,248) |
| Impairment charge on financial assets | ( 97,286) | ( 169,016) | ( 4,075) | - | - | - | ( 270,377) |
| Depreciation and amortisation | ( 718,520) | ( 121,928) | ( 29,087) | ( 53,540) | - | - | ( 923,075) |
| Other operating expenses | ( 4,286,505) | ( 1,039,962) | ( 84,151) | (271,417) | ( 70,234) | 840,157 | ( 4,912,112) |
| **Total operating expenses** | ( 8,521,306) | ( 2,434,773) | ( 345,640) | (650,708) | ( 107,967) | 796,582 | ( 11,263,812) |
| Share of profits or associates | - | 164,411 | - | - | - | 277,750 | 442,161 |
| Impairment credit charge on non-financial assets | | | | | ( 2,751,166) | 1,562,389 | ( 1,188,777) |
| Profit/(loss) before income tax | ( 307,619) | 563,749 | 54,023 | 122,850 | ( 103,185) | 117,724 | 447,542 |
| Income tax charge | 250,263 | ( 77,286) | ( 22,190) | ( 36,988) | 19,790 | - | 133,589 |
| **Profit/(loss) for the year** | ( 57,356) | 486,463 | 31,833 | 85,862 | ( 83,395) | 117,724 | 581,131 |
| **Segment assets** | 174,123,758 | 42,623,626 | 371,988 | 809,416 | 26,671,360 | (37,925,400) | 206,674,748 |
| Unallocated assets | | | | | | | 3,395,563 |
| **Total assets** | | | | | | | 210,070,311 |
| **Investment in associates** | - | 1,719,260 | - | - | 1,816,951 | 1,205,088 | 4,741,299 |
| **Segment liabilities** | 153,915,607 | 38,902,225 | 113,540 | 325,739 | 11,366,652 | (12,603,494) | 192,020,269 |
| Unallocated liabilities | | | | | | | 919,096 |
| **Total liabilities** | | | | | | | 192,939,365 |
| **Capital expenditure** | 828,061 | 54,615 | 97 | 71,893 | - | - | 954,666 |

## 7. 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 Company's and its subsidiaries' ability to continue as going concerns, so that the Group can continue to provide benefits for members and other stakeholders; and
- To maintain a strong capital base to support the development of its business.

## 7. CAPITAL MANAGEMENT (CONT'D)

(a) The Victoria Mutual Building Society

Bank of Jamaica requires that building societies maintain a minimum of 10% of their risk weighted assets in capital.

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| Regulatory capital | 20,999,237 | 21,046,610 |
| Qualifying capital | 18,886,056 | 19,000,473 |
| On balance sheet risk weighted assets | 114,604,901 | 107,652,931 |
| Off balance sheet risk weighted assets – loan commitments | 1,081,193 | 9,168,821 |
| Foreign exchange exposure | 5,162,281 | 4,176,367 |
| Total risk assessed assets | 120,848,375 | 120,998,119 |
| Risk based capital adequacy ratio | 15.63% | 15.70% |
| Regulatory requirement | 10.00% | 10.00% |

(b) VM Wealth Management Limited

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns to its shareholders and benefits for other stakeholders, to maintain a strong capital base to support the development of its business and to comply with the capital requirements set by the regulators.

The Financial Services Commission ("FSC") stipulates and monitors capital requirements for the non-deposit-taking financial services sector. The FSC requires that the company maintains a capital base of which at least 50% is to be of Tier 1 capital. In addition, the FSC employs certain ratios to test capital adequacy and solvency.

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| Tier 1 Capital | 4,227,276 | 4,002,053 |
| Tier 2 Capital | 64,000 | 70,600 |
| Total regulatory capital | 4,291,276 | 4,072,653 |
| Risk weighted assets: | | |
| Per statement of financial position | 17,585,664 | 17,271,770 |
| Foreign exchange exposure | 429,536 | 338,427 |
| | 18,015,200 | 17,610,197 |
| Operational risk-weighted assets | 456,744 | 316,615 |
| | 18,471,944 | 17,926,812 |

## 7. CAPITAL MANAGEMENT (CONT'D)

(b) VM Wealth Management Limited (cont'd)

| Capital ratios | Minimum required | | Actual | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Total regulatory qualifying capital Total risk weighted assets | 23.23% | 10.00% | 22.23% | 22.72% |
| Tier 1 Capital/Total regulatory capital | 98.51% | 50.00% | 98.56% | 98.27% |
| Capital base/Total assets | 19.63% | 6.00% | 19.26% | 9.83% |

(c) VM Pensions Management Limited

VM Pensions Management Limited is regulated by the Financial Services Commission. The subsidiary's regulatory capital position as at the reporting date was as follows:

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Tier 1 Capital | 282,062 | 233,124 |
| Risk-weighted assets: | | |
| Operating assets | 281,743 | 250,945 |
| Per statement of financial position | 426,524 | 237,262 |
| Foreign exchange exposure | 59,872 | 250,945 |
| | 768,139 | 739,152 |

| Capital adequacy ratios: | Minimum required | | Actual | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Total regulatory capital/risk-weighted assets | 10.00% | 10.00% | 36.72% | 42.53% |
| Tier 1 Capital/Total regulatory capital | 50.00% | 50.00% | 100.00% | 100.00% |
| Actual capital base/total assets | 6.00% | 6.00% | 45.3% | 64.30% |

## 8. CASH RESOURCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $000 |
| Cash and cash equivalents for statements of cashflow [see (a)] | 14,367,849 | 9,628,702 | 7,836 | 640,684 |
| Cash reserves held at Bank of Jamaica [see (b)] | 1,553,933 | 1,470,766 | - | - |
| | 15,921,782 | 11,099,468 | 7,836 | 640,684 |

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

## 8. CASH RESOURCES (CONT'D)

(a) Cash and cash equivalents represents cash on hand, balances with banks and term deposit with maturity dates less than three months. This includes an impairment of Nil (2023: $10,405,000).

(b) Cash reserves held at Bank of Jamaica represents statutory reserves required by regulation to be held at Bank of Jamaica. They are not available for use by the building society subsidiary in the ordinary course of business. The cash reserve amounts are determined as a percentage of specified liabilities stipulated by Bank of Jamaica. For the cash reserve rate to remain at no more than one per cent of specified liabilities, as defined, the building society subsidiary must have qualifying assets of 40% of specified liabilities.

## 9. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES

These comprise:

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| **FVOCI** | | |
| Securities denominated in United States dollars: | | |
| Bonds | 12,603,529 | 12,841,255 |
| Securities denominated in Jamaica dollars: | | |
| Bonds | 7,381,038 | 8,600,902 |
| Certificates of deposit | 848,069 | 459,785 |
| Treasury bills | 1,001 | - |
| | 8,230,108 | 9,060,687 |
| **Amortised cost** | | |
| Securities denominated in United States dollars: | | |
| Bonds | | |
| Certificates of deposit | 4,111 | 154,269 |
| Securities denominated in Jamaica dollars: | | |
| Bonds | 183,266 | 219,095 |
| Securities denominated in Jamaica dollars: | | |
| Certificates deposit | 2,925,000 | 2,050,000 |
| Treasury bills | 185,801 | 585,281 |
| | 3,298,178 | 3,008,645 |
| | 24,131,815 | 24,910,587 |
| Less: Allowance for impairment on amortised cost - GOJ instruments | (120) | (2,234) |
| | 24,131,695 | 24,908,353 |

## 9. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES (CONT'D)

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

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Within 3 months | 4,491,363 | 2,572,626 |
| From 3 months to 1 year | 987,193 | 2,774,859 |
| From 1 year to 5 years | 8,071,521 | 8,198,511 |
| Thereafter | 10,581,618 | 11,362,357 |
| | 24,131,695 | 24,908,353 |

Certain Government of Jamaica securities are pledged by the Group as collateral for repurchase agreements (note 26).

## 10. INVESTMENTS – OTHER

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| **FVTPL** | | |
| Unquoted equities | 77,320 | 77,280 |
| Quoted equities | 1,945,815 | 1,479,017 |
| Bonds | 825,656 | - |
| Mandatorily designated: | | |
| Preference shares | 806,844 | 752,597 |
| Units in unit trust funds | 5,699,543 | 4,355,852 |
| | 9,355,178 | 6,664,746 |
| **Amortised cost** | | |
| Bonds | 5,064,628 | 5,588,625 |
| Preference shares | 338,435 | - |
| Treasury bills | 1,720,078 | 2,454,693 |
| Term deposits | 1,231,381 | 709,118 |
| | 8,354,522 | 8,752,436 |
| **FVOCI** | | |
| Bonds | 10,442,827 | 10,976,635 |
| Ordinary shares - quoted | 678,302 | 510,001 |
| Ordinary shares - unquoted | 39 | 39 |
| | 11,121,168 | 11,486,675 |
| | 28,830,868 | 26,903,857 |
| Less: Allowance for impairment on amortised cost | ( 114,646) | ( 239,414) |
| | 28,716,222 | 26,664,443 |

## 10. INVESTMENTS – OTHER (CONT'D)

| | Company | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| **Amortised cost** | | |
| Preference shares | 338,435 | - |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $000 |
| Within 3 months | 2,468,898 | 1,720,337 | - | - |
| From 3 months to 1 year | 2,243,248 | 4,676,125 | - | - |
| From 1 year to 5 years | 9,102,528 | 9,145,855 | 338,435 | - |
| Thereafter/no maturity | 14,901,548 | 11,122,126 | - | - |
| | 28,716,222 | 26,664,443 | 338,435 | - |

**Equity investment securities designated as at FVOCI**

The following table shows investments in equity securities that are designated at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long term.

| | Group | | | |
|---|---|---|---|---|
| | Fair value | | Dividend income recognised | |
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| At beginning of the year | 510,001 | 808,350 | 17,392 | - |
| Net fair value gain/(losses) recognised during the year | 168,300 | (298,349) | - | - |
| | 678,301 | 510,001 | 17,392 | - |

None of these investments were disposed of during the year ended December 31, 2024, and there were no transfers of any cumulative gain or loss within equity relating to these investments. The change in fair value on these investments was $168,300,000 for the year ended December 31, 2024 (2023: $298,350,00).

## 11. RESALE AGREEMENTS

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

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Denominated in Jamaica dollars | 2,095,917 | 1,947,792 |
| Denominated in United States dollars | 1,576,387 | 1,835,386 |
| | 3,672,304 | 3,783,178 |
| Less: Allowance for impairment | (87) | (602) |
| | 3,672,217 | 3,782,576 |

## 11. RESALE AGREEMENTS (CONT'D)

The securities obtained as collateral under resale agreements, may themselves be sold under repurchase agreements (see note 26). At December 31, 2024, such securities had a fair value of $5,933,479,000 (2023: $6,460,447,000) for the Group.

