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INDEPENDENT AUDITORS' REPORT

To the Members of
THE VICTORIA MUTUAL BUILDING SOCIETY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Victoria Mutual Building Society ("the Society"), set out on pages 4 to 76, which comprise the statement of financial position as at December 31, 2024, income statement, statement 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 Society as at December 31, 2024, and of its 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).

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE VICTORIA MUTUAL BUILDING SOCIETY

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- 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 Society's internal control.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE VICTORIA MUTUAL BUILDING SOCIETY

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

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

Report on additional matters as required by the Building Societies Act

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

We have examined the mortgage deeds and other securities belonging to the Society. Title deeds numbering 8,817 held in respect of mortgage loans and inspected by us, and we are satisfied that the remaining 182 deeds not inspected by us were in the hands of attorneys or elsewhere in the ordinary course of business of the Society.

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

KPMG

Chartered Accountants
Kingston, Jamaica

March 31, 2025

THE VICTORIA MUTUAL BUILDING SOCIETY
STATEMENT OF FINANCIAL POSITION
December 31, 2024

	Notes	2024 $'000	2023 $'000
ASSETS			
Cash resources			
Cash resources	7	11,868,288	7,437,562
Cash reserves with the BOJ	7	1,553,933	1,470,766
Investments - Jamaica Government securities	8	11,050,058	12,248,664
- Other	9	22,234,422	21,190,893
Resale agreements	10	4,046,392	3,527,803
Loans	11	123,682,060	109,843,303
Due from related parties	35(c)	955,837	9,529,518
Other assets	12	3,446,510	3,496,633
Income tax recoverable		587,307	602,288
Deferred tax assets	13	269,647	107,057
Employee benefits asset	14	1,403,811	1,284,611
Intangible assets	15	2,179,520	2,369,455
Investment and foreclosed properties	16	59,304	138,783
Property and equipment	17	2,097,147	2,870,320
Total assets		**185,434,236**	**176,117,656**
LIABILITIES			
Savings fund:			
Regular savings	18	142,874,926	136,539,145
Depositors' savings	19	10,466,268	6,967,898
		153,341,194	143,507,043
Due to specialised institution	20	1,885,305	1,938,931
		155,226,499	145,445,974
Due to related parties	35(c)	860,434	-
Other liabilities	21	1,552,618	1,973,766
Repurchase agreements	22	2,024,215	3,322,270
Other borrowings	23	2,168,992	2,998,619
Lease liabilities	24	212,781	174,917
Employee benefits obligation	14	1,071,400	826,300
Total liabilities		**163,116,939**	**154,741,846**
CAPITAL AND RESERVES			
Share capital	25	14,552,594	14,552,594
Reserve fund	26(i)	1,825,079	1,684,509
Retained earnings reserve	26(ii)	4,473,994	4,473,994
Non-distributable reserve	26iii)	(126,301)	(156,891)
Credit facility reserve	11(c), 26(iv)	3,862,172	3,090,413
Investment revaluation reserve	26(v)	(1,082,940)	(1,056,703)
General reserve		10,000	10,000
Accumulated losses		(1,197,301)	(1,222,106)
Total capital and reserves		**22,317,297**	**21,375,810**
Total liabilities and capital and reserves		**185,434,236**	**176,117,656**

The financial statements on pages 4 to 76 were approved for issue by the Board of Directors on March 31, 2025, and signed on its behalf by:

Director
Brian Goldson

Director
Courtney Campbell

Countersigned:

Corporate Secretary
Keri-Gaye Brown

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

THE VICTORIA MUTUAL BUILDING SOCIETY

STATEMENT OF FINANCIAL POSITION
December 31, 2024

	Notes	2024 $'000	2023 $'000
Interest income, calculated using the effective interest method	29	10,815,018	10,049,967
Interest expense	29	(3,944,812)	(4,176,885)
Net interest income		6,870,206	5,873,082
Fee and commission income	30	642,046	478,773
Fee and commission expenses	30	(221,256)	(189,082)
Net fee and commission income		420,790	289,691
Other operating revenue	31	3,438,994	2,050,968
Net interest income and other operating revenue		10,729,990	8,213,741
Personnel costs	32	(3,647,721)	(3,418,995)
Impairment charge on financial assets	5(a)(ii)	(41,130)	(97,285)
Depreciation and amortisation	15,16,17	(831,304)	(718,520)
Other operating expenses	33	(5,426,410)	(4,286,560)
		(9,946,565)	(8,521,360)
Profit/(loss) before income tax	34	783,425	(307,619)
Income tax credit	34	153,709	250,263
Profit/(loss) for the year		937,134	(57,356)

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

THE VICTORIA MUTUAL BUILDING SOCIETY

STATEMENT OF COMPREHENSIVE INCOME
Year ended December 31, 2024

	Notes	2024 $'000	2023 $'000
Profit/(loss) for the year		937,134	(57,356)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net gains on remeasurement of employee benefits asset and obligation	14(i)(e),14(ii)(c)	43,700	413,200
Deferred income tax on net gains on remeasurement of employee benefits asset and obligation	13	(13,110)	(123,960)
		30,590	289,240
Items that may be reclassified to profit or loss:			
Unrealised (losses)/gains on debt securities at FVOCI		(2,803)	305,565
Realised (gains)/losses on fair value of debt securities at FVOCI		(23,434)	2,102
		(26,237)	307,667
Other comprehensive income for the year, net of tax		4,353	596,907
Total comprehensive income for the year		**941,487**	**539,551**

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

THE VICTORIA MUTUAL BUILDING SOCIETY

STATEMENT OF CHANGES IN CAPITAL AND RESERVES
Year ended December 31, 2024

	Note 25 Share capital $'000	Permanent capital fund $'000	Note 26(i) Retained Reserve fund $'000	Note 26 (ii) Non-earnings reserve $'000	Note 26 (iii) Credit distributable reserve $'000	Notes 26 (iv) Investment facility reserve $'000	Note 26 (v) revaluation reserve $'000	General reserve $'000	Accumulated losses $000	Total capital and reserve $000
Balances at December 31, 2022	-	**7,746,058**	**1,684,509**	**7,225,160**	**(446,131)**	**2,569,620**	**(1,364,370)**	**10,000**	**(643,957)**	**16,780,889**
Total comprehensive income for 2023										
Loss for the year	-	-	-	-	-	-	-	-	(57,356)	(57,356)
Other comprehensive income:										
Unrealised gains on debt securities at FVOCI, net	-	-	-	-	-	-	305,565	-	-	305,565
Realised gains on debt securities at FVOCI	-	-	-	-	-	-	2,102	-	-	2,102
Net gain on remeasurement of employee benefits asset and obligation, net of tax	-	-	-	-	289,240	-	-	-	-	289,240
Total other comprehensive income	-	-	-	-	289,240	-	307,667	-	-	596,907
Total comprehensive income for the year	-	-	-	-	289,240	-	307,667	-	(57,356)	539,551
Movements between reserves										
Credit facility reserve transfer	-	-	-	-	-	520,793	-	-	(520,793)	-
Transfer of subsidiaries and associate to VM Financial Group Limited	-	-	-	(2,751,166)	-	-	-	-	-	(2,751,166)
Transfer [notes 25]	7,746,058	(7,746,058)	-	-	-	-	-	-	-	-
Issue of shares [note 25]	6,806,536	-	-	-	-	-	-	-	-	6,806,536
Balances at December 31, 2023	**14,552,594**	-	**1,684,509**	**4,473,994**	**(156,891)**	**3,090,413**	**(1,056,703)**	**10,000**	**(1,222,106)**	**21,375,810**

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

THE VICTORIA MUTUAL BUILDING SOCIETY

STATEMENT OF CHANGES IN CAPITAL AND RESERVES (CONT'D)
Year ended December 31, 2024

	Note 25 Share capital $'000	Note 26(i) Reserve fund $'000	Note 26 (iii) Retained earnings reserve $'000	Notes 26 (iv) Non-distributable reserve $'000	Note 26 (v) Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Retained earnings $000	Total capital and reserve $000
Balances at December 31, 2023	**14,552,594**	**1,684,509**	**4,473,994**	**(156,891)**	**3,090,413**	**(1,056,703)**	**10,000**	**(1,222,106)**	**21,375,810**
Total comprehensive income for 2024									
Profit for the year	-	-	-	-	-	-	-	937,134	937,134
Other comprehensive income									
Unrealised losses on debt securities at FVOCI, net	-	-	-	-	-	(2,803)	-	-	(2,803)
Realised gains on debt securities at FVOCI	-	-	-	-	-	(23,434)	-	-	(23,434)
Net gain on remeasurement of employee benefits asset and obligation, net of tax	-	-	-	30,590	-	-	-	-	30,590
Total other comprehensive loss	-	-	-	30,590	-	(26,237)	-	-	4,353
Total comprehensive income for the year	-	-	-	30,590	-	(26,237)	-	937,134	941,487
Movements between reserves									
Credit facility reserve transfer	-	-	-	-	771,759	-	-	(771,759)	-
Other reserves [notes 26(i) and 26(ii)]	-	140,570	-	-	-	-	-	(140,570)	-
Total movement between reserves	-	140,570	-	-	771,759	-	-	(912,329)	-
Balances at December 31, 2024	**14,552,594**	**1,825,079**	**4,473,994**	**(126,301)**	**3,862,172**	**(1,082,940)**	**10,000**	**(1,197,301)**	**22,317,297**

