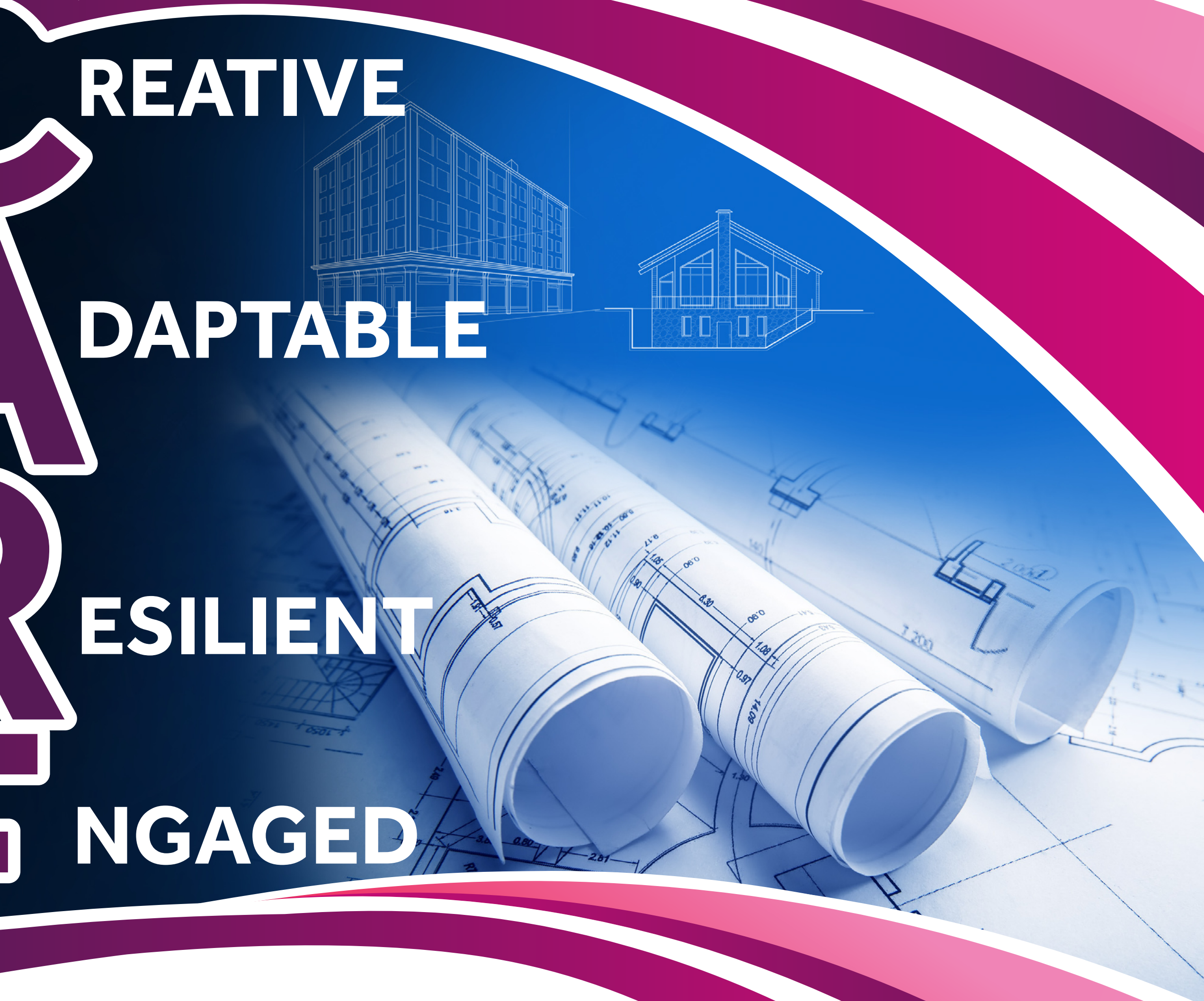
2021 ANNUAL REPORT

FIRST FEDERAL CO-OPERATIVE CREDIT UNION



CARE

CREATIVE

ADAPTABLE

RESILIENT

ENGAGED

CREATING A BLUEPRINT FOR SUCCESS

FIRST FEDERAL CO-OPERATIVE CREDIT UNION

2021 ANNUAL REPORT

CREATIVE **A**DAPTABLE **R**ESILIENT **E**NGAGED

CREATING A BLUEPRINT FOR SUCCESS

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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

PERSONAL BANKING CENTER

#12 Central Street
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

NOTICE OF MEETING

Dear Member,

Notice is hereby given that the thirteenth (13th) Annual General Meeting of the members of First Federal Co-operative Credit Union Ltd will be held virtually on Monday, 25th April 2022, at 5:00 p.m. for the following purposes:

1. To read and confirm the Minutes of the 12th Annual General Meeting held on 26th August 2021.
2. To consider matters arising from the Minutes.
3. To receive and adopt the Report of the Board of Directors.
4. To receive the Chief Executive Officer's Report.
5. To receive and adopt the Auditors' Report and Audited Financial Statements.
6. To receive the Treasurer's Report.
7. To receive the Credit Committee's Report.
8. To receive the Supervisory and Compliance Committee's Report.
9. To receive the Nominating Committee's Report.
10. To declare a dividend.
11. To elect Directors and Committee Members.
12. To reconfirm the appointment of the Auditors for the year ending 31st December 2022.
13. To adopt Resolutions:
    - Setting of Maximum Liability.
    - Revision of the Bye-Laws of First Federal Co-operative Credit Union Ltd.
14. To discuss any other business.

Mr. Michael Martin

Secretary

April 12th, 2022

THEME:

"CREATIVE | ADAPTABLE | RESILIENT | ENGAGED"

"CREATING A BLUEPRINT FOR SUCCESS"

1. Call to Order
2. National Anthem
3. Invocation
4. Ascertainment of a Quorum and Apologies for Absence
5. Confirmation of Minutes of the 12th Annual General Meeting
6. Matters Arising from the Minutes.
7. Reports and Adoptions:

a) Directors' Report

b) Auditors' Report and Audited Financial Statements

c) CEO's Presentation

d) Treasurer's Report

e) Credit Committee's Report

f) Supervisory and Compliance Committee's Report

8. Declaration of Dividend
9. Setting of Maximum Liability
10. Appointment of Auditors
11. Nominating Committee's 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 there is darkness, light;
where there is sadness, joy.
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/she 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, or
   - 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 12TH ANNUAL GENERAL MEETING

OF FIRST FEDERAL COOPERATIVE CREDIT UNION LIMITED HELD 26 AUGUST 2021

1 CALL TO ORDER

Mr. Clyde Richardson called the meeting to order at 5:24 PM.

2 NATIONAL ANTHEM

A recording of the National Anthem of St. Kitts & Nevis was played.

3 INVOCATION

Mr. Royston Griffin invoked the blessing of The Most High on the proceedings.

4 ASCERTAINMENT OF A QUORUM AND APOLOGIES FOR ABSENCE

Mrs. Kjellin Rawlins Elliott ascertained a quorum was established. Apologies for absence were received from Ms. Dawne Williams and Mr. Terrence Crossman.

5 CONFIRMATION OF MINUTES OF THE 11TH ANNUAL GENERAL MEETING AND SPECIAL MEETING.

The minutes were confirmed on a motion by Ms. Joylyn Myers, seconded by Mr. Samuel Lawrence.

6 MATTERS ARISING

There were no matters arising.

7 REPORTS

7.1 BOARD OF DIRECTOR'S REPORT

In a pre-recorded presentation, President Howard McEachrane summarized the Board of Directors' Report which was presented in detail in the 2020 Annual Report. He said that:

- The credit union experienced growth in all key areas, despite the adverseimpact of the global pandemic.
- The credit union has demonstrated its commitment to supporting its members by providing moratoria on loans to borrowers affected by the pandemic.
- The credit union provided free emotional and financial counseling services to its members.
- The credit union had maintained its strategic initiatives, namely financial acuity, member focus, strengthening internal processes and investing in learning and growth.
- The credit union's responsive strategy included the design of custom products to address the unique challenges presented by the pandemic; growing and improving everyday processes and operations; strengthening digital platforms to enhance accessibility and improve service delivery; identifying opportunities to expand its reach into the areas that affect the lives of the people we serve; protecting the interests of all stakeholders while optimizing member value; and continuing to improve standards and processes to ensure that we remain compliant with all regulations.