## 12. LOANS

(a) Composition of loans

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Conventional mortgage loans | 98,545,341 | 97,225,636 |
| Mortgage escrow (see below) | 613,969 | 702,895 |
| Total conventional mortgage loans | 99,159,310 | 97,928,531 |
| Share loans | 1,710,109 | 1,788,567 |
| Corporate loans | 2,662,326 | 1,410,441 |
| Auto loans | 7,268,121 | 8,100,223 |
| Unsecured loans | 12,484,965 | 382,183 |
| Consumer escrow | 26,066 | 27,690 |
| Specialised loans | 1,981,309 | 12,108,456 |
| Staff loans | 722,339 | 576,443 |
| Staff loans escrow | 24 | - |
| Margin loans | 200,178 | 201,150 |
| Credit cards | 992,608 | 639,553 |
| Total gross carrying value of loans | 127,207,355 | 123,163,237 |
| Less: Allowance for impairment | ( 667,131) | ( 364,177) |
| Deferred originating fees | ( 1,011,061) | ( 868,561) |
| Total loans, net | 125,529,163 | 121,930,499 |

Mortgage escrow represents insurance premiums paid by the building society subsidiary 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 | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Balances at the beginning of the year | 364,177 | 313,172 |
| Loans written off | - | ( 25,893) |
| Foreign exchange movement | ( 146) | 6,793 |
| Net remeasurement of allowance for ECL | 303,100 | 70,105 |
| Balances at the end of the year [see (c) below] | 667,131 | 364,177 |

## 12. LOANS (CONT'D)

(c) The total expected loss allowance is broken down as follows:

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Allowance based on IFRS | 667,131 | 364,177 |
| Additional allowance based on Bank of Jamaica BOJ regulations [note 30(iv)] | 771,759 | 520,793 |
| | 1,438,890 | 884,970 |

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

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Within three months | 2,071,282 | 363,469 |
| 3 months to 1 year | 7,140,039 | 8,684,560 |
| From 1 year to 5 years | 14,157,634 | 10,648,820 |
| Thereafter | 102,160,208 | 102,233,650 |
| | 125,529,163 | 121,930,499 |

(e) Movement in deferred originating fees:

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| At beginning of the year | 868,561 | 734,193 |
| Additions | 316,840 | 270,311 |
| Amortisation | (174,340) | (135,943) |
| At end of the year | 1,011,061 | 868,561 |

## 13. DUE FROM/(TO) RELATED ENTITIES

Due from/(to) related entities represent balances held by subsidiaries and other related entities in the ordinary course of business. The balances are unsecured, interest free and due within three months. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. See note 40 for disclosure of other related party transactions and balances.

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Due from related entities: | | | | |
| Due from parent | 645,596 | 235,452 | 293,225 | 150,019 |
| Due from subsidiaries | - | - | 765,690 | 171,439 |
| Due from fellow subsidiaries | 592,980 | 401,707 | 141,397 | 59,462 |
| | 1,238,576 | 637,159 | 1,200,312 | 380,920 |

## 13. DUE FROM/(TO) RELATED ENTITIES (CONT'D)

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Due to related entities: | | | | |
| Due to parent | 99,687 | | 41,104 | |
| Due to subsidiaries | - | - | 27,961 | 193,797 |
| Due to fellow subsidiaries | 172,639 | 17,401 | 13,067 | - |
| | 272,326 | 17,401 | 82,132 | 193,797 |

## 14. OTHER ASSETS

(a) Composition of other assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Margin & other loans receivable (i) | 4,108,827 | 5,005,876 | - | - |
| Due from parent company (ii) | 1,683,095 | 1,000,000 | 1,683,095 | 1,000,000 |
| Interest receivable (i, ii) | 1,574,431 | 1,852,307 | 196,310 | 132,817 |
| Rent receivable | 45,945 | 53,110 | - | - |
| Late fees | 236,488 | 148,233 | - | - |
| Customers' receivable | 370,800 | 269,778 | - | - |
| Sundry receivables and prepayments | 1,847,528 | 1,296,596 | 332,112 | 39,161 |
| | 9,867,114 | 9,625,900 | 2,211,517 | 1,171,978 |
| Less: Allowance for impairment on other assets | ( 772,380) | ( 708,176) | - | - |
| Deferred origination fees | ( 23,003) | ( 47,183) | - | - |
| | 9,071,731 | 8,870,541 | 2,211,517 | 1,171,978 |
| Tax recoverable | 1,516,950 | 1,341,264 | 51,011 | 15,176 |
| Prepayment | 244,258 | 377,709 | - | - |
| | 10,832,939 | 10,589,514 | 2,262,528 | 1,187,154 |

(i) Included in this balance is a loan of $189M from VM Money Transfer Services Limited to VM Group Limited. The loan was issued on June 28, 2024, at a interest rate of 7% per annum and a maturity date of September 30, 2025. Interest receivable on loan at reporting period is $10.1M.

(ii) This represents two loans with parent company of:

I. $1,000,000,000 issued in September 2023 at an interest rate of 12.5% (2023: 12.5%) and a maturity date of March 30, 2028. Interest receivable on loan at reporting period is $196.3M (2023: $132.8M).

II. Loan of $731M issued on November 30, 2024 at a interest rate of 7% per annum. Interest is payable and due at maturity date. The maturity date of the loan is September 30, 2025. The current balance on the loan at reporting date is $683 million.

No ECL expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

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## 14. OTHER ASSETS (CONT'D)

(b) The balances are reflected net of expected credit loss allowances as follows:

| | Group 2024 $'000 | Group 2023 $'000 |
|---|---|---|
| At beginning of the year | 708,176 | 510,126 |
| Increase/(decrease) in allowance | 128,961 | 202,518 |
| Receivable written off | ( 64,757) | ( 4,468) |
| At end of the year | 772,380 | 708,176 |

(c) Movement in deferred origination fees:

| | Group 2024 $'000 | Group 2023 $'000 |
|---|---|---|
| At beginning of the year | 47,183 | 73,755 |
| Additions | 12,294 | 21,589 |
| Amortisation | ( 36,474) | (48,161) |
| At end of the year | 23,003 | 47,183 |

## 15. DEFERRED TAX ASSETS/(LIABILITIES)

(a) Deferred tax assets and liabilities are attributable to the following:

| | Group 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net | |
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| Investment securities | 900,925 | 882,869 | - | - | 900,925 | 882,869 |
| Other receivables | 9,091 | 45,739 | - | - | 9,091 | 45,739 |
| Property, plant and equipment | 599,437 | 425,632 | - | - | 599,437 | 425,632 |
| Loan origination fees | ( 220,258) | - | - | - | (220,258) | - |
| Right of use assets | ( 18,147) | ( 21,914) | - | - | ( 18,147) | ( 21,914) |
| Lease liability | 42,711 | 42,020 | - | - | 42,711 | 42,020 |
| Other liabilities | 77,888 | 66,894 | ( 10,526) | ( 10,793) | 67,362 | 56,101 |
| Tax loss | 540,822 | 50,131 | - | - | 540,822 | 50,131 |
| Employee benefits assets | ( 421,143) | ( 385,383) | - | - | ( 421,143) | ( 385,383) |
| Employee benefits obligation | 316,424 | 248,363 | - | - | 316,424 | 248,363 |
| Unrealised gains on unit in unit trust | ( 26,300) | - | - | - | ( 26,300) | - |
| Unrealised foreign exchange gain/(loss) | 6,998 | 418 | - | - | 6,998 | 418 |
| | 1,808,448 | 1,354,769 | ( 10,526) | ( 10,793) | 1,797,922 | 1,343,976 |

| | Company 2024 $'000 | Company 2023 $'000 |
|---|---|---|
| Other receivables | - | 19,790 |
| Property, plant and equipment | 561 | - |
| Other liabilities | 28,409 | - |
| Tax loss | 126,308 | - |
| | 155,278 | 19,790 |

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

## 15. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

(b) Movement in net temporary differences during the year are as follows:

| | Group 2024 | | | |
|---|---|---|---|---|
| | January 1, 2024 $'000 | Recognised in income $'000 | Recognised in OCI $'000 | December 31, 2024 $'000 |
| Investment securities | 882,869 | 28,454 | ( 10,398) | 900,925 |
| Other receivables | 45,739 | ( 36,648) | - | 9,091 |
| Loan origination fees | - | (220,258) | - | (220,258) |
| Property, plant and equipment | 425,632 | 173,805 | - | 599,437 |
| Right of use assets | (21,914) | 3,767 | - | ( 18,147) |
| Lease liability | 42,020 | 691 | - | 42,711 |
| Other liabilities | 56,101 | 11,261 | - | 67,362 |
| Tax loss | 50,131 | 490,691 | - | 540,822 |
| Employee benefits assets | ( 385,383) | 29,490 | ( 65,250) | ( 421,143) |
| Employee benefits obligation | 248,363 | 11,921 | 56,140 | 316,424 |
| Unrealised gains on units in unit trust | - | ( 26,300) | - | ( 26,300) |
| Unrealised foreign exchange (loss)/gain | 418 | 6,580 | - | 6,998 |
| | 1,343,976 | 473,454 | ( 19,508) | 1,797,922 |

| | Group 2023 | | | |
|---|---|---|---|---|
| | January 1, 2023 $'000 | Recognised in income $'000 | Recognised in OCI $'000 | December 31, 2023 $'000 |
| Investment securities | 683,008 | 262,145 | ( 62,284) | 882,869 |
| Other receivables | 59,606 | ( 13,867) | - | 45,739 |
| Property, plant and equipment | 324,603 | 101,029 | - | 425,632 |
| Right of use assets | ( 18,147) | ( 3,767) | - | ( 21,914) |
| Lease liability | 34,264 | 7,756 | - | 42,020 |
| Other liabilities | 54,290 | 1,811 | - | 56,101 |
| Tax loss | - | 50,131 | - | 50,131 |
| Employee benefits assets | ( 223,803) | ( 15,210) | (146,370) | ( 385,383) |
| Employee benefits obligation | 195,576 | 29,877 | 22,910 | 248,363 |
| Unrealised foreign exchange (loss)/gain | ( 4,413) | 4,831 | - | 418 |
| | 1,104,984 | 424,736 | (185,744) | 1,343,976 |

| | Company 2024 | | |
|---|---|---|---|
| | January 1, 2024 $'000 | Recognised in income $'000 | December 31, 2024 $'000 |
| Other receivables | 19,790 | ( 19,790) | - |
| Property, plant and equipment | - | 561 | 561 |
| Other liabilities | - | 28,409 | 28,409 |
| Tax loss | - | 126,308 | 126,308 |
| | 19,790 | 135,488 | 155,278 |

The Group recognises deferred tax asset based on management's assumption that there will be sufficient future taxable profits against which the assets can be utilised.

Embedded in the Group's strategic framework are specific and timebound action plans, designed at enabling the entities within the Group to pursue and capitalise on growth and profit-making opportunities. Supported by the Group's strong earnings history, the restructured standing of the VM Group will allow the Group to achieve future profit targets.

