FIRST FEDERAL CO-OPERATIVE CREDIT UNION

2020 ANNUAL REPORT

STAYING THE COURSE....
NAVIGATING THROUGH CHALLENGES

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FIRST FEDERAL CO-OPERATIVE CREDIT UNION

ST. KITTS BRANCH AND HEAD OFFICE

Bladen Commercial Development
Wellington Road
Basseterre, St. Kitts

869 466 FIRST (3477)

869 465 9187

info@firstfederalcreditunion.com

@firstfederalcu

@firstfederalcu

firstfederalcreditunion.com

CREDIT SERVICES CENTRE

Cnr. Central & New Streets
Basseterre
St. Kitts

NEVIS BRANCH

Chapel Street
Charlestown
Nevis

AUDITORS:

BDO Eastern Caribbean
Antigua and Barbuda
Corner Factory and Carnival Gardens
P O Box 3109
St. John's
Antigua
Tel: 268-462-2886/8
Fax: 268-462-2880

BANKERS:

St. Kitts Nevis Anguilla National Bank Limited
The Bank of Nevis Limited

SOLICITOR/ATTORNEY:

Hobson-Newman & Amritt
Attorneys-At-Law & Notary Public

Law Offices of Sylvester Anthony

Law Office of Herbert Thompson

NOTICE OF MEETING

Dear Member,

Notice is hereby given that the twelfth (12th) Annual General Meeting (AGM) of the members of the First Federal Co-operative Credit Union Ltd will be held on Thursday, August 26th, 2021, at 5:00 pm.

Due to the COVID 19 protocols, the meeting will be held virtually.

Mr. Michael Martin
Secretary
August 10th, 2021

AGENDA

THEME:
"STAYING THE COURSE...
NAVIGATING THROUGH CHALLENGES."

REGISTRATION - (3:00 p.m. to 3.45 p.m.)

SESSION - (3:45 p.m. to 5:00 p.m.)

1. Call to Order
2. National Anthem
3. Invocation
4. Ascertainment of a Quorum and Apologies for Absence
5. Confirmation of Minutes of the 11th Annual General Meeting and Special meeting
6. Matters Arising from the Minutes.
7. Reports and Adoptions:

a) Board of Directors' Report

b) Auditors' Report and Audited Financial Statements

c) CEO's Presentation

d) Treasurer's Report

e) Credit Committee's Report

f) Supervisory Committee's Report

8. Declaration of Dividends
9. Setting of Maximum Liability
10. Appointment of Auditors
11. Nominating Committee Report
12. Election of Officers
13. Any Other Business
14. Adjournment

CREDIT UNION PRAYER

Lord, make me an instrument of thy peace:
where there is hatred, let me sow love;
where there is injury, pardon;
where there is doubt, faith;
where there is despair, hope;
where, joy.
there is darkness, light;
where there is sadness
O divine Master, grant that I may not so much seek
to be consoled as to console,
to be understood as to understand,
to be loved as to love.
For it is in giving that we receive,
it is in pardoning that we are pardoned,
and it is in dying that we are born to eternal life.
Amen.

STANDING ORDERS

1. A member may only address the meeting through the Chairperson and must stand or raise his/her hand on the virtual platform when addressing the Chairperson.

2. Speeches are to be clear, concise, and relevant to the subject before the meeting.

3. A member shall only address the meeting when called upon by the Chairperson to do so, after which he shall immediately take a seat or lower his/her hand.

4. No member shall address the meeting except through the Chairperson

5. A member shall not speak twice on the same subject except:
   - The mover of a motion, who has the right to reply
   - In order to object or explain (with the permission of the Chair)

6. The mover of a procedural motion (adjournment, lay on the table, motion to postpone) has no right to reply.

7. No speeches are to be made after the "Question" has been put and carried or negated.

8. A member raising a "Point of Order" must state the point clearly and concisely. (A "Point of Order" must have relevance to the "Standing Order")

9. A member shall not call the Chair to order and should not "Call" another member "To Order" but may draw the attention of the Chair to a "Breach of Order".

10. A "Question" should not be put to the vote if a member desires to speak on it or to move an amendment to it, except that a procedural motion may be moved at any time.

11. Only one amendment should be before the meeting at any given time.

12. When a motion is withdrawn any amendment to it fails.

13. The Chairperson has the right to a "Casting Vote."

14. If there is equality of voting on an amendment and if the Chairperson does not exercise his casting vote the amendment is lost.

15. Provision is to be made for protection by the Chairperson from vilification (personal abuse)

16. No member shall impute improper motives against another member.

MINUTES OF THE 11TH ANNUAL GENERAL MEETING

AT THE CUNA CARIBBEAN CONFERENCE ROOM, CARIBBEAN CONFERENCE OF CREDIT UNIONS BUILDING, FORTLANDS, BASSETERRE, ST. KITTS ON 26 AUGUST 2021

1 CALL TO ORDER

The meeting was called to order at 5:00 PM. Master of Ceremony, Mr. Clyde Richardson introduced the head table, board of directors and committees. He informed attendees that meeting was hybrid, that is a combination of in person and online attendees. He also outlined voting process and stated that virtual attendees should electronically raise their hand to be acknowledged.

2 NATIONAL ANTHEM

A recording of the National Anthem was played.

3 INVOCATION

Mr. Clyde Richardson brought the invocation, leading the attendees in reciting the Credit Union Prayer.

4 ASCERTAINMENT OF QUORUM

A quorum was ascertained and confirmed by the Registrar Mrs. Kjellin Elliott.

5 MINUTES OF THE 10TH ANNUAL GENERAL MEETING

The minutes were confirmed on a motion by Mr. Trevor Cornelius, seconded by Ms. Brontie Duncan.

6 MATTERS ARISING

There were no matters arising.

7 REPORTS

7.1 BOARD OF DIRECTORS REPORT

Mr. Howard McEachrane, President, summarized the Board of Directors Report via a pre-recorded video. Mr. McEachrane welcomed all members to the 11th Annual General Meeting and explained that the lateness of the meeting was due to the many challenges brought on by the COVID-19 pandemic.

The President provided highlights from the board of directors’ report which included:

- A New Direction – Mr. McEachrane disclosed that the board of directors had mandated management to drive the new vision of the organization through the execution of the strategic policy; and that

- The board of directors had overseen the rebranding exercise with the goal of increasing market share and strengthening the market position of our credit union in particular and the credit union movement in general.

MINUTES OF THE 11TH ANNUAL GENERAL MEETING

AT THE CUNA CARIBBEAN CONFERENCE ROOM, CARIBBEAN CONFERENCE OF CREDIT UNIONS BUILDING, FORTLANDS, BASSETERRE, ST. KITTS ON 26 AUGUST 2021

President McEachrane confirmed plans had been developing satisfactorily and he commended the resilience of the organization and growing support from present and new members. He said that the key performance indicators – permanent shares, membership, assets, deposits and loans had shown tremendous growth and that they continued to trend in the right direction. He said that net surpluses over the previous five years had been quite encouraging.

He highlighted the expansion of credit services with opening of a new branch on New Street in Basseterre and said that the organization was strengthening its footprint in Nevis with a view towards maximizing opportunities in that market.

Mr. McEachrane informed members that the board of directors was continuously assessing the financial impact of the pandemic on the organization and ensuring that the credit union was equipped with the right tools to make timely interventions and adjustments to continue fueling growth and protecting assets and member deposits.

The president concluded by expressing the appreciation of the board for the strong support from the members, management, committees and staff which he said was especially significant in the prevailing economic environment.

7.2 AUDITORS' REPORT AND AUDITED FINANCIAL STATEMENTS

Ms. Raquel Glynn of BDO, Auditors, presented the auditors' report via pre-recorded video. She confirmed that in the auditors' opinion, the financial statements presented fairly, in all material respects, the financial position of First Federal Cooperative Credit Union as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

7.3 CHIEF EXECUTIVE OFFICER'S PRESENTATION

Mr. Terrence Crossman, Chief Executive Officer (CEO), presented a summary of the year in review in a pre-recorded video. He informed members that following the special general meeting of 23 April 2019, the name of the institution had been officially changed from FND Cooperative Credit Union to First Federal Cooperative Credit Union on 22nd July 2020.

Mr. Crossman also informed members that the institution's social media marketing strategy was producing encouraging results with strong growth in Facebook followers and engagements. He said that the credit union had also partnered with FLOW to be the official sponsors of St. Kitts-Nevis Athletics and had also sponsored a wellness fair for members, in conjunction with the ministry of health.

Mr. Crossman stated that the Good To Go and First Choice loan products had been favorably received by the market. He said that favorable interest rates had resulted in historically high deposits.

Mr. Crossman said that the credit union continued to focus on the four pillars mandated by the board which are financial acuity, member focus, internal processes and learning and growth. He said that as a result of that focus, the FFCCU had attracted the highest number of new members in any one year – 1,114, the highest growth of deposits in any one year - $11 million, the highest growth in loans in any one year - $14.4 million, the highest growth in assets in any one year - $12.6 million and the lowest delinquency rate ever achieved in the organization – 4.25 per cent. The CEO cautioned, however that the impact of the COVID-19 loan deferrals will be felt for years to come.

Mr. Crossman said that expenses had increased over the year in review. He said that this was mainly attributable to a five per cent increase in salaries due to necessary new hires and in general administrative costs linked to the hire of security services at the main branch at Bladen, property revaluation and depreciation, the procurement of additional insurance, additional telecommunications requirements, increased staff training and marketing to promote the new brand.

The CEO confirmed that the institution had scored its best ever PEARLS rating, with all but four of the twelve PEARLS ratios receiving the highest possible score.

Regarding the impact of COVID-19, the CEO confirmed that a thorough analysis of the industry had been carried out and necessary adjustments had been made to provide relief to members. He said that financial and emotional counseling had been provided and had been well-received by members. He added that a First Line COVID Relief loan product had also been provided and that the product was performing very well and was still being provided.

Looking ahead, Mr. Crossman informed members that the ATM cards were in the final stages of testing and that their credit union was in the final phase of the roll-out of its credit card. He said that it was the intention to focus significant time and resources towards developing the fullest potential of the Nevis market and stressed the organization's commitment to that market.

Mr. Crossman concluded his presentation by expressing confidence that despite the challenges, 2020 would be an even better year for the FFCCU.

7.4 TREASURER'S REPORT

Mr. Glenn Quinlan presented a summary of the treasurer's report via pre-recorded video. He highlighted the movement in loan interest income, interest income, expenditure, growth in assets and net income. He expressed happiness in reporting to members that despite the necessary increases in administrative and rebranding expenses, their credit union had achieved a net profit of $543,201. He said that continued efforts are being made to ensure risk minimization and responsible loan portfolio growth.

He said that in light of the COVID-19 pandemic, all efforts were being made to minimize any negative impacts on the organization.

MINUTES OF THE 11TH ANNUAL GENERAL MEETING

AT THE CUNA CARIBBEAN CONFERENCE ROOM, CARIBBEAN CONFERENCE OF CREDIT UNIONS BUILDING, FORTLANDS, BASSETERRE, ST. KITTS ON 26 AUGUST 2021

7.4 CREDIT COMMITTEE REPORT

Ms. Amoy Heyliger presented a summary of the Credit Committee's Report in a pre-recorded video. She informed members of the diversity of her committee and said that the committee had met 32 times during the year under review with two meetings having been held in Nevis. She confirmed that the meetings had considered loan approval, ratification and delinquency oversight.

Ms. Heyliger reported that loans had increased by some 53.9% and that the improved performance in the loans portfolio was attributable in part to the rebranding of the organization as well as the launch of new and innovative products. She informed members that new loans had increased by 95.7 per cent.

She said that personal loans had accounted for 95.5 % and business loans had been 4.5% of new loans disbursed. She said that the strong performance of the personal loans category had been buttressed by sub-categories of debt consolidation, home renovation, shopping and miscellaneous expenses.

Ms. Heyliger said that her committee was paying special attention to non-performing loans and that she was happy to report that the institution's delinquency rate fell below the PEARLS standard of five per cent with a rating of 4.25 per cent. She said that concerted efforts to improve underwriting coupled with sustained collection efforts, had assisted in improving the delinquency trend.

In conclusion, Ms. Heyliger, on behalf of her committee, thanked the members, board of directors, Supervisory Committee, CEO, management and staff for their unwavering support.

7.4 SUPERVISORY COMMITTEE REPORT

Ms. Brontie Duncan presented a summary of the Supervisory Committee's Report via pre-recorded video. Ms. Duncan informed members that during the year under review, her committee investigated five main areas – examinations, members feedback, joint volunteer groups meetings, compliance and internal audit functions.

She informed members that the regulators had returned an overall satisfactory rating. She said that under members feedback, two letters had been received and three issues had been thoroughly investigated and that there were no violations of the Cooperatives Act. She said an email had been established to facilitate members' feedback.

Ms. Duncan said that three volunteer group meetings had been held and she had found them to be very informative on the different areas of responsibility and that operations updates had been provided by the CEO. She said that the performance of the compliance and anti-money laundering functions were satisfactory but reporting to her committee was deficient.

Ms. Duncan reported to members that the internal audit function was inadequate for the heightened risk areas and the rapidly growing asset base of their credit union.

Ms. Duncan said that her committee had observed the November board meeting and that the proceedings were highly interactive and that the managers and CEO gave in-depth information on past, current and future activities.

Ms. Duncan recommended that the internal audit function should be staffed as soon as possible and that volunteers and staff should be thoroughly au fait with the relevant sections of the Cooperatives Act.

Concluding Ms. Duncan said that management and staff had adhered to most of the policies and procedures outlined in the by-laws and the policy manuals during the period under review. She gave the assurance that the committee would continue to work diligently to further the credit union's progress.

The Chair requested a motion be moved for the acceptance of the foregoing reports. Mr. Clyde Christopher moved the motion and it was seconded by Mr. Nigel Browne. The motion was carried.

8 DECLARATION OF DIVIDENDS

A dividend of six per cent (6%) was declared. A short discussion followed during which Mr. Samuel Lawrence suggested that the credit union redeem its treasury bills in favour of National Bank shares. A motion for the declaration of dividends was moved by Mr. Samuel Lawrence and seconded by Ms. Maxine Stanley. The motion was carried.

9 RESOLUTIONS

Increase of Maximum Liability and Acquisition of Property

A resolution to authorize an increase of the organization's maximum liability from five million dollars (EC$5,000,000) to ten million dollars (EC$10,000,000) was read by Mr. Clyde Richardson. He explained that the main purpose of the resolution was to give authority and wherewithal to the credit union's management to acquire additional property to aid the institution's growth and expansion. After some discussion, Mr. Clyde Christopher moved a motion for passage of the resolution and it was seconded by Ms. Dawne Williams. The motion was carried.

HONORARIUM FOR VOLUNTEERS

A resolution to authorize payment of an honorarium to volunteers was proposed to members. After some discussion, Ms. Joalyn Myers moved a motion for passage of the resolution and it was seconded by Mr. Ernest Pistana. The motion was carried.

10 APPOINTMENT OF AUDITORS

A motion to reappoint auditors and authorize the directors to fix the auditors' remuneration was moved by Mr. Ernest Pistana and seconded by Ms. Carolyn Adams. The motion was carried.

MINUTES OF THE 10TH ANNUAL GENERAL MEETING

AT THE CUNA CARIBBEAN CONFERENCE ROOM, CARIBBEAN CONFERENCE OF CREDIT UNIONS BUILDING, FORTLANDS, BASSETERRE, ST. KITTS ON 26 AUGUST 2021

11 NOMINATING COMMITTEE REPORT

Mr. Clyde Richardson presented the Nominating Committee's Report. He listed retirees, resignees and proposed nominees for the board of directors, credit committee and supervisory committee. Thereafter, he invited Mrs. Kjellin Elliott of the Financial Services Regulatory Commission to conduct the election of officers and committee members.

12 ELECTION OF OFFICERS & COMMITTEE MEMBERS

Mr. Josh Kelly, Dr. Thomas Williams Jr., and Ms. Doris Archibald were elected to the Credit Committee and Mrs. Laverne Caines was elected to the Supervisory Committee.

13 OTHER BUSINESS

Ms. Dawne Williams presented an award to Mr. Cremoy Agard in recognition of his service to the organization. The vote of thanks was given by Mr. Clyde Richardson.