Mr. McEachrane went on to highlight the key performance indicators – membership, assets, loans, permanent shares and deposits which were all on an upward trend. He stressed that net surpluses had trended upwards since 2018. He added that in Nevis, the credit union had demonstrated strong commitment to develop the market, forging strategic business and community partnerships and had improved its market position.

Mr. McEachrane ended by expressing recognition and appreciation for the dedication and commitment of staff, volunteers and members.

7.2 AUDITORS' REPORT AND AUDITED FINANCIAL STATEMENTS

Presented by Ms. Raquel Glynn as printed in the 2020 Annual Report.

7.3 CHIEF EXECUTIVE OFFICER'S PRESENTATION

In a pre-recorded presentation, Mr. Terrence Crossman, Chief Executive Officer, laid out the 2020 Year in Review under the theme "Staying the Course….Navigating through Challenges."

He informed members that in 2020, their credit union had achieved all targets set in the areas of financial acuity, member focus, internal processes and learning and growth and was well on the way towards achieving them in 2021.

He stated that the financial acuity target was to achieve:

- Assets of one hundred millions dollars ($100,000,000) by 2022,
- Loans of eighty million dollars ($80,000,000) by 202,
- Permanent shares of ten million dollars ($10,000,000) by 2022,
- Deposits of eighty million dollars ($80,000,000) by 2022.

Mr. Crossman also highlighted the positive trend in 5-year total income. He said that the increased loan loss provision reflected the challenges posed to members by the pandemic. He said interest expense and income had grown in tandem with marketing efforts to attract deposits.

He provided a summary of expenditure showing significant increases in provision for loan impairment and interest expense. Delinquency had been trending downward. The key performance indicators had all improved significantly during the period under review.

Mr. Crossman stated that the PEARLS Ratios were commendable although there was still room for improvement in a few areas. He summarized the credit union's member focus and highlighted member growth, engagement, providing easier access to services and recognizing the significant moments in members' lives. He also made mention of member and community activities in Nevis. He further informed members that the credit union's social media presence continued to experience growth. He outlined improvements in key operational areas of the organization which contributed to members' ease of doing business with their credit union.

Mr. Crossman ended his presentation by informing members of learning initiatives, future products and the planned relocation of the downtown branch.

7.4 TREASURER'S REPORT

In a pre-recorded presentation, Mr. Glenn Quinlan gave the 2020 Treasurer's Report which was set out in detail in the 2020 Annual Report. He focused on the credit union's key financial indicators which were all moving the right direction.

Mr Quinlan informed members that an effort was being made to minimize risks and reduce the negative financial impact on the organization by responsibly growing the assets; that their credit union remained committed to meeting their needs as it continues its mission of fostering the financial growth of a community of members by encouraging thrift, designing custom tailored products and creating wealth; and that their credit union continues to monitor its delinquency and grow its loans portfolio responsibly.

7.5 CREDIT COMMITTEE'S REPORT

In a pre-recorded presentation, Ms. Amoy Heyliger summarized the Credit Committee's Report, which is set out in detail in the 2020 annual report.

She listed the members of the credit committee and their meeting attendance record. Ms. Heyliger also informed members of their credit union's COVID-19 response, including risk mitigation strategies that were employed to manage liquidity and address members' debt vulnerability. She also gave an overview of loans portfolio and its composition, along with a delinquency report.

Ms. Heyliger thanked members, the board of directors, management, staff and committee members for their support during the year under review.

7.6 SUPERVISORY COMMITTEE'S REPORT

Ms. Eslyn Swanston presented a summary of the Supervisory and Compliance Committee's (SCC) Report, which is presented in detail in the annual report. She outlined the role of the committee as the credit union's internal oversight body. She informed members that acting on a request by the Financial Services Regulatory Commission, her committee initiated an investigation into the circumstances under which some staff of the credit union had been made redundant in June and July 2020. She highlighted some of the financial challenges brought on by the pandemic and the accompanying loan moratorium scheme.

She confirmed that an audit was performed to determine whether adequate control and compliance procedures were being followed. Ms. Swanston stated that areas of medium risk were identified in respect of which, the committee had recommended mitigation or elimination policies and procedures.

Ms. Swanston stressed that the SCC views compliance management as one of the most important obligations that can positively affect business operations. She confirmed that meetings were regularly held with the newly appointed compliance officer.

Ms. Swanston ended her presentation by exhorting members to save regularly, borrow wisely and repay promptly.

A lively discussion followed the presentations, during which members asked a number of questions concerning matters such as the operations of the company, staff expenses, investments and branch locations. All questions and concerns were comprehensively answered, and the reports were accepted on a motion by Mr. Trevor Cornelius, seconded by Ms. Lyncia Dore.

8 DECLARATION OF DIVIDEND

Mr. Richardson informed members that the directors had proposed a dividend of six per cent (6%). A motion for its acceptance was moved by Mr. Samuel Lawrence, seconded by Ms. Maxine Stanley. The motion was carried.

9 SETTING OF MAXIMUM LIABILITY

Mr. Richardson requested a motion for the setting of the credit union's maximum liability. A motion to maintain the maximum liability of ten million dollars ($10,000,000) was moved by Ms. Amoy Heyliger, seconded by Ms. Sarafina Osborne. The motion was carried.

10 APPOINTMENT OF AUDITORS

Mr. Richardson invited a motion for the re-appointment of BDO as external auditors for the 2021 financial year. The motion was moved by Earle Lecointe, seconded by Ms. Shiane France. The motion was carried.

11 NOMINATING COMMITTEE REPORT

Mr. Trevor Cornelius, Chair of the Nominating Committee, read the report as printed in the 2020 annual report. He informed members that:

- Mr. Howard McEachrane and Mr. Clyde Richardson were up for re-election to the board of directors;
- Mr. Denrick Connor was retiring from the Credit Committee while Mrs. Jacqueline Douglas was up for election and Mr. Francil Morris was being nominated.
- Ms. Eslyn Swanston, Mr. Curtis Martin and Mr. Lincoln Connor had resigned from the Supervisory and Compliance Committee (SCC) and that Mrs. Jessica Ferdinand Phipps, Ms. Karen Williams and Ms. Patrice Carey were being nominated to the SCC.

Mr. Cornelius thanked all resigning and retiring volunteers for the sterling service to the organization.

Mr. Richardson invited a motion for the acceptance of the Nominating Committee's report. A motion was moved by Ms. Joylyn Myers, seconded by Ms. Arienne Phillip. The motion was carried.

12 ELECTION OF OFFICERS

Mr. Sean Lawrence conducted the election of officers for the ensuing year. There being no other nominations, all nominees were duly elected.

13 ANY OTHER BUSINESS

President McEachrane expressed appreciation for the work of the volunteers and commended the outgoing committee members for their outstanding service under the toughest of circumstances. He also paid high tribute to management and staff for their performance, especially under the weight of the global pandemic.

14 ADJOURNMENT

Mr. Richardson gave a vote of thanks and thereafter, invited a motion for adjournment. A motion was moved by Mr. Sean Lawrence, seconded by Mrs. Joycelyn Archibald Pennyfeather. The motion was carried and the meeting ended at 7:59 PM.