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

THE VICTORIA MUTUAL BUILDING SOCIETY

NOTES TO THE FINANCIAL STATEMENTS OF CASH FLOW
December 31, 2024

	Notes	2024 $'000	2023 $'000
Cash flows from operating activities			
Profit/(loss) for the year		937,134	(57,356)
Adjustments for:			
Depreciation and amortisation	15,16,17	831,304	718,520
Unrealised exchange losses/(gains) on foreign currency balances		208,435	(525,199)
Employee benefits obligation		77,499	67,000
Interest income	29	(10,815,018)	(10,049,967)
Interest expense	29	3,944,812	4,176,885
Dividend income		(46,836)	(47,420)
Gains on disposal of property, plant and equipment	31	(990,838)	(806,227)
Gains on disposal of foreclosed properties	31	(39,261)	(23,013)
(Gains)/losses on investment activities	31	(94,388)	43,527
Unrealised fair value gains	31	(766,219)	(59,493)
Impairment charge on financial assets	5(a)(ii)	41,130	97,285
Income tax credit	34	(153,709)	(250,263)
		(6,865,955)	(6,715,721)
Changes in:			
Cash reserves held at Bank of Jamaica		(83,167)	(149,965)
Loan advances, net of repayments		(14,087,571)	(7,992,026)
Due from related parties		9,434,115	(555,626)
Change in other assets		(703,151)	133,616
Employee benefits, obligation		92,100	(49,800)
Net receipts from shareholders and depositors		10,309,869	10,797,414
Due to specialised institution		(53,626)	1,367,305
Change in other liabilities		(421,150)	(1,180,027)
		(2,378,536)	(4,344,830)
Interest received		11,224,525	9,664,479
Dividend received		46,836	47,420
Interest paid		(4,008,043)	(3,892,939)
Income taxes paid		(7,007)	(512,209)
Net cash provided by operating activities		4,877,775	961,921
Cash flows from investing activities			
Purchase of investments		(8,425,562)	(4,885,003)
Proceeds from disposal of investments		9,558,105	4,669,401
Resale agreements		(518,589)	(1,277,518)
Repurchase agreements		(1,302,187)	295,955
Purchase of investment and foreclosed properties	16	(5,322)	-
Purchase of intangible assets	15	(235,026)	(485,437)
Proceeds from disposal of foreclosed properties		122,587	36,385
Purchase of property and equipment	17	(144,779)	(341,922)
Proceeds from disposal of property and equipment		1,564,291	877,752
Net cash provided by/(used in) investing activities		613,518	(1,110,387)
Cash flows from financing activities			
Payment of lease liability	24	(22,504)	(31,032)
Repayments of other borrowings	23	(829,628)	(740,359)
Net cash used in financing activities		(852,132)	(771,391)
Net increase/(decrease) in cash and cash equivalents for year		4,639,161	(919,857)
Cash and cash equivalents at beginning of year		7,437,562	7,832,220
Effect of exchange rate fluctuations on cash and cash equivalents		(208,435)	525,199
Cash and cash equivalents at end of year	7	11,868,288	7,437,562

1. IDENTIFICATION

These are the individual financial statements of the Victoria Mutual Building Society ("the Society") which is incorporated under the Building Societies Act and domiciled in Jamaica. The registered office of the Society is located at 8-10 Duke Street, Kingston, Jamaica. Its parent company is VM Financial Group Limited (VMFG) and its ultimate parent is VM Group (VMG), which are also both resident and domiciled in Jamaica.

The principal activities of the Society comprise granting loans, accepting deposits and trading in foreign currencies.

2. REGULATIONS AND LICENCE

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

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 Accounting Standards”) and comply with the relevant provisions of the Building Societies Act and the Banking Services Act, 2014.

New and amended standards that became effective during the year:

Certain new and amended standards came into effect during the current financial year. The Society 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).

Other pronouncements 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 Society has not early-adopted. The Society 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.

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)*

  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.

  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.

  The Society is assessing the impact that this standard 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:

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

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

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

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

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

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

(b) Basis of preparation (continued)

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

(f) The preparation of the financial statements in accordance with IFRS assumes that the Society will continue in operational existence for the foreseeable future. This means, inter alia, that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate the Society or curtail the scale of its operations. This is commonly referred to as the going concern basis.

The Society has an accumulated loss of $1,197,301,000 (2023:$1,222,106,000). The ability of the Society to regain and sustain profitability, and to generate the incremental cash flows to meet its obligations and other costs is dependent on its ability to successfully minimise costs and increase revenue. To address this, management is executing on a three-year Strategic Plan to achieve improved financial performance primarily through revenue growth, facilitated by the introduction of new products; as well as implementing operational efficiency strategies.

The parent company has indicated its commitment to continue to provide such financial support as the Society may require, to meet its obligations for the foreseeable future. Management, therefore, is of the opinion that the preparation of the financial statements on the going concern basis is appropriate.

(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 Jamaican dollars ($), which is the functional currency of the Society. 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.

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

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

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

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

(i) Key sources of estimation uncertainty

(1) Impairment of financial assets:

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

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

Detailed information about the judgements and estimates made by the Society in the above areas is set out in notes 4(l) 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(h) and 14. Management provides its appointed actuaries with some of the information, including certain key assumptions used in estimating the employee benefit amounts. The uncertainty inherent in these assumptions could mean significant differences between actual results and the estimates determined by management.

(3) Fair value of financial instruments

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

The yield curve is, in turn, obtained from a pricing source which uses indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach, which is categorised as a Level 2 fair value (see notes 8, 9 and 28). Some other fair values are estimated based on quotes published by broker/dealers, and these are also classified as Level 2. The estimates of fair value arrived at from these sources have significant estimation uncertainties.

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

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES

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

(a) 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 Society 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:

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

Financial assets (cont'd)

- *Debt instruments*

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

Classification and subsequent measurement of debt instruments depend on the Society's business model for managing the asset and the cash flow characteristics of the asset. Based on these factors, the Society 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(l). Interest income from these financial assets is included in 'interest income' calculated 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 Society manages the assets in order to generate cash flows. That is, whether the Society'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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(a) 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)

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

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

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

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

The Society 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

Financial assets (cont'd)

- *Equity instruments*

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

The Society subsequently measures all equity investments at FVTPL, except where the Society'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 Society 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 Society recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

- debt investment securities measured at amortised cost which are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities mandatorily measured at FVTPL or designated at FVTPL, with changes recognised in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities irrevocably designated 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 income calculated using the effective interest method;
- expected credit loss (ECL) charges and reversals; and
- foreign exchange gains and losses.

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

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

(b) 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

(i) Cash resources (cont'd)

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

(ii) Resale and repurchase agreements

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

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

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

(iii) 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(c) Leases

At inception of a contract, the Society 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 Society uses the definition of a lease in IFRS 16.

(i) As a lessee

The Society 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 Society by the end of the lease term or the cost of the right-of-use asset reflects that the Society 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 Society's incremental borrowing rate. Generally, the Society uses its incremental borrowing rate as the discount rate.

The Society accounts for the non-lease components separately.

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

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

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(c) Leases (cont'd)

(i) As a lessee (cont'd)

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 Society's estimate of the amount expected to be payable under a residual value guarantee, if the Society 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 Society 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 Society has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Society recognises the lease payments associated with these leases as an expense on the straight-line basis over the lease term.

(d) Revenue recognition

Revenue arises in the course of the ordinary activities of the Society. 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.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired [see note 4(m)], 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(e) 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.

(f) Fee and commission expenses

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

(g) Taxation

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 Society expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

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

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

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(h) Employee benefits

Employee benefits comprise all forms of consideration given by the Society 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 Society operates a defined-contribution pension plan and a defined-benefit pension plan (see note 14) to provide post-employment benefits.

The defined benefit plan was closed to new entrants effective December 31, 2016. The defined contribution plan was approved by the Financial Services Commission and Tax Administration Jamaica with an effective date of January 1, 2017 for employees who were hired on or after January 1, 2017. Both the defined benefit plan and the defined contribution plan are funded by contributions from the Society 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 Society's and employees' accumulated contributions plus accretions and, therefore, the Society has no further liability to fund benefits.

(iii) Defined-benefit pension plan

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(h) Employee benefits (cont'd)

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

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

The Society'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 Society'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 Society'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 Society 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 Society 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 Society, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(iv) Other post-employment benefits

The Society 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(i) Intangible assets

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.

(j) Investment and foreclosed properties

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

(ii) In certain situations, the Society 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.

(k) Property and equipment and depreciation

(i) Cost

(a) Recognition and measurement

Items of property 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 and equipment.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

(i) Cost (cont'd)

(b) Subsequent costs

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

(ii) Depreciation

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

The depreciation rates are as follows:-

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

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

(l) Identification and measurement of impairment

(i) Non-derivative financial assets

The Society 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, other assets and investment securities; and
- lease receivables.