14 ADJOURNMENT

A motion for the adjournment of the 11th Annual General Meeting of First Federal Cooperative Credit Union was moved by Mr. Trevor Cornelius and seconded by Ms. Amoy Heyliger. The motion was carried and the meeting ended at 7:42 PM

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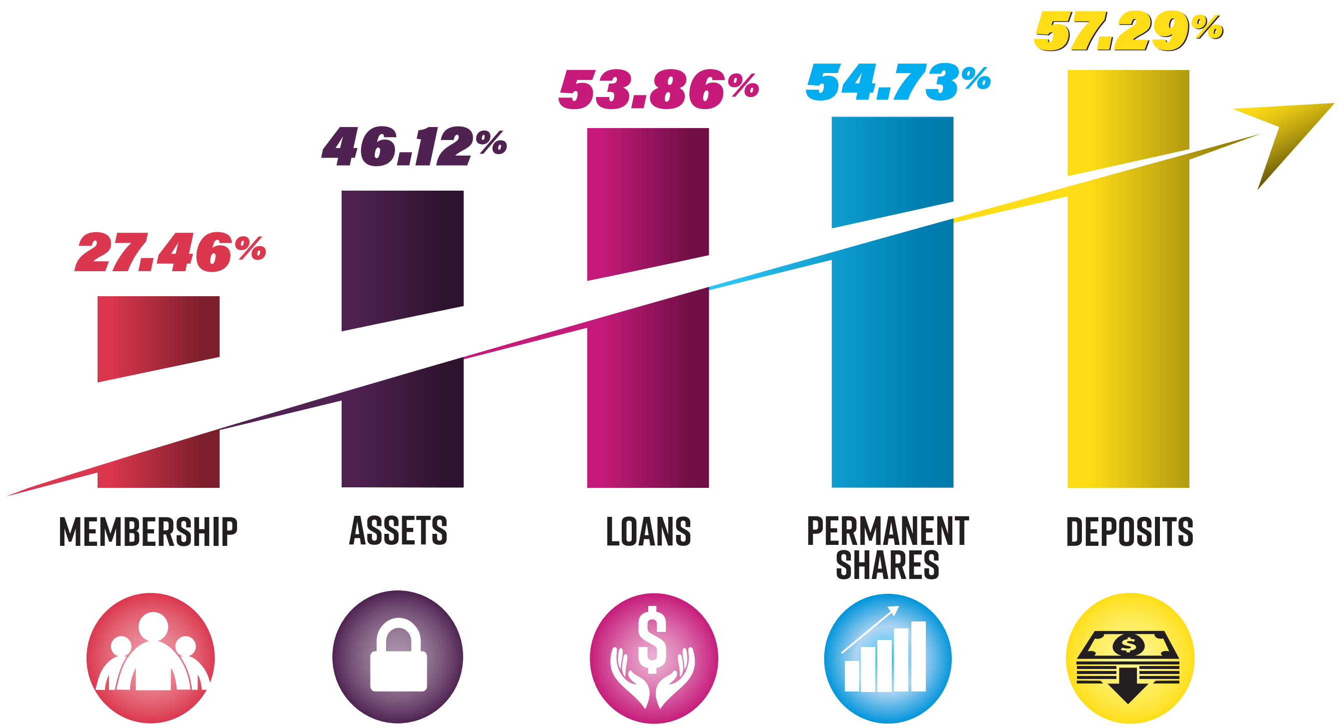
Michael M. Martin, Secretary

KEY PERFORMANCE INDICATORS



FIRST FEDERAL CREDIT UNION PEARL RATIOS 2019-2020

PEARLS RATIOS	STANDARD	RATINGS					DEC-20	
		1	2	3	4	5	PEARLS RATIO	PEARLS RATIO
PROTECTION								
PROVISION FOR LOANS DELINQUENT >12 MONTHS	100%	>=100%	99%-80%	79%-60%	59%-40%	<40%	100%	1
PROVISION FOR LOANS DELINQUENT < 12 MONTHS	35%	>=35%	34%-25%	24%-15%	14%-10%	<10%	54.68%	1
EFFECTIVE FINANCIAL STRUCTURE								
LOANS/TOTAL ASSETS	80%	>=70%	69%-60%	59%-50%	49%-40%	<40%	83.12%	1
SAVINGS DEPOSITS/TOTAL ASSETS	80%	100%-70%	69%-60%	59%-50%	49%-40%	<40%	74.32%	1
EXTERNAL CREDIT/TOTAL ASSETS	MAX 5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	0.00%	1
NET INSTITUTIONAL CAPITAL/TOTAL ASSETS	MIN 10%	>=12%	11.9%-10%	9.9%-7%	6.9%-4%	<4%	17.17%	1
ASSET QUALITY								
TOTAL DELINQUENCY/GROSS LOAN PORTFOLIO	MAX 5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	3.84%	1
NON-EARNING ASSETS/TOTAL ASSETS	MAX 5%	<=5%	5.1%-7%	7.1-9%	9.1%-11%	>11%	8.93%	3
RATES OF RETURN								
OPERATING EXPENSES/TOTAL ASSETS	5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	6.20%	3
NET INCOME/AVERAGE TOTAL ASSETS	2%	>=2%	1.9%-1%	0.9%-0.5%	0.49%-0%	<0%	0.80%	3
LIQUIDITY								
*LIQUIDITY ASSETS - ST PAYABLES/DEPOSITS	MIN 15%	>=15%	14.9%-12%	11.9%-8%	7.9%-4%	<4%	10.92%	3
SIGNS OF GROWTH								
GROWTH IN TOTAL ASSETS	MIN 10%	>=10%	9.9%-8%	7.9%-6%	5.9%-4%	<4%	47.08%	1
							AVERAGE RATING	1.67

BOARD OF DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

INTRODUCTION

Amidst the upheaval of 2020, First Federal Co-operative Credit Union stayed true to its mission of designing custom-tailored products to address the unique challenges that this pandemic presented. The effects of the global pandemic challenged us to innovate in response to this sus tained and yet uncertain financial crisis. It reinforced our need to recognise the essential role we play in supporting the financial goals of our members and communities in building resilience. This approach reflects positively in the report for the financial year ended December 31st, 2020.

NAVIGATING THE CHALLENGES

We have been sensitive to the needs of our members and remain agile, yet steadfast, in our goal to ensure that we balance people with profits. The hardship experienced by members due to the downturn in the economy, continues to take its toll, as many of our members are impacted.

Nevertheless, despite the significant adverse impact of the pandemic, your credit union experienced growth in all key areas of its operations and maintained and even improved its PEARLS position. PEARLS is a standard used by credit unions worldwide to measure and monitor financial performance. This performance has been instructive in assisting us in navigating this period of uncertainty.

We provide a resource for our members amidst the uncertainty and remain committed to providing financial support to help them navigate the prevailing challenging circumstances.

Your credit union demonstrated its commitment to supporting its members by providing moratoria on loans to individuals impacted directly and even tangentially by the pandemic. We went even further and provided free emotional and financial counselling services to our members.

Despite the uncertainty, we remain committed to staying the course by executing our strategic plan that is responsive to the rapidly changing environment in which we are forced to operate.

WHAT MATTERS TO US?

At First Federal Credit Union, we recognise that we have a responsibility to cater to our members' needs by providing financial education and support for social causes.

We continue to identify opportunities to expand our reach into areas that affect the lives of the people we serve, including education and sports. First Federal has supported many educational initiatives including spelling bee competitions, award ceremonies and financial counselling to educators. We have formed a strategic alliance with the St. Kitts

BOARD OF DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

Nevis Athletics (SKNA) with the aim of advancing the development of young people through sports. In addition, we continue to support our elderly and less fortunate by contributing to activities aimed to assist those individuals who are most worthy.

FOCUS ON NEVIS

The Board of Directors is fully committed to growing our presence in Nevis and truly living up to our name. The efforts have already begun to bear fruit as we have seen a significant uptick in our performance in Nevis as it relates to membership, loans and deposit growth. We see ourselves as having a responsibility to support the social causes on Nevis and have forged strategic partnerships with key organisations and businesses. We have provided support to the Nevis Renal Society, Nevis Department of Agriculture, and elementary schools in Nevis. We are proud to have been the premium sponsor of Culturama. We have committed to supporting the development of sports in Nevis in partnership with the Nevis Department of Sports and Education through the sponsorship of Nevis Inter-Primary School Meet.

We are heartened by the positive response to our efforts and continue our quest to be fully integrated into the everyday lives of all Nevisians and Kittitians.

CORPORATE GOVERNANCE

First Federal Co-operative Credit Union Ltd. continues to practise high standards and principles of corporate governance throughout the organisation, led by a team of diverse volunteers who serve on the Board of Directors. The Board comprises of business leaders and professionals who bring considerable expertise and experience to the decision-making process. The Board of Directors meets monthly and regularly reviews the financial and operational performance of First Federal.

DIRECTORS' ATTENDANCE REPORT

NAME	POSITION	ATTENDANCE	PERCENTAGE
HOWARD MCEACHRANE	PRESIDENT	12/12	100%
DAWNE WILLIAMS	VICE PRESIDENT	12/12	100%
MICHAEL MARTIN	SECRETARY	12/12	100%
CLYDE RICHARDSON	ASSISTANT SECRETARY	11/12	92%
GLENN QUINLAN	TREASURER	11/12	92%
FARON LAWRENCE	ASSISTANT TREASURER	12/12	100%
JAMIR CLAXTON	DIRECTOR	8/12	67%
SEAN LAWRENCE	DIRECTOR	12/12	100%
TREVOR CORNELIUS	DIRECTOR	8/12	67%

BOARD OF DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL

Our strategic growth and forward planning will continue despite the challenges we envision. We have proven our capability to quickly adapt our operations, push for greater efficiency and build the required resilience which will ensure our continued success. At this time, we are developing new products and services which will make it easier for members to manage their money, grow their savings and borrow affordably. We are focusing on implementing technology such as the ATM and credit card that will improve the ease of doing business. These additions will make our services easier and more accessible to a wider range of members, especially in this digital age.

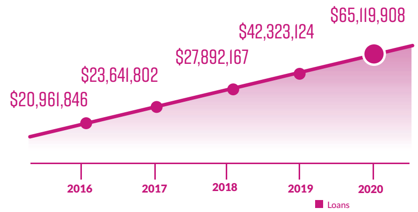
The Board of Directors of First Federal is responsible for the strategic guidance of the organisation and is focused on protecting the interests of all stakeholders and optimising member value. Despite the many challenges and financial uncertainty, we are pleased to report record growth in key areas of the business.

The following highlights key performance indicators, notably the significant growth in loans and deposits, which demonstrate the growing confidence of our members in First Federal.

BOARD OF DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

SUMMARY PERFORMANCE INDICATORS

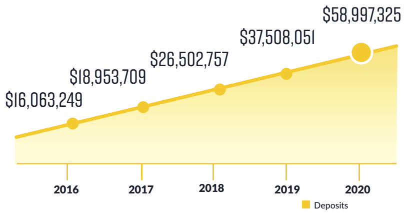


$22,796,784
+ CHANGE OVER 2019

53.86% GROWTH

+53.86%

LOANS

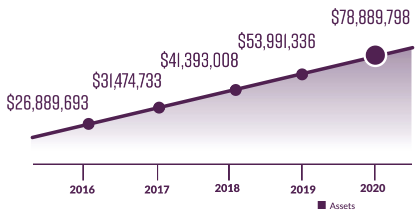


$21,489,274
+CHANGE OVER 2019

57.29% GROWTH

+57.29%

DEPOSITS

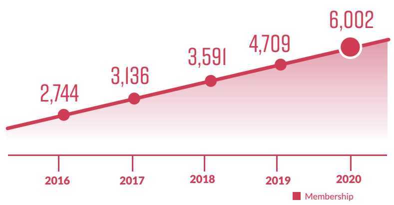


$24,898,462
+ CHANGE OVER 2019

46.12% GROWTH

+46.12%

ASSETS

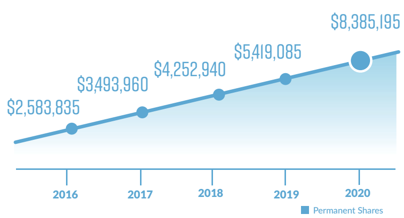


1,293
+ CHANGE OVER 2019

27.48% GROWTH

+27.48%

MEMBERSHIP

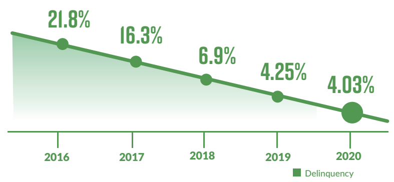


$2,966,110
+ CHANGE OVER 2019

54.73% GROWTH

+54.73%

PERMANENT SHARES



-0.22%
- CHANGE OVER 2019

-5.18% DECREASE

-5.18%

DELINQUENCY

BOARD OF DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

COMPLIANCE AND RISK MANAGEMENT

During the year in review, the Board approved the appointment of a full-time Risk and Compliance Manager. In doing so, First Federal ensured that we continually improve our standards and processes to remain compliant with all regulations.

DIGITAL STRATEGY

In 2020 we accelerated our digital strategy that was created in 2019 during our restructuring. Several key components of operating virtually, including facilitating online loan and new member applications, positioned the Credit Union at the fore of digital service delivery in the Federation.

STAFF TRAINING

We continue to invest in our staff development. We provided free access for all staff to undertake courses from top global universities through Coursera. Some members of staff took advantage of the opportunity and have expanded their skills in Microsoft Office, Project Management and Spanish. Strategic courses were mandated for management in areas that will build their capacity to effectively function in their respective roles. The following table highlights some of the areas of training.

NAME	NAME OF TRAINING	FACILITATOR	DATE
CERENE ESDAILLE-HENRY, SHANWA BROADBELT, SHERYL EVANS, TERRENCE CROSSMAN	WRITE IT RIGHT	TRAINING ASSETS	FEBRUARY TO MARCH 2020
ALL MANAGERS	EXCEL SKILLS FOR BUSINESS	UNIVERSITY OF ILLINOIS (COURSERA)	MARCH TO APRIL 2020
ALL MANAGERS	BUSINESS STRATEGY	UNIVERSITY OF ILLINOIS (COURSERA)	SEPTEMBER TO OCTOBER 2020
ALL MANAGERS	MANAGING THE ORGANISATION	UNIVERSITY OF ILLINOIS (COURSERA)	JULY TO AUGUST 2020
ELLESTON WELSH	STRESS MANAGEMENT	BRICE ROBERTS CONSULTING	JUNE 24-25TH
ALL MANAGERS	DESIGNING THE ORGANISATION	UNIVERSITY OF ILLINOIS (COURSERA)	JUNE TO JULY 2020
ALL MANAGERS	APPLICATION OF EVERYDAY LEADERSHIP	UNIVERSITY OF ILLINOIS (COURSERA)	MAY TO JUNE 2020
ALL MANAGERS	FOUNDATIONS OF EVERYDAY LEADERSHIP	UNIVERSITY OF ILLINOIS (COURSERA)	APRIL- MAY 2020
SARAFINA OSBORNE, THERESA ROMNEY PARRY, KARISTA DUNROD, MARKYSA O'LOUGHLIN, KASHEMA GUMBS, SHAUNA DANIEL, SHAKEEM PARRIS, AKILAH SIMMONDS	HOME BANKING	SARAFINA OSBORNE (INTERNAL)	SEPTEMBER 25, 2020

NAME	NAME OF TRAINING	FACILITATOR	DATE
SARAFINA OSBORNE, THERESA ROMNEY PARRY, KARISTA DUNROD, MARKYSA O'LOUGHLIN, KASHEMA GUMBS, SHAUNA DANIEL, SHAKEEM PARRIS, AKILAH SIMMONDS	SAVINGS AND INVESTMENT PRODUCTS	AKILAH SIMMONDS AND SHAKEEM PARRIS (INTERNAL)	OCTOBER 7TH, 2020
ALL STAFF	COVID 19 HEALTH AND SAFETY REQUIREMENTS	869 ACCESS - MAKASHA WARNER	OCTOBER 29TH, 2020
SONJA FYFIELD HAZEL, CERENE ESDAILLE HENRY, SHANWA BROADBELT, DAWN HEYLIGER, SHAUNA DANIEL, THERESA ROMNEY PARRY, MARKYSA O'LOUGHLIN, TERRENCE CROSSMAN, LAVERNE CAINES, ESLYN SWANSTON, BRONTIE DUNCAN, LINCOLN CONNOR, CURTIS MARTIN	AML/CFT COMPLIANCE TRAINING	FSRC	OCT 21 - NOV 18, 2020

STAYING THE COURSE

We adopted a strategic plan in 2019 that has since been modified to reflect the reality of our present operations. We will continue to make the necessary adjustments that reflect the dynamism that pervades our present environment.