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
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## 16. EMPLOYEE BENEFITS ASSET/OBLIGATION

The Group operates a defined-benefit plan, under which retirement benefits are calculated by reference to, *inter alia,* final salary. The plan is subject to a triennial actuarial funding valuation, the most recent performed as at December 31, 2022. For purposes of determining the employee benefits 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 | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Employee benefits asset (i) | 1,403,811 | 1,284,611 |
| Other post-employment benefits (ii) | 1,110,400 | 850,800 |

(i) Employee benefits asset

(a) Amount recognised in the statement of financial position

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Present value of funded obligations | (8,321,100) | (7,918,000) |
| Fair value of plan assets | 9,724,911 | 9,202,611 |
| | 1,403,811 | 1,284,611 |

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

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Balance at beginning of year | 7,918,000 | 4,506,500 |
| Benefits paid | ( 337,900) | ( 260,200) |
| Employee contributions (basic and voluntary) | 216,600 | 208,800 |
| Interest cost | 864,500 | 569,400 |
| Service cost | 234,900 | 62,000 |
| Remeasurement (gain)/loss arising from: | | |
| Financial assumptions | ( 575,000) | 2,831,500 |
| Balance at end of year | 8,321,100 | 7,918,000 |

(c) Movement in plan assets

| | | |
|---|---|---|
| Fair value of plan assets at beginning of year | 9,202,611 | 9,109,211 |
| Contributions paid into the plan | 218,000 | 210,300 |
| Benefits paid by the plan | ( 337,900) | ( 260,200) |
| Net interest income on plan assets | 1,005,900 | 1,181,100 |
| Remeasurement loss on assets included in other comprehensive income | ( 363,700) | (1,037,800) |
| Fair value of plan assets at end of year | 9,724,911 | 9,202,611 |

## 16. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(i) Employee benefits asset (cont'd)

(c) Movement in plan assets (cont'd)

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Plan assets consist of the following: | | |
| Equity securities | 3,697,000 | 3,382,000 |
| Government securities | 3,228,000 | 3,387,300 |
| Real estate fund | 2,162,000 | 1,965,500 |
| Other assets | 637,911 | 467,811 |
| | 9,724,911 | 9,202,611 |

(d) (Credit)/charge recognised in the income statement, net

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Service costs | 234,900 | 62,000 |
| Interest on obligation | 864,500 | 569,400 |
| Interest on effect of asset ceiling | - | 501,400 |
| Net interest income on plan assets | (1,005,900) | (1,181,100) |
| | 93,500 | ( 48,300) |

(e) (Credit)/charge recognised in other comprehensive income, net

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Remeasurement gain on obligations | ( 575,000) | 2,831,500 |
| Remeasurement gain on assets | 363,700 | 1,037,800 |
| Change in effect of asset ceiling | - | (4,358,100) |
| | ( 211,300) | ( 488,800) |

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

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | % | % |
| Discount rate at December 31 | 9.5 | 11.0 |
| Future salary increases | 9.5 | 11.0 |
| Future pension increases | 4.0 | 6.0 |

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

## 16. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(i) Employee benefits asset (cont'd)

(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 | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| | 1% point increase $'000 | 1% point decrease $'000 | 1% point increase $'000 | 1% point decrease $'000 |
| Financial assumptions | | | | |
| Discount rate | (1,044,000) | 1,352,000 | (1,013,000) | 1,313,300 |
| Rate of salary escalation | 766,000 | ( 658,000) | 448,700 | ( 387,600) |
| Future rate of pension | 469,000 | ( 405,000) | 742,800 | 638,900 |

(h) The Group expects to pay $1,600,000 (2023: $1,600,000) in contributions to the defined-benefit plan in 2025.

(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.

(a) Movement in present value of defined benefit obligation

| | Group | |
|---|---|---|
| | 2024 $'000 | 2023 $'000 |
| Present value of obligation at the start of the year | 850,800 | 704,600 |
| Interest cost | 91,600 | 89,500 |
| Current service cost | 26,200 | 13,900 |
| Benefits paid | ( 37,800) | ( 34,300) |
| Remeasurement loss arising from: | | |
| Financial assumptions | 179,600 | 77,100 |
| | 1,110,400 | 850,800 |

(b) Charge recognised in the income statement

| | Group | |
|---|---|---|
| | 2024 $'000 | 2023 $'000 |
| Interest cost | 91,600 | 89,500 |
| Current service cost | 26,200 | 13,900 |
| | 117,800 | 103,400 |

## 16. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

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

(c) Items in other comprehensive income

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Remeasurement loss on obligation | 179,600 | 77,100 |

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

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | % | % |
| Financial assumptions: | | |
| Discount rate | 9.5 | 11.0 |
| Medical claims growth | 8.0 | 8.0 |

Statistical assumptions:

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining life expectancy of an individual retiring at age 65 is 21 years for males and 26 years for females.

(e) Sensitivity to changes in financial assumptions

A one 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 | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| | 1% point increase | 1% point decrease | 1% point increase | 1% point decrease |
| | $'000 | $'000 | $'000 | $'000 |
| Medical cost trend rate and rate of salary escalation | 174,200 | ( 139,100) | 115,000 | ( 92,800) |
| Discount rate | (137,100) | 173,200 | ( 90,200) | 112,300 |

## 17. INTEREST IN SUBSIDIARIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Shares, at cost [see note 1(b)] | - | - | 24,462,602 | 24,462,602 |

## 18. INTEREST IN ASSOCIATES

(a) The carrying amount of interest in associated companies represents the cost of shares acquired and the Group's share of post-acquisition reserves in British Caribbean Insurance Company Limited (BCIC), Carilend Caribbean Holdings Limited and Kingston Properties Limited (KPREIT) as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Shares, at cost | 3,816,619 | 3,536,211 | 2,230,624 | 1,816,951 |
| Share of post – acquisition comprehensive income less dividends | 1,053,844 | 1,205,088 | - | - |
| | 4,870,463 | 4,741,299 | 2,230,624 | 1,816,951 |

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

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| British Caribbean Insurance Company Limited | 262,078 | 277,750 |
| Kingston Properties Limited (KPREIT) | 193,370 | 164,411 |
| | 455,448 | 442,161 |

(c) The following table summarises the financial information of BCIC. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in this associate.

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Percentage ownership interest | 44.17% | 44.45% |
| Assets | 17,153,972 | 30,625,158 |
| Liabilities | (11,203,926) | (24,789,547) |
| Net assets (100%) | 5,950,046 | 5,835,611 |
| Proportionate share of BCIC net assets | 2,628,135 | 2,593,929 |
| Intangible assets recognised on acquisition - | | |
| Trade name and customer relationships | 202,016 | 317,743 |
| Goodwill | 110,367 | 110,367 |
| Carrying amount of interest in BCIC | 2,940,518 | 3,022,039 |

## 18. INTEREST IN ASSOCIATES (CONT'D)

(c) (Cont'd)

| | Group 2024 $'000 | Group 2023 $'000 |
|---|---|---|
| Revenue | 21,695,945 | 17,039,256 |
| Profit for the year | 593,340 | 624,859 |
| Other comprehensive loss, net of tax | ( 56,332) | 43,534 |
| Total comprehensive income | 537,008 | 668,393 |
| Group's share of profit of year | 262,078 | 277,750 |
| Share of other comprehensive loss | ( 24,882) | 19,351 |
| Group's share of total comprehensive income | 237,196 | 297,101 |
| Dividend | 829,197 | - |
| Group share dividend | 309,901 | - |

The balances used for BCIC in the prior reporting period were provisional and thus the amounts presented then were on a provisional basis. During the year, the purchase price allocation (PPA) was completed for BCIC. Consequently, there was no update to the carrying value previously reported. The only impact was to split goodwill from intangible asset.

(d) The following table summarises the financial information of Carilend. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in this associate.

| | Carilend 2024 $'000 |
|---|---|
| Percentage ownership interest | 30% |
| Assets | 1,329,135 |
| Liabilities | (1,795,780) |
| Net Liabilities (100%) | ( 466,645) |
| Proportionate share of net liabilities | ( 139,994) |
| Carrying amount of interest in associate | 54,863 |
| Revenue | 321,630 |
| Profit for the year and total comprehensive income | 109,143 |
| Impairment reversal | 54,638 |

The interest in Carilend for 2023 is not considered material for similar disclosure.

The total of the unrecognised share of losses of the associate since the entity became an associate in August 2019 is $105,042,666 (2023: $105,042,666). In addition, the share of profits of $32,743,000 for the year will not be recognised until the previously unrecognised share of losses have been fully absorbed.

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
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## 18. INTEREST IN ASSOCIATES (CONT'D)

(e) The following table summarises the financial information of KPREIT. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in this associate.

| | Group | |
|---|---|---|
| | 2024 $'000 | 2023 $'000 |
| Percentage ownership interest in KPREIT | 23% | 23% |
| Non-current assets | 12,550,102 | 10,322,387 |
| Current assets | 924,396 | 623,920 |
| Total assets | 13,474,498 | 10,946,307 |
| Non-current liabilities | ( 4,824,510) | ( 3,221,889) |
| Current liabilities | ( 587,778) | ( 338,927) |
| Total liabilities | ( 5,412,288) | ( 3,560,816) |
| Net Assets (100%) | 8,062,210 | 7,385,491 |
| Proportionate share of KPREIT net assets | 1,854,309 | 1,698,664 |
| Goodwill and intangible asset recognised on acquisition | 20,774 | 20,596 |
| Carrying amount of interest in KPREIT | 1,875,083 | 1,719,260 |
| Revenue | 1,474,158 | 1,083,830 |
| Group's share of profit from continuing operations | 840,737 | 714,832 |
| Share of profit from continuing operations | 193,370 | 164,411 |

The fair value of the interest in KPREIT indicated by its quoted price on the Jamaica Stock Exchange as at December 31, 2024 was J$1,921,939,000 (2023: J$1,637,208,000).

The financial statements of KPREIT are denominated in United States dollars.

(f) The following table provides a movement in the carrying value of BCIC, KPREIT and Carilend

| | BCIC | | KPREIT | | Carilend | |
|---|---|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| At beginning of year | 3,022,039 | 2,096,763 | 1,719,260 | 1,576,198 | - | - |
| Acquisition/(disposal) | ( 8,816) | 628,175 | - | - | - | - |
| Impairment loss reversal | - | - | - | - | 54,638 | - |
| Share of profit | 262,078 | 277,750 | 193,370 | 164,411 | - | - |
| Share of OCI | ( 24,882) | 19,351 | - | - | - | - |
| Foreign currency adjustment | - | - | 14,647 | 37,772 | 225 | - |
| Dividends | ( 309,901) | - | ( 52,195) | ( 59,121) | - | - |
| At end of year | 2,940,518 | 3,022,039 | 1,875,082 | 1,719,260 | 54,863 | - |

## 19. INTANGIBLE ASSETS

| | Group | | | | |
|---|---|---|---|---|---|
| | Goodwill<br>$'000 | Access rights<br>$'000 | Computer software<br>$'000 | Work in progress<br>$'000 | Total<br>$'000 |
| **Cost** | | | | | |
| December 31, 2022 | 609,214 | - | 3,953,911 | 1,311,095 | 5,874,220 |
| Additions | - | - | 15,673 | 502,841 | 518,514 |
| Transfers from property, plant and equipment | - | - | 104,684 | ( 53,373) | 51,311 |
| December 31, 2023 | 609,214 | - | 4,074,268 | 1,760,563 | 6,444,045 |
| Additions | - | 56,017 | 2,812 | 398,292 | 457,121 |
| Disposal | - | - | ( 53,692) | - | ( 53,692) |
| Transfers from WIP | | - | 594,175 | ( 594,175) | - |
| Write-off | - | - | - | ( 48,727) | ( 48,727) |
| December 31, 2024 | 609,214 | 56,017 | 4,617,563 | 1,515,953 | 6,798,747 |
| **Amortisation** | | | | | |
| December 31, 2022 | - | - | 2,508,688 | - | 2,508,688 |
| Charge for the year | - | - | 580,884 | - | 580,884 |
| Transfers from property, plant and equipment | - | - | 4,094 | - | 4,094 |
| December 31, 2023 | - | - | 3,093,666 | - | 3,093,666 |
| Charge for the year | - | 2,801 | 465,996 | - | 468,797 |
| Eliminated on disposal | - | - | ( 33,112) | - | ( 33,112) |
| December 31, 2024 | - | 2,801 | 3,526,550 | - | 3,529,351 |
| **Carrying value** | | | | | |
| December 31, 2024 | 609,214 | 53,216 | 1,091,013 | 1,515,953 | 3,269,396 |
| December 31, 2023 | 609,214 | - | 980,602 | 1,760,563 | 3,350,379 |

Goodwill comprises the excess of cost over fair value of the net assets of VM Pensions Management Limited acquired in 2013. In testing goodwill for impairment, the recoverable amount of the cash-generating unit is estimated based on value-in-use. Where the recoverable amount exceeds the carrying amount, no impairment allowance is made. The recoverable amount of the cash-generating unit is arrived at by estimating the future cash flows and discounting those cash flows using long-term discount rates applicable to Jamaica.