Michael M. Martin
Secretary

5-YEAR OPERATING HIGHLIGHTS 2017-2021

2021/2020

	2017	2018	2019	2020	2021	YEAR GROWTH	%
MEMBERSHIP	3136	3591	4709	6002	7011	1009	17%
LOANS						**LOANS**	
NEW LOANS DISBURSED	1,072	1099	1,254	1,632	1928	296	18%
VALUE OF LOANS DISBURSED	$13,459,034	$16,074,168	$31,450,899	$52,460,632	$46,464,957	$ (5,995,675)	-11%
DELINQUENCY	16.30%	6.90%	4.25%	3.84%	2.82%	-1%	-27%
LOANS PORTFOLIO BALANCE	**$23,641,802**	**$27,892,167**	**$42,323,124**	**$65,119,908**	**$77,222,977**	**$ 12,103,069**	**19%**
TOTAL ASSETS	**$31,474,733**	**$41,393,008**	**$53,991,336**	**$78,889,798**	**$97,692,540**	**$ 18,802,742**	**23.83%**
LIABILITIES						**LIABILITIES**	
SAVINGS	$10,337,650	$14,516,450	$21,745,920	$33,254,729	$32,904,091	$ (350,638)	-1%
TERM DEPOSITS	$5,376,708	$7,653,844	$11,677,818	$21,797,627	$33,662,631	$ 11,865,004	54%
TOTAL DEPOSITS	**$18,953,709**	**$26,502,757**	**$37,508,051**	**$58,997,325**	**$72,696,702**	**$ 13,699,377**	**23%**
PERMANENT SHARES	**$3,493,960**	**$4,252,940**	**$5,419,085**	**$8,385,195**	**$10,398,510**	**$ 2,013,315**	**24%**
EXPENSES						**EXPENSES**	
INTEREST PAID ON MEMBERS' SAVINGS	$429,130	$537,064	$734,379	$1,140,799	$1,900,290	$ 759,491	67%
NON-INTEREST EXPENSE	$2,075,086	$2,802,297	$3,206,057	$4,616,358	$3,542,643	$ -1,073,715	-23%
OPERATING EXPENSES	**$2,504,216**	**$3,339,361**	**$3,940,436**	**$5,757,157**	**$5,442,933**	**$ (314,224)**	**-5%**
INCOME						**INCOME**	
OPERATING INCOME	$1,051,235	$1,041,835	$1,277,580	$1,830,713	$3,958,787	$ 2,128,074	116%
PROVISION	$476,575	$745,648	$252,075	$1,551,138	$886,057	$ (665,081)	-43%
NET INCOME	$1,086,235	$504,771	$543,201	$689,914	$2,053,497	**$ 1,363,583**	**198%**
DIVIDENDS						**DIVIDENDS**	
DIVIDENDS PAID	**$173,824**	**$226,268**	**$299,239**	**$279,806**	**$390,622**	**$ 110,816**	**40%**

FIRST FEDERAL CREDIT UNION PEARL RATIOS 2019-2021

PEARLS RATIOS	STANDARD	RATINGS					Dec-19		Dec-20		Dec-21	
		1	2	3	4	5	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO
PROTECTION												
Provision for Loans Delinquent >12 months	100%	>=100%	99%-80%	79%-60%	59%-40%	<40%	100%	1	100%	1	100%	1
Provision for Loans Delinquent <12 months	35%	>=35%	34%-25%	24%-15%	14%-10%	<10%	74.41%	1	54.68%	1	32.21%	2
EFFECTIVE FINANCIAL STRUCTURE												
Loans/Total Assets	80%	>=70%	69%-60%	59%-50%	49%-40%	<40%	78.39%	1	83.12%	1	78.58%	1
Savings Deposits/Total Assets	80%	100%-70%	69%-60%	59%-50%	49%-40%	<40%	69.47%	2	74.32%	1	73.53%	1
External Credit/Total Assets	Max 5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	0.00%	1	0.00%	1	0.00%	1
Net Institutional Capital/Total Assets	Min 10%	>=12%	11.9%-10%	9.9%-7%	6.9%-4%	<4%	22.38%	1	17.17%	1	14.53%	1
ASSET QUALITY												
Total Delinquency/Gross Loan Portfolio	Max 5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	4.25%	1	3.84%	1	2.82%	1
Non-Earning Assets/Total Assets	Max 5%	<=5%	5.1%-7%	7.1-9%	9.1%-11%	>11%	10.83%	4	8.93%	3	9.00%	4
RATES OF RETURN												
Operating Expenses/Total Assets	5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	7.30%	3	6.20%	3	5.04%	2
Net Income/Average Total Assets	2%	>=2%	1.9%-1%	0.9%-0.5%	0.49%-0%	<0%	1.16%	2	0.80%	3	2.28%	1
LIQUIDITY												
*Liquidity Assets - ST Payables/Deposits	Min 15%	>=15%	14.9%-12%	11.9%-8%	7.9%-4%	<4%	15.54%	1	10.92%	3	16.29%	1
SIGNS OF GROWTH												
Growth in Total Assets	Min 10%	>=10%	9.9%-8%	7.9%-6%	5.9%-4%	<4%	30.40%	1	47.08%	1	23.85%	1
							AVERAGE RATING	1.58	AVERAGE RATING	1.75	AVERAGE RATING	1.42

DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

INTRODUCTION

The Board of Directors is pleased to report that, in spite of the continuing impact of COVID-19, First Federal demonstrated resilience and adaptability and made decisions in the best interest of members to ensure that operations were sustained, and a surplus was realized in 2021.

CORPORATE AND SOCIAL RESPONSIBILITY

First Federal remains fully committed to contributing to the well-being of the society on which it depends. We made investments in the areas of agriculture, education, youth development, culture and sports in both St. Kitts and Nevis. We were honoured to sponsor Mr. Jason Rogers who proudly represented the Federation of St. Kitts and Nevis at the Olympic Games held in Tokyo.

Below are some of the events we helped to make possible through our partnership.

- Nevis Agriculture Food Fair
- St. Thomas Primary School Pageant (Nevis)
- Virtual Culturama
- Sunny Fest (at Sunshine's Restaurant and Bar, Nevis)
- SKN Athletics (official corporate sponsor)
- SKN Netball (official corporate sponsor)
- Tucker Clarke Primary School Spelling Bee Competition
- SKNYPA 20th Anniversary Commemoration
- Chattabox J'ouvert (Sugar Mas)

We will continue our efforts to positively impact the lives of our citizens, individually and collectively, in practical and meaningful ways to support the development of our Federation.

CORPORATE GOVERNANCE

Our 9-member Board of Directors remained committed to ensuring the good governance and setting the strategic direction of First Federal. Directors met monthly to review the credit union's financial performance and monitor management's handling of the day-to-day affairs. The Board was careful to make decisions that ensured First Federal remained profitable, competitive and resilient during a period of reduced economic activity caused by the coronavirus pandemic.

DIRECTORS' ATTENDANCE REPORT

NAME	POSITION	ATTENDANCE	PERCENTAGE
HOWARD MCEACHRANE	PRESIDENT	11/11	100%
DAWNE WILLIAMS	VICE PRESIDENT	10/11	91%
MICHAEL MARTIN	SECRETARY	11/11	100%
CLYDE RICHARDSON	ASSISTANT SECRETARY	11/11	100%
GLENN QUINLAN	TREASURER	9/11	82%
FARON LAWRENCE	ASSISTANT TREASURER	10/11	91%
JAMIR CLAXTON	DIRECTOR	8/11	73%
SEAN LAWRENCE	DIRECTOR	9/11	82%
TREVOR CORNELIUS	DIRECTOR	9/11	82%

FINANCIAL

Our key performance indicators show that compared to 2020, First Federal experienced growth in all areas of operations in 2021. Our assets grew to $97,692,540, an increase of $18,802,742, and our loans portfolio grew by $12,103,069 to reach $77,222,977. We attracted 1,009 new members, bringing our total membership to 7,011. Permanent shares increased by just over $2 million, and deposits grew by $13,699,377. Our net income for the year totalled $2,053,497, an increase of $1,363,583 or 197.65%. This record performance will assist greatly in consolidating a platform for future growth. The steps taken to manage operating expenses without impacting the quality of service to members resulted in a decrease from $5,757,157 to $5,442,933.

RISK AND COMPLIANCE

The Board has a responsibility to ensure that First Federal operates in a safe and prudent manner and adheres to legal requirements and industry standards of sound business and financial practices. To provide that assurance, Ms. Petal Parry, doing business as Clifton Parry, was contracted during the year as an outsourced Internal Auditor. The internal audit function is primarily responsible for the ongoing assessment of the effectiveness of First Federal's risk management, internal controls and governance processes. The Internal Auditor reports to a Board-established Audit Committee.