We, as a Board, are committed to continuing to listen to our members, to building stronger relationships and to developing a level of trust that will continuously strengthen our organisation.

APPRECIATION

The Board of Directors values the dedication and commitment of the staff, volunteers, and members of First Federal Credit Union. Their agility and ability to rise to meet every challenge and opportunity are commendable. We thank them for taking that dedication to new heights this past year as they adapted to the challenges of a global pandemic and delivered uninterrupted service to our members.

TREASURER'S REPORT

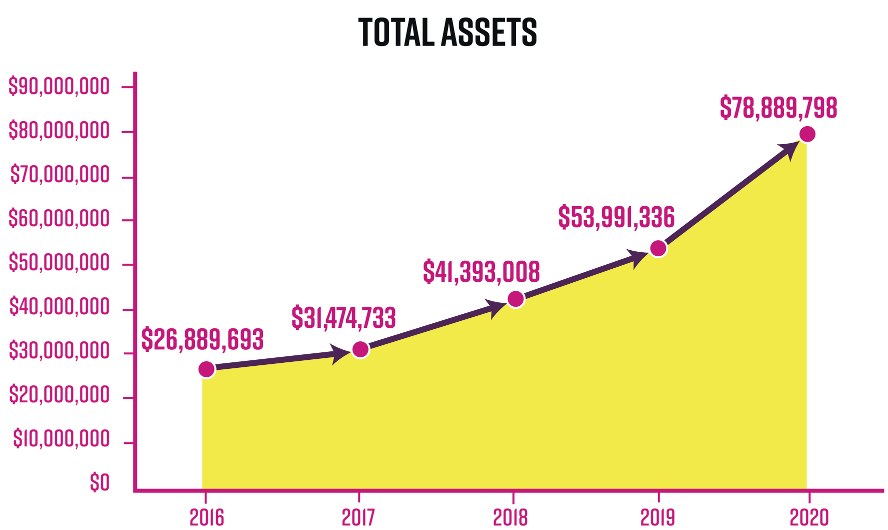
FOR THE YEAR ENDED DECEMBER 31, 2020

OVERVIEW

The fiscal year ended December 31, 2020, was one of decisive action for First Federal Credit Union, which resulted in a successful financial performance despite the challenges presented. The Treasurer's Report highlights the key Financial Performance Indicators as detailed in the Statement of Financial Position and Statement of Comprehensive Income.

ASSETS

Total assets increased by $24,898,462 or 46% from $53,991,336 in 2019 to $78,889,798 at the end of 2020. This compares favourably with the 2019 growth where total assets grew by $12,598,328 or 30%. The increase in the asset is directly attributed to the growth in the loans portfolio, which was facilitated by a similar growth in deposits.



LOANS

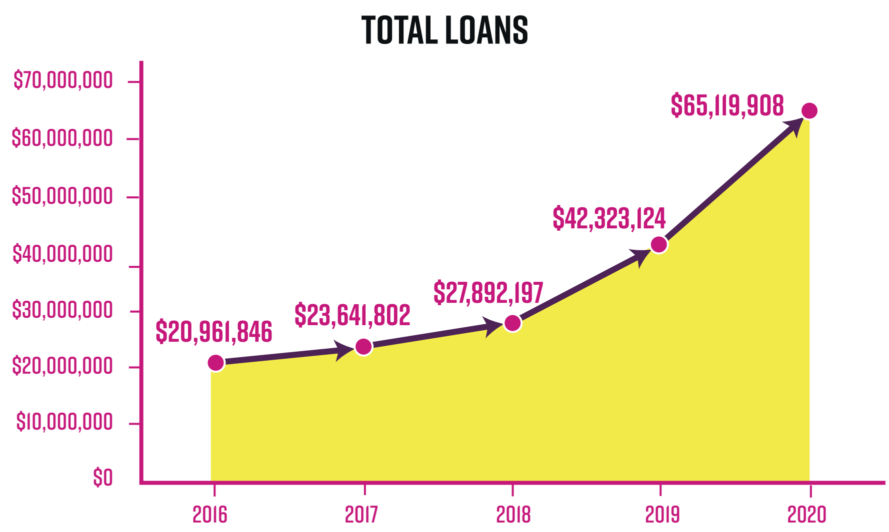
As at December 31st, 2020, the loan portfolio grew by 54%, moving from $42,323,124 to $65,119,908, maintaining the prior year's growth rate when the loans portfolio grew by 52% or $14,430,957.

More specifically, new loans written in 2020 increased by 57%, totaling $49,258,981 compared with $ 31,450,899 in 2019.

There has been a deliberate attempt to improve the quality of the loan underwriting. As a result, we have been able to maintain a delinquency rate below 5%, which is what is aspired to in the industry.

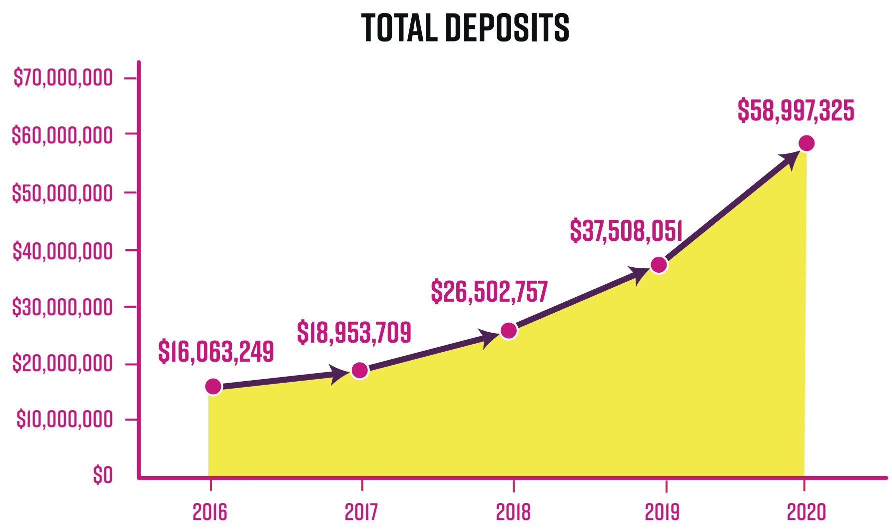
TREASURER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020



DEPOSITS

Efforts to grow deposits and thus increase liquidity resulted in a 57% increase in the total deposits moving from $37,508,051 in 2019 to $58,997,325 at the end of 2020.

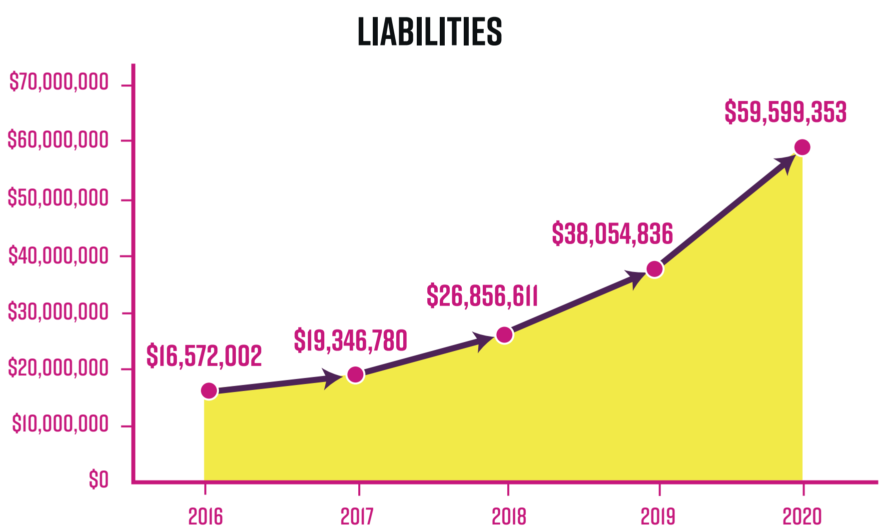


LIABILITIES

Total liabilities increased by $21,544,517 or 57% from $38,054,836 to $59,599,353. This correlates with the increase of $ 21,489,274 in members' deposits and is a good indication of the confidence placed in your credit union. Our ability to attract deposits has allowed us to meet the growing demand for loans without having to borrow.

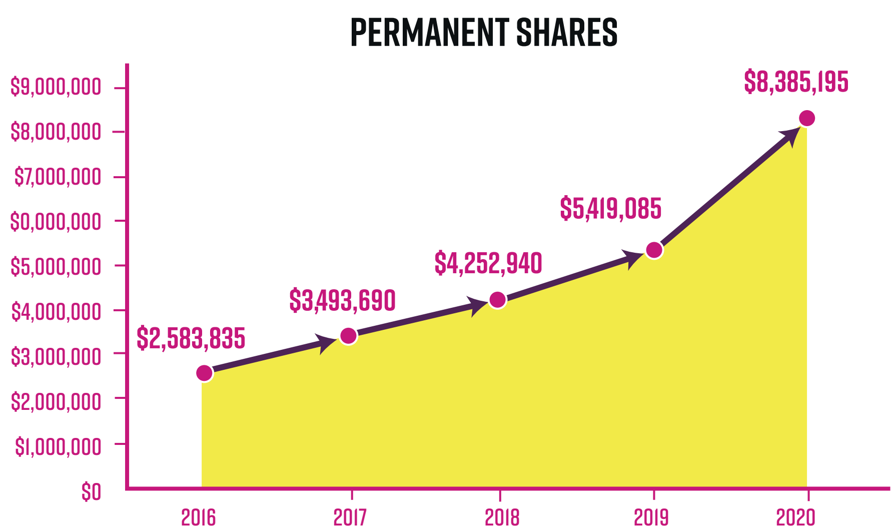
TREASURER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020



SHARES

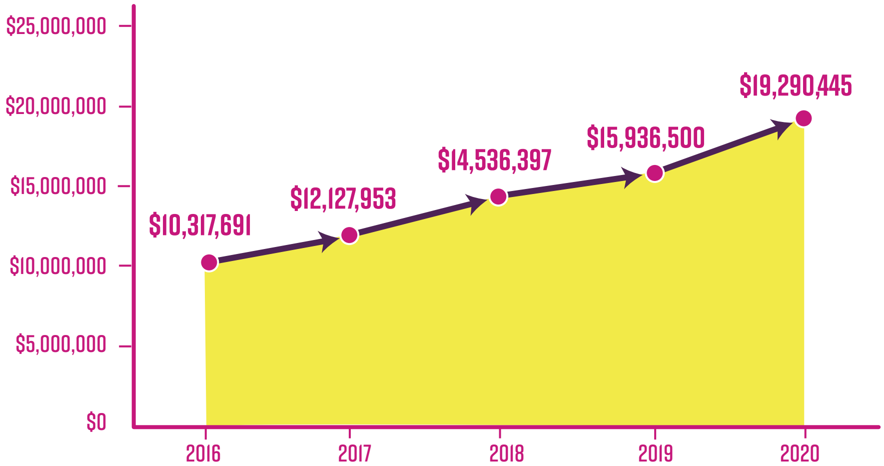
Permanent shares grew by 55% from $5,419,085 to $8,385,195 compared to the $1,116,145 increase or the 27% growth in 2019. The growth in permanent shares reduces the cost of funds for the credit union.



EQUITY

Total Members' Equity, which is the sum of Share Capital, Statutory Reserve, Special Reserve, Capital Grants, and Retained Earnings, increased by $3,353,945 or 21% from $15,936,500 to $19,290,445.

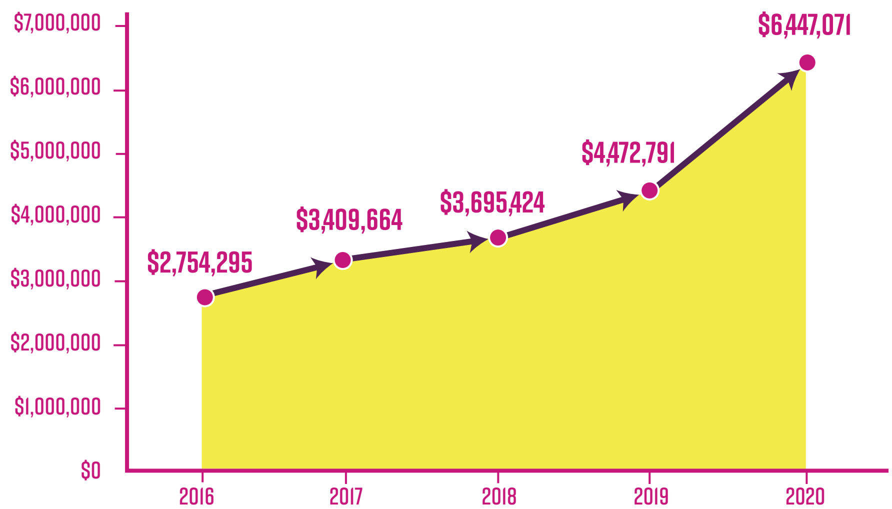
EQUITY



INCOME

A successful deployment of more responsive loan products resulted in the single largest year-on-year increase in total income. Interest Income from loans increased by almost 50% or $2,054,991, while total income (which comprises loan interest income, investment income, bad debt recoveries, loan fees and commissions) increased by $1,963,434 or 44%. Total income increased from $4,483,637 in 2019 to $6,447,071 in 2020.

TOTAL INCOME



EXPENSES

Provision for loan impairment (allowance for bad debts) represents on its own, 58% of the total increase in costs. This substantial increase is due to the impact of Covid-19 and the need for additional provisioning under IFRS9. Provisioning for the 3 prior years represented only 15% of total expenses. This trend is expected to continue for the foreseeable future as the economy continues to operate below pre-covid levels. In addition, interest expense (which is paid to members) is directly related to the growth in deposits and was the second largest contributor at $406,420 or 18%. As we continue to build our capacity and acquire additional talent to meet the burgeoning demand, staff costs contributed 17% of that growth. All other costs combined contributed 8%. Marketing and promotional expenses realised a decrease of 2% year on year.

TREASURER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

EXPENSE CATEGORY	2020	2019	$ CHANGE	$ CHANGE
PROVISION FOR LOAN IMPAIRMENT	$ 1,551,138	$ 252,075	$ 1,299,063	515%
INTEREST EXPENSE	$ 1,140,799	$ 734,379	$ 406,420	55%
FINANCE COSTS	$ 68,529	$ 45,500	$ 23,029	51%
DEPRECIATION AND AMORTISATION	$ 506,043	$ 383,224	$ 122,819	32%
STAFF COSTS	$ 2,106,438	$ 1,726,527	$ 379,911	22%
GENERAL AND ADMINISTRATIVE EXPENSES	$ 1,245,636	$ 1,215,743	$ 29,893	2%
MARKETING AND PROMOTION EXPENSES	$ 279,373	$ 317,367	$ (37,994)	-12%

Total Expenses moved by $1,816,721 from $3,940,436 to $5,757,157 when compared to the previous year. Of the movement of $1,816,721, $ $1,299,063 or 85% was due to increased provisioning for impaired loans, in compliance with IFRS 9.

YEAR	2016	2017	2018	2019
MEMBERSHIP	2,744	3,136	3,591	4,709
INCREASE	301	392	455	1,118

MEMBERSHIP

Membership increased 27%, moving from 4,709 at the end of 2019 to 6002 as of 31 December 2020.

CONCLUSION

We are happy to report that your credit union achieved a net income of $689,914 despite the immense challenges presented by the global pandemic. An effort is being made to minimize risk and reduce the negative financial impact on the organization by responsibly growing the assets.

We remain committed to meeting the needs of our membership as we continue in our mission of fostering the financial growth of a community of members by encouraging thrift, designing custom-tailored products, and creating wealth.

Signed,

…………………………….

Director Glenn A Quinlan

Treasurer

CREDIT COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

INTRODUCTION

Against the backdrop of a global health crisis that created tremendous disorder on lives, livelihood and the economy, First Federal Co-operative Credit Union remained steadfast and resilient, mainly resulting from its adaptability and flexibility to ensure that the vision of "Making Financial Success First Nature" remained top priority. I take great pride in presenting to you, our members, the Credit Committee's Report for the financial year ended December 31st, 2020.