Future sustainable cash flows are estimated based on the most recent projections, after taking account of past experience. The cash flow projections include specific estimates for each of the five years following the reporting date, and a terminal value thereafter. These annual estimates and the terminal value are calculated using an assumed growth rate.

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

| | Group | |
|---|---|---|
| | 2024<br>% | 2023<br>% |
| Discount rate | 14.3% | 14.2% |
| Growth rate | 1.6% | 1.5% |

## 20. INVESTMENT AND FORECLOSED PROPERTIES

| | Group | | |
|---|---|---|---|
| | Investment properties $'000 | Foreclosed properties $'000 | Total $'000 |
| **Cost** | | | |
| December 31, 2022 | 562,439 | 27,186 | 589,625 |
| Additions | 24,419 | 16,867 | 41,286 |
| Disposal | ( 68,955) | ( 16,868) | ( 85,823) |
| December 31, 2023 | 517,903 | 27,185 | 545,088 |
| Additions | - | 122,642 | 122,642 |
| Disposal | - | (110,020) | (110,020) |
| December 31, 2024 | 517,903 | 39,807 | 557,710 |
| **Depreciation** | | | |
| December 31, 2022 | 46,254 | 27,186 | 73,440 |
| Change for year | 2,226 | 3,383 | 5,609 |
| Eliminated on disposals | ( 4,991) | ( 3,497) | ( 8,488) |
| December 31, 2023 | 43,489 | 27,072 | 70,561 |
| Change for year | 1,357 | 2,118 | 3,475 |
| Eliminated on disposals | - | ( 29,263) | ( 29,263) |
| December 31, 2024 | 44,846 | ( 73) | 44,773 |
| **Net book values** | | | |
| December 31, 2024 | 473,057 | 39,880 | 512,937 |
| December 31, 2023 | 474,414 | 113 | 474,527 |

The fair values of properties were determined, in the case of properties acquired by way of foreclosure, by several different approved qualified independent property valuers, having appropriate recognised professional qualifications and recent experience in the locations and categories of the property being valued, and, in the case of investment properties, by management. This fair value measurement has been categorised as Level 3, based on the inputs to the valuation techniques used.

(a) Reconciliation of opening to closing fair value

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2022 $'000 | Additions $'000 | Disposal $'000 | 2023 $'000 | Additions $'000 | Disposal $'000 | 2024 $'000 |
| Investment properties | 1,699,104 | 24,906 | (898,000) | 826,010 | - | (136,104) | 689,906 |
| Foreclosed properties | 568,076 | - | ( 16,868) | 551,208 | 150,000 | (520,708) | 180,500 |
| | 2,267,180 | 24,906 | (914,868) | 1,377,218 | 150,000 | (656,812) | 870,406 |

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

## 20. 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.

(c) Amounts recognized in profit or loss

The property rental income earned by the Group from investment properties that are leased under operating leases amounted to $32.1 million (2023: $38.6 million). Direct operating expenses, arising from the investment property that generated rental income during the year, amounted to $83.8 million (2023: $148.9 million).

## 21. PROPERTY, PLANT AND EQUIPMENT

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Right-of-use on leasehold properties $'000 | Freehold land and buildings $'000 | Office furniture and equipment $'000 | Motor vehicles $'000 | Work in progress $'000 | Total $'000 |
| **Cost** | | | | | | |
| December 31, 2022 | 576,907 | 1,257,277 | 3,130,610 | 53,225 | 858,673 | 5,876,692 |
| Translation adjustment | - | ( 3,401) | - | - | - | ( 3,401) |
| Additions | 4,943 | ( 4,943) | 132,708 | - | 262,158 | 394,866 |
| Disposals | ( 15,462) | ( 566) | ( 102,901) | - | - | ( 118,929) |
| Transfers from work in progress | - | - | ( 45,843) | - | ( 5,468) | ( 51,311) |
| December 31, 2023 | 566,388 | 1,248,367 | 3,114,574 | 53,225 | 1,115,363 | 6,097,917 |
| Additions | 75,608 | 4,056 | 71,692 | 189 | 88,399 | 239,944 |
| Disposals | - | ( 628,955) | ( 173,298) | ( 165) | ( 146,637) | ( 949,055) |
| Transfers from work in progress | - | 317,875 | 337,776 | - | ( 655,651) | - |
| December 31, 2024 | 641,996 | 941,343 | 3,350,744 | 53,249 | 401,474 | 5,388,806 |
| **Depreciation** | | | | | | |
| December 31, 2022 | 209,195 | 259,719 | 2,128,192 | 18,252 | - | 2,615,358 |
| Charge for year | 75,651 | 55,001 | 195,468 | 10,528 | - | 336,648 |
| Transfer to intangible asset | - | - | ( 4,093) | - | - | ( 4,093) |
| Elimination on disposal | - | ( 341) | ( 87,485) | - | - | ( 87,826) |
| December 31, 2023 | 284,846 | 314,379 | 2,232,082 | 28,780 | - | 2,860,087 |
| Charge for year | 64,271 | 271,519 | 218,812 | 10,259 | - | 564,861 |
| Elimination on disposal | - | ( 310,863) | ( 116,347) | ( 165) | - | ( 427,375) |
| December 31, 2024 | 349,117 | 275,035 | 2,334,547 | 38,874 | - | 2,997,573 |
| **Net book values** | | | | | | |
| December 31, 2024 | 292,879 | 666,308 | 1,016,197 | 14,375 | 401,474 | 2,391,233 |
| December 31, 2023 | 281,170 | 933,988 | 882,492 | 24,445 | 1,115,363 | 3,237,830 |

## 22. REGULAR SAVINGS

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Regular savings | 142,465,794 | 135,320,202 |
| Deferred shares | 147,570 | 335,513 |
| | 142,613,364 | 135,655,715 |

On February 1, 2023, the right of the savers was transferred from the building society subsidiary to VM Group Limited under the Restructuring arrangement. This means that General investment ('B') and ('C') shares were converted to regular savings accounts.

Regular savings are accounts for which the building society subsidiary does not have rights to notice of withdrawal. They also include amounts which mature on a specified date and are generally term deposits.

Deferred shares are paid up capital, interest bearing and an original term to maturity of five (5) years or more.

Included in Regular savings are accounts with the following maturity profile:

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| On demand to 3 months | 104,010,373 | 99,941,375 |
| Three to 12 months | 37,247,793 | 33,099,947 |
| Over 12 months | 1,355,198 | 2,614,393 |
| | 142,613,364 | 135,655,715 |

## 23. DEPOSITORS' SAVINGS

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| On demand to 3 months | 1,311,568 | 1,264,552 |
| Over 12 months | 9,154,700 | 5,703,346 |
| Due to depositors | 10,466,268 | 6,967,898 |

## 24. DUE TO SPECIALISED INSTITUTION

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Conventional mortgage loans | 1,885,305 | 1,938,931 |

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

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

## 25. OTHER LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Deposits – private treaty sales | 70,417 | 2,286 | - | - |
| Customers' and clients' funds | 3,726,637 | 2,717,616 | - | - |
| Accrued expenses | 1,455,308 | 888,313 | 281,192 | 147,551 |
| Other payables | 1,595,964 | 1,693,052 | 256,926 | 1,294 |
| | 6,848,326 | 5,301,267 | 538,118 | 148,845 |

## 26. REPURCHASE AGREEMENTS

The Group sells government and corporate securities, or interests therein, and agrees to repurchase them on specified dates and at specified prices prior to their maturity ("repurchase agreements").

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Denominated in Jamaica dollars | 4,979,798 | 9,342,511 |
| Denominated in United States dollars | 9,435,779 | 6,780,570 |
| Denominated in Sterling | 292,848 | 225,802 |
| | 14,708,425 | 16,348,883 |

Securities obtained under resale agreements and certain investments (see notes 10 and 11) and interest accrued thereon are pledged as collateral for repurchase agreements. These financial instruments have a fair value of $15,213,562,000 (2023: $17,517,970,428) for the Group.

## 27. OTHER BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Deferred shares (note 22) | 1,684,060 | 2,398,619 | - | - |
| Bank facility (i) | 761,198 | 4,610,386 | - | - |
| Fixed and variable rate bonds (ii), (iii), | 8,264,645 | 7,666,438 | - | - |
| Preference shares (iv) | 10,444,422 | 10,773,277 | 11,020,849 | 11,024,010 |
| Corporate loans (v), (vi) | 1,950,000 | - | 1,712,600 | - |
| | 23,104,325 | 25,448,720 | 12,733,449 | 11,024,010 |

## 27. OTHER BORROWINGS (CONT'D)

The following tables show reconciliations from the opening balances to the closing balances for other borrowings

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Balance as at 1 January | 25,448,720 | 16,835,550 |
| Proceeds from other borrowings | 3,928,595 | 20,526,635 |
| Repayments of borrowings | ( 6,264,292) | (11,783,450) |
| | 23,113,023 | 25,578,735 |
| Other changes: | | |
| Capital borrowings costs | ( 8,698) | ( 130,015) |
| Balances as at 31 December | 23,104,325 | 25,448,720 |

| | Company | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Balance as at 1 January | 11,024,010 | - |
| Proceeds from other borrowings | 1,712,600 | 11,048,020 |
| | 12,736,610 | 11,048,020 |
| Other changes: | | |
| Capital borrowings costs | ( 3,161) | ( 24,010) |
| Balances as at 31 December | 12,733,449 | 11,024,010 |

(i) These loans are comprised of the following:

I. A revolving facility agreement with a major UK bank to provide external funding for the UK subsidiary lending business. The maximum facility amount is GBP$30,000,000 (JMD$5,825,625,000) of which Nil [2023: GBP$16,000,000 (JMD$3,107,000,000)] had been drawn down as at December 31, 2024. The balance of $3.1B from the prior year was repaid during the current reporting period.

II. Three loans from the Development Bank of Jamaica received by VM Investments Ltd. during 2023 for the total of $560,000,000. The loans are broken down as follows:

- $50,000,000 with a maturity period of 4 years with an interest rate of 10.99%
- $300,000,000 with a maturity period of 1 year with an interest rate of 9%. This loan was repaid during the year.
- $210,000,000 with a maturity period of 1 year with an interest rate of 9%. This loan was repaid during the year.