STAFF TRAINING

A motivated and well-trained staff is critical to the success of any organization. Early in the year, Management embarked on a series of steps to develop and sustain a more engaged staff to drive individual and organizational performance. The activities culminated in a staff retreat under the theme ***Refocus, Reenergize, Re-commit*** held on April 8, 2021. Throughout the year, various training activities were held to build knowledge, skills and confidence. These are shown in the table below.

DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

Training	Participants	Facilitator	Date
Loan Application Process	Credit Department	Cerene Esdaille-Henry Manager - Credit Services Centre	January 2021
First Credit Line Product	Credit Department and Member Services Officers	Cerene Esdaille-Henry Manager - Credit Services Centre	February 1, 2021
4Cs Credit Card Platform	All staff	Caribbean Credit Card Corporation officers	February 19, 2021
Performance Management	Managers	TrainingAssets	March 9, 2021
4Cs Credit Card Administration	All staff	Caribbean Credit Card Corporation officers	March 31, 2021
First in Service	All staff	TrainingAssets	April 6, 2021
Performance Management	Managers	TrainingAssets	April 12, 2021
Transaction Codes Refresher	Member Services Officers	Shauna Daniel – Nevis Branch Supervisor	April 28, 2021
Effective Strategies of a Credit Officer	Credit Department	Cerene Esdaille-Henry Manager - Credit Services Centre and Terrence Crossman - CEO	April 29, 2021
Transaction Codes Refresher	Member Services Officers	Theresa Romney-Parry – Member Services Supervisor	May 5th, 2021
Asking Questions to Determine Member Needs	Credit Department	Shonica Willett – Credit Support Officer	May 27, 2021
4CS Fraud Monitoring and Dispute Management Part 1 & 2	All staff	Caribbean Credit Card Corporation officers	July 28, 2021
Performance Appraisal Process	Member Services Officers	Delcia Bradley-King - Human Resources and Corporate Affairs Manager	August 18, 2021
Improving the Quality of STR Filing (online)	Sonja Fyfield Hazel – Risk and Compliance Manager	Egmont Centre of FIU Excellence and Leadership	August 23, 2021
Features of Money Laundering	Member Services Officers	Sonja Fyfield Hazel – Risk and Compliance Manager	August 24, 2021
Money Laundering and Terrorist Financing: Red Flags	Member Services Officers	Sonja Fyfield Hazel – Risk and Compliance Manager	September 9, 2021
Writing Counts!	Member Services Officers	Delcia Bradley-King – Human Resources and Corporate Affairs Manager	September 14 & 21, 2021

INFORMATION SECURITY/SYSTEMS

The business of First Federal relies heavily on information resources. Therefore, the security of our information systems is crucial to our efficient and sustained operations. During the year, we engaged the services of an IT consultant to perform a network audit and prepare a security policy. We will continue to enhance our network systems in 2022 to maintain a computing environment that is controlled, consistent, secure, and that will enhance the productivity of users.

SUPPORT TO MEMBER BORROWERS

We continued to implement borrower relief measures to ease the burden on our members who were still impacted financially by COVID-19. We followed up periodically with members to find out their employment status and provided options for restructuring loans to those who were able to resume payments. The moratorium was extended for those members who were not yet in a position to service their loans.

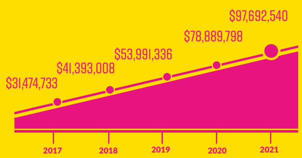
ACKNOWLEDGEMENTS

The Directors use this opportunity to thank our members whose trust and loyalty have contributed significantly to the steady growth and strong branding of First Federal. We express great appreciation to the Chief Executive Officer, management and staff for constantly striving to deliver convenient and competitive services and products to our members while anticipating and managing risks. We look to the future with optimism and confidence as we capitalize on our gains and strategize to ensure the sustainability of First Federal.

For and on behalf of the Board of Directors

Howard McEachrane, President

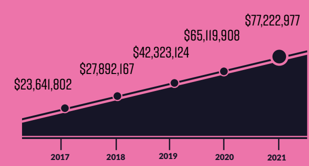
ASSETS



$18,802,742
+ CHANGE OVER 2020

23.83%
GROWTH

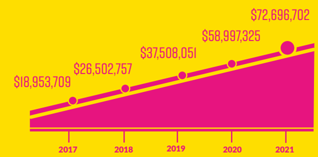
LOANS



$12,103,069
+ CHANGE OVER 2020

18.59%
GROWTH

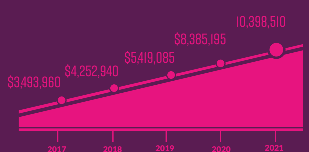
DEPOSITS



$13,699,377
+CHANGE OVER 2020

23.22%
GROWTH

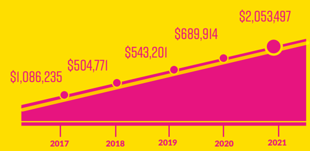
PERMANENT SHARES



$2,013,315
+ CHANGE OVER 2020

24.01%
GROWTH

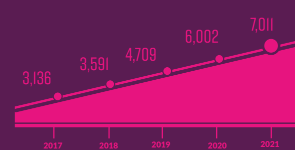
NET PROFIT



$1,363,583
+ CHANGE OVER 2020

197.65%
GROWTH

MEMBERSHIP

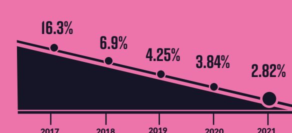


1,009
+ CHANGE OVER 2020

16.81%
GROWTH

SUMMARY PERFORMANCE INDICATORS

DELINQUENCY



-1.02%
- CHANGE OVER 2020

-26.56%
DECREASE

TREASURER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

OVERVIEW

The financial year ended on December 31, 2021, was a historic year for First Federal Co-operative Credit Union Ltd. We achieved a record net income of $2,053,497 despite the challenges presented by the global pandemic and lethargic economic recovery.

The Treasurer's Report for the year in review highlights the key Financial Performance Indicators as detailed in the Statement of Financial Position and Statement of Comprehensive Income.

Key Highlights

Indicator	2017	2018	2019	2020	2021	+/- Change (2020/2021)	+/- Change (2020/2021)
MEMBERSHIP	3,136	3,591	4,709	6,002	7,011	1009	16.81%
TOTAL ASSETS	$31,474,733	$41,393,008	$53,991,336	$78,889,798	$97,692,540	$18,802,742	23.83%
TOTAL LOANS	$23,641,802	$27,892,167	$42,323,124	$65,119,908	$77,222,977	$12,103,069	18.59%
TOTAL DEPOSITS	$18,953,709	$26,502,757	$37,508,051	$58,997,325	$72,696,702	$13,699,377	23.22%
CASH & INVESTMENTS	$6,883,611	$10,269,558	$7,839,863	$9,777,429	$14,834,434	$5,057,005	51.72%
PERMANENT SHARES	$3,493,960	$4,252,940	5,419,085	8,385,195	10,398,510	$2,013,315	24.01%
LOAN INTEREST INCOME	$3,409,664	$3,507,675	$4,239,746	$6,294,737	$8,277,099	$1,982,362	31.49%
TOTAL INCOME	$3,555,451	$4,381,196	$5,218,016	$7,587,870	$9,401,720	$1,813,850	23.90%
INTEREST EXPENSE	$429,130	$537,064	$734,379	$1,140,799	$1,900,290	$759,491	66.58%
TOTAL EXPENSES	$2,504,216	$3,339,361	$3,940,436	$5,757,157	$5,442,933	$ (314,224)	-5.46%
NET PROFIT	$1,086,235	$504,771	$543,201	$689,914	$2,053,497	$1,363,583	197.65%
DELINQUENCY	16.30%	6.90%	4.25%	3.84%	2.82%	-1.02%	-26.56%

Because not everyone is financially experienced, and because even I often have difficulty in quickly grasping what the numbers mean, I am going to provide some context that would help us make more sense of what the numbers say, and I am going to do this by reacquainting us with PEARLS.