COMPOSITION OF THE CREDIT COMMITTEE FOR 2020

The full complement of the Credit Committee volunteers and their substantive posts during the review period are listed as follows:

TABLE 1: COMPOSITION OF CREDIT COMMITTEE

NAME OF MEMBER	POSITION HELD
AMOY HEYLIGER	CHAIRPERSON
LORNETTE QUEELEY	SECRETARY
THOMAS WILLIAMS JR	ASSISTANT SECRETARY
DENRICK CONNOR	MEMBER
CAMILIA WILLIAMS	MEMBER
DORIS ARCHIBALD-WEBBE	MEMBER
CYPRIAN WILLIAMS*	ASSISTANT SECRETARY*
CREMOY AGARD**	MEMBER**
SHAWN WILLIAMS*	MEMBER*
JOSH KELLY*	MEMBER*

*Resigned ** Retired

Members Cyprian Williams and Shawn Williams resigned and were replaced by Members Doris Archibald-Webbe and Josh Kelly, respectively. Retired Member Cremoy Agard was replaced by Member Thomas Williams Jr.

ATTENDANCE OF MEETINGS

The Credit Committee continued to meet at least twice monthly during the financial year. Additionally, special meetings were convened to address matters relating to the credit portfolio. The Committee used digital collaboration tools such as ZOOM, Whatsapp and WebEX, to continue to perform its duties and responsibilities. The table below shows members' attendance and their corresponding percentage.

CREDIT COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 2: MEMBERS' ATTENDANCE REPORT

MEMBER	MEETINGS ATTENDED	PERCENTAGE
AMOY HEYLIGER	25 OF 25	100%
LORNETTE QUEELEY	25 OF 25	100%
THOMAS WILLIAMS JR.	4 OF 10	40%
DENRICK CONNOR	21 OF 25	84%
CAMILIA WILLIAMS	23 OF 25	92%
DORIS ARCHIBALD-WEBBE	10 OF 10	100%
CYPRIAN WILLIAMS*	7 OF 12	58%
CREMOY AGARD**	13 OF 15	87%
SHAWN WILLIAMS*	10 OF 12	83%
JOSH KELLY*	3 OF 4	75%

The main agenda items for the meetings convened during 2020 are listed as follows:

I. Review and granting of loans in accordance with the By-Laws and lending policies;

II. Analysis of loans;

III. Interview of members;

IV. Revision of the monthly non-performing loan facilities;

V. Ratification of files; and

VI. Capacity building.

OVERVIEW

The financial performance of First Federal Cooperative Credit Union Ltd. for the year ended December 31, 2020 should be applauded. Given the onset of a global health and economic pandemic which impacted life and livelihood, the Credit Union and the Credit Committee, by extension, adopted strategies to meet the needs of its members.

COVID-19 RESPONSE:

The continued growth in the loans portfolio and the financial performance in 2020 are attributed to the effective execution of a responsive Covid-19 plan. The Board of Directors realised the urgent need for decisive actions to manage liquidity and address members' debt vulnerability. In so doing, new products were designed with risk mitigating considerations to assist members during this period.

LOANS PORTFOLIO

Despite the effects of COVID-19, the members' confidence in the institution and the marketing of various products and services offered contributed to the positive year-over-year growth. The Credit Committee's analysis highlights growth in the loan portfolio for the period under review. The performance of loans in 2020 improved on that in 2019 by 53.9 percent. The loans portfolio at the end of December 2020 stood at $65,141,105 in comparison to $42,323,124 at the end of 2019. For the review period, 1,632 loans were disbursed to our members (shown in Table 3), an increase of 378 (30.1 percent) in comparison to 1,254 approved in 2019. Similarly, the value of loans disbursed in 2020 totalled $52,460,632 (see Table 4), an uptick of $21,009,733 (66.8 percent) over the comparable period of 2019.

TABLE 3: NUMBER OF LOANS APPROVED

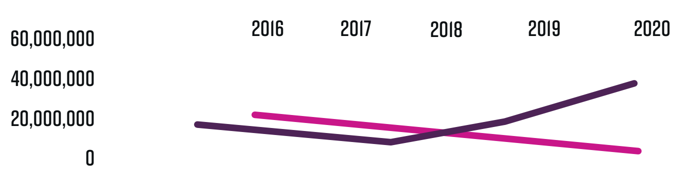
2020	2019	VARIANCE	
		VOL	%
1,632	1,254	378	30.1%

Loans were disbursed under two main categories - personal and business. During the year under review, personal loans totalled $48,791,048 which accounted for 93.0 percent of total loans disbursed at the end of December 2020. However, the average of personal loans as a share of total loans between 2016 and 2019 was 83.9 percent. It is evident that the personal loans category recorded significant improvement in 2020 relative to the last four years. The performance of personal loans exceeded that of the previous year (88.9 percent) by 4.1 percentage points.

TABLE 4: PERFORMANCE OF NEW LOANS AND LOANS PORTFOLIO

YEAR	2016	2017	2018	2019	2020
PORTFOLIO VALUE ($)	21,713,782	24,451,705	27,892,167	42,323,124	65,141,105
GROWTH RATE (%)	27.1	12.6	14.1	51.7	53.9
NEW LOANS ($)	14,066,091	13,459,034	16,074,168	31,450,899	52,460,632
GROWTH RATE (%)	48.2	-4.3	19.4	95.7	66.8

FIGURE 1: TOTAL LOANS DISBURSED



	2016	2017	2018	2019	2020
●PERSONAL	11,877,598	11,379,352	12,417,571	27,955,324	48,781,048
●BUSINESS	2,188,493	2,079,682	3,656,597	3,495,575	3,669,584

A comparative analysis of the approved loans in the personal category in 2019 and 2020 revealed that the most sought-after loans were for the following purposes:

CREDIT COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

- Miscellaneous Personal Expenses
- Vehicle Purchase
- Debt Consolidation
- Shopping
- Home Renovations
- Mortgage

A brief synopsis of loans approved in the top six categories is presented in Table 5 below:

TABLE 5: TOP SIX MOST APPROVED LOAN CATEGORIES

	2020		2019		VARIANCE	
LOAN CATEGORY	NO. OF LOANS APPROVED	VALUE OF LOANS APPROVED ($)	NO. OF LOANS APPROVED	VALUE OF LOANS APPROVED ($)	PERCENTAGE CHANGE IN NUMBER OF LOANS (%#)	PERCENTAGE CHANGE IN VALUE ($%)
SHOPPING	147	2,970,270	155	2,268,109	(5.2)	31.0
MORTGAGE	26	3,805,857	8	1,094,000	225.0	247.9
HOME RENOVATIONS	116	3,852,551	67	1,351,209	73.1	185.1
DEBT CONSOLIDATION	250	9,645,691	171	5,064,609	46.2	90.5
VEHICLE PURCHASE	278	9,682,317	117	5,695,051	137.6	70.0
MISCELLANEOUS PERSONAL EXPENSES	573	14,302,487	418	7,105,587	37.1	101.3

The top six categories of disbursed loan in the personal category represented 90.7 percent of total personal loans. The remaining 13 categories accounted for 9.3 percent of the overall total.

Business loans, on the other hand, continued to remain flat. At the end of the review period, 83 business loans were approved, an improvement of 26 loans. However, despite the larger number, the value was about the same as in 2019. The demand for business loans is being tempered by Government's special initiatives and the prolonged effects of the COVID-19 pandemic on businesses and households. The major categories of business loans for 2020 are as follows:

- Business Inventory
- Business Capital
- Fishing
- Bus
- Auto mechanic

CREDIT COMMITTEE'S REPORT

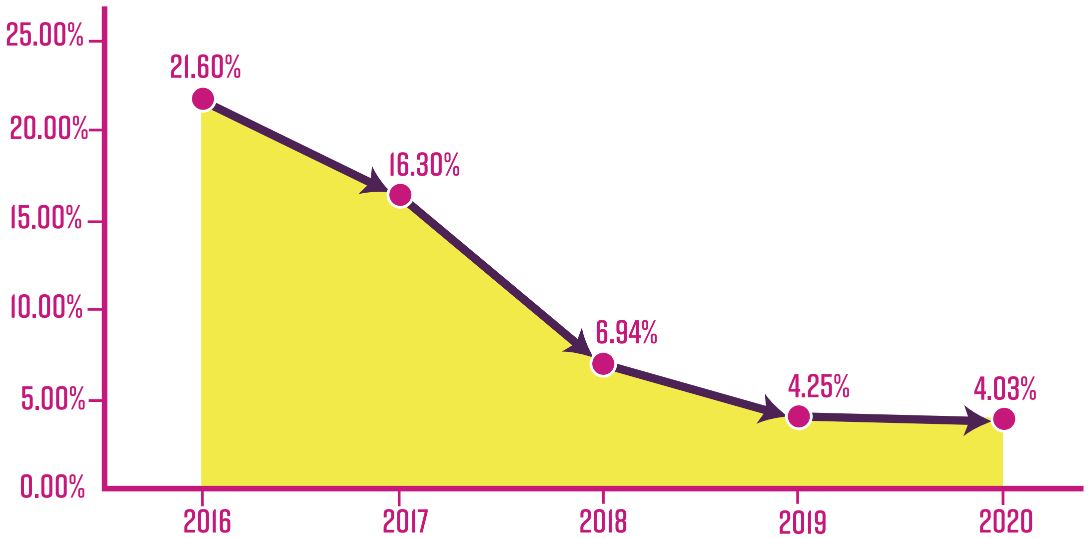
FOR THE YEAR ENDED DECEMBER 31, 2020

The aforementioned categories accounted for $2,868,652.00 (78.3 percent) of the total ($3,669,584) approved business loans.

DELINQUENCY MANAGEMENT

We note that the negative effects of the pandemic created unprecedented financial challenges among the membership. However, the Credit Committee and management continue to provide keen oversight into the non-performing loans. With the assistance of financial counselling to help members better manage their resources, our delinquency ratio for the second consecutive year fell below the PEARLS Standard of 5%, at 4.03% (see Figure 2) at the end of the review period. The Credit Committee salutes management for its sound lending practices. In assessing the situation, we recognise that members were faced with unexpected layoffs or reductions in wages and may find difficulty meeting their obligations; however, we encourage members to visit, call or send an email to the institution if they are unable to honour their obligations.

FIGURE 2: FIVE YEAR DELINQUENCY TREND



CREDIT COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

ACKNOWLEDGMENTS

The Committee acknowledges the work of Mr. Denrick Connor who is retiring. Mr. Connor has served the Credit Union with great pride and distinction. Despite his busy schedule due to his full- time role as branch manager of a regional company, his commitment in terms of his attendance and punctuality were well above standard and this exemplifies his dedication to the team and the Credit Union on a whole. The Credit Committee will miss his keen eye for AML/CFT matters. We wish Mr. Connor all the best in his future endeavours.

Notwithstanding the threat of the pandemic on the economy, FFCCU continues to grow and so we would like to thank the members for their continued patience, confidence and unwavering commitment to First Federal Cooperative Credit Union. The Committee also wishes to acknowledge the support and co-operation of the Board of Directors and the Supervisory and Compliance Committee. We would also like to show appreciation to the CEO, Management and staff of the FFCCU for working assiduously during the review period. A special thank you to all our Loans Officers for the support rendered to the Committee in assisting us with our duties.

AHeyliger

Amoy Heyliger

Chairperson

SUPERVISORY AND COMPLIANCE COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

ROLE OF THE SUPERVISORY COMMITTEE

During the year under review the SCC performed all its duties in a conscientious manner in accordance with Section 66 of the Co-Operative Societies Act, No 31 of 2011 and in accordance with the FNDECCU By-Laws 17, Sections 1–11. The Committee is charged with the responsibility of ensuring that the Credit Union is prudently managed and members' assets are safeguarded and to ensure the reliability and integrity of the FNDECCU's financial reporting. The responsibility also includes but is not limited to the following:

- Scrutinizing and appraising the policies and operating procedures
- Confirming cash instruments, property and securities of the Society
- Monitoring the management of the Society
- Liaising with Internal and external auditors
- Auditing the functions of the management and staff
- Paying attention to the risk management of the Credit Union
- Investigate complaints made by any member, which affects the proper management of the Credit Union.
- Auditing the asset-liability management and liquidity of the Credit Union
- Ensure that all advances, loans, deposits, other transactions and other decisions involving Directors, Committee members and employees, are following the Act, Regulations, By-Laws and Policies of the Credit Union among others.

COMPOSITION OF THE COMMITTEE FOR 2020

During the review period January 2020 to October 2020, the Supervisory Committee comprised of the following members:

Ms Brontie Duncan – Chairperson

Ms Eslyn Swanston – Secretary

Mrs Evadney Liburd – Member

Mr Lincoln Connor – Member

Mr Curtis Martin – Member.

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING
MS ESLYN SWANSTON	CHAIRPERSON	3RD	0	2021
MRS LAVERNE CAINES	SECRETARY	1ST	2	2023
MS BRONTIE DUNCAN	MEMBER	1ST	2	2023
MR LINCOLN CONNOR	MEMBER	3RD	0	2021
MR CURTIS MARTIN	MEMBER	2ND	1	2022

SUPERVISORY AND COMPLIANCE COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

At the 11th Annual General Meeting held on September 24th, 2020, Mrs. Laverne Caines was elected to the Committee. At its first meeting post AGM, on 8th October 2020, elections were held which resulted in the following allocation of positions:

At this meeting, the committee set out its proposed activities and annual itinerary, and agreed to meet on the third Wednesday of every month.

As the COVID-19 pandemic brought with it increased risks in all material aspects of FFCCU's operations, and most especially credit default risk, much of the Committee's focus zeroed in on these high risk areas of operations.

Key features of the work of the SCC during this period constituted conducting reviews of:

- The Minutes of the Board of Directors meetings
- The monthly Financial Statements & other Management reports
- The Vault/Cash Count

Critical to the effective functioning of the SCC was also the monthly report and activity updates from the Compliance Officer.

Acting on a request by the FSRC, the SCC actively investigated the circumstances that led Management and/or the Board of Directors to make several positions at the FFCCU redundant in June and July 2020.

The SCC also requested an update on the financial impact of the FFCCU's loan moratorium have on the operations of the business and by extension the general membership.

TRAINING

Members of the SCC along with senior management attended a virtual AntiMoney Laundering / Combating the Financing of Terrorism (AML/CFT) five (5) module training session put on by the FSRC from 21st October to 9th December 2020. The training was deemed necessary and timely to ensure key credit union officers are aware of their legal responsibilities with regards to AML/CFT. The SCC thank the Board and Management for making the training activity possible as training is a critical for proper functioning of volunteer members.

The following is the main tasks undertaken by the Committee:-

REVIEW OF FINANCIAL STATEMENTS

ACHIEVEMENT

- The SCC notes the details and proper record keeping for all monthly financial statements presented
- Asset-quality risk monitored against PEARLS prudential standard due to increased delinquency. Liquidity management advised

- The committee recommends reduced administrative expenditure as the Provision for loan impairment in this financial year has increased six times that of 2019 (2020 -S1,551,138 and 2019 - $252,075) in accordance with IFRS 9.

VAULT CASH COUNT

The SCC conducted one (1) on site Vault Cash Count during the financial year. The SCC found Vault and cash to be properly detailed. All cash and related records were found to be accurate and in order. The Vault Book was accurate and, with respect to the composition of the notes, the cash in hand was correct.

Discussion with the Customer Service representatives assigned to the count provided documentary support for questions asked during the count.

The petty cash was also counted and summary records were tallied correctly. The SCC had minor concerns that a few petty cash expenditure vouchers were not signed off by the person distributing the cash.

FSRC REQUESTED INVESTIGATION:

Acting on the request of the FSRC the SCC spearheaded the below investigations during the period under review:

I. Evidence that the Covid-19 pandemic had a negative effect on the FFCCU that led Management and/or the Board of Directors to make several positions at the FFCCU redundant
II. Were appropriate procedure adhered to before & after the decision
III. Measures taken to curb the impact of the pandemic on FFCCU &
IV. Financial impact of the loan moratorium on the operation of the FFCCU

Section 66(d) of the Co-operative Societies Act, No. 31 of 2011 states that, "the Supervisory and Compliance Committee shall, ascertain that all actions and decisions of the Board, Committee, Management and staff relating to the affairs of the Co-operative Society are in accordance with the Act, the Regulations, the Bye-laws and the approved standards and policies of the Credit Union."