## 27. OTHER BORROWINGS (CONT'D)

(i) These loans are comprised of the following (cont'd):

II (Cont'd)

The last two loans received in 2021 and 2022 are as follows:

- $550,000,000 received in October 2021, with a maturity period of 5 years with monthly interest payments and an initial two -year principal payment moratorium.
- $750,000,000 received in November 2022 with a maturity period of 5 years attracting an interest rate of 7.5% per annum.

(ii) These are comprised of fixed and variable rate unsecured bonds issued by the company. Two bonds were issued in 2024 from a J$721 million bond issue. Of this amount, J$513 million was reinvested from maturing bonds, with net proceeds aggregating $208 million. The J$721 million bonds issue less the transactional costs were as follows:

- $229,640,000 Tranche A – $228,778,000 variable rate 10.00% plus 90 days WATBY with a maturity date of April 1, 2027.
- $251,500,000 Tranche B – $250,871,000 fixed rate 11.50% with a maturity date of October 1, 2025.
- $189,726,000 Tranche A – $188,962,000 variable rate 10.00% plus 90 days WATBY with a maturity date of June 30, 2027.
- $2,000,000 Tranche A(ii) – $2,000,000 fixed rate 10.00 with a maturity date of June 30, 2027.
- $48,168,000 Tranche B – $47,966,000 fixed rate 10.75% with a maturity date of June 30,2027.

Funds of J$1,454,632,000, net of transaction costs, were received from an initial public offering in December 2024 from a J$5.43 billion bond issue. The J$5,433,466,000 bond was closed on January 10, 2025 as follows:

- Tranche D – $2,031,730,000 fixed rate 9.75% with a maturity date of June 27, 2026.
- Tranche E – $1,928,253,000 fixed rate 10.00% with a maturity date of December 27, 2026.
- Tranche F–$1,473,983,000 variable rate 10.50% (plus 90 days WATBY) with a maturity date of December 27, 2027.

Bonds totalling J$1.12 billion were redeemed during the year. The maturing bonds in December 2024 were extended to January 29, 2025 to participate in the J$5.43 billion bond which closed on January 10, 2025.

(iii) This represents short to medium term debt obligations of the building society subsidiary. These loans mature within 12 months and attracts annual interest rates of 7.5% (2023: 9.5%). The Society made repayments of $480M and received proceeds of J$1.3B.

**27. OTHER BORROWINGS (CONT'D)**

(iv) On April 28, 2023 VM Financial Group Limited the Company issued three classes of preference shares at a price of J$100 per share for an aggregate subscription of $11,000,000,000. The features of each class of preference shares are shown in table below.

| **Class** | **Coupon rate per annum** | **Dividend payments** | **Tenor** | **Allotment value** |
|---|---|---|---|---|
| Fixed Rate Class A | 10% | Cumulative/ Quarterly | 36 months | 7,000,000,000 |
| Floating Rate Class B | Government of Jamaica (GOJ) 3 month weighted average Treasury Bill yield +3% | Cumulative/ Quarterly | 24 months | 2,000,000,000 |
| Floating Rate Class C | (60) first 24 months after issue at 12.50%. thereafter GOJ 3 month weighted average Treasury bill yield +3% | Cumulative/ Quarterly | 60 months | 2,000,000,000 |

The significant terms and conditions of the preference shares are as follows:

(i) The right to a cumulative preferential dividend payable monthly at a rate agreed for each class.
(ii) The right, on winding up, to receive all arrears of dividend and repayment of capital in priority to the ordinary stockholders; and
(iii) No right to vote, except where dividends are not paid for twelve months or on winding up of the Company.

(v) These are comprised of the following for the Company:

**I.** On March 28, 2024, the VM Financial Group Limited the Company obtained a loan of $762.6 million from its subsidiary VM Investments Limited. The loan bears interest at a fixed rate of 10.5% per annum. Interest is payable quarterly and principal balance is due on maturity date of March 24, 2026. The loan is secured by a promissory note. This loan was used to fund the acquisition of 30% interest in Carilend [1 (c) (ii)].

**II.** On September 27, 2024, the VM Financial Group Limited the Company obtained a loan of $ 200 million from VM Real Estate Holdings Limited. VM Real Estate Holdings Limited is wholly owned by VM Innovations Limited, a subsidiary of VM Group Limited. The loan bears interest at a fixed rate of 7% per annum. Interest and principal balance is due on maturity date of September 26, 2025. The loan is secured by a promissory note.

**III.** On October 28, 2024, the VM Financial Group Limited the Company obtained a loan of $ 750 million from JMMB Bank (Jamaica) Limited. The loan bears interest at a fixed rate of 9.50% per annum. Interest and principal balance is due on maturity date of October 28,2025. The loan is secured by a promissory note.

## 27. OTHER BORROWINGS (CONT'D)

(vi) On June 6, 2024, Victoria Mutual Finance Limited a subsidiary of VM Financial Group Limited obtained a loan of $ 1 billion from VM Real Estate Holdings Limited. VM Real Estate Holdings Limited is wholly owned by VM Innovations Limited, a subsidiary of VM Group Limited. The loan bears interest at a fixed rate of 10.6% per annum. Interest and principal balance is due on maturity date of June 6, 2025. The loan is unsecured.

## 28. LEASES – IFRS 16

The Group leases office space and commercial space. The leases typically run for a period of five years, with options to renew. Right-of-use of assets are presented as leasehold properties and property, plant and equipment (see note 21). Information about lease liabilities for which Group is a lessee is presented below.

Maturity analysis – contractual undiscounted cash flows:

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Less than one year | 86,930 | 90,087 |
| One to five years | 261,923 | 259,534 |
| More than five years | 175,193 | 93,891 |
| | 524,046 | 443,512 |
| Carrying amount of lease liabilities: | | |
| Current | 56,011 | 65,747 |
| Non-current | 288,527 | 275,707 |
| | 344,538 | 341,454 |

(a) Amounts recognised in profit or loss

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Leases under IFRS 16: | | |
| Interest on lease liabilities | 36,739 | 34,516 |

(b) Amounts recognised in statement of cash flows:

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Lease interest payments | 36,739 | 34,516 |
| Lease principal payments | 56,299 | 79,102 |
| Total cash outflow for leases | 93,038 | 113,618 |

## 28. LEASES – IFRS 16 (CONT'D)

(c) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options and reassesses this conclusion if there is a significant event or significant changes in circumstances within its control.

At commencement date the Group includes the lease liability for extension options which it is reasonably certain to exercise.

(d) Reconciliation of movements of lease obligations to cash flow arising from financing activities.

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Balance at beginning of the year | 341,454 | 417,348 |
| Additions | 96,122 | 37,724 |
| Lease payments | ( 56,299) | ( 79,102) |
| Lease interest expense | ( 36,739) | ( 34,516) |
| Balance at the end of year | 344,538 | 341,454 |

(e) Leases as lessor

The Group leases out investment property consisting of commercial properties. All leases are classified as operating leases from a lessor perspective. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date.

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| One to two years | 7,307 | 83,312 |
| Two to three years | 10,732 | 36,620 |
| Three to four years | 8,695 | 13,015 |
| Four to five years | 7,926 | 13,015 |
| More than five years | - | 4,658 |
| | 34,660 | 150,620 |

## 29. SHARE CAPITAL

| | Group and Company | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Stated: | | |
| Authorised, issued and fully paid | | |
| 1,263,479,116 (2023: 1,263,479,116) ordinary shares | 17,424,846 | 17,424,846 |

## 29. SHARE CAPITAL (CONT'D)

The share capital of the company was determined by the court approved Scheme of Arrangement effective February 1, 2023 which allowed for the cancellation of the shares in each subsidiary (see note 1) and the issuance of new shares in each subsidiary of the Company.

## 30. RESERVES

(i) Reserve fund

The Banking Services Act and Regulations require the Victoria Mutual Building Society to transfer at least 15% of its net profit after income tax each year to the reserve fund until the reserve equals fifty percent of its paid up capital, and thereafter, 10% of its net profit each year, until the amount at the credit of the reserve fund is equal to the paid-up capital of the institution. and its deferred shares (note 22).

(ii) Retained Earnings reserve

The Regulations permit the Victoria Mutual Building Society to transfer a portion of its profits to a retained earnings reserve, which constitutes a part of the capital base. Transfers of profits to the retained earnings reserve are made at the discretion of the Directors, but must be communicated to the Bank of Jamaica to be effective.

As per page 34, Section 4.57 (c) (ii) of the Scheme of Arrangement approved by the Court, Bank of Jamaica and members at the Members' Meeting held August 9, 2023, the liability in the Statement of Financial Position represented by 15-year Dormant Accounts amounting to $1,200,000,000, was extinguished and transferred to the Retained Earnings Reserve.

A register has been established of the members of the Victoria Mutual Building Society comprising these dormant accounts aged 15 years and older. If any such member shall thereafter make contact with the Victoria Mutual Building Society, the account will be re-activated and will be accorded full membership rights to title and interest in the restored account in the same manner as if the account were never extinguished. In addition, it represents in the non-financial group $200,002,000 that was transferred to the parent company.

(iii) Non-distributable reserve

This represents the transfer of net accumulated remeasurement gains on the Group's employee benefits assets and obligations.

(iv) Credit facility reserve

Credit facility reserve represents provisions for loan losses required under the Building Societies Act in excess of the requirements of IFRS [see note 12(c)].

(v) Investment revaluation reserve

Investment revaluation reserve represents cumulative unrealised gains, net of losses, arising from the changes in fair value of investments measured at fair value through other comprehensive income until the investment is derecognised or impaired.

(vi) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in foreign operations.

## 31. MANAGEMENT FUNDS AND CUSTODIAL ARRANGEMENTS

VM 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, 2024, these funds amounted to $37,408,507,000 (2023: $33,162,493,000). Additionally, at December 31, 2024, there were custodial arrangements for assets totalling $55,268,097,000 (2023: $25,231,703,000).

VM Pensions Management Limited is responsible for funds under management in respect of segregated and pooled pension funds. Total value of pension assets under management at December 31, 2024 is $70,000,000,000 (2023: $62,800,000,000).