Framework

The Society 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 Society.
- *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 Society determines when a significant increase in credit risk has occurred.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

Framework (cont'd)

- *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 Society uses three criteria for determining whether there has been a significant increase in credit risk:

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

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. In these cases, the Society determines a 3-month probation period during which the financial asset is required to demonstrate that it's 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 Society 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 Society considers the following factors:

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

Restructured financial assets

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

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

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

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.

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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

Measurement of expected credit losses (cont'd)

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

- ECL on undrawn loan commitments are measured at the present value of the difference between the contractual cash flows that are due to the Society if the commitment is drawn and the cash flows that the Society expects to receive.

- ECL on financial guarantee contracts are measured at the expected payments to reimburse the holder, less any amounts that the Society expects to recover.

- ECL on trade and lease receivables are measured as an amount equal to lifetime ECL.

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

Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's 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 Society formulates three economic scenarios: a base case, which is the median scenario, one upside and one downside scenario. The Society 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 following key indicators represent scores used to adjust the forward-looking information for Jamaica for the years 2024 to 2025:

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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

Incorporation of forward-looking information (cont'd)

	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.

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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

(ii) Non-financial assets

The carrying amounts of the Society'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.

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").

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.

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.

(m) Foreign currencies

(i) Transactions and balances

Foreign currency transactions are converted into the functional currencies of the Society 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.

(n) Dividends

Dividends in the form of non-cash are recorded at the carrying value of the assets transferred.

5. FINANCIAL RISK MANAGEMENT

Introduction and overview

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

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

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

Risk management framework

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

(i) Finance and Risk Management Committee

(ii) Audit Committee

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

The Finance and Risk Management Committee is responsible for designing and monitoring an integrated approach to risk management in the Society and ensuring its effectiveness consistent with the strategic risk appetite of the Society. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Society, 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 Society 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 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 Society. The Executive ERM Committee provides a first layer of oversight for the Society's ERM framework, including methods, policies and procedures to identify, assess, monitor and report on material risks to the attainment of the Society's key performance objectives.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

Risk management framework **(cont'd)**

The Society's Audit Committee is responsible for monitoring the compliance with the ERM policies and procedures. The Audit Committees are assisted in these functions by 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 Society is exposed are managed as follows:

(a) Credit risk

Credit risk is the risk of financial loss to the Society 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 Society'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:

	2024 $'000	2023 $'000
Loan commitments	1,081,193	9,168,821

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

- Loans

  Credit risk is the single largest risk for the Society's business. Credit risk management and control is delegated to the 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.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

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

- Loans (cont'd)

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 Society 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(m) for discussion on measurement of ECL.

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

Credit risk grades

The Society uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Society 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 Society 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 Society does not apply the low credit risk exemption to any other financial instruments.

THE VICTORIA MUTUAL BUILDING SOCIETY

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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)

- Debt securities (cont'd)

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 at amortised cost:

	2024				2023
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Grade 3 - Low risk	27,223,781	1,223,414	1,016,113	29,463,308	18,676,238
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	3,925	1,160,807	2,091,917	3,256,649	2,631,046
	101,884,212	10,060,069	12,325,337	124,269,618	110,182,047
Loss allowance	(43,644)	(69,818)	(474,096)	(587,558)	(338,744)
	101,840,568	9,990,251	11,851,241	123,682,060	109,843,303

	2024				2023
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Aging of loans					
Current	89,191,816	878,977	1,493,242	91,564,035	93,577,715
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	25,522	3,002,576	1,531,186	4,559,284	1,602,649
Over 90 days	-	206,763	585,633	792,396	2,495,442
Total	101,844,212	10,060,069	12,325,337	124,269,618	110,182,047
Loan commitments					
Grades 1-3: Low risk	1,081,193	-	-	1,081,193	9,168,821
Loss allowance	(410)	-	-	410	(1,103)

THE VICTORIA MUTUAL BUILDING SOCIETY

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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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)

- Debt securities and other financial assets at amortised cost:

	2024		2023
	Stage 1	Total	Total
	$'000	$'000	$'000
Credit grade			
Investment grade	2,937,221	2,937,221	4,943,080
Non-investment grade*	25,278,362	25,278,362	18,272,090
Gross carrying amount	28,215,583	28,215,583	23,215,170
Loss allowance	(99,429)	(99,429)	(253,599)
	28,116,154	28,116,154	22,961,571

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

- Other receivables at amortised cost:

	2024			2023
	Stage 1	Stage 3	Total	Total
	$'000	$'000	$'000	$'000
Credit grade				
Performing	2,605,032	-	2,605,032	2,207,861
Non-performing	-	63,747	63,747	491,395
Gross carrying amount	2,605,032	63,747	2,668,779	2,699,256
Loss allowance	-	(63,747)	(63,747)	(182,686)
	2,605,032	-	2,605,032	2,516,570

- Debt securities at FVOCI:

	2024			2023
	Stage 1	Stage 2	Total	Total
	$'000	$'000	$'000	$'000
Credit grade				
Investment grade	4,019,822	-	4,019,822	2,923,161
Non-investment grade*	10,754,731	519,685	11,274,416	14,820,188
	14,774,553	519,685	15,294,238	17,743,349
Loss allowance	(18,636)	(42,587)	(61,223)	(50,145)

*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)

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, resale agreements and other financial assets at amortised cost:

	2024				2023
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Total $'000
Balance at January 1	270,603	18,782	485,644	775,029	629,310
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	56,633	3,636	33,174	93,443	27,836
Financial assets fully derecognised during the period	(72,424)	(11,196)	(124,822)	(208,442)	(114,513)
Changes to inputs used in ECL calculation	(178,497)	53,944	214,695	90,142	230,393
Foreign exchange adjustment	660	-	(98)	562	2,003
Balance at December 31	143,579	71,241	535,914	750,734	775,029

** 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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)

Reconciliation of allowances for ECL (cont'd)

- Debt securities at FVOCI:

	2024				2023
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Balance at January 1	10,541	39,604	-	50,145	98,579
New financial assets originated or purchased	244	-	-	244	219
New financial assets fully derecognised during the period	(3,114)	(34)	-	(3,148)	(56,374)
Changes to inputs used on ECL calculation**	10,906	3,016	-	13,922	6,975
Foreign exchange adjustment	60	-	-	60	746
Balance at December 31	18,637	42,586	-	61,223	50,145

** 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 on financial assets

	2024	2023
	$'000	$'000
Investment securities at amortised cost (note 5(a)(ii)	154,170	(112,787)
Investment securities at FVOCI (note 5(a)(ii)	(11,078)	48,434
Resale agreement (note 10)	4	(14)
Loan receivable (note 11)	(248,814)	(25,572)
Other receivables (note 12)	54,182	3,060
Other financial asset (note 7)	10,406	(10,406)
	(41,130)	(97,285)

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 Society 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 Society 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).

Write-off
The Society 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 Society held for loans past due (greater than three months) was $13,875,352,000 (2023: $6,547,051,000) [see note 5(a)(iv)].

Foreclosure

The Society 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 $21,621,000 (2023: $100,424,000). The Society'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) Amounts arising from ECL

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

	2024		
	Impact increase/(decrease)		
	Stage 1	Stage 2	Stage 3
	$'000	$'000	$'000
Loans to customers at amortised cost			
Increase in retail credit card loans due to strategic growth initiative	-	-	112,693

	2023		
	Impact increase/(decrease)		
	Stage 1	Stage 2	Stage 3
	$'000	$'000	$'000
Loans to customers at amortised cost			
Increase in retail credit card loans due to strategic growth initiative	3,965	-	52,099

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

The Society 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 brokers/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 Society 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 the 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)(iv) and (4) below

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

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

(4) Accounts receivable

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet repayment obligations and by changing these lending limits where appropriate.

The Society 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	90%	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 corporate customers			
Corporate loans	85%	100%	Commercial Property, Floating

The below 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 value at disbursement.

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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)

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

Collateral Values			Credit Impaired Loans		
Mortgage Lending	**2024**	**2023**	**Mortgage Lending**	**2024**	**2023**
LTV ratio	**$'000**	**$'000**	LTV ratio	**$'000**	**$'000**
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	**000**	**000**	LTV ratio	**000**	**000**
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	**000**	**000**	LTV ratio	**000**	**000**
Less than 50%	2,053,677	1,067,169	Less than 50%	601,744	499,494
51-70%	805,097	194,247	51-70%	47,794	143,817
71-90%	-	350,175	71-90%	-	-
91-100%	-	-	91-100%	-	-
More than 100%	3,730	-	More than 100%	1,746	-
Total	**2,862,504**	**1,611,591**	Total	**651,284**	**643,311**
Auto Loans			**Auto Loans**		
LTV ratio	**000**	**000**	LTV ratio	**000**	**000**
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**
Staff Loans			**Staff Loans**		
LTV ratio	**000**	**000**	LTV ratio	**000**	**000**
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**
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		-	-
	125,226,045	**11,050,608**		**11,843,227**	**9,997,763**

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. These arise mainly from changes in interest rates, foreign exchange rates, credit spreads and equity prices and will affect the Society'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 Society separates its exposure to market risks between amortised cost, fair-value through profit on loss and fair value through other comprehensive income. Market risks are monitored by the ALCO. The ALCO monitors the price movement of securities on the local and international markets for both debt and equity securities. Market risk is managed through the use of Board-approved limits, by offsetting financial assets and liabilities and maintaining matched portfolios of foreign currency financial assets and liabilities and by maintaining currency portfolio long and short gap position.