The SCC undertook a comprehensive six-week review of the FFCCU based on the request and concluded the following in the final report:

I. There was evidence that demonstrates that the COVID-19 Pandemic has had a significant effect on the FFCCU that required the said decision being taken by the Board and acted upon by Management
II. The appropriate procedures were followed prior to and subsequent to Management's and/or the Board's decision.
III. Other measures are being considered as further effects of the COVID-19 Pandemic impacts the internal and external environment of the FFCCU
IV. The six-month loan moratorium affected liquidity of the FFCCU as revenue was reduced below the budgeted amount. The key issue for the BOD and management

was remaining sufficiently liquid amidst significant reduction in cash inflow caused by the loan moratorium, reduction in fees and charges, and reduced interest rates on consolidated loans. Short-term relief measures were quickly put in place to assist members amidst the increase delinquency rate.

COMMUNICATION

MEMBERS INFORMATION

Members were kept aware of the myriad offers available to them via social media platforms Mindful of the current situation, the messaging was not all about business, but many were used to share the Covid 19 protocols required to keep members safe and protected.

A refreshed website provided relevant updates and general information for members. As a virtual communications tool, the website is highly interactive and easy to navigate.

To create balance, more emphasis should be paid to publicity and public relations to tell the story of the credit union. The medium of radio and television should be more widely used to be sure that all members are reached.

- ### ATTENDANCE AT BOARD & COMMITTE MEETINGS

(a). Board of Directors: Members of the SCC attended one joint Board meeting during the last quarter of 2020. The main discussion was the SCC Investigative Report sent to the FSRC at the end of August 2020. The SCC is in constant receipt of the Board minutes and reviews

(b). Credit Committee: Although several discussions for a joint meeting were held, the SCC was not able to attend any of the meetings of the Credit Committee. The SCC will continue its efforts to meet with the Credit Committee going forward.

- ### JOINT COMMITTEE MEETINGS

The Board of Directors, Credit Committee and the Supervisory and Compliance Committee met in two joint meetings during the period under review. The CEO and the Management team were also in attendance. The meeting gave each Committee Chair a chance to discuss work undertaken and plans for the way forward in ensuring the growth of the Co-operative. The CEO gave comprehensive report which reviewed the managements' performance in the areas of Finance, Credit & Delinquency, and Member Services. The forum allowed for interactive discussions to clarify any areas of concern. The Supervisory and Compliance Committee (SCC) commend all volunteers and Management for their continued commitment to efficiency.

COMPLIANCE FUNCTION

The Supervisory and Compliance Committee (SCC) ensures that the First Federal Co-operative Credit Union (FFCCU) guarantees that there is an appropriate program in place to identify and effectively mitigate compliance risk. The SCC views compliance management as one the most important obligations as it can positively affect business strategy and position the credit union to grow and prosper.

SUPERVISORY AND COMPLIANCE COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

During the final quarter of the period under review (2020), a new staff member was assigned as Compliance Officer. As compliance is an ever-increasing area of priority within the financial services sector; the Supervisory and Compliance Committee provide a support network and compliance-specific resources to this officer

The Compliance Officer provides the SCC with a monthly report and critical oversight function as guided by the SCC

To build a robust compliance management system, a review was conducted by the FSRC, and several concerns were highlighted including deficiencies in relation to loan under writing and approval practices and recommendations of training for SCC members specific to the credit function of FFCCU.

A main challenge for the FFCCU is the increased risk which has come with the speed of technological change especially in view of the unexpected challenges created by the global pandemic. These risks have not been ignored and there has been investment in Information Technology and Risk Management Software training to mitigate any regulatory risk that these technological economic opportunities may cause.

The year 2020 has provided the opportunity for the institution to recognize gaps and weaknesses and to implement improvements that will provide long-term stability and success.

CONCLUSION

The economic impact of the COVID-19 pandemic marked by rising unemployment, under employment and job loss experienced by several of our members, impacted loan demand, and increased loan losses. The resulting stress on the balance sheet required an increased level of liquidity management at the FFCCU. The SCC in discharging its oversight duties found that FFCCU experienced liquidity challenges during this period and will continue to face challenges which must be addressed. We are however pleased that the BOD and management team recognized these challenges, and continue to strategise to stay ahead of the curve

We applaud the efforts of both volunteer and staff for the invaluable support given to the Supervisory and Compliance Committee in carrying out our functions throughout the year.

To our fellow members, we are humbled that you gave us the privilege to serve in this capacity and for the confidence placed in our oversight. "We are all in this together."

The Supervisory and Compliance Committee presents the report to the Membership and states that to the best of its knowledge, the management and staff adhered to the policies and procedures outlined in the By-laws No. 1 of 2009 and the Policy Manual during the period of review.

The Committee give our membership its assurance that it will continue to work diligently to further the progress of our society and assist Management and Staff to further the growth and strategic goals of the FFCCU. Members save regularly, borrow wisely and repay promptly.

NOMINATING COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

In accordance with the By-Laws of the First Federal Co-operative Credit Union (FFCCU) Article 12 Section 1(a) the Nominating Committee shall nominate one member for each vacancy. The Nominating Committee, approved by the Board of Directors, deliberated extensively, and considered suitable candidates to serve on the Board of Directors, Credit Committee and the Supervisory Committee.

The Nominating Committee comprised of the following persons:

1. **Trevor Cornelius - Chairperson**
2. **Terrence Crossman - Member**
3. **Markysa O'Loughlin - Member**

In its deliberation the committee ensured that all nominees are in good standing, meet the criteria as detailed in the by-laws and are willing and able to serve. In keeping with the Co-operatives Act, 2011- 31, the required due diligence was conducted.

The nominees will be presented to the membership for consideration at the institution's Annual General Meeting. Members can also nominate any suitable candidate of their choosing. The nomination process is outlined in the information provided in the Notice of Meeting.

The Nominating Committee is pleased to present for your consideration, the following persons, who were considered as eligible candidates to fill the vacant positions at this time. These persons have all indicated they are willing and able to serve the institution by utilizing their talents and experience and sacrificing their time to fulfil the mandate and direction of the Board of Directors, for the further development of FFCCU.

The Committee takes this opportunity to thank all retiring members who have served with distinction.

NAME	POSITION	TERM	YEARS REMAINING	YEARS REMAINING	NOMINEE
MR. HOWARD MCEACHRANE	PRESIDENT	1ST	0	2021	UP FOR RE-ELECTION
MS. DAWNE WILLIAMS	VICE PRESIDENT	2ND	2	2023	
MR. MICHAEL MARTIN	SECRETARY	1ST	1	2022	
MR. GLENN QUINLAN	TREASURER	2ND	2	2023	
MR. CLYDE RICHARDSON	ASSISTANT SECRETARY	1ST	0	2021	UP FOR RE-ELECTION
MR. FARON LAWRENCE	ASSISTANT TREASURER	1ST	1	2022	
MR. JAMIR CLAXTON	DIRECTOR	2ND	1	2022	
MR. TREVOR CORNELIUS	DIRECTOR	1ST	1	2022	
MR. SEAN LAWRENCE	DIRECTOR	1ST	1	2022	

NOMINATING COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

CREDIT COMMITTEE

NAME	POSITION	TERM	YEARS REMAINING	YEARS REMAINING	NOMINEE
MS. AMOY HEYLIGER	CHAIRPERSON	2ND	2	2023	
MS. LORNETTE QUEELEY	SECRETARY	1ST	1	2022	
DR. THOMAS WILLIAMS JR	ASSISTANT SECRETARY	1ST	2	2023	
MRS. JACQUELINE DOUGLAS	MEMBER	1ST	2	2023	UP FOR ELECTION
MS. CAMILA WILLIAMS	MEMBER	2ND	2	2023	
MR. DENRICK CONNOR	MEMBER (RETIRING)	2ND	1	2021	MR. FRANCIL MORRIS
MRS. DORIS ARCHIBALD-WEBBE	MEMBER	1ST	2	2023	

SUPERVISORY AND COMPLIANCE COMMITTEE

NAME	POSITION	TERM	YEARS REMAINING	YEARS REMAINING	NOMINEE
MRS. ESLYN SWANSTON	CHAIRPERSON	2ND	2	2023	
MS. LAVERNE CAINES	SECRETARY	1ST	2	2023	
MR. CURTIS MARTIN (RESIGNING)	MEMBER	1ST	2	2022	MRS. JESSICA FERDINAND-PHIPPS
MR. LINCOLN CONNOR (RESIGNING)	MEMBER	1ST	1	2021	MS. KAREN WILLIAMS
MS. BRONTIE DUNCAN	MEMBER	2ND	2	2023	
NOMINEE	MEMBER				MS. PATRICE CAREY

BRIEF BIOGRAPHY OF NOMINEE OF THE CREDIT COMMITTEE

MR. FRANCIL MORRIS

Mr. Francil Morris is an educator for over 30 years and holds a bachelor's and master's degree in Educational Leadership and Administration. He has earned several awards for his stewardship including Excellence in Teaching Award, School Steward of the Year Award and the Youth Medal of Honour. He is presently the Chief Education Officer in the Ministry of Education in St. Kitts.

He has served as President of the Board of Directors for the St. Kitts School Apex Society and has volunteered his time and expertise to numerous organisations including, St Kitts Nevis Amateur Association, Local Organising Committee (LOC) for CARIFTA, the Department of Youth Residential Summer Camp and the Caribbean Atlantic Assembly Church of God

NOMINATING COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

BRIEF BIOGRAPHIES OF NOMINEES OF THE SUPERVISORY AND COMPLIANCE COMMITTEE

MS. PATRICE CAREY

Ms. Patrice Carey has over 13 years of banking experience working at the Bank of Nova Scotia in various departments. Ms. Carey holds a bachelor's degree in Sociology and Social & Criminal Justice and is a member of the Golden Key International Honors Society. She is currently pursuing a master's degree in Leadership with a minor in Human Resources. Presently she is employed with the Government of St. Kitts and Nevis. She has served in the Ministry of Social Development and Gender Affairs for the past eight (8) years.

MRS. JESSICA FERDINAND-PHIPPS

Jessica Ferdinand-Phipps is a Certified Accountant and Business Consultant. She has a background in financial services, risk management, audit, compliance, accounting and finance; with a master's degree in Business Administration (MBA) and a bachelor's degree in Accounting and Economics (BSc). She is a Certified Chartered Accountant (ACCA), Certified Internal Auditor (CIA) and a Certified Anti-Money Laundering Specialist (CAMS) and is currently pursuing the Certified Risk Management Assurance (CRMA) designation. Her extensive work experience in the financial services sector includes a 12-year tenure as a Bank Examiner at the Eastern Caribbean Central Bank (ECCB), where she advanced to the role of Deputy Director. She also held significant employment roles with the former Barclays Bank Plc, the Bank of Nevis Ltd and the St Kitts and Nevis Sugar Industry Diversification Foundation (SIDF).

MS. KAREN P WILLIAMS

Ms. Karen P Williams is an economist and development professional with 25 years of policy, operational and leadership experience. She has served in several capacities at the ECCB, including 8 years as chief economist and policy advisor when she was the Director of the Research Department.

Ms. Williams is a Cambridge Commonwealth Trust Society Fellow and a member of Omicron Delta Epsilon International Honor Society in Economics. She holds a bachelor's degree in Economics from Morgan State University (Baltimore, MD, USA) and a master's degree in Economics of Developing Countries from the University of Cambridge (England). She also carries the designation of Chartered Director (C. Dir).

She aspires to improve the economic circumstances of citizens of the region.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Financial Statements

December 31, 2020

(Expressed in Eastern Caribbean Dollars)

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

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BDO

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P.O. Box 3109
St. John's
Antigua

INDEPENDENT AUDITORS' REPORT

To the Members of
FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Opinion

We have audited the financial statements of First Federal Co-operative Credit Union Limited ("the Credit Union"), which comprise the statement of financial position at December 31, 2020, the statements of profit or loss and other comprehensive income, changes in member's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Credit Union'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 Credit Union or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

INDEPENDENT AUDITORS' REPORT *(cont'd)*

To the Members of
FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union'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 Credit Union 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.

BDO

Chartered Accountants
July 23, 2021

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Financial Position

December 31, 2020

(expressed in Eastern Caribbean dollars)

	Notes		2020	2019
Assets				
Cash and cash equivalents	9	$	7,408,298	5,330,089
Loans	10		65,119,908	42,323,124
Investment securities	11		2,369,131	2,509,774
Other assets	12		526,607	205,884
Property and equipment	13		3,092,690	3,212,402
Intangible assets	14		373,164	410,063
Total Assets		$	78,889,798	53,991,336
Liabilities and Members' Equity				
Liabilities				
Members' deposits	15	$	58,997,325	37,508,051
Other liabilities	16		602,028	546,785
Total Liabilities			59,599,353	38,054,836
Members' Equity				
Share capital	17		8,385,195	5,419,085
Statutory and development funds	18		3,225,712	3,220,712
Other reserves	19		2,368,011	2,365,461
Capital-based grant	20		94,984	107,257
Retained earnings			5,216,543	4,823,985
Total Members' Equity			19,290,445	15,936,500
Total Liabilities and Members' Equity		$	78,889,798	53,991,336

Approved for issue by the Board of Directors and signed on its behalf by:

President .... **Treasurer** ....

The notes on pages 48 to 93 are an integral part of these financial statements.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Comprehensive Income

Year ended December 31, 2020

(expressed in Eastern Caribbean dollars)

	Notes		2020	2019
Interest income from loans		$	6,294,737	4,239,746
Other interest income	21		113,836	233,045
Interest expense	22		(1,140,799)	(734,379)
Net interest income			5,267,774	3,738,412
Other income	23		1,179,297	745,225
Operating income			6,447,071	4,483,637
Operating expenses				
Staff costs	24		2,106,438	1,726,527
General and administrative expenses	25		1,245,636	1,215,743
Depreciation and amortisation	26		506,043	383,224
Finance costs			68,529	45,500
Marketing and promotion expenses	27		279,373	317,367
Provision for loan impairment	10		1,551,138	252,075
Total operating expenses			5,757,157	3,940,436
Net income for the year			689,914	543,201
Other comprehensive income				
Fair value gain on financial assets at FVOCI			-	-
Total comprehensive income for the year		$	689,914	543,201

The notes on pages 48 to 93 are an integral part of these financial statements.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Changes in Member's Equity

Year ended December 31, 2020

(expressed in Eastern Caribbean dollars)

	Notes		Share Capital	Statutory Reserve & Development Funds	Other Reserves	Capital Based Grants	Retained Earnings	Total
Balance at December 31, 2018		$	4,252,940	3,220,712	2,354,801	119,531	4,588,413	14,536,397
Effect of change in accounting policy - IFRS 16			-	-	-	-	2,270	2,270
Balance at January 1, 2019			4,252,940	3,220,712	2,354,801	119,531	4,590,683	14,538,667
Transactions with members								
Shares issued during the year	17		1,166,145	-	-	-	-	1,166,145
Dividends paid	31		-	-	-	-	(299,239)	(299,239)
			1,166,145	-	-	-	(299,239)	866,906
Reserves and grants movements								
Transfer from Retained Earnings	18		-	10,660	-	-	(10,660)	-
Transfer from Statutory Reserve	18		-	(10,660)	10,660	-	-	-
Amortisation of capital grants	20		-	-	-	(12,274)	-	(12,274)
			-	-	10,660	(12,274)	(10,660)	(12,274)
Total Comprehensive income								
Net income for the year			-	-	-	-	543,201	543,201
Unrealised gain on property valuation	19		-	-	-	-	-	-
			-	-	-	-	543,201	543,201
Balance at December 31, 2019			5,419,085	3,220,712	2,365,461	107,257	4,823,985	15,936,500

The notes on pages 48 to 93 are an integral part of these financial statements.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Changes in Member's Equity

Year ended December 31, 2020

(expressed in Eastern Caribbean dollars)

	Notes	Share Capital	Statutory Reserve & Development Funds	Other Reserves	Capital Based Grants	Retained Earnings	Total
Transactions with members							
Shares issued during the year	17	$ 2,966,110	-	-	-	-	2,966,110
Dividends paid	31	-	-	-	-	(279,806)	(279,806)
		2,966,110	-	-	-	(279,806)	2,686,304
Reserves and grants movements							
Transfer from Retained Earnings	18	-	17,550	-	-	(17,550)	-
Transfer from Statutory Reserve	18	-	(12,550)	12,550	-	-	-
Amortization of capital grants	20	-	-	-	(12,273)	-	(12,273)
		-	5,000	12,550	(12,273)	(17,550)	(12,273)
Total comprehensive income							
Net income for the year		-	-	-	-	689,914	689,914
Unrealised gain on property valuation	19	-	-	-	-	-	-
Unrealised loss on quoted equity securities	19	-	-	(10,000)	-	-	(10,000)
		-	-	(10,000)	-	689,914	679,914
Balance at December 31, 2020		$ 8,385,195	3,225,712	2,368,011	94,984	5,216,543	19,290,445

The notes on pages 48 to 93 are an integral part of these financial statements.