## 32. NON-CONTROLLING INTEREST

The following table summarises information relating to the Group's material non-controlling interest (NCI) in VMIL, before any intra-group eliminations:

(a) Statement of financial position

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Total assets | 30,455,151 | 29,506,794 |
| Total liabilities | (27,329,595) | (27,006,585) |
| Net assets | 3,125,556 | 2,500,209 |
| Carrying amount of NCI | 625,111 | 500,042 |
| NCI percentage | 20% | 20% |

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

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| Revenue | 4,151,052 | 3,532,565 |
| Profit | 555,722 | 198,843 |
| Other comprehensive gain /(loss) | 197,125 | ( 137,205) |
| Total comprehensive income/ | 752,847 | 61,638 |
| Group's share of total comprehensive income | 602,278 | 49,310 |
| Profit allocated to NCI | 111,144 | 39,769 |
| Other comprehensive income/(loss) allocated to NCI | 39,425 | ( 27,441) |
| Total comprehensive income allocated to NCI | 150,569 | 12,328 |
| Dividend paid [ see note 43] | ( 25,500) | - |

## 32. NON-CONTROLLING INTEREST (CONT'D)

| | Group | |
|---|---|---|
| | 2024 | 2023 |
| | $'000 | $'000 |
| (a) Statement of cash flows | | |
| Cash flows from/(used) in operating activities | 312,557 | (3,290,914) |
| Cash flows from investment activities | 605,002 | 317,926 |
| Cash flows (used)/from financing activities | ( 328,285) | 2,651,527 |
| Net increase /(decrease) in cash and cash equivalents | 589,274 | ( 321,461) |

## 33. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Definition and measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In measuring fair value of an asset or liability, where a quoted market price is available, fair value is computed by the Group using the quoted bid price at the reporting date, without any deduction for transaction costs or other adjustments. Where a quoted market price is not available, fair value is computed using alternative techniques making use of observable data as far as possible. Fair values are categorised into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable. The different levels in the hierarchy have been defined as follows:

Level 1 Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

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.

## 33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Valuation techniques for investment securities classified as Level 2 and level 3 financial instruments are noted below:

| Type | Valuation techniques | Significant Unobservable input | Range of estimates (weighted average) for unobservable input | Fair value measurement sensitivity to unobservable inputs |
|---|---|---|---|---|
| J$ denominated securities issued or guaranteed by the Government of Jamaica and Bank of Jamaica. | • Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids);<br>• Using this yield, determine price using accepted formula; and<br>• Apply price to estimate fair value. | • There are no significant unobservable inputs | | |
| US$ denominated Government of Jamaica securities, Foreign government securities, public sector securities, deferred shares and corporate bonds. | • Obtain bid price provided by a recognised broker/dealer, namely, Oppenheimer; and<br>• Apply price to estimate fair value. | • There are no significant unobservable inputs | | |
| Units in unit trust funds | • Obtain prices quoted by unit trust managers; and<br>• Apply price to estimate fair value. | • Net asset value | • Investment based | • A significant increase in the expected cash flows would result in a high fair value. |
| Unquoted equities | • Discounted cash flow | • Expected net cash flows derived from the entity | • Investment based | • A significant increase in the expected cash flows would result in a higher fair value. |
| Convertible preference shares | • Fair value determined by discounting the future expected cashflows using the after-tax cost of debt of 9.85% (2023: 10.36%, as previously reported) | • Risk-adjusted discount rate<br>• Expected net cash flows derived from the entity | • Spread of 5.83% (2023: 7.85%) above risk-free interest rate. | • A significant increase in the spread above the risk-free rate would result in a lower fair value. |
| Call options | • Applying the Black Scholes merton formula | | • Investment based | A significant increase in the expected cash flows would result in a higher fair value. |

## 33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Accounting classifications and fair values

- The fair value of cash and bank balances and other assets is assumed to approximate to carrying amount. These securities are classified in Level 2.
- The carrying values of due to specialised institutions, other borrowings, repurchase agreements and lease liabilities approximate to their fair values as these liabilities are carried at amortised cost, reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.
- The fair values of regular savings and depositor's savings with no specific maturity are considered to be the amount payable on demand as at the reporting date; the fair values of fixed-term interest bearing deposits are based on discounted cash flows using interest rates for new deposits. These securities are classified in Level 2.
- The fair value of fixed rate loans is estimated by comparing actual interest rates on the loans to current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, and the impact of credit risk is recognised separately. The fair values are estimated using discounted cash flow analysis with current market rates.

(d) Level 3 fair value

In respect of Level 3 instruments, the group recognised in the profit or loss, total gains of $371,705,000 (2023: $301,849,000) as a result of the effects of fair value and foreign exchange rate movements.

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

| | Group | | |
|---|---|---|---|
| | Convertible preference shares<br>$'000 | Unquoted equities<br>$'000 | Total<br>$'000 |
| Balance at 1 January 2023 | - | 81,250 | 81,250 |
| Additions | 435,276 | - | 435,276 |
| Disposal | - | ( 4,068) | ( 4,068) |
| Net change in fair value | 301,849 | - | 301,849 |
| Effect of changes in foreign exchange | 15,472 | 137 | 15,609 |
| Balance at 31 December 2023 | 752,597 | 77,319 | 829,916 |
| Additions | 220,157 | - | 220,157 |
| Disposal | (532,319) | - | (532,319) |
| Recognition of call option | 360,903 | - | 360,903 |
| Effect of changes in foreign exchange | 5,506 | 40 | 5,546 |
| Balance at 31 December 2024 | 806,844 | 77,359 | 884,203 |

## 33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(e) The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy.

| | | Group 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | Fair value | | | |
| | Note | FVOCI | Fair value through profit or loss | Amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | | | | | | |
| Cash | | - | - | 14,367,849 | 14,367,849 | - | 14,367,849 | - | 14,367,849 |
| Balances with Central Bank | | - | - | 1,553,933 | 1,553,933 | - | 1,553,933 | - | 1,553,933 |
| Resale Agreement | 11 | - | - | 3,672,217 | 3,672,217 | - | 5,933,479 | - | 5,933,479 |
| Other assets | | - | - | 9,867,114 | 9,867,114 | - | 9,867,114 | - | 9,867,114 |
| Government of Jamaica | 9 | 20,833,637 | - | 3,298,058 | 24,131,695 | - | 24,131,695 | - | 24,131,695 |
| Preference shares | 10 | - | 806,844 | 338,435 | 1,145,279 | - | 338,435 | 806,844 | 1,145,279 |
| Ordinary shares - quoted | 10 | 678,302 | 1,945,815 | - | 2,624,117 | 2,624,117 | - | - | 2,624,117 |
| Ordinary shares - unquoted | 10 | 39 | 77,320 | - | 77,359 | - | - | 77,359 | 77,359 |
| Bonds | 10 | 10,442,827 | 825,656 | 5,064,628 | 16,333,111 | - | 16,333,111 | - | 16,333,111 |
| Loans | | - | - | 125,529,163 | 125,529,163 | - | - | 125,529,163 | 125,529,163 |
| Term deposits | 10 | - | - | 1,231,381 | 1,231,381 | - | 1,231,381 | - | 1,231,381 |
| Treasury bills | | - | - | 1,720,078 | 1,720,078 | - | 1,720,078 | - | 1,720,078 |
| Units in unit trust funds | 10 | - | 5,699,543 | - | 5,699,543 | - | 5,699,543 | - | 5,699,543 |
| | | 31,954,805 | 9,355,178 | 166,642,856 | 207,952,839 | 2,624,117 | 81,176,618 | 126,413,366 | 210,214,101 |
| **Financial liabilities** | | | | | | | | | |
| Due to specialised institutions | 24 | - | - | 1,885,305 | 1,885,305 | - | 1,885,305 | - | 1,885,305 |
| Other borrowings | 27 | - | - | 23,104,325 | 23,104,325 | - | 23,104,325 | - | 23,104,325 |
| Repurchase agreements | 26 | - | - | 14,708,425 | 14,708,425 | - | 14,708,425 | - | 14,708,425 |
| Lease liabilities | 28 | - | - | 344,538 | 344,538 | - | 344,538 | - | 344,538 |
| | | - | - | 40,042,593 | 40,042,593 | - | 40,042,593 | - | 40,042,593 |

| | | Group 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | Fair value | | | |
| | Note | FVOCI | Fair value through profit or loss | Amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | | | | | | |
| Cash | | - | - | 9,628,702 | 9,628,702 | - | 9,628,702 | - | 9,639,107 |
| Balances with Central Bank | | - | - | 1,470,766 | 1,470,766 | - | 1,470,766 | - | 1,470,766 |
| Resale Agreement | 11 | - | - | 3,782,576 | 3,782,576 | - | 6,460,446 | - | 6,460,446 |
| Other assets | | - | - | 8,870,541 | 8,870,541 | - | 8,870,541 | - | 8,870,541 |
| Government of Jamaica | 9 | 21,901,941 | - | 3,006,411 | 24,908,352 | - | 24,908,352 | - | 24,908,352 |
| Preference shares | 10 | - | 752,597 | - | 752,597 | - | - | 752,597 | 752,597 |
| Ordinary shares - quoted | 10 | 510,001 | 1,479,017 | - | 1,989,018 | 1,989,018 | - | - | 1,989,018 |
| Ordinary shares - unquoted | 10 | 39 | 77,280 | - | 77,319 | - | - | 77,319 | 77,319 |
| Bonds | 10 | 10,976,635 | - | 5,588,625 | 16,565,260 | - | 16,608,654 | - | 16,608,654 |
| Loans | | - | - | 121,930,499 | 121,930,499 | - | - | 121,930,499 | 121,930,499 |
| Term deposits | 10 | - | - | 709,118 | 709,118 | - | 709,118 | - | 709,118 |
| Units in unit trust funds | 10 | - | 4,355,852 | - | 4,355,852 | - | 4,355,852 | - | 4,355,852 |
| | | 33,388,616 | 6,664,746 | 154,987,238 | 195,040,600 | 1,989,018 | 73,012,431 | 122,760,415 | 197,761,864 |

## 33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

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

| | | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2023 | | | | | | | |
| | | Carrying amount | | | | Fair value | | | |
| | Note | FVOCI $'000 | Fair value through profit or loss $'000 | Amortised cost $'000 | Total $'000 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **Financial liabilities** | | | | | | | | | |
| Due to specialised institutions | 24 | - | - | 1,938,931 | 1,938,931 | - | 1,938,931 | - | 1,938,931 |
| Other borrowings | 27 | - | - | 25,448,720 | 25,448,720 | - | 25,448,720 | - | 25,448,720 |
| Repurchase agreements | 26 | - | - | 16,348,883 | 16,348,883 | - | 17,517,970 | - | 17,517,970 |
| Lease liabilities | 28 | - | - | 341,454 | 341,454 | - | 341,454 | - | 341,454 |
| | | - | - | 44,077,988 | 44,077,988 | - | 45,247,075 | - | 45,247,075 |

| | | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2024 | | | | | | | |
| | | Carrying amount | | | | Fair value | | | |
| | Note | FVOCI $'000 | Fair value through profit or loss $'000 | Amortised cost $'000 | Total $'000 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **Financial assets** | | | | | | | | | |
| Cash | 8 | - | - | 7,836 | 7,836 | - | 7,836 | - | 7,836 |
| Preference shares | | - | - | 338,435 | 338,435 | - | - | 338,435 | 338,435 |
| Due from related entities | 13 | - | - | 1,200,312 | 1,200,312 | - | 1,200,312 | - | 1,200,312 |
| Other assets | 14 | - | - | 2,211,517 | 2,211,517 | - | 2,211,517 | - | 2,211,517 |
| - | | - | - | 3,758,100 | 3,758,100 | - | 3,419,665 | 338,435 | 3,758,100 |
| **Financial liabilities** | | | | | | | | | |
| Due to related entities | 13 | - | - | 8,132 | 8,132 | - | 8,132 | - | 8,132 |
| Other liabilities | 25 | - | - | 538,118 | 538,118 | - | 538,118 | - | 538,118 |
| Other borrowings | 27 | - | - | 12,733,449 | 12,733,449 | - | 12,733,449 | - | 12,733,449 |
| - | | - | - | 13,353,699 | 13,353,699 | - | 13,353,699 | - | 13,353,699 |

| | | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2023 | | | | | | | |
| | | Carrying amount | | | | Fair value | | | |
| | Note | FVOCI $'000 | Fair value through profit or loss $'000 | Amortised cost $'000 | Total $'000 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **Financial assets** | | | | | | | | | |
| Cash | 8 | - | - | 640,684 | 640,684 | - | 640,684 | - | 640,684 |
| Due from related entities | 13 | - | - | 380,920 | 380,920 | - | 380,920 | - | 380,920 |
| Other assets | 14 | - | - | 1,132,817 | 1,132,817 | - | 1,132,817 | - | 1,132,817 |
| - | | - | - | 2,154,421 | 2,154,421 | - | 2,154,421 | - | 2,154,421 |
| **Financial liabilities** | | | | | | | | | |
| Due to related entities | 13 | - | - | 193,797 | 193,797 | - | 193,797 | - | 193,797 |
| Other liabilities | 25 | - | - | 147,551 | 147,551 | - | 147,551 | - | 147,551 |
| Other borrowings | 27 | - | - | 11,024,010 | 11,024,010 | - | 11,024,010 | - | 11,024,010 |
| - | | - | - | 11,365,358 | 11,365,358 | - | 11,365,358 | - | 11,365,358 |

During the year, the Group experienced fair value gains related to instruments that are measured at FVOCI amounting to $200,122,000 (2023: $193,757,000). The change is as a result of market conditions such as discount rates, yields and other macro-economic factors that affect the fair values.