PEARLS - INTERNATIONAL CREDIT UNION FINANCIAL PERFORMANCE STANDARDS

PEARLS is a set of 45 financial ratios that are used to evaluate and monitor the financial stability of credit unions that operate within the World Council of Credit Unions (WOCCU). Each letter of the word PEARLS measures key areas of Credit Union operations: Protection, Effective financial structure, Asset quality, Rates of return and cost, Liquidity and Signs of growth.

The highest possible rating for any area of measurement is 1, while 5 is the lowest. So, 1 is really good and to be applauded while 5 is … well, you are not doing so well if you have scored a 5. The following table highlights the key PEARLS performance metrics for FFCCU for 2021, and the two years prior, i.e., 2019 and 2020, and our average rating is 1.42.

So, let us keep these scores in mind as we discuss, in more detail, the performance of your credit union over the last fiscal year – 1 January to 31 December 2021.

TREASURER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

FIRST FEDERAL CREDIT UNION PEARL RATIOS 2019-2021							
PEARLS RATIOS	STANDARD	Dec-19		Dec-20		Dec-21	
		PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO
PROTECTION							
Provision for Loans Delinquent >12 months	100%	100%	1	100%	1	100%	1
Provision for Loans Delinquent < 12 months	35%	74.41%	1	54.68%	1	32.21%	2
EFFECTIVE FINANCIAL STRUCTURE							
Loans/Total Assets	80%	78.39%	1	83.12%	1	78.58%	1
Savings Deposits/Total Assets	80%	69.47%	2	74.32%	1	73.53%	1
External Credit/Total Assets	Max 5%	0.00%	1	0.00%	1	0.00%	1
Net Institutional Capital/Total Assets	Min 10%	22.38%	1	17.17%	1	14.53%	1
ASSET QUALITY							
Total Delinquency/Gross Loan Portfolio	Max 5%	4.25%	1	3.84%	1	2.82%	1
Non-Earning Assets/Total Assets	Max 5%	10.83%	4	8.93%	3	9.00%	4
RATES OF RETURN							
Operating Expenses/Total Assets	5%	7.30%	3	6.20%	3	5.04%	2
Net Income/Average Total Assets	2%	1.16%	2	0.80%	3	2.28%	1
LIQUIDITY							
*Liquidity Assets - ST Payables/Deposits	Min 15%	15.54%	1	10.92%	3	16.29%	1
SIGNS OF GROWTH							
Growth in Total Assets	Min 10%	30.40%	1	47.08%	1	23.85%	1
		AVERAGE RATING	1.58	AVERAGE RATING	1.75	AVERAGE RATING	1.42

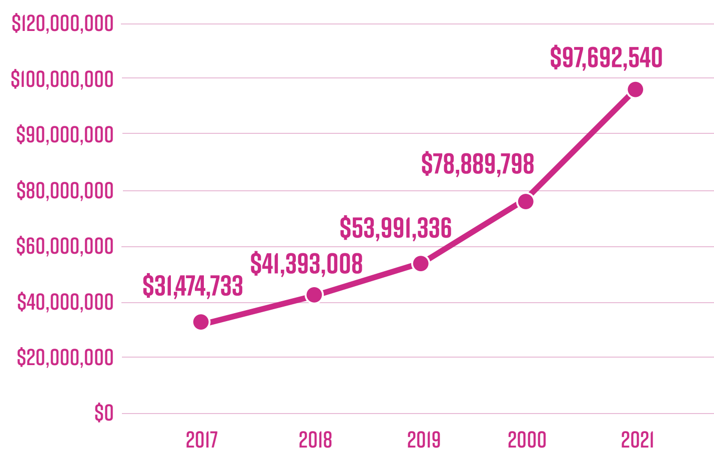
Legend	
1	Highest
2	Second Highest
3	Medium
4	Second Lowest
5	Lowest

FINANCIAL POSITION

ASSETS

Total assets increased by $18,802,742 or 23.83% from $78,889,798 in 2020 to $97,692,540 at the end of 2021. This growth is because of the credit union's ability to continue to attract deposits which have positively impacted our cash position, and consequently allowed the loan portfolio to continue to grow responsibly.

TOTAL ASSETS



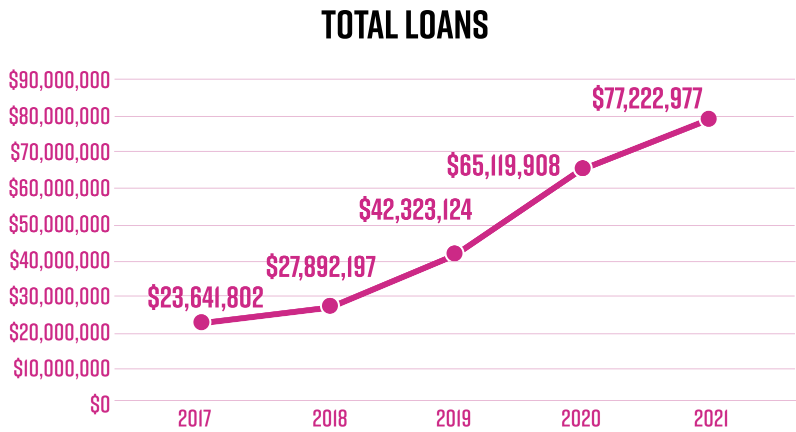
LOANS

By 31st December 2021, the loan portfolio had grown by 18.59% moving from $65,119,908 to $77,222,977. The board's decision to limit high value loans and instead focus on loans with comparatively smaller dollar amounts has been successful. The number of persons accessing our credit services increased by 296 from 1632 loans in 2020 to 1928 in 2021. The diversification of the loans portfolio has allowed the credit union to improve on its PEARLS delinquency percentage moving from 3.84% to 2.82%, maintaining the highest standard of 1.

PEARLS RATIOS	STANDARD	RATINGS					Dec-19		Dec-20		Dec-21	
		1	2	3	4	5	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO
ASSET QUALITY												
Total Delinquency/Gross Loan Portfolio	Max 5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	4.25%	1	3.84%	1	2.82%	1

TREASURER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021



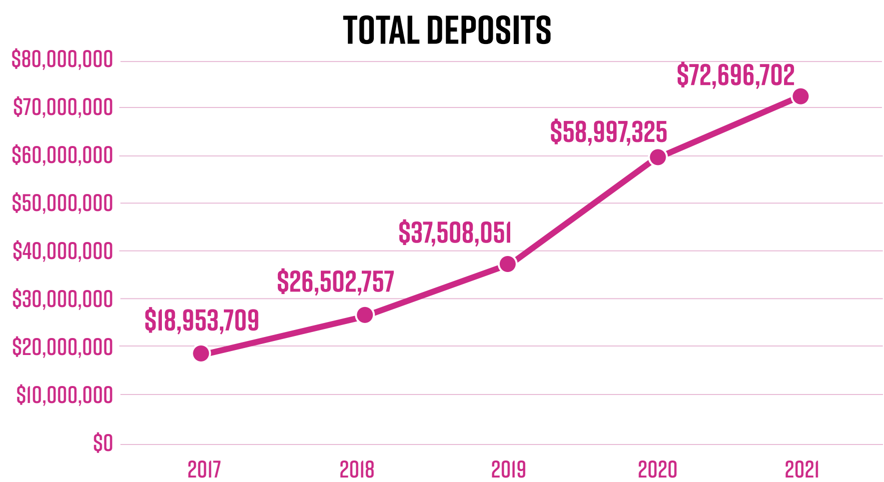
This strategic intervention by the board of directors also resulted in achieving a liquidity ratio of 16.56%, which is above the highest PEARLS percentage of 15% or the highest rating of 1.

In addition, there has been a deliberate attempt to improve the quality of the loan underwriting.

PEARLS RATIOS	STANDARD	RATINGS					Dec-19		Dec-20		Dec-21	
		1	2	3	4	5	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO
LIQUIDITY												
*Liquidity Assets - ST Payables/Deposits	Min 15%	>=15%	14.9%-12%	11.9%-8%	7.9%-4%	<4%	15.54%	1	10.92%	3	16.29%	1

DEPOSITS

Deposits grew by 23.22%, moving from $58,997,325 in 2020, to $72,696,702 at the end of 2021. This growth is because of the introduction of new deposit products like the Multiplier savings and the decision to have our members benefit from higher interest rates on their deposits.