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

Management and monitoring of market risks

Interest rate risk and the other market risks associated with all portfolios 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 Society 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.

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

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

The following table summarises the carrying amounts of financial assets and liabilities in the statement of financial position to arrive at the Society'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:

	2024					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash resources	11,868,288	-	-	-	1,553,933	13,422,221
Jamaica Government securities	2,799,840	554,152	770,998	6,921,176	3,892	11,050,058
Other investments	1,469,310	520,262	1,161,511	12,538,124	6,545,215	22,234,422
Resale agreements	2,022,322	1,649,070	375,000	-	-	4,046,392
Loans	-	123,682,060	-	-	-	123,682,060
Due from related parties	185,814	195,337	199,485	375,201	-	955,837
Other assets	-	-	-	-	2,605,032	2,605,032
Total financial assets	18,345,574	126,600,881	2,506,994	19,834,501	10,708,072	177,996,022
Savings fund	83,576,118	20,603,165	37,247,793	10,771,460	1,142,658	153,341,194
Due to specialised institution	-	-	-	1,882,974	2,331	1,885,305
Due to related parties	-	-	-	-	860,434	860,434
Repurchase agreements	933,613	461,204	600,877	-	28,521	2,024,215
Other borrowings	-	-	979,866	1,189,125	-	2,168,991
Other liabilities	-	-	-	-	1,512,422	1,512,422
Lease liabilities	-	-	-	212,781	-	212,781
Total financial liabilities	84,509,731	21,064,369	38,828,536	14,056,340	3,546,366	162,005,342
Total interest rate sensitivity gap *	(66,164,157)	105,536,512	(36,321,542)	5,778,161	7,161,706	15,990,680
Cumulative gap	(66,164,157)	39,372,355	3,050,813	8,828,974	15,990,680	-

* The gap is in relation to items recognised in the statement of financial position.

THE VICTORIA MUTUAL BUILDING SOCIETY

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

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

	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 resources	4,349,269	-	-	-	4,559,059	8,908,328
Jamaica Government securities	1,852,169	99,912	2,672,804	7,620,813	2,966	12,248,664
Other investments	40,957	1,642,631	4,497,945	10,091,795	4,917,565	21,190,893
Resale agreements	2,357,744	795,059	375,000	-	-	3,527,803
Loans	-	109,843,303	-	-	-	109,843,303
Due from related parties	-	8,767,199	-	-	762,319	9,529,518
Other assets	-	-	-	-	2,516,570	2,516,570
Total financial assets	8,600,139	121,148,104	7,545,749	17,712,608	12,758,479	167,765,079
Savings fund	81,700,371	18,227,689	33,099,947	9,201,169	1,277,867	143,507,043
Due to specialised institution	-	-	-	1,936,552	2,379	1,938,931
Repurchase agreements	743,325	2,454,557	100,000	-	24,388	3,322,270
Other borrowings	4,144	-	1,360,040	1,626,158	8,277	2,998,619
Other liabilities	-	-	-	-	1,911,251	1,911,251
Lease liabilities	-	-	-	174,917	-	174,917
Total financial liabilities	82,447,840	20,682,246	34,559,987	12,938,796	3,224,162	153,853,031
Total interest rate sensitivity gap *	(73,847,701)	100,465,858	(27,014,238)	4,773,812	9,534,317	13,912,048
Cumulative gap	(73,847,701)	26,618,157	(396,081)	4,377,731	13,912,048	-

* The gap is in relation to items recognised in the statement of financial position.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity to interest rate movements

The following table shows the effect on 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.

	2024	
	Increase	Decrease
Jamaica dollar	25bps	50bps
Foreign currencies	25bps	50bps
	$'000	$'000
Effect on profit for the year	431,852	(7,081)
Effect on reserves	2,564,096	(8,057,080)

	2023	
	Increase	Decrease
Jamaica dollar	25bps	25bps
Foreign currencies	25bps	25bps
	$'000	$'000
Effect on loss for the year	368,018	(3,680,181)
Effect on reserves	1,118,272	3,150,163

(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 Society 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:

	2024			2023		
	USD	GBP	CAD	USD	GBP	CAD
	'000	'000	'000	'000	'000	'000
Foreign currency assets	281,600	94,091	15,434	277,212	78,907	13,784
Foreign currency liabilities	(300,146)	(70,088)	(10,637)	(276,203)	(70,692)	(9,731)
Net foreign currency assets	(18,546)	24,003	4,797	1,009	8,215	4,053

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

(ii) Foreign currency risk (cont'd)

Sensitivity to foreign exchange rate movements

The Society uses the average of Bank of Jamaica's buying and selling rates for balances denominated in foreign currencies [see policy 4(m)]; the rates are as follows:

	2024 J$	2023 J$
United States dollar	155.6022	154.2681
Pound Sterling	193.1149	194.2333
Canadian dollar	108.3818	116.9034

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

	2024 $'000	2023 $'000
United States Dollar	28,932	(1,557)
Pound Sterling	(46,326)	(15,957)
Canadian Dollar	(5,181)	(4,738)
	(22,575)	(22,252)

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

	2024 $'000	2023 $'000
United States Dollar	(115,542)	6,227
Pound Sterling	185,543	63,828
Canadian Dollar	20,819	18,951
	90,820	89,006

(iii) Equity price risk

Equity price risk arises from equity securities held by the Society 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 Society's investment strategy is to maximise investment returns.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

(iii) Equity price risk (cont'd)

Sensitivity to foreign exchange rate movements (cont'd)

The equity securities which the Society holds are listed on the Jamaica Stock Exchange. A 6% increase 2024 (2023: 6%) in share prices would result in an increase in profit of $391,023,000 (2023: $1,718,063,000). A 2% decrease (2023: 3%) in share prices would result in a decrease in profit of $130,341,000 (2023: $859,031,000).

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

(c) Liquidity risk

Liquidity risk is the risk that the Society 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 Society'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 Society's ability to liquidate assets quickly and with minimal loss in value. Prudent liquidity risk management requires the Society 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 Society establishes and implements procedures to ensure that the Society maintains sufficient liquidity, including a buffer of unencumbered, high quality liquid assets, to meet liabilities that fall due in the short term; to meet any demands for funds by its members and creditors and to withstand a range of stress events, including those involving loss or impairment of both secured and unsecured funding sources.

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

The Society is subject to externally imposed liquidity ratios. These ratios are taken into account by management in its measurement and management of liquidity risk.

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

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

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(i) (Continued)

	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) Maturity profile

The following table presents the contractual maturity profile of financial assets and liabilities, including interest payments, on the basis of their earliest possible contractual maturity. However, based on historical experience, the Society has consistently recorded net inflows for 'Due to Savers.' This inflow, along with the high-quality liquid assets held in the portfolio are available to mitigate any liquidity exposure that may arise.

	Within One month $'000	One to 3 months $'000	Three to 12 months $'000	One to 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
				2024			
Cash and cash equivalents	11,868,288	-	-	-	-	11,868,288	11,868,288
Balances with central banks	-	-	-	-	1,553,933	1,553,933	1,553,933
Jamaica Government Securities	2,800,518	584,959	400,202	4,423,101	4,075,757	12,284,537	11,050,058
Other investments	1,475,917	1,311,003	2,739,039	6,498,116	12,713,263	24,737,338	22,234,422
Resale agreements	2,429,599	1,256,772	399,822	-	-	4,086,193	4,046,392
Loans and advances	924,462	1,183,754	7,102,300	32,836,256	198,394,283	240,441,055	123,682,060
Due from related parties	955,837	-	-	-	-	955,837	955,837
Other assets	-	2,605,032	-	-	-	2,605,032	2,605,032
Total financial assets	20,454,621	6,941,520	10,641,363	43,757,473	216,737,236	298,532,213	177,996,022
Due to savers	83,449,622	18,702,685	41,151,376	37,802,661	1,727,859	182,834,203	153,341,194
Due to specialised institution	6,830	13,660	61,471	327,846	1,905,664	2,315,471	1,885,305
Due to Related Parties	860,434	-	-	-	-	860,434	860,434
Other liabilities	-	1,512,422	-	-	-	1,512,422	1,512,422
Lease liabilities	3,947	7,651	33,154	152,486	166,048	363,286	212,781
Repurchase agreements	1,250,785	153,358	623,140	-	-	2,027,283	2,024,215
Other borrowings	-	-	1,003,094	1,249,932	-	2,253,026	2,168,991
Loan commitments	1,081,193	-	-	-	-	1,081,193	1,081,193
	86,652,811	20,389,776	42,872,235	39,532,925	3,799,571	193,247,318	163,086,535

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(ii) Maturity profile (cont'd)

The following table presents the contractual maturity profile of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity. However, based on historical experience, the Society has consistently recorded net inflows for 'Due to Savers.' This inflow, along with the high-quality liquid assets held in the portfolio are available to mitigate any liquidity exposure that may arise.