## 34. NET INTEREST INCOME/(EXPENSE)

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| **Interest income, calculated using the effective interest method:** | | | | |
| Investment securities | 4,955,400 | 4,711,006 | 186,102 | 193,525 |
| Loans to customers | 8,711,170 | 7,748,095 | - | - |
| | 13,666,570 | 12,459,101 | 186,102 | 193,525 |
| **Interest expense** | | | | |
| Repurchase agreements | ( 822,421) | ( 995,297) | - | - |
| Borrowings | ( 2,416,189) | ( 1,725,897) | (1,231,865) | (754,263) |
| Regular savings | ( 3,173,787) | ( 3,276,609) | - | - |
| Depositors' savings | ( 526,248) | ( 527,445) | - | - |
| | ( 6,938,645) | ( 6,525,248) | (1,231,865) | (754,263) |
| **Net interest income/(expense)** | 6,727,925 | 5,933,853 | (1,045,763) | (560,738) |

## 35. NET FEE AND COMMISSION INCOME/(EXPENSE)

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| **Fee and commission income** | | | | |
| Customers | 2,168,199 | 1,837,636 | - | - |
| Associated company | 131,569 | 110,479 | - | - |
| Other | 333,003 | 228,289 | - | - |
| | 2,632,771 | 2,176,404 | - | - |
| **Fee and commission expenses** | | | | |
| Inter-bank transaction fees | ( 114,217) | ( 137,436) | - | - |
| Credit card fees | ( 59,299) | ( 50,721) | - | - |
| Other | ( 73,486) | ( 48,299) | ( 13,471) | ( 9,133) |
| | ( 247,002) | ( 236,456) | ( 13,471) | ( 9,133) |
| Net fee and commission income/ (expense) | 2,385,769 | 1,939,948 | ( 13,471) | ( 9,133) |

## 36. OTHER OPERATING REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Foreign exchange trading gains, net | 1,146,289 | 682,355 | - | - |
| Fees for late payments | 219,744 | 141,837 | - | - |
| Rent | 34,791 | 40,475 | - | - |
| Dividends -from associates and subsidiaries | - | 1,188,777 | 469,345 | 2,751,166 |
| Dividends -other | 77,239 | 65,683 | - | - |
| Impairment reversal on associate | 54,638 | - | - | - |
| Management fees [note 40 (c) | 60,390 | - | 1,521,748 | - |
| Gain on investment activities | 1,636,618 | 1,412,180 | - | - |
| Gains on disposal of property, plant and equipment | 1,299,650 | 805,699 | - | - |
| Unrealised fair value gains on quoted equites and units held in unit trust | 766,219 | 59,493 | - | - |
| Other income | 29,127 | 187,670 | 86,388 | 574,653 |
| | 5,324,705 | 4,584,169 | 2,077,481 | 3,325,819 |

## 37. PERSONNEL COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Salaries | 4,044,039 | 3,018,002 | - | 4,194 |
| Statutory payroll contributions | 374,320 | 383,674 | - | - |
| Group life, pension and health insurance contributions. [note 40(e)] | 269,951 | 375,654 | - | - |
| Termination payments | 35,044 | 28,714 | - | - |
| Other staff benefits | 1,337,226 | 1,352,204 | 359,931 | 33,539 |
| | 6,060,580 | 5,158,248 | 359,931 | 37,733 |

Other staff benefits include training, health and wellness cost, uniform and performance appraisal and profit related benefits.

## 38. OTHER OPERATING EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Asset taxes | 450,146 | 434,184 | - | - |
| Overseas business development | 204,066 | 227,782 | - | - |
| Irrecoverable GCT | 415,432 | 422,639 | 19,929 | 1,174 |
| Marketing | 389,052 | 442,740 | 10,688 | 5,140 |
| Computer maintenance | 1,222,667 | 940,809 | 91,287 | - |
| Maintenance – buildings, furniture and fixtures | 319,323 | 299,201 | 563 | - |
| Management fees [note 40 (c)] | 235,079 | - | 103,476 | - |
| Insurance | 302,270 | 249,616 | 52,228 | - |
| Administration | 958,422 | 522,046 | 187,418 | 1,491 |
| Postage, courier and stationery | 154,463 | 163,718 | - | - |
| Electricity, water and telephone | 185,559 | 249,675 | - | - |
| Consultancy and other professional fees | 551,229 | 448,917 | 117,231 | 37,206 |
| Audit fees - current | 252,927 | 133,274 | 8,625 | 7,500 |
| - prior | 153,908 | - | 12,800 | - |
| Directors' fees [note 40(c)] | 95,397 | 83,114 | 27,092 | 17,723 |
| Security | 99,925 | 122,644 | - | - |
| Direct operating expenses for investment property that generated rental income | 83,803 | 104,694 | - | - |
| Credit card expenses | 87,519 | 67,059 | - | - |
| | 6,161,187 | 4,912,112 | 631,337 | 70,234 |

## 39. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax expense is based on the profit for the year, as adjusted for tax purposes, and is computed at statutory rates of 33⅓% for company and regulated local subsidiaries, 30% for building society subsidiary and 25% for certain foreign and local non-regulated subsidiaries. In computing taxable income of the building society subsidiary, 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 | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| (i) Current tax expense: | | | | |
| Current tax 30% | 14,984 | - | - | - |
| Current tax at 15%, 25% and 33½% | 281,214 | 296,305 | - | - |
| Adjustment for prior year's over provision | (85,351) | (5,158) | - | - |
| | 210,847 | 291,147 | - | - |

## 39. INCOME TAX (CREDIT)/EXPENSE (CONT'D)

(a) (Cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| (ii) Deferred tax credit: Origination and reversal of other temporary differences [notes 15(a) and (b)] | ( 473,454) | (424,736) | (135,488) | (19,790) |
| Actual tax (credit)/expense recognised | ( 262,607) | (133,589) | (135,488) | (19,790) |

(b) Reconciliation of actual tax charge

The effective tax rate, that is, the income tax expense as a percentage of the reported profit, is different from the statutory rates [note (a)] being 20% (2023: 18.1%) for the Group and 42% (2023: 19%) for the Company. The actual income tax expense differs from the expected income tax expense for the year, as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Profit/(loss) before income tax | 1,330,986 | 447,542 | 26,978 | (103,185) |
| Computed "expected" income tax at 30% | 221,013 | (105,375) | - | - |
| Tax at 33⅓% | 169,709 | 119,099 | 8,903 | - |
| Tax at 25% | 98,464 | 91,675 | - | - |
| Tax effect of treating the following items differently for income tax than for financial statement purposes: | | | | |
| Tax exempt income | ( 220,627) | (170,209) | (103,300) | - |
| Prior year tax losses recognised as deferred tax assets | ( 406,826) | ( 26,516) | (126,308) | ( 5,906) |
| Other | ( 38,989) | ( 37,105) | 85,217 | ( 13,884) |
| | ( 177,256) | (128,431) | (135,488) | ( 19,790) |
| Adjustment for prior years over provision | ( 85,351) | ( 5,158) | - | - |
| Actual tax expense recognised | ( 262,607) | (133,589) | (135,488) | ( 19,790) |

(c) As at December 31, 2024, subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses available for set off against future profits amounted to $1,308,443,128 (2023: $1,022,780,397). If unutilised, these losses can be carried forward indefinitely, however, the amount that can be utilised is restricted to 50% of the chargeable income in any one year.

## 40. RELATED PARTY TRANSACTIONS

(a) Definition of related party

A related party is a person or entity that is related to the Group.

(i) A person or a close member of that person's family is related to the Group if that person:

(1) has control, joint control or significant influence over the Group;

(2) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled, or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a Group of which it is part, provides key management personnel services to the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(b) Identity of related parties

The Company has related party relationships with its parent company, fellow subsidiaries, direct and indirect subsidiaries, entities under common control, associated companies, VM Foundation which is a connected entity, directors, executives, and senior officers of those entities. The directors, senior officers and executives are collectively referred to as "key management personnel".

## 40. RELATED PARTY TRANSACTIONS (CONT'D)

(c) The amounts of related party transactions, outstanding balances at the year end, and related income and expenses for the year are as follows:

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Directors and key | | | Total | |
| | Ultimate parent | Fellow Subsidiaries | management personnel | Associates | Connected entities | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Due from (note 13)** | | | | | | | |
| Balance at December 31 | 645,596 | 592,980 | - | - | - | 1,238,576 | 637,159 |
| **Due (to) [note 13** | | | | | | | |
| Balance at December 31 | ( 99,687) | ( 172,639) | - | - | - | ( 272,326) | ( 17,401) |
| **Other assets [note 14 (a)(i), (ii)]** | | | | | | | |
| Loan receivable balance at December 31 | 1,872,095 | - | - | - | - | 1,872,095 | 1,132,817 |
| Interest received | 206,423 | - | - | - | - | 206,423 | 132,817 |
| Interest earned | - | 8,158 | - | - | - | 8,158 | 193,525 |
| Sundry receivable | - | - | - | 73,758 | - | 73,758 | 70,548 |
| **Loans (i)** | | | | | | | |
| Balance at December 31 | - | - | 567,765 | - | - | 567,765 | 578,261 |
| Interest income earned | - | - | 31,813 | - | - | 31,813 | 30,754 |
| **Regular savings (ii)** | | | | | | | |
| Balance at December 31 | ( 1,054) | ( 119,112) | (211,981) | - | (34,995) | ( 367,142) | (1,551,562) |
| Interest expense on savings | ( 59) | ( 1,032) | ( 2,907) | - | ( 1,170) | ( 5,168) | ( 2,143) |
| Interest earned/(paid) on other investments | - | - | 31,813 | - | - | 31,813 | - |
| **Other borrowings [note 27 (v)(II), (vi)]** | | | | | | | |
| Balance at December 31 | - | (1,200,000) | - | - | - | (1,200,000) | - |
| Interest expense on other borrowings | - | ( 43,359) | - | - | - | ( 43,359) | - |
| **Other** | | | | | | | |
| Share of profits [note 18 (b)] | - | - | - | 455,448 | - | 455,448 | 442,161 |
| Director fees [note 38] | - | - | ( 95,397) | - | - | ( 95,397) | ( 83,114) |
| Sale/(purchase) of associate shares | - | - | - | 8,591 | - | 8,591 | ( 628,174) |
| Purchase of investment securities [note 1(c) (ii)] | - | 338,434 | - | - | - | 338,434 | - |
| Fee income | - | - | - | 131,569 | - | 131,569 | 149,862 |
| Other operating income [note 36]: | | | | | | | |
| Management fees | - | 60,390 | - | - | - | 60,390 | - |
| Other income | - | 65,790 | - | 49,270 | - | 115,060 | 708,461 |
| Other operating expenses [note 38]: | | | | | | | |
| Management fees | ( 103,476) | ( 131,603) | - | - | - | ( 235,079) | - |
| Rental expense | - | ( 19,728) | - | - | - | ( 19,728) | ( 5,773) |
| Computer maintenance | - | ( 65,790) | - | - | - | ( 65,790) | ( 4,964) |
| Direct operating expenses for investment property that generated rental income | - | ( 62,798) | - | - | - | ( 62,798) | ( 44,930) |