TREASURER'S REPORT

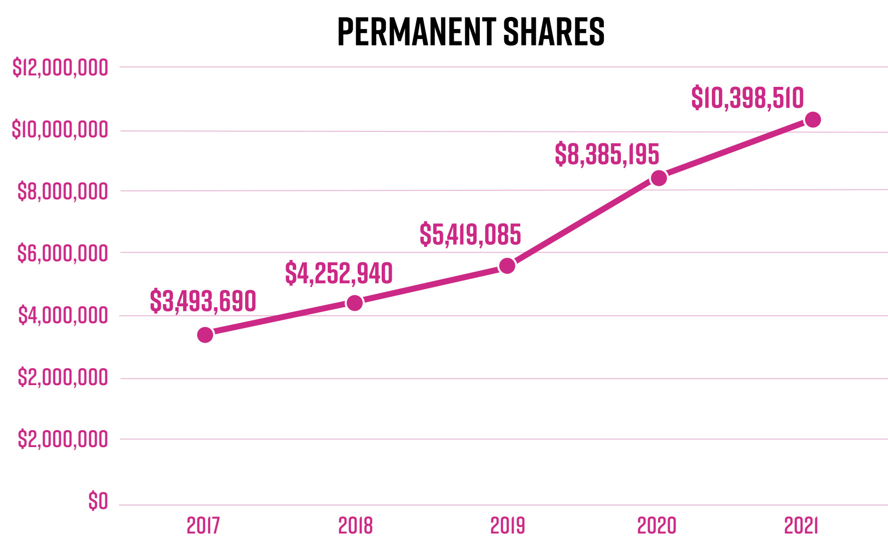
FOR THE YEAR ENDED DECEMBER 31, 2021

LIABILITIES

Total liabilities increased by $15,138,825 or 25 % from $59,599,353 to $74,738,178,073. This correlates with the increase in members' deposits of $ 13,699,377 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.

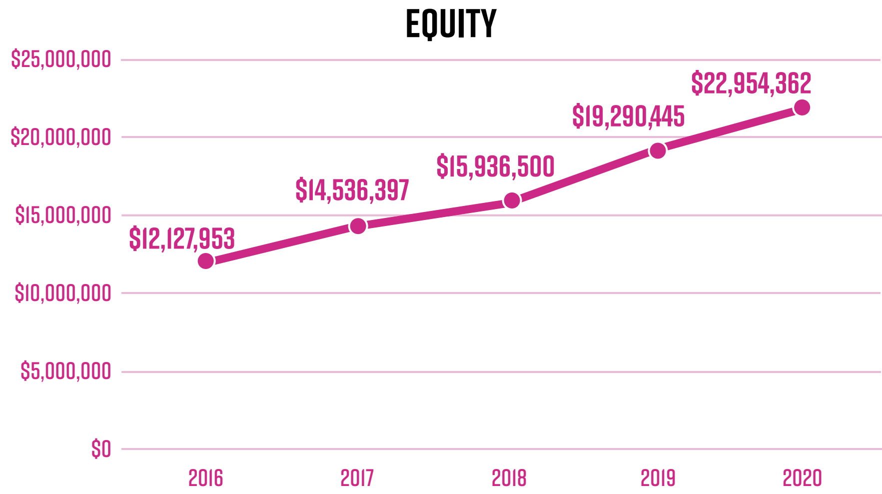
PERMANENT SHARES

Permanent shares grew by $2,013,315 or 24% from $$8,385,195 in 2020 to $10,398,510 2021. The sustained growth in permanent shares has enabled the credit union to achieve its strategic 3-year target (to increase permanent shares to $10 million by 2022) ahead of schedule. The growth of permanent shares reduces the cost of funds for the credit union.



EQUITY

Total Member's Equity, which is the sum of Share Capital, Statutory Reserve, Special Reserve, Capital Grants, and Retained Earnings, increased by $3,663,917 or 19% from $19,290,445 to $22,954,362.



LIQUIDITY

The assets of a credit union are primarily the loans on its books. There are other asset types like the building, vehicle, equipment (these are fixed assets) and, of course cash is also one of the assets of the credit union. Given that the principal reason for the existence of the credit union is to lend monies to its members, every effort must be made to ensure that the members' need for loans is met with a ready supply of cash. The critical balance for any credit union is to ensure that it maintains an adequate supply of cash to meet its loan demand and obligations for expenses, while not over-investing or expending in any one area.

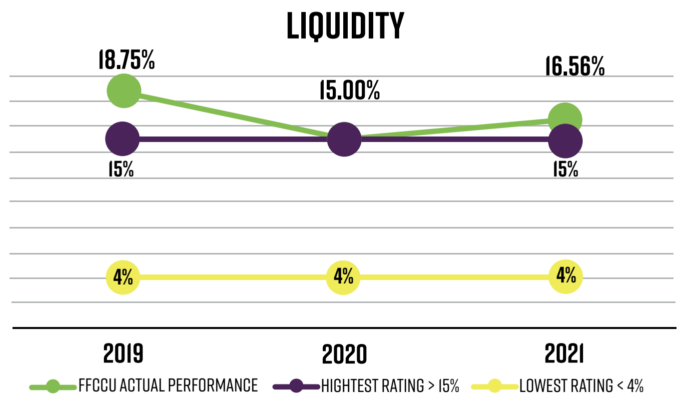
According to WOCCU ***"credit unions are encouraged to maximize productive assets as the means to achieve sufficient earnings. Since the loan portfolio is the most profitable asset of the credit union, the World Council of Credit Unions, Inc. recommends maintaining 70-80% of total assets in the loan portfolio. Excess liquidity is discouraged because the margins on liquid investments (e.g., savings accounts) are significantly lower than those earned on the loan portfolio. Non-Earning assets are also discouraged because once purchased, they are often difficult to liquidate. The only effective way to maintain the ideal balance between productive and unproductive assets is by increasing the volume of productive assets."***

First Federal Credit Union maintained the highest standard of 1.

PEARLS RATIOS	STANDARD	RATINGS					Dec-19		Dec-20		Dec-21	
		1	2	3	4	5	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO
LIQUIDITY												
*Liquidity Assets - ST Payables/Deposits	Min 15%	>=15%	14.9%-12%	11.9%-8%	7.9%-4%	<4%	15.54%	1	10.92%	3	16.29%	1

TREASURER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021



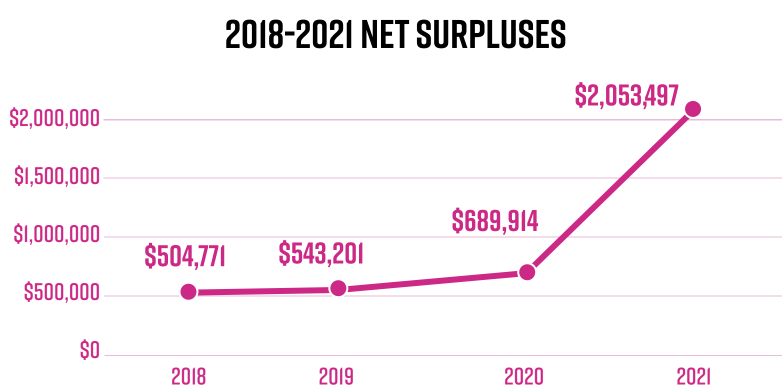
PROFITABILITY

INCOME

A successful deployment of more responsive loan products resulted in the highest net profit in our history. The net profit increased from $689,914 in 2020 to $2,053,497 in 2021, a 198% increase. Impressive, even if I say so myself.

Loan Interest Income increased by 31.49% or $1,982,362, moving from $6,294,737 in 2020 to $8,277,099 in 2021.

Total income (which is made up of loan interest income, investment income, bad debt recoveries, loan fees and commissions) increased by $1,813,850 or 23.90%, from $7,587,870 in 2020 to $9,401,720 in 2021.