	Within One month $'000	One to 3 months $'000	Three to 12 months $'000	One to 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
				2023			
Cash and cash equivalents	7,437,526	-	-	-	-	7,437,526	7,437,562
Balances with central banks	-	-	-	-	1,470,766	1,470,766	1,470,766
Jamaica Government Securities	1,859,906	101,626	2,770,439	4,022,554	4,436,996	13,191,521	12,248,664
Other investments	775,509	920,216	2,911,238	11,186,632	5,771,018	21,564,613	21,190,813
Resale agreements	2,365,202	808,461	375,000	-	-	3,548,663	3,527,803
Loans and advances	342,832	37,022	1,888,201	6,013,061	123,007,842	131,288,958	109,843,303
Due from related parties	22,338	43,236	197,442	1,052,064	14,027,518	15,342,598	9,529,518
Other assets	-	2,516,570	-	-	-	2,516,570	2,516,570
Total financial assets	12,803,349	4,427,131	8,142,320	22,274,311	148,714,140	196,361,251	167,764,999
Due to savers	83,228,455	18,227,689	33,994,805	9,211,817	1,441,251	146,104,017	143,507,043
Due to specialised institution	7,848	15,696	65,212	380,318	2,343,898	2,812,972	1,938,931
Other liabilities	-	1,911,251	-	-	-	1,911,251	1,911,251
Lease liabilities	3,763	7,526	33,926	138,731	48,634	232,580	174,197
Repurchase agreements	752,188	2,468,542	100,078	-	-	3,320,808	3,322,270
Other borrowings	11,112	-	1,346,667	1,785,537	-	3,143,316	2,998,619
Loan commitments	9,168,821	-	-	-	-	9,168,821	9,168,821
	93,172,187	22,630,704	35,540,688	11,516,403	3,833,783	166,693,765	163,021,132

There was no change to the Society'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 Society'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 Society'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.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Operational risk (cont'd)

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 Society will consider the impact to its reputation and take measures to mitigate the risk, within the context of its relevant risk appetite.

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

6. CAPITAL MANAGEMENT

Capital risk is the risk that the Society 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 Society's objectives when managing capital, which is a broader concept than the "capital" mentioned on the face of the statement of financial position are:

- To comply with the capital requirements set by the regulators;
- To safeguard the Society's ability to continue as a going concern, so that the Society can continue to provide benefits for members and other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Quote Act requires that building societies maintain a minimum of 10% (2023: 10%) of their risk weighted assets in capital.

	2024 $'000	2023 $'000
Regulatory capital [notes 25, 26(i), 26(ii)]	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%

7. CASH RESOURCES

	2024 $'000	2023 $'000
Cash and cash equivalents for statements of cashflow [see (a)]	11,868,288	7,437,562
Cash reserves held at the Bank of Jamaica [see (b)]	1,553,933	1,470,766
	13,422,221	8,908,328

(a) Cash and cash equivalents represent cash on hand and balances with banks. Impairment allowance amounted to $Nil (2023: $10,406,000)

(b) Cash reserves held at Bank of Jamaica represent statutory reserves required by regulation to be held at Bank of Jamaica. They are not available for use by the Society in the ordinary course of business. The cash reserve amounts are determined as a percentage of specified liabilities stipulated by the Bank of Jamaica. In order for the cash reserve rate to remain at no more than one per cent of specified liabilities, as defined, the Society must have qualifying assets of 40% (2023: 40%) of specified liabilities.

8. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES

These comprise:

	2024 $'000	2023 $'000
FVOCI		
Securities denominated in United States dollars:		
Bonds	5,955,939	6,086,709
Securities denominated in Jamaica dollars:		
Bonds	1,796,159	3,153,057
Certificates of deposit	-	150,912
	1,796,159	3,303,969
AMORTISED COST		
Securities denominated in United States dollars:		
Certificates of deposit	4,111	154,269
Securities denominated in Jamaica dollars		
Certificate of deposit	2,925,001	2,000,000
Treasury bills	185,801	585,282
Bonds	183,167	120,341
	3,298,080	2,859,892
	11,050,178	12,250,570
Less: Allowance for impairment on amortised cost	(120)	(1,906)
	11,050,058	12,248,664

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

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

	2024 $'000	2023 $'000
Within 3 months	3,367,176	1,954,546
From 3 months to 1 year	783,842	2,724,859
From 1 year to 5 years	3,622,036	4,070,723
Over 5 years	3,277,004	3,498,536
	11,050,058	12,248,664

Certain Government of Jamaica securities are pledged by the Society as collateral for repurchase agreements (note 22).

9. INVESTMENTS – OTHER

	2024 $'000	2023 $'000
FVTPL		
Quoted equities	1,412,954	1,026,435
Derivative	825,656	-
Mandatorily designated:		
Units in unit trust funds	5,104,090	4,127,900
	7,342,700	5,154,335
Amortised cost		
Bonds	4,497,344	4,822,545
Treasury bills	1,720,078	2,454,693
Term deposits	1,231,381	631,412
	7,448,803	7,908,650
Less allowance for impairment	(99,222)	(224,763)
	7,349,581	7,683,887
FVOCI		
Bonds	7,542,102	8,352,632
Ordinary shares - unquoted	39	39
	7,542,141	8,352,671
	22,234,422	21,190,893

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

	2024 $'000	2023 $'000
Within 3 months	2,468,898	559,810
From 3 months to 1 year	2,243,248	4,663,745
From 1 year to 5 years	5,350,574	7,348,526
Over 5 years/no maturity	12,171,702	8,618,812
	22,234,422	21,190,893

10. RESALE AGREEMENTS

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

	2024 $'000	2023 $'000
Denominated in Jamaica dollars	2,831,867	-
Denominated in United States dollars	1,214,612	3,527,894
	4,046,479	3,527,894
Less: Allowance for impairment	(87)	(91)
	4,046,392	3,527,803

The securities obtained as collateral under resale agreements, may themselves be sold under repurchase agreements (see note 22). At December 31, 2024, such securities had a fair value $4,098,888,000 (2023: $5,523,078,000).

11. LOANS

(a) Composition of loans

	2024 $'000	2023 $'000
Conventional mortgage loans	98,545,341	97,225,636
Mortgage escrow (see below)	613,969	702,894
Total conventional mortgage loans loans	99,159,310	97,928,530
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
Margin loans	200,178	201,150
Staff loans	722,361	572,270
Credit cards	992,609	639,554
Total gross carrying value of loans	125,226,045	111,050,608
Less: Allowance for impairment	(587,558)	(338,744)
Less: Deferred origination fees	(956,427)	(868,561)
Total loans, net	123,682,060	109,843,303

Mortgage escrow represents insurance premiums paid by the Society on behalf of mortgagors. These amounts are recoverable over one year and are collected as part of monthly mortgage instalments.

11. LOANS (CONT'D)

(a) Composition of loans (cont'd)

Movement in deferred origination fees

	2024 $'000	2023 $'000
At beginning of the year	868,561	734,193
Additions	262,206	270,311
Amortisation	(174,339)	(135,943)
At end of the year	956,428	868,561

(b) Allowance for impairment

	2024 $'000	2023 $'000
Balances at the beginning of the year	338,744	313,172
Allowances made during the year	361,507	51,465
Loans written-off	(112,693)	(25,893)
Balances at the end of the year [see (c) below]	587,558	338,744

(c) Credit facility reserve

	2024 $'000	2023 $'000
Regulatory loan loss provision	4,449,730	3,429,157
Less: Impairment allowance based on IFRS 9 [see (b) above]	(587,558)	(338,744)
Credit facility reserve at end of year	3,862,172	3,090,413

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

	2024 $'000	2023 $'000
Within three months	2,071,282	363,469
3 months to 1 year	7,140,039	1,871,309
From 1 year to 5 years	12,310,530	5,374,875
Thereafter	102,160,209	102,233,650
	123,682,060	109,843,303

12. OTHER ASSETS

	2024 $'000	2023 $'000
Interest receivable	1,051,679	1,358,192
Rent receivable	45,945	53,110
Late fees	236,488	148,233
Sundry receivables	1,334,667	1,139,721
	2,668,779	2,699,256
Less: Allowance for impairment (Note 5 a (ii))	(63,747)	(182,686)
	2,605,032	2,516,570
Tax recoverable	655,122	726,279
Prepayment	186,356	253,784
Total Other assets	3,446,510	3,496,633

Allowance for impairment on other receivables

	2024 $'000	2023 $'000
Balances at the beginning of the year	182,686	185,746
(Reversal)/ allowances made during the year	(54,182)	1,408
Receivables written-off	(64,757)	(4,468)
Balances at the end of the year	63,747	182,686

13. DEFERRED TAX ASSETS AND LIABILITIES

	2022 $'000	Recognised in income statement $'000	Recognised in OCI $'000	2023 $'000	Recognised in income statement $'000	Recognised in OCI $'000	2024 $'000
Employee benefits asset	(223,803)	(15,210)	(146,370)	(385,383)	29,490	(65,250)	(421,143)
Property, plant and equipment	299,280	76,596	-	375,876	142,761	-	518,637
Employee benefits obligation	205,050	20,370	22,410	247,830	21,390	52,140	321,360
Other receivables	71,000	(17,010)	-	53,990	(24,658)	-	29,332
Loan origination fees	-	-	-	-	(220,258)	-	(220,258)
Unrealised gains on units in unit trust	(377,317)	166,480	-	(210,837)	(26,300)	-	(237,137)
Unutilised tax loss	-	25,581	-	25,581	253,275	-	278,856
	(25,790)	256,807	(123,960)	107,057	175,700	(13,110)	269,647

The Society 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 Society to pursue and capitalise on growth and profit-making opportunities. Supported by the Society's strong history, the restructured VM Group is poised to achieve future profit targets.