ANNUAL REPORT 2020

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Cash Flows

Year ended December 31, 2020

(expressed in Eastern Caribbean dollars)

	Notes		2020	2019
Cash flows from operating activities				
Net income for the year		$	689,914	543,201
Adjustments for:				
Items not affecting cash:				
Depreciation	13		414,132	305,567
Provision for loan impairment	10		1,551,138	252,075
Bad debts written off	10		(1,043,546)	-
Amortisation of intangibles	14		104,185	89,932
Amortisation of capital-based grants	20		(12,273)	(12,274)
Interest expense			1,140,799	734,379
Interest income			(6,374,499)	(4,443,937)
Operating loss before changes in working capital			(3,530,150)	(2,531,057)
Change in loans			(22,626,293)	(14,586,215)
Change in other assets			(320,723)	5,541
Change in members' deposits			21,423,901	10,853,562
Change in accounts and other liabilities			55,243	105,409
Cash used in operations			(4,998,022)	(6,152,760)
Interest received on loans			5,616,654	4,142,929
Interest paid			(1,075,426)	(582,647)
Net cash used in operating activities			(456,794)	(2,592,478)
Cash flows from investing activities				
Interest received on investments			79,393	207,862
Purchase of property and equipment	13		(294,420)	(823,812)
Purchase of computer software	14		(67,286)	(84,502)
Purchase of investment securities			(67,113)	(65,000)
Proceeds from sale of investment securities			198,125	4,163,025
Net cash (used in)/provided by investing activities			(151,301)	3,397,573
Cash flows from financing activities				
Proceeds from issuance of shares			2,966,110	1,166,145
Dividends paid			(279,806)	(299,239)
Net cash provided by financing activities			2,686,304	866,906
Increase in cash and cash equivalents			2,078,209	1,672,001
Cash and cash equivalents, beginning of year			5,330,089	3,658,088
Cash and cash equivalents, end of year		$	7,408,298	5,330,089
Represented by				
Cash and cash equivalents		$	7,408,298	5,330,089

The notes on pages 48 to 93 are an integral part of these financial statements.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2020

(Expressed in Eastern Caribbean Dollars)

1. **Nature of operations:**

The principal activity of the First Federal Co-operative Credit Union Limited (the "Credit Union") is to safeguard, uphold and represent the best interest of all of its members, especially in financial matters, and to undertake all other acts and devices as are incidental or conductive to or consequential upon the attainment of its objectives.

2. **General information and statement of compliance with IFRS:**

On July 20, 2009, the Credit Union was registered under the name FND Enterprises Co-operative Credit Union Limited under and in accordance with the provisions of Section 241 of the Co-operative Societies Act of 1995 of St Christopher and Nevis. Its birth was consequent upon the passage of a resolution on 24 June 2010 by the Foundation for National Development, that resolved to transfer its assets and liabilities to a credit union to be named FND Enterprise Co-operative Credit Union Limited. The Credit Union began operations effective August 1, 2009.

In 2011, the Co-operative Societies Act, No. 31 of 2011 came into effect, replacing the Co-operative Societies Act, 1995. The Credit Union was automatically re-registered on October 17, 2011 under the new Act.

On July 2019, the Credit Union was re-registered under the name First Federal Co-operative Credit Union Limited under and in accordance with the provisions of the Cooperative Societies Ordinance No. 20 of 1956 and (amendment) Ordinance No. 19 of 1957 and the statutory rules and Order No. 32 of 1968.

The Credit Union's registered office is located at Bladen Commercial Development, Basseterre, St. Kitts. It conducts business at Bladen Commercial Development, Basseterre, St Kitts and Chapel Street, Charlestown, Nevis.

The accompanying financial statements are the financial statements of the Credit Union and have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB) under the historical cost convention, as modified by the revaluation of land and buildings and financial assets at fair value through other comprehensive income. The measurement bases are fully described in the summary of accounting policies.

3. **Basis of Preparation:**

(a) **Statement of Compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standard Board (IASB). These financial statements were approved by the Board of Directors on July 23, 2021.

(b) **Going concern**

These financial statements have been prepared on the going concern basis, which assumes that the Credit Union will continue in operation for the foreseeable future. They do not purport to give effect to adjustments, if any, that may be necessary should the Credit Union be unable to realise its assets and discharge its liabilities in other than the ordinary course of business.

3. **Basis of Preparation:** *(cont'd)*

(c) **Adoption of New or Revised Standards, Amendments to Standards and Interpretations**

The Credit Union has adopted the following amendments to standards and new interpretations effective from January 1, 2020. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Credit Union's separate financial statements.

- *Definition of a Business (Amendments to IFRS 3)*
  Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Credit Union has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Credit Union to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business. This amendment had no material effect on the Credit Union.

- *COVID-19-Related Rent Concessions (Amendments to IFRS 16) Effective 1 June 2020*
  IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

  (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and

  (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

This amendment had no material effect on the Credit Union.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the Credit Union's financial statements. The new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2020, unless otherwise stated.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2020

(Expressed in Eastern Caribbean Dollars)

3. **Basis of Preparation:** *(cont'd)*

(d) **New Standards and interpretation of amendments to existing standards issued but not effective during the year**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Credit Union's financial statements are disclosed below. The Credit Union intends to adopt these standards, if applicable, when they become effective.

Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021. The amendments provide relief in respect of certain loans whose contractual terms are affected by interest benchmark reform.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Credit Union is currently assessing the impact of these new accounting standards and amendments.

4. **Summary of significant accounting policies**

4.1 **Overall considerations**

The significant accounting policies set out below have been applied consistently by the Credit Union to all periods presented in these financial statements, except as otherwise stated.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2020

(Expressed in Eastern Caribbean Dollars)

4. **Summary of significant accounting policies:** *(cont'd)*

4.2 **Revenue recognition**

Revenue arises from the rendering of services. The Credit Union recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for the Credit Union's activities. It is measured at the fair value of consideration received or receivable. Revenue is recognised as follows:

(i) *Interest income*

Interest income is recognised in profit or loss, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability.

The Credit Union's calculation of the effective interest rate includes all material fees received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(ii) *Fee and other income*

The Credit Union earns fee income from financial services it provides to its members. Fee income is recognised at an amount that reflects the consideration to which the Credit Union expects to be entitled in exchange for providing the services.

The performance obligations as well as the timing of their satisfaction, are identified and determined, at the inception of the contract. The Credit Union's revenue contracts do not include multiple performance obligations.

When the Credit Union provides services to its members, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of a contract period for a service provided over time.

The Credit Union has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the member.

4.3 **Foreign currency translation**

Functional and presentation currency

These financial statements are presented in Eastern Caribbean Dollars, which is the Credit Union's functional and presentation currency. All financial information presented in Eastern Caribbean Dollars has been rounded to the nearest dollar.

4. **Summary of significant accounting policies:** *(cont'd)*

4.3 **Foreign currency translation** *(cont'd)*

Foreign currency transactions and balances
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Eastern Caribbean Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.
Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Eastern Caribbean Dollars at foreign exchange rates ruling at the dates the values were determined.

4.4 **Leases (Policy applicable before January 1, 2020)**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Credit Union as a lessee
The Credit Union applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Credit Union recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Credit Union recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Credit Union as a lessor
Leases in which the Credit Union does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.5 **Financial Instruments**

The Credit Union recognises a financial asset or a liability in the statement of financial position when it becomes party to the contractual provision of the instruments.

(a) *Initial recognition and measurement of financial instruments*
At initial, recognition, the Credit Union measures its financial assets and financial liabilities at their fair values plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions.

4. **Summary of significant accounting policies:** *(cont'd)*

Financial Instruments *(cont'd)*

(a) *Initial recognition and measurement of financial instruments*
If the Credit Union determines that the fair value of its financial assets and liabilities at initial recognition differs from the transaction price, the difference is recognised as follows:

- If that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss.

- In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, the Credit Union recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

(b) *Classification and subsequent measurement of financial assets*

The Credit Union classifies the financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(i) the Credit Union's business model for managing the financial assets; and

(ii) the contractual cash flow characteristics of the financial asset.

Based on these factors, the Credit Union classifies its asset into one of the following three measurements:

Financial assets at amortised cost
A financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset.

When calculating the effective interest rate, the estimates the expected cash flows by considering all the contractual terms of the financial instrument, but does not consider the expected credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

4. Summary of significant accounting policies: *(cont'd)*

4.5 Financial Instruments *(cont'd)*

(b) Classification and subsequent measurement of financial assets (cont'd)

The Credit Union's financial assets measured at amortised cost include loan to members, investments in fixed deposits and treasury bills and cash and cash equivalents.

Financial assets at fair value through other comprehensive income (FVTOCI)
A financial asset is measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)
A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The Credit union does not have any assets measured at FVTPL.

Reclassifications
If the business model under which the holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Credit Union's financial assets. During the current financial year and previous accounting period there were no changes in the business models under which the Credit Union holds financial assets and therefore no reclassifications were made.

Changes in contractual cash flows are considered under the accounting policy on *Modification of loans to members* in Note 4.5 (d) and *Derecognition of financial assets* in Note 4.5 (f).

(c) Impairment of Financial Assets
The Credit Union recognises a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost and the exposure arising from loan commitments and financial guarantee contracts. The expected credit losses are assessed on a forward looking basis. The Credit Union's measurement of ECL reflects:

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

b) the time value of money; and

c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4. **Summary of significant accounting policies: *(cont'd)***

4.5 **Financial Instruments** *(cont'd)*

(c) *Impairment of Financial Assets (cont'd)*

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD - The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- EAD -The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD -The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

The financial assets are grouped on the basis of shared credit risk characteristics to determine the average credit losses for each group of assets. The Credit Union considers this approach to be a reasonable estimate of the probability-weighted amount. The lifetime expected credit losses for the nonperforming financial assets are assessed on an individual basis. The Credit Union considers if there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking. At each reporting date, the Credit Union measures the loss allowance at an amount equal to the lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition. The Credit Union considers the following factors in assessing changes in credit risk since initial recognition:

- significant changes in internal price indicators of credit risk;
- changes in the rates or terms of an existing instrument that would be significantly different if the instrument was newly issued (eg more stringent covenants);
- significant increases in credit risk on other financial instruments from the same borrower;
- an actual or forecast significant adverse changes in the business, financial or economic conditions that are expected to significantly affect the borrower's ability to meet its debt obligations (e.g. increase in interest rates and unemployment rates);
- an actual or expected significant change in the financial instrument's external credit rating;
- an actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally;
- an actual or expected significant change in the operating results of the borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of guarantees or credit enhancements reductions in financial support from a parent entity that are expected to reduce the borrower's incentive to make scheduled contractual payments;

4. **Summary of significant accounting policies:** ***(cont'd)***

4.5 **Financial Instruments** *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

- expected breaches of contract that may, for example, lead to covenant waivers or amendments, or interest payment holidays;
- existing or expected adverse changes in the regulatory, economic, or technological environment that significantly affect, or are expected to affect, the borrower's ability to meet its debt obligations;
- changes in the Credit Union's credit management approach in relation to the financial instrument (e.g. specific intervention with the borrower, more active or close monitoring of the instrument by the Credit Union);
- significant changes in the expected performance and behaviour of the borrower including changes in the payment status of borrowers in the (e.g. expected increase in delayed contractual payments); and
- past due information, including the rebuttable presumption of more than 30 days past due.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Credit Union under the contract and the cash flows that the Credit Union expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Credit Union if the holder of the commitment draws down the loan and the cash flows that the Credit Union expects to receive if the loan is drawn down; and

- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Credit Union expects to receive from the holder, the debtor or any other party.

The Credit Union measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

4. **Summary of significant accounting policies:** ***(cont'd)***

4.5 **Financial Instruments** *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Credit Union assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Credit Union considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

- the borrower is past due more than 90 days on any material credit obligation to the Credit Union; or
- the borrower is unlikely to pay its credit obligations to the Credit Union in full.

This definition of default is used by the Credit Union for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Credit Union considers both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

4. **Summary of significant accounting policies:** ***(cont'd)***

4.5 **Financial Instruments** *(cont'd)*

(c) *Impairment of Financial Assets (cont'd)*

The Credit Union uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired.

Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

(d) *Modification of loans to members*

When the Credit Union renegotiates or otherwise modifies, the contractual cash flows of its customer loans, the Credit Union assesses whether or not the new terms are substantially different from the original terms of the agreement. The Credit Union derecognises the original loan if the terms are substantially different and recognises the new loan at its fair value. The Credit Union also recalculates the new effective interest rate for the loan. The date of the modification is considered to be the date of initial recognition of the new loan when applying the impairment requirements and also assessing whether a significant increase in credit risk has occurred. The Credit Union also considers whether there may be evidence that the modified loan is credit-impaired at initial recognition. In this situation, the loan is recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset as a result of the borrower being unable to make the originally agreed payments. Differences in the carrying amount are recognised as a gain or loss on derecognition in the profit or loss.

If the new terms are not substantially different the original loan is not derecognised. The Credit Union recalculates the gross carrying amount of the loan and recognises a modification gain or loss in the profit and loss. The gross carrying amount of the loan is recalculated as the present value of the renegotiated contractual cash flows discounted at the loan's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified loan and are amortised over the remaining term of the modified financial asset.

(e) *Write offs*

The Credit Union directly reduces the gross carrying amount of a financial asset when the Credit Union has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. This is the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Credit Union may apply enforcement activities to financial assets written off. Recoveries resulting from the Credit Union's enforcement activities will result in impairment gains, which will be presented in net impairment loss on financial assets' in the statement of profit or loss.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. **Summary of significant accounting policies:** *(cont'd)*

4.5 **Financial Instruments** *(cont'd)*

(f) Derecognition of financial assets

The Credit Union derecognises financial assets when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to receive the cash flows of the financial asset are retained but the contractual obligation to the pay the cash flows to one or more recipients is assumed in an arrangement where:

(i) The Credit Union has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;

(ii) The Credit Union is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and

(iii) The Credit Union has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients

(g) Forward looking information

In its ECL models, the Credit Union relies on a range of forward looking information as economic inputs, such as:

- GDP growth
- Central Credit Union base rates

(h) Financial Liabilities:

Classification and subsequent measurement of financial liabilities

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost. Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specific in the contract is discharged, cancelled or expires).

(Expressed in Eastern Caribbean Dollars)

4. **Summary of significant accounting policies:** *(cont'd)*

4.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Credit Unions and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Credit Union in the management of its short-term commitments. Credit Union overdraft which is repayable on demand forms an integral part of the business and is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents are measured at amortised cost.

4.7 Property and equipment and depreciation

(a) Initial measurement
Property and equipment are initially stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributed to the acquisition of items.

(b) Subsequent measurement

Land and building
After recognition, land and building whose fair value can be measured reliably are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in members' equity under the heading of revaluation reserves (note 19). However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserves in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in members' equity under the heading of revaluation reserve.

When a building is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Furniture, equipment and motor vehicles
After recognition, an item of property and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

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(Expressed in Eastern Caribbean Dollars)

4. **Summary of significant accounting policies:** *(cont'd)*

4.7 **Property and equipment and depreciation** *(cont'd)*

(c) *Depreciation*

Depreciation is calculated on the straight line method to write down the cost less estimated residual values of the assets. The following depreciation rates are applied:

Building	40 years
Motor Vehicles	5 years
Furniture and fixtures	5-7 years
Computer and equipment	3-5 years
Plant and equipment	10 years
Office equipment	3-5 years

Land is not depreciated.

The assets' residual values and estimated useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss.

4.8 **Impairment of non-financial assets**

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use.

To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed only to the extent that the asset's or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.9 **Provisions**

Provision for legal disputes or other claims are recognised when the Credit Union has a present or legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Credit Union to settle the obligation and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

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4. **Summary of significant accounting policies:** *(cont'd)*

4.9 **Provisions** *(cont'd)*

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Credit Union can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

4.10 **Employee benefits**

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or losses incurred.