EXPENSES

The credit union continued to efficiently manage its costs and achieved a decrease of $314,224 or 5% from $5,757,157 in 2020 to $5,442,933 in 2021. However, this reduction of our expenses was negatively impacted by a significant increase in interest expense of $759,491 or 67% from $1,140,799 to $1,900,290. Your credit union continues to strike a balance between providing attractive rates on deposits to its members and driving profitability, the resulting effect of this delicate balance is the inevitability of increased interest expense on savings and deposit accounts.

TREASURER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

Another significant contributor to cost is Provision for loan impairment (allowance for bad debts) which totaled $886,057 in 2021. We continue to use a conservative approach to provide for expected credit losses due to the impact of Covid-19 and the need for additional provisioning under IFRS9. This trend is expected to continue for the foreseeable future as the economy continues to recalibrate.

Marketing and promotional expenses, a key part of the credit union's arsenal in growing its key performance metrics, decreased by 9% year on year, despite realizing double digit growth in all areas of the business. However, this line is likely to increase in the immediate future as efforts at expanding market share and growing profitability continue in an increasingly competitive marketplace.

Below is a detailed breakdown of expenses.

EXPENSE CATEGORY	2020	2021	$ CHANGE	% CHANGE
INTEREST EXPENSE	$ 1,140,799	$ 1,900,290	$ 759,491	67%
GENERAL AND ADMINISTRATIVE EXPENSES	$ 1,245,636	$ 1,524,500	$ 278,864	22%
STAFF COSTS	$ 2,106,438	$ 2,187,237	$ 80,799	4%
FINANCE COSTS	$ 68,529	$ 123,298	$ 54,769	80%
MARKETING AND PROMOTION EXPENSES	$ 279,373	$ 255,452	$ (23,921)	-9%
DEPRECIATION AND AMORTISATION	$ 506,043	$ 466,389	$ (39,654)	-8%
PROVISION FOR LOAN IMPAIRMENT	$ 1,551,138	$ 886,057	$ (665,081)	-43%

MEMBERSHIP

Membership increased 17%, growing by over 1,000 new members, moving from 6002 at the end of 2020 to 7011 as of 31 December 2021.

YEAR	2017	2018	2019	2020	2021
MEMBERSHIP	3,136	3,591	4,709	6,002	7,011
INCREASE	392	455	1,118	1,293	1009

CONCLUSION

We are pleased to report that your credit union achieved a net income of $2,053,497 despite the challenges presented by the pandemic and lethargic global economic recovery. An effort is being made to minimize risk and reduce the negative financial impact on the organization by responsibly growing the assets.

First Federal remains your preferred financial partner, keeping your needs our highest priority, as we continue our path to grow our credit union.

……………………………

Director Glenn A. Quinlan

Treasurer


FIRST FEDERAL
UBIQUITY
CARD
$0 ANNUAL FEE
LOW INTEREST RATE
FLEXIBLE PAYMENT TERMS
FIRST FEDERAL CREDIT UNION
1234 5678 9012 3456
1234
VALID THRU
00/00
CARDHOLDER NAME
APPLY TODAY
TERMS AND CONDITIONS APPLY

CREDIT COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

INTRODUCTION

The Credit Committee is delighted to report another successful year for First Federal Co-operative Credit Union Ltd. Even amidst challenging times, the total amount loaned for the period under review is highly commendable; and proves to be quite a remarkable feat given the ongoing challenges presented by the COVID-19 pandemic; and the surge of an ever-increasing competitive market. The future success of the Credit Union is, therefore, solidified as we observe these achievements and look towards additional methods to propel it into further greatness.

Throughout the year, the Credit Committee assembled on a bi-monthly basis, working diligently to ensure that every loan application was given individual consideration. Impartiality and objective analysis were among our top priorities in the review of each application to maintain the integrity of the Credit Union and its commitment to its members.

As part of our mandate, we must ensure that our members are treated with the highest level of confidentiality and protection. We are committed, therefore, to safeguarding their interests, and guaranteeing that their capacity to repay is sound. Consequently, our aim is to continue meeting the needs of our membership, confirming the assurance that no member should encounter financial stress.

COMPOSITION OF THE CREDIT COMMITTEE FOR 2021

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

TABLE 1: COMPOSITION OF CREDIT COMMITTEE

NAME	POSITION
LORNETTE QUEELEY	CHAIRPERSON
FRANCIL MORRIS	SECRETARY
THOMAS WILLIAMS JR	ASSISTANT SECRETARY
AMOY HEYLIGER	MEMBER
CAMILIA WILLIAMS	MEMBER
DORIS ARCHIBALD-WEBBE	MEMBER
JACQUELINE DOUGLAS	MEMBER

ATTENDANCE OF MEETINGS

The Credit Committee met on average of at least twice monthly during 2021. The table below provides a snapshot of the Members' attendance and their corresponding percentages.

CREDIT COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

TABLE 2: MEMBERS' ATTENDANCE REPORT FOR 2021

MEMBER	NUMBER OF MEETINGS ATTENDED	PERCENTAGE
LORNETTE QUEELEY	25/25	100%
FRANCIL MORRIS	7/8	88%
DR. THOMAS WILLIAMS JR	14/25	56%
AMOY HEYLIGER	24/25	96%
CAMILIA WILLIAMS	20/25	80%
DORIS ARCHIBALD-WEBBE	24/25	96%
JACQUELINE DOUGLAS	20/25	80%
DENRICK CONNOR (RETIRED)	15/17	88%

The main agenda items for meetings convened during 2021 are listed below:

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

II. Analysis of loans to the Board of Directors;

III. Outreach meetings by interviewing member borrowers;

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

V. Ratification of files; and

VI. Capacity building.

OVERVIEW

The financial performance of First Federal Co-operative Credit Union for the year ended December 31, 2021, is creditable, as the loans portfolio continued on its upward trajectory and grew by 18.59 percent relative to the previous year. It must be noted that the dedication of the management and staff towards effective Risk Management has enabled the Credit Union to achieve a delinquency ratio of 2.82 percent, a decline of 1.02 percent points, in comparison to the 3.84 percent recorded in 2020.

LOANS PORTFOLIO

In the year under review, the effects of the pandemic continued to place pressure on the performance of many financial institutions. First Federal Co-operative Credit Union Ltd. was no exception. Although the loans portfolio recorded a growth rate of 18.59 percent, the growth was lower than that recorded in 2020. The loans portfolio at the end of December 2021 stood at $77,222,977 in comparison to the $65,119,908 at the end of 2020 (see Table 3). In addition, new borrowings for 2021 amounted to 1928, an increase of 18 percent in comparison to the 1,632 loans that were disbursed in 2020. The value of the loans disbursed in 2021 totaled $46,464,957 (see Figure 1), a decline of $5,995,675 or 11.43 percent over the comparable period of 2020.

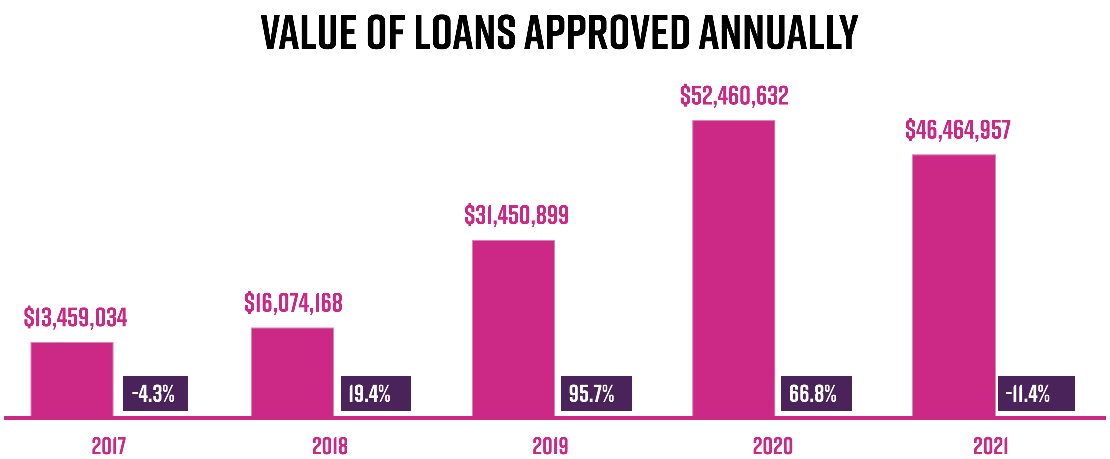
CREDIT COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

TABLE 3: FIVE YEAR PERFORMANCE OF LOANS PORTFOLIO

YEAR	2017	2018	2019	2020	2021
PORTFOLIO VALUE (EC$)	23,641,802	27,892,167	42,323,124	65,119,908	77,222,977
GROWTH RATE (%)	12.6	17.98	51.74	53.86	18.58

FIGURE 1: VALUE OF LOANS APPROVED ANNUALLY



New loans disbursed in 2021 were classified into 20 main categories. The top five of these categories totaled $32,880,428 and accounted for 72.3 percent of the total loans disbursed at the end of December, 2021.