14. EMPLOYEE BENEFITS ASSET/OBLIGATION

The Society 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 benefit asset or obligation included in the financial statements at the end of the period and the costs for the period, an IAS 19 actuarial valuation is done each year. The Society 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:

	2024 $'000	2023 $'000
Employee benefits asset (i)	1,403,811	1,284,611
Other post-employment benefits (ii)	1,071,400	826,300

(i) Employee benefits asset

(a) Amount recognised in the statement of financial position

	2024 $'000	2023 $'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

	2024 $'000	2023 $'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

THE VICTORIA MUTUAL BUILDING SOCIETY

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

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

(i) Employee benefits asset (cont'd)

(c) Movement in plan assets

	2024 $'000	2023 $'000
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
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

All equity and government securities have quoted prices in active markets. All government securities are issued by Jamaican government.

(d) Charge/(credit) recognised in the income statement, net

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

(e) Credit recognised in other comprehensive income, net

	2024 $'000	2023 $'000
Remeasurement (gain)/loss on obligations	(575,000)	2,831,500
Remeasurement loss 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)

	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

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

(i) Employee benefits asset (cont'd)

(g) Sensitivity analysis

A 1% (2023: 1%) 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:

	2024		2023	
Financial assumptions	1% point increase $'000	1% point decrease $'000	1% point increase $'000	1% point decrease $'000
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 Society expects to pay $1,600,000 in contributions to the defined-benefit plan in 2025.

(ii) Employee benefit obligation

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 employee benefit obligation

	2024 $'000	2023 $'000
Present value of obligation at the start of the year	826,300	683,700
Interest cost	88,900	86,800
Current service cost	25,500	13,700
Benefits paid	(36,900)	(33,500)
Remeasurement loss arising from:		
Financial assumptions	167,600	75,600
	1,071,400	826,300

(b) Charge recognised in the income statement

	2024 $'000	2023 $'000
Interest cost	88,900	86,800
Current service cost	25,500	13,700
	114,400	100,500

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

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

(c) Items in other comprehensive income

	2024 $'000	2023 $'000
Remeasurement loss on obligation	167,600	75,600

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

	2024 %	2023 %
Financial assumptions:		
Discount rate	9.5	11
Medical claims growth	8	8
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 1% (2023: 0.5%) point change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employee benefit obligation by amounts shown below:

	2024		2023	
	1% point increase $'000	1% point decrease $'000	0.5% point increase $'000	0.5% point decrease $'000
Medical cost trend rate and rate of salary escalation	111,300	(90,200)	685,500	(515,800)
Discount rate	(87,200)	109,100	(515,800)	685,500

THE VICTORIA MUTUAL BUILDING SOCIETY

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

15. INTANGIBLE ASSETS

	Computer software $'000	Work in progress $'000	Total $'000
Cost			
December 31, 2022	3,182,500	1,311,095	4,493,595
Additions	-	485,437	485,437
Transfers	58,841	(58,841)	-
December 31, 2023	3,241,341	1,737,691	4,979,032
Additions		235,026	235,026
Disposals	(53,692)	-	(53,692)
Write-offs	-	(48,727)	(48,727)
Transfers	594,175	(594,175)	-
December 31, 2024	3,781,824	1,329,815	5,111,639
Amortisation			
December 31, 2022	2,138,943	-	2,138,943
Charge for year	470,633	-	470,633
December 31, 2023	2,609,576	-	2,609,576
Charge for year	355,653	-	355,653
Eliminated on disposals	(33,110)	-	(33,110)
December 31, 2024	2,932,119	-	2,932,119
Carrying value			
December 31, 2024	849,705	1,329,815	2,179,520
December 31, 2023	631,765	1,737,691	2,369,455
December 31, 2022	1,043,557	1,311,095	2,354,652

16. INVESTMENT AND FORECLOSED PROPERTIES

	Investment properties $'000	Foreclosed properties $'000	Total $'000
Cost			
December 31, 2022	134,381	144,506	278,887
Disposals	(52,088)	(16,868)	(68,956)
December 31, 2023	82,293	127,638	209,931
Additions	-	5,322	5,322
Disposals	-	(110,020)	(110,020)
December 31, 2024	82,293	22,940	105,233
Depreciation			
December 31, 2022	46,254	27,327	73,581
Charge for the year	2,186	3,383	5,569
Eliminated on disposals	(4,506)	(3,496)	(8,002)
December 31, 2023	43,934	27,214	71,148
Charge for the year	676	799	1,475
Eliminated on disposals	-	(26,694)	(26,694)
December 31, 2024	44,610	1,319	45,929
Net book values			
December 31, 2024	37,683	21,621	59,304
December 31, 2023	38,359	100,424	138,783
December 31, 2022	88,127	117,179	205,306

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

(a) Reconciliation of opening to closing fair value

	2022 $'000	Disposal $'000	2023 $'000	Disposal $'000	2024 $'000
Investment properties	1,699,104	(898,000)	801,104	(136,104)	665,000
Foreclosed properties	568,076	(16,868)	551,208	(520,708)	30,500
	2,267,180	(914,868)	1,352,312	(656,812)	695,500

(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 Society from investment properties which are leased under operating leases amounted to $12,390,000 (2023: $17,500,000). Direct operating expenses, arising from the investment property that generated rental income during the year, amounted to $83,803,000 (2023: $104,690,000).

17. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets $'000	Leasehold improvements & freehold land and buildings $'000	Office furniture & equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Cost						
December 31, 2022	272,618	1,283,913	2,593,628	53,060	837,425	5,040,644
Additions	4,943	-	82,030	-	259,892	346,865
Disposals	(24,345)	(566)	(102,901)	-	-	(127,812)
December 31, 2023	253,216	1,283,347	2,572,757	53,060	1,097,317	5,259,697
Additions	60,368	-	56,523	-	88,256	205,147
Disposals	(4,852)	(570,981)	(134,583)	-	(149,128)	(859,544)
Transfer from work in progress	-	317,875	318,443	-	(636,318)	-
December 31, 2024	308,732	1,030,241	2,813,140	53,060	400,127	4,605,300
Depreciation						
December 31, 2022	97,462	212,241	1,923,087	18,136	-	2,250,926
Charge for year	35,822	53,071	142,930	10,495	-	242,318
Eliminated on disposals	(24,345)	(341)	(79,181)	-	-	(103,867)
December 31, 2023	108,939	264,971	1,986,836	28,631	-	2,389,377
Charge for year	32,536	269,969	161,486	10,185	-	474,176
Eliminated on disposals	(4,851)	(272,376)	(78,173)	-	-	(355,400)
December 31, 2024	136,624	262,564	2,070,149	38,816	-	2,508,153
Net book values						
December 31, 2024	172,108	767,677	742,991	14,244	400,127	2,097,147
December 31, 2023	144,277	1,018,376	585,921	24,429	1,097,317	2,870,320
December 31, 2022	175,156	1,071,672	670,541	34,924	837,425	2,789,718

Included in leasehold, freehold land and building is land with a cost of $35,850,000.00 (2023 : $35,850,000.00)

18. REGULAR SAVINGS

	2024 $'000	2023 $'000
Regular savings	142,727,356	136,203,632
Deferred shares [note 23]	147,570	335,513
	142,874,926	136,539,145

Deferred Shares are Tier 2 capital and issued by a mutual building society. The Deferred shares are paid up capital, interest bearing and have an original term to maturity of five (5) years or more. In the previous year, these shares were exchanged for propriety shares (see note 25).

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

	2024 $'000	2023 $'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	1,616,760	3,497,823
	142,874,926	136,539,145

19. DEPOSITORS' SAVINGS

	2024 $'000	2023 $'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
Percentage of the Society's mortgage loan balances	10,56%	7.12%
Society's mortgage loan balances[note 11 (a)]	99,159,310	97,928,530

Per section 27(B) of the Building Societies Act, the total depositors' savings shall not at any time exceed ¾ (75%) of the mortgage loan balance due from members.

20. DUE TO SPECIALISED INSTITUTION

	2024 $'000	2023 $'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 Society.

21. OTHER LIABILITIES

	2024 $'000	2023 $'000
Deposits – private treaty sales	70,417	2,286
Customers' and clients' funds	409,094	846,945
Accrued expenses	635,901	566,488
Other payables	437,206	558,047
	1,552,618	1,973,766

22. REPURCHASE AGREEMENTS

The Society 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").