**VM FINANCIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
**December 31, 2024**

## 40. RELATED PARTY TRANSACTIONS (CONT'D)

(c) The amounts of related party transactions, outstanding balances at the year end, and related income and expenses for the year are as follows (cont'd):

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Total | |
| | Ultimate parent $'000 | Subsidiaries $'000 | Fellow subsidiaries $'000 | Directors and key management personnel $'000 | Associates $'000 | 2024 $'000 | 2023 $'000 |
| **Due from [note 13]** | | | | | | | |
| Balance at December 31 | 293,225 | 765,690 | 141,397 | - | - | 1,200,312 | 390,920 |
| **Due (to) [note 13]** | | | | | | | |
| Balance at December 31 | ( 41,104) | ( 13,067) | ( 27,961) | - | - | ( 82,132) | ( 193,797) |
| **Other assets [note 14 (a)(i), (ii)]** | | | | | | | |
| Loan receivable balance at December 31 | 1,683,095 | - | - | - | - | 1,683,095 | 1,132,817 |
| Interest receivable | 196,310 | - | - | - | - | 196,310 | 132,817 |
| Interest earned | 164,461 | - | - | - | - | 164,461 | 193,525 |
| **Investments/repurchase agreements (iii)** | | | | | | | |
| Other investments [note 1(c) (iii)] | - | - | - | - | 338,434 | 338,435 | - |
| Cash and cash equivalents**[(ii), note 8]** | | | | | | | |
| Balance at December 31 | - | 7,836 | - | - | - | 7,836 | 640,684 |
| Interest earned on savings | - | 21,641 | - | - | - | 21,641 | 100,968 |
| **Preference shares [note 27 (iv)]** | | | | | | | |
| Balance at December 31 | - | ( 576,427) | - | - | - | ( 576,427) | ( 410,647) |
| Interest expense on preference shares | - | ( 44,735) | - | - | - | ( 44,735) | ( 27,364) |
| **Other borrowings [note 27 (v) I. II, IV]** | | | | | | | |
| Balance at December 31 | - | ( 762,600) | (200,000) | - | - | ( 962,600) | - |
| Interest expense on other borrowings | - | ( 61,207) | ( 3,682) | - | - | ( 64,889) | - |
| **Other** | | | | | | | |
| Dividend [note 36]: | - | 159,444 | - | - | 309,901 | 469,345 | - |
| Director fees | - | - | - | ( 27,092) | - | ( 27,092) | - |
| Purchase of shares -subsidiaries | - | - | - | - | - | - | (8,426,539) |
| Sale/(purchase) of associate shares [note 1(c) (iii),18(g) | - | 422,490 | - | - | ( 8,816) | ( 413,674) | ( 628,174) |
| Purchase of investment securities [note 1(c) (iii)] | - | ( 338,434) | - | - | - | ( 338,434) | - |
| Other operating income [note 36]: | | | | | | | |
| Management fees | - | 1,461,358 | 60,390 | - | - | 1,521,748 | - |
| Other income (iv) | - | - | - | - | 49,270 | 49,270 | - |
| Other operating expenses [note 38]: | | | | | | | |
| Management fees (iv) | ( 103,476) | - | - | - | - | ( 103,476) | - |
| Computer maintenance | - | ( 9,948) | - | - | - | ( 9,948) | - |

## 40. RELATED PARTY TRANSACTIONS (CONT'D)

(c) The amounts of related party transactions, outstanding balances at the year end, and related income and expenses for the year are as follows (cont'd):

(i) Average interest rates charged on loans are lower than the rates that would be charged in an arm's length transaction. Interest rates on these loans range from .01% to 3.5% and is repayable based on agreed terms. The mortgages and secured loans granted are secured on the property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

(ii) Regular savings pay average interest rates of 0.02% to 0.65% on savings and 0.40% to 2.2% on fixed deposits.

(iii) Resale agreements held with related parties mature before first quarter 2025 with an average coupon rate of 5%. – 5.35%. Repo liability matures in the first quarter 2025 with an average coupon rate of 5%-5.63%.

Resale agreements, repurchase agreements, investment securities and loans receivable transactions with related parties have been conducted in the ordinary course of the Group's business at rates and on terms comparable to those with customers that are not related to the Group. Other balances due to or from related parties are unsecured, interest free, and due for settlement within three months after the reporting date. No impairment loss was recognised on related party balances during the reporting period.

(iv) During the year, The Victoria Mutual Building Society purchased loan portfolio from VM Finance UK Ltd amounting to $12.3 billion.

(v) During the year, The Victoria Mutual Building Society sold foreclosed properties with carrying amount of $52.9M to VM Property Services Limited and VM Real Estate Holdings Limited.

(iv) The management fee that subsidiaries pay to the parent company for services is determined by the following:

| **Services** | **Basis of recharge** |
|---|---|
| Shared staff cost | Allocated based on the approved budget for the fiscal year. |
| Operating expenses and unallocated staff costs | Allocated based on subsidiaries' share of total equity. |
| Interest expense recharge on capital allocated to subsidiary | Allocated based on subsidiaries' proportion of capital raised by parent company |

(d) In addition to directors' fees paid to non-executive directors (note 38), compensation of key management personnel, included in personnel costs (note 37), is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| Short-term employee benefits | 793,139 | 878,169 | 458,227 | 28,496 |
| Post-employment benefits | 14,885 | 12,160 | 9,329 | 9,237 |
| | 808,024 | 890,329 | 467,556 | 37,733 |

## 40. RELATED PARTY TRANSACTIONS (CONT'D)

(d) In addition to directors' fees paid to non-executive directors (note 38), compensation of key management personnel, included in personnel costs (note 37), is as follows (cont'd):

Those key management personnel under the defined benefit pension plan (Note 16), in addition to their salaries, are provided with non-cash benefits as well as post-employment benefits. In accordance with the rules of the plan, key management personnel, executive directors retire at age 62 (or 65 if joining after January 1, 2006) and may continue to receive medical benefits, at the discretion and approval of the Board of Directors. In the case of preferential staff rates on loans, this benefit continues to age 65 when the rate is adjusted with reference to market.

Under the Victoria Mutual Building Society's rules, retired non-executive directors who have served the Board continuously for at least five years and have attained the age of 65 receive a pension at a specified percentage of the gross annual average director's fee received during the five years immediately preceding retirement, or alternatively, a gratuity in lieu of pension, based on a percentage of the annual pensions.

## 41. CAPITAL COMMITMENTS

Commitments for capital expenditure for the Group amount to approximately $865,602,000 (2023: $644,236,122) at the reporting date.

## 42. SCHEME OF ARRANGEMENT

In the previous year under the court approved Scheme of Arrangement, the following transactions were effected to recognise the VM Financial Group Limited. This is consistent with the accounting policy adopted in the financial statements of the ultimate parent, VM Group Limited and all companies within the Group. As such, the adjustments were as follows:

(a) Interest in financial services subsidiary companies were transferred from Victoria Mutual Building Society (VMBS) to the Company through a process of cancellation of the shares previously held and reissuing the same number of shares to the Company on February 1, 2023.

(b) Interest in the associated company, British Caribbean Insurance Company Limited (BCIC) was also transferred from VMBS to the Company on February 1, 2023.

(c) The Company as at February 1, 2023, determined the net asset value of VMBS to be $17,424,846,000. The breakdown of the net assets was as follows:

| | $'000 |
|---|---|
| Permanent capital fund | 7,746,058 |
| Reserve fund | 1,684,509 |
| Retained earnings reserve | 7,225,160 |
| Non-distributable reserve | ( 446,131) |
| Credit facility reserve | 2,569,620 |
| Investment valuation reserve | ( 1,364,370) |
| General reserve | 10,000 |
| | 17,424,846 |

## 42. SCHEME OF ARRANGEMENT (CONT'D)

(d) The interest in the non-financial Group subsidiaries of $200,002,000 were transferred to the parent company VM Group Limited on February 1, 2023.

(e) The carrying value of the interest in associate and subsidiaries amounting $1,188,777,000 and $1,562,389,000 respectively, which were based on the distribution of the Society's interest to the VM Financial Group Limited, were simultaneously eliminated.

## 43. DIVIDEND

On June 28, 2024 and November 25,2024, the Board of Directors of VM Investments Limited declared dividends of 0.032 cents and 0.053 cents per ordinary stock unit respectively of the paid up capital stock of 1,500,025,000 ordinary stock units, paid to the shareholders on record as at July 9, 2024 and December 5, 2024 respectively.

## 44. RECLASSIFICATION

For the purpose of presentation, in the statement of cash flows, resale and repurchase agreements previously shown as investing activities have now been correctly classified as operating activities. The following table summarises the impact on the Group's statements of cash flows.

| | Group | | |
|---|---|---|---|
| | December 31, 2023 | | |
| | As previously presented | Reclassification | Current presentation |
| | $'000 | $'000 | $'000 |
| Resale agreements | - | ( 1,666,180) | (1,666,180) |
| Repurchase agreements | - | ( 1,388,883) | (1,388,883) |
| Other items | (6,309,934) | - | (6,309,934) |
| Net cash used in operating activities | (6,309,934) | (3,055,063) | (9,364,997) |
| Resale agreements | (1,666,180) | 1,666,180 | - |
| Repurchase agreements | (1,388,883) | 1,388,883 | - |
| Other items | 49,508 | - | 49,508 |
| Net cash from investing activities | (3,005,555) | 3,055,063 | 49,508 |
| Net cash from financing activities | 8,534,068 | - | 8,534,068 |
| Net decrease in cash and cash equivalents | ( 781,421) | - | ( 781,421) |
| Cash and cash equivalents at beginning of year | 9,878,057 | - | 9,878,057 |
| Effect of exchange rate fluctuation on cash held | 532,066 | - | 532,066 |
| Cash and cash equivalents at end of year | 9,628,702 | - | 9,628,702 |