4.11 **Equity, reserves and dividend payments**

a) *Permanent shares*
Permanent shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability.

b) *Reserves*
Statutory reserves comprise amounts required to be set aside as stipulated by the Co-operative Societies Act (see Note 18).

General reserves comprise donated capital and entrance fees set aside as stipulated by the Credit Union's By-laws (see Note 18).

Revaluation reserves comprise gains and losses from the revaluation of land and building (see Note 19).

Other reserves comprise provision for loan losses recognised for regulatory purposes.

c) *Retained earnings*
Retained earnings include all current and prior period retained profits.

d) *Dividends*
Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirements of IFRIC 2, *Members' Shares in Cooperative Entities and Similar Instruments*.

Dividends paid are recognised in equity in the period in which they are approved by the Credit Union's members at the Annual General Meeting.

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

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5. **Significant management judgements in applying accounting policies and estimation uncertainty:**

In the application of the Credit Union's accounting policies, which are described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have the most significant effect on the amounts recognised on the financial statements are described below.

5.1 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Credit Union determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Credit Union monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Credit Union's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for the financial assets measured at amortized cost, FVTPL and FVTOCI is an area that requires the use of modeling and assumptions about future economic conditions and credit behaviors (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgement are also required in applying the account requirements for measuring ECL, such as:

- Determining credit for significant increase in credit risk
- Choosing appropriate model and assumptions for the measurement of proportional loss
- Establishing groups of similar financial assets for the purposes of measuring ECL
- Recovery rates on unsecured exposures
- Drawdown of approved facilities
- Determination of macroeconomic drivers (management overlay)
- Determination of life of revolving credit facilities
- Models and assumptions used

5. **Significant accounting estimates and judgements and key sources of estimated uncertainty:** *(cont'd)*

5.3 Valuation of Stage 3 loan facilities

The proposed cash flow was discounted using the yield of the facilities. The Credit Union makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5.4 Expected Credit Loss on Financial Assets at FVTOCI - Equity Investments:

The Credit Union determines Fair Value equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgement, the Credit Union evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. These factors may give rise to uncertainty regarding the recoverability of the carrying value in the subsequent period and/or the eventual recoverability of the amounts invested in full.

The Credit Union recognised ECL on equity investments during the year of nil (2019: nil).

5.5 Estimating the incremental borrowing rate

The Credit Union cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the that the Credit Union will have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain and asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Credit Union "would have to pay" which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Credit Union estimates the IBR using observable inputs (such as market rates) when available.

6. **Financial Risk Management:**

Risk management objectives and policies

The Credit Union has exposure to the following risks arising from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

6. **Financial Risk Management:** *(cont'd)*

Risk management objectives and policies *(cont'd)*

This note presents information about the Credit Union's exposure to each of the above risks, the Credit Union's objectives, policies and processes for measuring and managing risk, and the Credit Union's management of capital.

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function.

The Board of Directors receives monthly reports from the Credit Union's Management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Credit Union's risk management processes are essentially those mandated by the Board of Directors and are structured to facilitate identification of risks in its various business activities and to formulate risk management strategies, policies and procedures. Risks are maintained within established limits. The Credit Union's risk management policies entail diversification of risk in its portfolios, the establishment of risk rating indicators for individual members and lines of credit and continuous review of risk profiles for its members and portfolios. Risk limits are also set in relation to groups of borrowers and industry and geographical segments. The policies also include review, analysis and valuation of all risk taking activities.

6.1 **Credit risk analysis**

Credit risk is the risk of financial loss to the Credit Union if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Credit Union is exposed to this risk for various financial instruments, for example, granting loans to members, placing deposits and investing in bonds.

i. *Loans to members*
The Credit Union's exposure to credit risk is influenced mainly by the individual characteristics of each member. The demographics of the Credit Union's member base, including the default risk of the country in which members operate, has less of an influence on credit risk. Geographically there is concentration of credit risk as all members are located in St. Kitts and Nevis.

ii. *Cash and cash equivalents*
Cash and cash equivalents are held with established and reputable financial institutions, which represent minimum risk of default.

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6. **Financial Risk Management:** *(cont'd)*

6.1 **Credit risk analysis (cont'd)**

iii. *Maximum exposure to credit risk*

The maximum on-balance sheet and off-balance sheet exposure to credit risk at the reporting date was:

		2020	2019
Credit Risk exposures related to on-balance sheet assets			
Cash at Credit Unions and cash equivalents	$	6,809,459	4,700,723
Loans to members		65,119,908	42,323,124
Investment securities		2,369,131	2,509,774
Other receivables		388,888	133,348
Total	$	74,687,386	49,666,969

Credit risk in respect of financial assets is limited as these balances are shown net of provision for doubtful debts.

Loans to members

(a) *Expected credit loss on loans to members*

The Expected Credit Loss, commonly referred to as ECL, represents the amount the Credit Union is likely to lose in the event of a default. The Credit Union is required to categorise the loans in their respective stages as outlined in the IFRS 9 Standard.

Expected credit loss (ECL) on loans to members are analysed below:

		Gross Amount	ECL	Net Amount
Stage 1	$	62,909,480	351,998	62,557,482
Stage 2		1,050,687	55,052	995,635
Stage 3		2,538,645	971,854	1,566,791
As at December 31, 2020	$	66,498,812	1,378,904	65,119,908

		Gross Amount	ECL	Net Amount
Stage 1	$	40,203,280	132,328	40,070,952
Stage 2		1,360,349	128,810	1,231,539
Stage 3		1,630,807	610,174	1,020,633
As at December 31, 2019	$	43,194,436	871,312	42,323,124

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6. **Financial instrument risk:** *(cont'd)*

6.1 **Credit risk analysis** *(cont'd)*

Loans to members *(cont'd)*

(a) *Expected credit loss on loans to members (cont'd)*

Stage 1 loans
Loans placed in this stage include loans for which there is no evidence of a significant increase in credit risk since the origination date and loans that are due to mature within 12 months of the reporting date providing that such loans were not in a state of default.

Stage 2 loans
Loans placed in this stage include loans past due between for 1 to 89 days and loans that experienced a significant increase in credit risk even if past due days threshold is not met.

Stage 3 loans
Loans placed in this stage are loans that are past due 90 days and over and loans that show evidence of impairment even if the 90 days threshold is not met.

One of the crucial requirements of IFRS 9 is for the Credit Union to determine whether there is a significant increase in credit risk (SIICR) from the date of loan origination to the current or the reporting date. In the event of a SIICR, the loan must be placed in Stage 2 and will require a lifetime provision. The loan should remain in this Stage until there is evidence that the event(s) that resulted in the increase in the credit risks have been satisfactorily cured. It is only then that these loans should be transitioned back to Stage 1. SIICR is determined by observing to the extent to which adverse changes in one or more of the credit risk drivers could increase the likelihood of the default since the origin of the loan. A change in members' employment arrangement, payment method, industry or personal conditions could be deemed significant enough to trigger a migration of loans to Stage 2 even if the past due days quantitative SIICR threshold is not met.

(b) *Loans to members re-negotiated*
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferred payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans. There were no renegotiated loans which were impaired at December 31, 2020 or 2019.

(c) *Repossessed collateral*
The Credit Union had no repossessed collateral in its statement of financial position as of December 31, 2020 (2019: nil).

Bonds and equity investments

There is no formal rating of the credit quality of bonds, treasury bills and equity investments. A number of qualitative and quantitative factors are considered in assessing the risk associated with each investment; however, there is no hierarchy of ranking. There are no external ratings of the securities. None of the securities are pledged as collateral.

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6. **Financial instrument risk:** *(cont'd)*

6.2 **Liquidity risk analysis**

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Credit Union's liquidity risk is subject to risk management controls and is managed within the framework of regulatory requirements, policies and limits approved by the Board. The Board receives reports on liquidity risk exposures and performance against approved limits. Management provides the Board with information on liquidity risk for Board oversight purposes through its monthly meetings. The key elements of the Credit Union's liquidity risk management framework include:

- liquidity risk measurement and management limits, including limits on maximum net cash outflow over a specified short-term horizon;
- holdings of liquid assets to support its operations, which can generally be converted to cash within a reasonable time;
- liquidity stress testing PEARLS-specific ratios; and
- liquidity contingency planning.

(Expressed in Eastern Caribbean Dollars)

6. **Financial instrument risk:** *(cont'd)*

6.2 **Liquidity risk analysis** *(cont'd)*

The table below presents the cash flows payable by the Credit Union under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual and undiscounted cash flows.

As of December 31, 2020

		Carrying amount	Up to 1 year	1-5 years	Over 5 years	Total
Liabilities						
Members' deposits	$	58,997,325	46,004,917	12,992,408	-	58,997,325
Other liabilities		602,028	577,752	24,276	-	602,028
	$	59,599,353	46,582,669	13,016,684	-	59,599,353

As of December 31, 2019

		Carrying amount	Up to 1 year	1-5 years	Over 5 years	Total
Liabilities						
Members' deposits	$	37,508,051	34,956,840	2,551,211	-	37,508,051
Other liabilities		546,785	515,416	31,369	-	546,785
	$	38,054,836	35,472,256	2,582,580	-	38,054,836

6. **Financial instrument risk:** *(cont'd)*

6.2 **Liquidity risk analysis** *(cont'd)*

Assets held for managing liquidity risk

The Credit Union holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Credit Union's assets held for managing liquidity risk comprise:

- Un-restricted cash in Credit Unions
- Certificates of deposits
- Investment securities
- Unimpaired loans

6.3 **Market risk analysis**

The Credit Union is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

(i) *Currency risk*
Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Credit Union does not face any such risk since its transactions are substantially in Eastern Caribbean Dollars, which is its functional currency. The United States Dollar, in which the Credit Union also transacts business, is fixed in relation to the Eastern Caribbean Dollar.

(ii) *Price risk*
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Credit Union has no exposure to such risk since its existing investments are not listed in any stock exchange or market.

(iii) *Interest rate risk*
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest bearing liabilities, which are subject to interest rate adjustments within a specified period.

The Credit Union actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from the Credit Union's funding and investment activities is managed in accordance with Board-approved policies.

The table below summarizes the Credit Union's exposure to interest rate risks. Included in the table are the Credit Union's assets and liabilities at carrying amounts categorized by the earlier of contractual repricing and maturity dates.

(Expressed in Eastern Caribbean Dollars)

6. **Financial instrument risk:** *(cont'd)*

6.3 **Market risk analysis** *(cont'd)*

(iii) Interest rate risk (cont'd)

As of December 31, 2020

	Interest rate %	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash equivalents	2.5%	$ 5,977,006	-	-	1,431,292	7,408,298
Loans to members	7%-29%	2,201,736	49,744,665	12,269,690	903,817	65,119,908
Investment securities	3%-4%	2,132,113	-	-	237,018	2,369,131
Other receivables		-	-	-	388,888	388,888
Total financial assets		10,310,855	49,744,665	12,269,690	2,961,015	75,286,225
Liabilities						
Members' deposits	2.5%-4%	45,633,718	12,992,408	-	371,199	58,997,325
Other liabilities		-	-	-	602,028	602,028
Total financial liabilities		45,633,718	12,992,408	-	973,227	59,599,353
Total interest repricing gap		$ (35,322,863)	36,752,257	12,269,690	1,987,788	15,686,872

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6. **Financial instrument risk:** *(cont'd)*

6.3 **Market risk analysis** *(cont'd)*

(iii) Interest rate risk (cont'd)

As of December 31, 2019

	Interest rate%		Up to1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and cash equivalents	2.50%	$	2,017,349	-	-	3,312,740	5,330,089
Loans to members	7%-29%		12,036,777	25,556,470	4,473,867	256,010	42,323,124
Investment securities	3%-4%		2,263,125	-	-	246,649	2,509,774
Other receivables			-	-	-	133,348	133,348
Total financial assets			16,317,251	25,556,470	4,473,867	3,948,747	50,296,335
Liabilities							
Members' deposits	2.5%-4%		34,651,014	2,551,211	-	305,826	37,508,051
Other liabilities			-	-	-	546,785	546,785
Total financial liabilities		$	34,651,014	2,551,211	-	852,611	38,054,836
Total interest repricing gap		$	(18,333,763)	23,005,259	4,473,867	3,096,136	12,241,499

(Expressed in Eastern Caribbean Dollars)

6. **Financial instrument risk:** *(cont'd)*

6.3 **Market risk analysis** *(cont'd)*

(iii) Interest rate risk (cont'd)

Fair value interest rate sensitivity analysis
The Credit Union does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow interest rate sensitivity analysis
The Credit Union is not exposed to any cash flow interest rate risk as it has no variable rate financial instruments.

6.4 **Operational risk**

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

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

The primary responsibility for development and implementation of controls to address operational risk is assigned to management within the Credit Union. This responsibility is supported by the development of overall Credit Union standards for the management of operational risk by establishing requirements for:

- appropriate segregation of duties, including the independent authorization of transactions;
- the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

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6. **Financial instrument risk:** *(cont'd)*

6.4 **Operational risk** *(cont'd)*

- the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the Credit Union's standards is supported by a programme of periodic reviews undertaken by the Supervisory Committee. The results of the Supervisory Committee reviews are discussed with management, with summaries to the Board of Directors.

7. **Fair value of financial assets and liabilities:**

Fair value amounts represent estimates of the consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

a) **Financial instruments not presented at fair value**

The table below summarises the carrying amounts and fair values of the Credit Union's financial assets and liabilities not presented on the statement of financial position at their fair values.

		Carrying Value		Fair Value	
		2020	**2019**	**2020**	**2019**
Financial assets					
Cash and cash equivalents	$	7,408,298	5,330,089	7,408,298	5,330,089
Investment securities:					
- Financial assets at amortised costs		2,132,113	2,263,125	2,132,113	2,263,125
Loans		65,119,908	42,323,124	65,119,908	42,323,124
Other receivables		388,888	133,348	388,888	133,348
	$	75,049,207	50,049,686	75,049,207	50,049,686
Financial liabilities					
Members' deposits		58,997,325	37,508,051	58,997,325	37,508,051
Other liabilities		602,028	546,785	602,028	546,785
	$	59,599,353	38,054,836	59,599,353	38,054,836

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7. **Fair value of financial assets and liabilities:** *(cont'd)*

a) **Financial instruments not measured at fair value** *(cont'd)*

(i) Loans to members
The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Investment securities
The fair value of held at amortised cost assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated for debt investment securities based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining maturity.

(iii) Members' deposits
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

b) **Fair value measurement of financial instruments**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at December 31, 2020 and December 31, 2019.

(Expressed in Eastern Caribbean Dollars)

7. **Fair value of financial assets and liabilities:** *(cont'd)*

b) **Fair value measurement of financial instruments** *(cont'd)*

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into the following levels of the fair value hierarchy.

		Level 1	Level 2	Level 3	Total
December 31, 2020					
Financial assets					
Financial assets at fair value through other comprehensive income	$	175,000	-	50,100	225,100

		Level 1	Level 2	Level 3	Total
December 31, 2019					
Financial assets					
Financial assets at fair value through other comprehensive income	$	185,000	-	50,100	235,100

Measurement of fair value of financial instruments

The Credit Union's finance team performs valuations of financial items for financial reporting purposes. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the General Manager and to the Board of Directors. Valuation processes and fair value changes are discussed among the Board of Directors and the valuation team at least every year, in line with the Credit Union's reporting dates. The valuation techniques used for instruments categorised in Level 3 are described below:

Financial assets at FVTOCI
The fair value is generally on broker/dealer price quotations. Where this information is not available, fair value is based on cost less any impairment recognised.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

7. **Fair value of financial assets and liabilities:** *(cont'd)*

c) **Fair value measurement of non-financial assets**

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at December 31, 2020 and December 31, 2019.

		Level 1	Level 2	Level 3	Total
December 31, 2020					
Property and equipment					
Land and building	$	-	2,264,256	-	2,264,256
	$	-	2,264,256	-	2,264,256

		Level 1	Level 2	Level 3	Total
December 31, 2019					
Property and equipment					
Land and building	$	-	2,264,756	-	2,264,756
	$	-	2,264,756	-	2,264,756

Fair value of the Credit Union's main property assets is estimated based on appraisals performed by independent, professionally qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors at each reporting date.

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8. **Capital management policies and procedures:**

The Credit Union has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This capital management process aims to achieve three major objectives:

- exceed regulatory thresholds;
- meet longer-term internal capital targets; and
- provide the Credit Union's members with a source of finance.