	2024 $'000	2023 $'000
Denominated in Jamaican dollars	160,892	3,096,467
Denominated in United States dollars	1,570,475	-
Denominated in Sterling	292,848	225,803
	2,024,215	3,322,270

Securities obtained under resale agreements and certain investments (see notes 9 and 10) and interest accrued thereon are pledged as collateral for repurchase agreements. These financial instruments have a fair value of $2,423,410,000 (2023: $4,256,730,000).

23. OTHER BORROWINGS

	2024 $'000	2023 $'000
Deferred shares (note 18)	1,684,060	2,390,342
Term loan	484,932	608,277
	2,168,992	2,998,619

Term loans represent short to medium-term debt obligations of the Society. These loans mature within 12 months and attracts annual interest rates of 7.5% (2023: 9.5%).

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

Reconciliation of movement of other borrowings to cash flow from financing activities.

	2024 $'000	2023 $'000
Balance as at 1 January	2,998,619	7,967,022
Exchanged for proprietary shares (note 25)	-	(4,228,044)
Repayments of other borrowings	(829,627)	(740,359)
	2,168,992	2,998,619

24. LEASES – IFRS 16

The Society leases office and commercial spaces. 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 and equipment (see note 17). Information about lease liabilities for which the Society is a lessee is presented below.

Maturity analysis – contractual undiscounted cash flows:

	2024 $'000	2023 $'000
Less than one year	44,751	45,215
One to five years	152,486	138,731
More than five years	166,048	48,634
	363,285	232,580
Carrying amount of lease liabilities:		
Current	23,274	31,245
Non-current	189,507	143,672
	212,781	174,917

24. LEASES – IFRS 16 (CONT'D)

(a) Amounts recognised in profit or loss

	2024 $'000	2023 $'000
Leases under IFRS 16:		
Interest on lease liabilities	22,779	16,072

(b) Amounts recognised in statement of cash flows:

	2024 $'000	2023 $'000
Lease interest payments	22,779	16,072
Lease principal payments	22,504	31,032
Total cash outflow for leases	45,283	47,104

(c) Extension options

Some property leases contain extension options exercisable by the Society up to one year before the end of the non-cancellable contract period. Where practicable, the Society seeks to include extension options in new leases to provide operational flexibility. The Society 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 Society 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.

	2024 $'000	2023 $'000
Balance at beginning of the year	174,917	201,005
Additions	83,147	21,016
Lease principal payments	(22,504)	(31,032)
Lease interest expense	(22,779)	(16,072)
Balance at end of year	212,781	174,917

(e) Leases as lessor

The Society 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.

	2024 $'000	2023 $'000
One to two years	7,307	9,373
Two to three years	10,732	18,012
Three to four years	8,695	13,015
Four to five years	7,926	13,015
Over five years	-	4,658
	34,660	58,073

25. SHARE CAPITAL

Authorised and issued:

	Number of Share $'000	
	2024	2023
Proprietary shares of par value of $1.00	14,552,594	14,552,594

Issued and fully paid:

	Number of Share ('000)		$'000	
	2024	2023	2024	2023
Proprietary shares	14,552,594	14,552,594	14,552,594	14,552,594

The holder of the ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Society.

Effective February 1, 2023, the Society was converted to a proprietary building society by converting its permanent capital fund to ordinary share capital, 7,746,058,000 shares at par value of $1, in the amount of $7,746,058,000, which was issued as proprietary shares to its parent.

On July 27, 2023, in order to support the capital requirements of the Society, the Board approved a resolution for its parent company to acquire deferred shares from its members, then surrender these deferred shares (notes 18 and 23), in exchange for the issuance of equal number of proprietary shares in the Society. Proprietary shares were issued in the amount of 6,806,535,754 at a par value of $1.00. The proprietary shares were considered fully paid as at December 31, 2023 by its parent company.

26. RESERVES

(i) Reserve fund

The Banking Services Act and Regulations require the Society to transfer at least 15% of its net profit after income tax each year to the reserve fund until the reserve equals 50% 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. (see notes 26 and 27)] and its deferred shares (note 18).

(ii) Retained earnings reserve

The Regulations permit the Society to transfer a portion of its profits to a retained earnings reserve, which constitutes a part of the capital base (see note 27). 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, the Bank of Jamaica and members at the members' meeting held August 9, 2022, the liability in the Statement of Financial Position represented by 15-year Dormant Accounts amounting to $1,200,000,000, was extinguished and transferred to the Retained Earnings Reserve through Income Statement

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

26. RESERVES (CONT'D)

(iii) Non-distributable reserve

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

(iv) Credit facility reserve

Credit facility reserve represents provisions for loan losses required under the Building Societies Act in excess of the requirements of IFRS [see notes 4(l)(i) and 11(c)].

(v) Investment fair value 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.

27. REGULATORY CAPITAL

	2024 $'000	2023 $'000
Ordinary share capital (note 25)	14,552,594	14,552,594
Reserve fund [note 26(i)]	1,825,079	1,684,509
Retained earnings reserve [note 26(ii)]	4,473,994	4,473,994
Deferred shares (note 18)	147,570	335,513
Total regulatory capital	20,999,237	21,046,610

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

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

Level 1 refers to financial assets and financial liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

Level 2 refers to financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3 refers to financial assets and financial liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

(b) Valuation techniques for investment securities classified as Level 2

The following table shows the valuation techniques used in measuring the fair value of investment securities:

Type	**Valuation techniques**
United States Dollar denominated Government of Jamaica, Bank of Jamaica securities and Foreign Government securities	• Obtain bid price provided by a recognised broker/dealer, namely, Oppenheimer • Apply price to estimate fair value
Jamaica Dollar denominated securities issued or guaranteed by Government of Jamaica and Bank of Jamaica	• Obtain bid price provided by a recognised pricing source (which uses Jamaica-market-supplied indicative bids) • Apply price to estimate fair value
Units in unit trusts	• Obtain prices quoted by unit trust managers • Apply price to estimate fair value
Loans	• Discounted Cashflow

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

(c) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		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 resources	7	-	-	11,868,288	11,868,288	-	11,868,288	-	11,868,288
Balances with Central Bank	7	-	-	1,553,933	1,553,933	-	1,553,933	-	1,553,933
Resale Agreement	10	-	-	4,046,392	4,046,392	-	4,098,888	-	4,098,888
Government of Jamaica securities	8	7,752,098	-	3,297,960	11,050,058	-	10,771,767	-	10,771,767
Ordinary shares - quoted	9	-	1,412,954	-	1,412,954	1,412,954	-	-	1,412,954
Ordinary shares - unquoted	9	39	-	-	39	-	-	39	39
Bonds	9	7,542,102	825,656	4,398,122	12,765,880	-	16,640,951	-	16,640,951
Treasury bills	9	-	-	1,720,078	1,720,078	-	1,701,078	-	1,701,078
Term deposits	9	- -	-	1,231,381	1,231,381	-	1,231,381	-	1,231,381
Loans	11	-	-	123,682,060	123,682,060	-	-	123,073,049	123,073,049
Units in unit trust funds	9	-	5,104,090	-	5,104,090	-	5,104,090	-	5,104,090
		15,294,239	7,342,700	151,798,214	174,435,153	1,412,954	52,970,376	123,073,088	177,456,418
Financial liabilities									
Due to specialised institutions	20	-	-	1,885,305	1,885,305	-	-	1,885,305	1,885,305
Repurchase Agreements	22	-	-	2,024,215	2,024,215	-	2,423,410	-	2,423,410
Other borrowings	23	-	-	2,168,992	2,168,992	-	-	2,168,992	2,168,992
Lease liabilities	24	-	-	212,781	212,781	-	-	212,781	212,781
		-	-	6,291,293	6,291,293	-	2,423,410	4,267,078	6,690,488

		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 resources	7	-	-	7,437,562	7,437,562	-	7,437,562	-	7,437,562
Balances with Central Bank	7	-	-	1,470,766	1,470,766	-	1,470,766	-	1,470,766
Resale Agreement	10	-	-	3,527,803	3,527,803	-	5,523,078	-	5,523,078
Government of Jamaica securities	8	9,400,377	-	2,848,287	12,248,664	-	11,780,271	-	11,780,271
Ordinary shares - quoted	9	-	1,026,435	-	1,026,435	1,026,435	-	-	1,026,435
Ordinary shares - unquoted	9	39	-	-	39	-	-	39	39
Bonds	9	8,352,632	-	4,597,782	12,950,414	-	13,490,521	-	13,490,521
Treasury bills	9	-	-	2,454,693	2,454,693	-	2,454,693	-	2,454,693
Term deposits	9	-	-	631,412	631,412	-	631,412	-	631,412
Loans	11	-	-	109,843,303	109,843,303	-	-	108,632,486	108,632,486
Units in unit trust funds	9	-	4,127,900	-	4,127,900	-	4,127,900	-	4,127,900
		17,753,048	5,154,335	132,811,608	155,718,991	1,026,435	46,916,203	108,632,525	156,575,163
Financial liabilities									
Due to specialised institutions	22	-	-	1,938,931	1,938,931	-	-	1,938,931	1,938,931
Other borrowings	25	-	-	2,998,619	2,998,619	-	-	2,998,619	2,998,619
Lease liabilities	26	-	-	174,917	174,917	-	-	174,917	174,917
		-	-	5,112,467	5,112,467	-	-	5,112,467	5,112,467

During the year, the Society experienced fair value gains related to instruments that are measured at FVOCI amounting to $23,434,000 [2023: ($2,102,000)].