Capital is managed in accordance with the Board-approved Capital Management Policy which is based on regulatory requirements of the Co-operative Societies Act and the PEARLS regulations. Management and the Board of Directors develop the capital strategy and oversee the capital management processes of the Credit Union. The Credit Union's management and Supervisory Committee are key in implementing the Credit Union's capital strategy and managing capital. Capital is managed using both regulatory capital measures and internal metrics.

The three primary regulatory capital ratios used to assess capital adequacy are as follows:

		Regulatory requirement	2020 %	2019 %
1.	Net Loans/Total Assets	70% to 80%	83%	79%
2.	Institutional Capital/Total Assets	10% minimum	14%	22%
3.	Total Delinquency/Total Loans	5% maximum	4%	4%

9. **Cash and cash equivalents:**

		2020	2019
Cash on hand	$	598,839	629,366
Cash at other credit unions		5,335,267	1,341,294
Cash at Banks		1,474,192	3,359,429
Total cash and cash equivalents	$	7,408,298	5,330,089

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10. **Loans to members:**

		2020	2019
Consumer	$	57,446,956	35,409,053
Business		8,117,763	7,529,373
		65,564,719	42,938,426
Interest receivable		934,093	256,010
		66,498,812	43,194,436
Allowance for impairment		(1,378,904)	(871,312)
Total loans to members	$	65,119,908	42,323,124
Current	$	3,105,553	12,292,787
Non-current		62,014,355	30,030,337
	$	65,119,908	42,323,124

As at December 31, 2020, interest rates charged on loans range from 7% to 29% (2019: 7% to 29%). The weighted average effective interest rate on productive loans to members at amortised cost as at December 31, 2020 is 13.5% (2019: 13.5%).

Provision for loan losses

		2020	2019
Balance at beginning of year	$	871,312	619,237
Loans written off		(1,043,546)	-
Provision for the year		1,551,138	252,075
Balance at end of the year	$	1,378,904	871,312

The Credit Union's loan loss provision has been made in accordance with the requirements of IFRS 9. Under the PEARLS methodology, the Credit Union provides for loan losses at the rate of thirty-five (35%) percent on balances less than twelve (12) months old as in arrears and one hundred (100%) percent on balances more than twelve (12) months old on the net amount of delinquent loans according to the policy set by the Board of Directors. The PEARLS methodology is the basis of provision required by the Co-operatives Societies Act, No. 31 of 2011. As of December 31, 2020, the provision for credit losses in accordance with the PEARLS methodology amounted to $1,088,292 (2019: $1,020,633).

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11. **Investment securities:**

		2020	2019
Financial assets at fair value through other comprehensive income (FVTOCI)			
Quoted equity securities			
Bank of Nevis Limited 20,000 ordinary shares at $3.75 each (2019: $4.25 each)	$	75,000	85,000
S L Horsford & Company Limited 50,000 ordinary shares at $2.00 each (2019: $2.00 each)		100,000	100,000
Total quoted equity securities		175,000	185,000
Unquoted equity securities			
Nevis Co-operative Credit Union Limited 10,000 permanent shares at cost at $5.00 each (2019: $5.00)		50,000	50,000
St. Kitts Co-operative Credit Union Limited 20 permanent shares at cost at $5.00 each (2019: $5.00)		100	100
Total unquoted equity securities		50,100	50,100
Total financial assets at fair value through other Comprehensive Income (FVTOCI)		225,100	235,100
Financial assets at Amortised cost			
Government of St. Kitts - Nevis Treasury bill maturing November 5, 2020 with interest rate of 3.75%		-	198,125
Nevis Co-operative Credit Union Limited Term deposit maturing November 30, 2021 with interest rate of 3.25%		2,132,113	2,065,000

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11. **Investment securities:** *(cont'd)*

		2020	2019
Total financial assets at amortised cost		2,132,113	2,263,125
Total investment securities		2,357,213	2,498,225
Interest and dividends receivables		11,918	11,549
Balance at end of year	$	2,369,131	2,509,774
Current	$	2,144,031	2,274,674
Non-current		225,100	235,100
	$	2,369,131	2,509,774

12. **Other assets:**

		2020	**2019**
Prepayments	$	137,719	72,536
Other receivables		388,888	133,348
Total other assets	$	526,607	205,884

(Expressed in Eastern Caribbean Dollars)

13. Property and equipment:

		Land and building	Plant and equipment	Furniture and office equipment	Computer equipment	Motor vehicles	Capital projects	Right-of-use Asset	Total
Cost:									
At January 1, 2018	$	2,075,000	84,050	626,838	433,632	213,490	-	-	3,433,010
Effect of changes in accounting policy - IFRS 16		-	-	-	-	-	-	130,606	130,606
Restated balance at January 1, 2019		2,075,000	84,050	626,838	433,632	213,490	-	130,606	3,563,616
Additions		189,256	50,247	248,787	28,315	-	147,792	159,415	823,812
Transfer									
Disposals		-	-	-	-	-	-	-	-
Revaluation		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
At December 31, 2019		2,264,256	134,297	875,625	461,947	213,490	147,792	290,021	4,387,428
Additions		-	-	45,773	6,804	-	82,279	159,564	294,420
Transfer		-	-	-	-	-	-	-	-
Disposal		-	-	-	-	-	-	-	-
Revaluation		-	-	-	-	-	-	-	-
At December 31, 2020	$	2,264,256	134,297	921,398	468,751	213,490	230,071	449,585	4,681,848
Accumulated depreciation:									
At December 31, 2018	$	-	67,239	441,411	212,430	107,565	-	-	828,645
Effect of changes in accounting policy - IFRS 16		-	-	-	-	-	-	40,814	40,814
Restated balance at January 1, 2019		-	67,239	441,411	212,430	107,565	-	40,814	869,459
Charge for the year		48,215	9,027	87,651	26,177	22,698	-	111,799	305,567
Write-back on transfer		-	-	-	-	-	-	-	-
Write-back on disposal		-	-	-	-	-	-	-	-
At December 31, 2019		48,215	76,266	529,062	238,607	130,263	-	152,613	1,175,026

(Expressed in Eastern Caribbean Dollars)

13. **Property and equipment:** *(cont'd)*

		Land and building	Plant and equipment	Furniture and office equipment	Computer equipment	Motor vehicles	Capital projects	Right-of-use Asset	Tota
Charge for the year		55,260	13,429	129,986	38,444	22,698	-	154,315	414,13
Write-back on transfer		-	-	-	-	-	-	-	
Write-back on disposals		-	-	-	-	-	-	-	
At December 31, 2020	$	103,475	89,695	659,048	277,051	152,961	-	306,928	1,589,15
Net book value:									
At December 31, 2020	$	2,160,781	44,602	262,350	191,700	60,529	230,071	142,657	3,092,69
At December 31, 2019	$	2,216,041	58,031	346,563	223,340	83,227	147,792	137,408	3,212,40

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14. **Intangible Assets:**

		Computer Software
Cost:		
As at December 31, 2018	$	570,679
Additions		84,502
Disposals		-
As at December 31, 2019		655,181
Additions		67,286
Disposals		-
As at December 31, 2020	$	722,467
Accumulated amortisation:		
As at December 31, 2018	$	155,186
Change for the year		89,932
Disposals		-
As at December 31, 2019		245,118
Change for the year		104,185
Disposals		-
As at December 31, 2020	$	349,303
Carrying Values		
As at December 31, 2020	$	373,164
As at December 31, 2019	$	410,063

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15. **Members' Deposits:**

		2020	2019
Savings deposits	$	33,254,729	21,745,920
Time deposits		21,797,627	11,677,818
		55,052,356	33,423,738
Chequing accounts		3,573,770	3,778,487
Interest payable		371,199	305,826
Total members' deposits	$	58,997,325	37,508,051
Current	$	46,004,917	34,956,840
Non-current		12,992,408	2,551,211
	$	58,997,325	37,508,051

These deposits have various maturity profiles with interest rates varying from 2.5% to 4% (2019: 2.5% to 4%).

16. **Other liabilities:**

		2020	2019
Lease liability	$	143,665	127,020
Audit fees		40,000	61,529
Statutory contributions		48,382	18,946
Bills of sale		32,549	12,405
Other payables		337,432	326,885
Total accounts payable and other liabilities	$	602,028	546,785
Current	$	602,028	546,785
Non-current		-	-
	$	602,028	546,785

17. **Member shares:**

		2020	2019
Balance at the beginning of the year	$	5,419,085	4,252,940
Issued during the year		2,966,110	1,166,145
Balance at end of year	$	8,385,195	5,419,085

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18. **Statutory reserve and development funds:**

		2020	2019
Statutory reserve fund	$	3,218,092	3,218,092
Development fund		7,620	2,620
Total	$	3,225,712	3,220,712

(a) Statutory reserve

		2020	2019
Balance at beginning of year	$	3,218,092	3,218,092
Transfer from retained earnings – entrance fees		12,550	10,660
Transfer to Special Capital Reserve		(12,550)	(10,660)
Balance at end of year	$	3,218,092	3,218,092

Section 125 of the Co-operatives Societies Act, No. 31 of 2011 and Section 21 (1) of the By-Laws of the Credit Union Limited require it to make an allocation of all entrance fees, transfer and other fees and fines and not less than twenty-five percent (25%) of the Net Surplus in each year to a Statutory Reserve Fund.

Section 125 (b) of the Co-operatives Societies Act, No. 31 of 2011 state that where at the end of any financial year the amount standing to Statutory Reserves and other institutional Reserves before any transfer under the section is more than ten percent of total assets, the Co-operative society may not make any transfer to statutory reserves. AS at 31, December 2020, the Credit Union's Statutory Reserves and other institutional Reserves exceeded ten percent (10%) of total assets.

(b) **Development Fund:**

		2020	2019
Fund balance	$	7,620	2,620

Pursuant to Section 126 of the Co-operative Societies Act, No 31 of 2011, the Credit Union shall establish and maintain a Development Fund. The proceeds of the fund shall be invested or caused to be invested in activities including member education and improvement in good governance.

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19. **Other reserves:**

		Revaluation Reserve: Property	Special Capital Reserve	Revaluation Reserve: Investments	Total
Balance at December 31, 2018	$	1,125,278	1,194,523	35,000	2,354,801
Transfer from Statutory Reserve Fund		-	10,660	-	10,660
Balance at December 31, 2019		1,125,278	1,205,183	35,000	2,365,461
Transfer from Statutory Reserve Fund		-	12,550	-	12,550
Unrealised loss on quoted equity securities		-	-	(10,000)	(10,000)
Balance at December 31, 2020	$	1,125,278	1,217,733	25,000	2,368,011

(i) Revaluation Reserve - Property

The revaluation reserve represented a gain arising from the revaluation of the main premises of the Credit Union. The latest revaluation was completed on January 10, 2019 (effective as at December 2018) when the main property at Bladen Commercial Development, Basseterre, St. Kitts was revalued at $2,075,000 by an independent valuer, Trevor Fraites & Associates, with resulting net gain of $1,125,278.

(ii) Revaluation reserve: investments

The Credit Union has opted to recognise its quoted equity securities at fair value through Other Comprehensive Income. Unrealised gains or losses are represented in Revaluation Reserves: Investments under Other Reserves.

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20. **Capital-based grant:**

		2020	2019
Balance at beginning of year	$	107,257	119,531
Amortization of grant		(12,273)	(12,274)
Total	$	94,984	107,257

The above balance represented the deferred credit portion of grants received from international donor agencies to finance certain items of property, plant and equipment.

The amortisation amounts are offset against the total depreciation expenses for property, plant and equipment.

21. **Other Interest Income:**

		2020	2019
Investment securities	$	79,762	204,191
Savings account		34,074	28,854
Total interest income	$	113,836	233,045

22. **Interest Expense:**

		2020	2019
Savings deposits	$	586,528	422,744
Time deposits		554,271	311,635
Total interest expense	$	1,140,799	734,379

23. **Other Income:**

		2020	2019
Fees	$	887,749	524,355
Bad debt recoveries		251,357	182,158
Miscellaneous		40,191	38,712
Total other income	$	1,179,297	745,225

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24. **Staff costs:**

		2020	2019
Salaries, wages and incentives	$	1,729,556	1,411,327
Statutory contributions		130,470	112,122
Other staff benefits		116,343	120,135
Group insurance		67,962	56,367
Pension costs		62,107	26,576
	$	2,106,438	1,726,527

25. **General and administrative expenses:**

		2020	2019
MIS support	$	228,138	128,035
Telecommunication expenses		196,203	153,335
Stationery and office supplies		80,797	155,165
Electricity and water		78,234	63,421
Equipment maintenance		76,880	55,819
Travel expenses		73,451	82,403
Entertainment and appreciation		71,915	63,430
Training, meetings and conventions		60,399	167,352
Insurance		59,267	27,669
Affiliation dues		56,957	33,116
Security services		56,534	59,607
Professional fees		55,491	47,243
Audit fees and expense		40,000	61,529
Credit card charges		30,038	-
Office consumables		19,669	7,673
Vehicle expense		17,504	25,660
Office maintenance		17,168	18,208
Annual General Meeting		11,858	36,000
Storage		8,843	8,380
Periodical and subscriptions		3,850	3,296
Postage		770	11,550
Miscellaneous		1,670	6,852
Total general and administrative expenses	$	1,245,636	1,215,743

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26. **Depreciation and amortisation:**

		2020	2019
Depreciation	$	414,132	305,567
Amortisation - software costs		104,185	89,932
Amortisation credit		(12,274)	(12,275)
Total depreciation and amortisation	$	506,043	383,224

27. **Marketing and promotion expense:**

		2020	2019
Advertising and promotion	$	260,627	292,722
Donation and sponsorship		18,746	24,645
Total marketing and promotion expense	$	279,373	317,367

28. **Income tax:**

Under the Income tax levy of St. Kitts and Nevis, the Credit Union is classified as a non-profit organization and is therefore exempt from the payment of income tax.

29. **Related party balances and transactions:**

Related parties

A related party is a person or entity that is related to the Credit Union:

a) A person or a close member of that person's family is related to the Credit Union if that person:

i) has control or joint control over the Credit Union;

ii) has significant influence over the Credit Union; or

iii) is a member of the key management personnel of the Credit Union, or of a parent of the Credit Union.

29. **Related party balances and transactions:** *(cont'd)*

Related parties

b) An entity is related to the Credit Union if any of the following conditions applies:

   i) The entity and the Credit Union are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   ii) 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).

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

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

   v) The entity is a post-employment benefit plan for the benefit of employees of either the Credit Union or an entity related to the Credit Union.

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

   vii) A person identified in (a)(i) 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).

Related party balances

		Total loans		Total deposits	
		2020	**2019**	**2020**	**2019**
Board of Directors	$	57,006	9,180	308,969	254,552
Credit Committee		113,614	29,466	179,750	17,069
Supervisory Committee		101,021	61,328	390,968	54,155
Key Management Personnel		-	295,766	558,477	791,764
Total related party balances	$	271,641	395,740	1,438,164	1,117,540

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

Related party transactions

Transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions.

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29. **Related party balances and transactions:** *(cont'd)*

Related party transactions *(cont'd)*

		2020	2019
Interest income on loans	$	38,850	87,629
Interest expense on deposits		24,456	8,977

Remuneration of Key Management Personnel

During the year, salaries and related benefits paid to key members of management were as follows:

		2020	2019
Salaries and allowances	$	868,879	809,997
Other staff costs		196,410	162,240
	$	1,065,289	972,237

30. **Commitments:**

Capital commitments

There were no capital commitments at December 31, 2020 (2019: nil)

31. **Dividends:**

At the 11th Annual General Meeting of the Credit Union, held on September 24, 2020 the Board of Directors recommended, and the members approved a dividend of 6% in respect of year ended December 31, 2019 (2018: 7.5%).

32. **Covid Impact:**

The impact of COVID-19 was felt globally, and every sector was affected. With the measures implemented to contain the spread of the highly contagious virus, particularly the closure of ports and businesses for extended periods, economies around the world, especially in the Caribbean, suffered a devastating loss.

The full lockdown that came into effect in the Federation on March 31, 2020, severely impacted the operations of businesses, locally, regionally and internationally. Tourism, our major economic driver, was the hardest-hit sector. Many members, who worked in the hospitality industry, lost their jobs and as a result, were granted deferrals on their loans. The moratoria were granted for a period of 3 months and have been extended for subsequent 3-month period. We continue to monitor the economic conditions that will inform our future decision making.

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