THE VICTORIA MUTUAL BUILDING SOCIETY

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

29. NET INTEREST INCOME

	2024 $'000	2023 $'000
Interest income, calculated using the effective interest method:		
Investment securities	1,879,267	2,047,506
Loans to customers	8,935,751	8,002,461
	10,815,018	10,049,967
Interest expense		
Repurchase agreements	(136,277)	(296,691)
Lease liabilities	(22,779)	(16,072)
Borrowings	(63,773)	(60,068)
Shareholders' savings	(3,195,736)	(3,276,609)
Depositors' savings	(526,247)	(527,445)
	(3,944,812)	(4,176,885)
Net interest income	6,870,206	5,873,082

30. NET FEE AND COMMISSION INCOME

	2024 $'000	2023 $'000
Fee and commission income		
Customers	510,477	368,294
Associated company	131,569	110,479
	642,046	478,773
Fee and commission expenses		
Inter-bank transaction fees	(114,216)	(137,435)
Credit card fees	(59,299)	(50,721)
Other	(47,741)	(926)
	(221,256)	(189,082)
Net fee and commission income	420,790	289,691

31. OTHER OPERATING REVENUE

	2024 $'000	2023 $'000
Foreign exchange trading gains, net	1,136,494	701,114
Fees for late payments	219,744	141,837
Rent	12,389	17,462
Dividends	46,836	47,420
Gains/(losses) on investment activities	94,388	(43,527)
Gains on disposal of property and equipment and foreclosed properties	1,030,099	829,240
Unrealised fair value gains on quoted equites and units held in unit trust	766,219	59,493
Other income	132,825	297,929
	3,438,994	2,050,968

32. PERSONNEL COSTS

	2024	2023
	$'000	$'000
Salaries	1,405,318	1,649,110
Statutory payroll contributions	219,882	267,754
Pension and medical benefits [note 14, note 35(d)]	207,900	52,200
Termination payments	3,343	25,435
Management fees [note 35(c)]	1,121,120	928,390
Other staff benefits	690,158	496,106
	3,647,721	3,418,995

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

33. OTHER OPERATING EXPENSES

	2024	2023
	$'000	$'000
Asset taxes	400,845	385,828
Overseas business development	204,066	227,782
Irrecoverable GCT	373,825	386,677
Marketing	225,127	296,817
Computer maintenance	904,089	797,262
Maintenance – buildings, furniture and fixtures	256,715	292,617
Insurance	230,224	231,746
Management Fees [note 35(c)]	1,410,081	482,432
Administration	626,384	412,323
Postage, courier and stationery	117,878	113,119
Electricity, water and telephone	130,617	213,225
Consultancy and other professional fees	43,711	115,041
Audit fees	216,808	64,508
Directors' fees [note 35(c)]	16,983	16,380
Security	97,733	79,048
Direct operating expenses for investment property that generated rental income	83,803	104,694
Credit card expenses	87,521	67,061
	5,426,410	4,286,560

34. INCOME TAX CHARGE/(CREDIT)

(a) Income tax expense is based on the profit for the year, as adjusted for tax purposes, and is computed at a statutory rate of 30% for the Society. In computing taxable income of the Society, transfers to general reserves (as defined in the Income Tax Act) are exempt from income tax if the general reserves after such transfers do not exceed 5% of assets. The charge is made up as follows:

	2024 $'000	2023 $'000
(i) Current tax expense:		
Current tax at 30%	14,984	-
Current tax at 15%	7,007	6,544
	21,991	6,544
(ii) Deferred tax credit:		
Origination and reversal of other temporary differences [note 13]	(175,700)	(256,807)
Actual tax credit/(credit) recognised	(153,709)	(250,263)

(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 0% (2023: 0%) for the Society. The actual income tax expense differs from the expected income tax expense for the year, as follows:

	2024 $'000	2023 $'000
Profit/(loss) before income tax	783,425	(307,619)
Computed "expected" income tax		
Tax at 30%	221,013	(105,375)
Tax at 15%	7,007	6,544
Tax effect of treating the following items differently for income tax than for financial statement purposes:		
Tax exempt income	(60,255)	(95,073)
Disallowed expenses and losses, net	(321,474)	(56,359)
Actual tax credit recognised	(153,709)	(250,263)

(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 $929,520,000 (2023:$982,387,000) 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.

35. RELATED PARTY

(a) Definition of related party

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

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

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

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

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

(1) The entity and the Society 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 the Society.

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

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

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

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

(b) Identity of related parties

The Society has related party relationships with its parent, ultimate parent, fellow subsidiaries, entities under common control, directors, executives and senior officers. The directors, senior officers and executives are collectively referred to as "key management personnel".

35. RELATED PARTY (CONT'D)

(c) The statement of financial position includes balances, arising in the ordinary course of business, with related parties, as follows:

	Ultimate parent $'000	Parent $'000	Fellow subsidiaries $'000	Directors and key management Personnel $'000	Total 2024 $'000	Total 2023 $'000
Loans (i)						
Balance at December 31	-	-	-	567,765	567,765	9,345,440
Interest income earned	-	-	231,476	31,813	263,289	285,122
Regular savings (ii)						
Balance at December 31	(1,054)	(7,836)	(1,395,533)	(211,981)	(1,616,404)	(1,551,562)
Interest expense on savings	(59)	(1,148)	(49,964)	(2,907)	(54,078)	(2,143)
Resale agreement(iii)						
Other investments	-	-	1,343,825	-	1,343,825	828,803
Interest earned on other investments	-	-	12,824	-	12,824	30,754
Repurchase agreements (iv)	-	-	(1,249,070)	-	(1,249,070)	(500,000)
Interest earned/(paid) investments	-	-	(57,532)	-	(57,532)	(634)
Due from related parties	352,370	4,624	598,843	-	955,837	9,529,518
Due to related parties	(54,452)	(602,823)	(203,159)	-	(860,434)	-
Other						
Personnel cost (Note 32)	-	1,121,120	-	-	1,121,120	928,390
Management fees (Note 33)	97,845	1,312,236	-	-	1,410,081	482,432
Other operating expenses, net	-	-	241,349	-	241,349	1,008,185
Other operating income, net	-	-	(157,309)	-	(157,309)	283,322
Director fees	-	-	-	16,983	16,983	(16,380)

(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 3.0% to 11.74% and is repayable based on agreed terms. The mortgages and secured loans granted are collaterised by the property of the respective borrowers. Other balances are not secured and no guarantees have been obtained gross. There is no impairment on any related party lending.

(ii) Interest on regular savings is at an average interest rate of 0.01% to 0.8% and 0.15% to 7.16% on fixed deposits. The mortgages and secured loans granted are collaterised by the property of the respective borrowers. Other balances are not secured and no guarantees have been obtained gross. There is no impairment on any related party lending.

(iii) Resale agreements held with related parties mature first quarter 2025 with an average coupon rate of 5%.

(iv) Repurchase agreements matures first quarter 2025 with an average coupon rate of 5.63%.

(v) During the year, the Society purchased loan portfolio from VM Finance UK Ltd amounting to $12.3 billion.

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

35. RELATED PARTY (CONT'D)

(d) Key management personnel compensation

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

	2024	2023
	$'000	$'000
Short-term employee benefits	164,134	140,069
Post employment benefits	3,267	1,358
	167,401	141,427

Those key management personnel under the defined benefit pension plan (Note 14), in addition to their salaries, are provided with non-cash benefits as well as post-employment benefits. In accordance with the rules of the plan, key management personnel retire at age 62 (or 65 if joining after January 1, 2006) and may continue to receive medical benefits, at the discretion and approval of the Board of Directors. In the case of preferential staff rates on loans, this benefit continues to age 65 when the rate is adjusted with reference to market.

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

36. CAPITAL COMMITMENTS

Commitments for capital expenditure for the Society amount to approximately $499,764,000 (2023: $251,535,000) at the reporting date. This is to be funded by revenue earned.

37. RESTRUCTURING

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

The execution of the Scheme of Arrangement did not change the ultimate control of the Society and consequently the transaction was accounted for as a re-organisation, with each member having identical rights as he or she had in the Society prior to the Scheme of Arrangement.

To effect the formation of the VM Financial Group Limited and the VM Group Limited, the membership rights in the Victoria Mutual Building Society were cancelled and issued to VM Financial Group Limited. VM Financial Group Limited in turn issued similar number of ordinary shares to VM Group Limited. The cost of the shares transferred amounted to $1,562,389,000. In consideration for VM Group Limited receiving such shares from VM Financial Group Limited, VM Group Limited issued Membership Rights to all Members of the Society.

British Caribbean Insurance Company Limited (BCIC) is now an associate of the VM Financial Group Limited. The cost of the shares transferred amounted to $1,188,777,000. Carilend Caribbean Holdings Limited and Kingston Properties Limited (KPREIT) continued to be associate companies of the VM Investments Limited.

VM Innovations Limited, the non-financial holding company, is the parent of the other non-financial entities within the VM Group; Victoria Mutual Property Services Limited and VM Real Estate Holdings Limited.