A brief synopsis of loans approved in the top five categories is presented in Table 4 below:

TABLE 4: TOP FIVE MOST APPROVED LOAN CATEGORIES IN 2021

LOAN CATEGORY	NO. OF LOANS APPROVED	VALUE OF LOANS APPROVED ($)
PERSONAL CONSOLIDATION	418	12,929,567
FIRST CREDIT LINE	807	11,073,665
FIRST CHOICE LOAN	218	3,747,951
SPREADING GOOD CHEER	82	2,632,000
CONSOLIDATION	48	2,497,245

CREDIT COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

DELINQUENCY MANAGEMENT

The negative effects of the pandemic have created unprecedented financial challenges among the membership. However, the Credit Committee, along with management, continued to provide keen oversight of the non-performing loans. With the financial counselling that assisted members in the management of their resources, our delinquency ratio for the third consecutive year fell below the PEARLS Standard of 5 percent, at 2.82 percent (see Figure 2). The Credit Committee hereby acknowledges Management for maintaining a comprehensive and effective credit risk assessment.

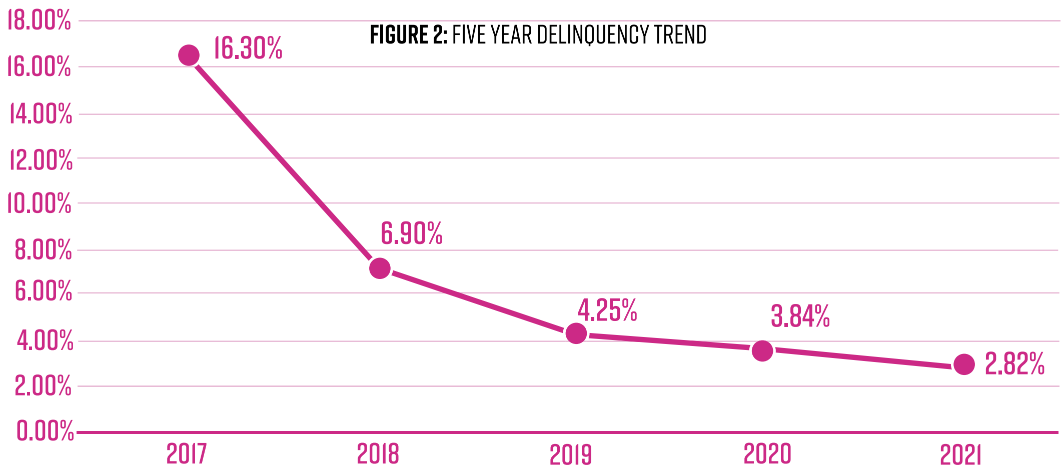


FIGURE 2: FIVE YEAR DELINQUENCY TREND

ACKNOWLEDGMENTS

The Credit Committee expresses its deep appreciation to the dedicated staff of First Federal Co-operative Credit Union; and we thank the CEO, Mr. Terrence Crossman, the Board of Directors, and the Supervisory and Compliance Committee for their unwavering support. As we claim success in reporting the remarkable achievements of our esteemed institution, there is no doubt that you, our members, have played a great part in this role; and for that, we are eternally grateful.

Lornette J. Queeley

Chairperson

SUPERVISORY AND COMPLIANCE COMMITTEE'S REPORT

FOR PERIOD ENDED 31 DECEMBER 2021

OVERVIEW

The Supervisory and Compliance Committee (SCC) commends the Board, Management, Committees and Staff of First Federal Co-operative Credit Union (FFCCU) for registering another strong financial performance for the year ended 31 December 2021. This is reflected in its key performance indicators which surpassed established benchmarks, amidst the continued challenges posed by the ongoing global pandemic. During the financial year the credit union also strengthened its governance structure with the addition of an internal auditor (outsourced) and key management positions including a Finance Manager.

The SCC continues to provide critical supervisory oversight to the institution's operations in an effort to ensure that the institution exercises prudent risk management which is commensurate with organisational expansion. At FFCCU's 12th Annual General Meeting (AGM) held on 26 August, 2021, three new members were elected to the SCC, being Jessica Ferdinand-Phipps (former ECCB bank regulator), Karen Williams (ECCB economist and development professional) and Patrice Carey (commercial banker), replacing, Eslyn Swanston, Curtis Martin and Lincoln Connor. The continuing members were Brontie Duncan and Laverne Caines.

DUTIES AND FUNCTIONS OF THE COMMITTEE

The SCC's initial activities focused on developing a sound framework for effectively fulfilling its duties and functions as contained in Section 66 of the Co-operative Societies Act No 31 of 2011 Cap. 21.04 Revised Edition as at 31 December 2017 (the Act) and Sections 1-11 of FFCCU's By-Laws No 1 of 2009. Consistent with the spirit of the Act, which requires the SCC to 'make or cause to be made' specific activities in its supervisory role, the committee has adopted a risk-focused supervisory approach. Through this approach of identifying and addressing key risks, it provides oversight of the credit union's performance and operations through collaboration with key management staff as well as through the review of various documents submitted for risk-focused supervision, including but not limited to:

- Board and Credit Committee minutes
- Organisational chart
- Strategic plan
- Internal audit charter, work plan and program
- Board approved policies and procedures
- Management letters emanating from external audits along with Management's response
- Details of loans granted moratorium on payments
- Risk management reports
- Compliance/AML/CFT reports
- Regulatory reports

SUPERVISORY AND COMPLIANCE COMMITTEE'S REPORT

FOR PERIOD ENDED 31 DECEMBER 2021

The Committee's supervisory approach relies on the effective functioning of the entity's governance, risk management, audit and compliance frameworks as well as on the receipt of adequate information. Accordingly, the Committee met with key management personnel in November including the Human Resources and Corporate Affairs Manager, Mrs. Delcia Bradley-King and the Risk and Compliance Manager, Mrs. Sonja Fyfield Hazel. The meeting discussed matters relating to these officers' roles and responsibilities specifically as they relate to the Committee's functions and duties. The meeting also considered the SCC's interaction with management, particularly in regard to requests for the sharing of documents, given the sensitive nature of the information being requested.

The Committee also engaged in discussion with the outsourced Internal Auditor, Ms. Petal Parry, in an effort to coordinate work efforts, taking into consideration the Internal Auditor's critical role in providing assurance regarding the operating effectiveness of the entity's business activities. The discussion largely focused on the internal audit function's work plan, program and planned audit approach, and the Committee was satisfied with the internal auditor's evident competence and level of professionalism, planned audit approach and extent of work covered to date.

MEETINGS OF THE SUPERVISORY AND COMPLIANCE COMMITTEE

COMMITTEE MEETINGS

Following the new member appointments in August, the SCC held its inaugural meeting on 14 September 2021, at which the following officers were elected:

- Chairperson – Jessica Ferdinand Phipps
- Secretary – Patrice Carey
- Assistant Secretary – Laverne Caines

Subsequent meetings during the reporting period focused on the Committee's work plan and supervisory approach as previously mentioned, strategies for collaboration with the internal audit and compliance personnel, and on the revisions to the SCC credit review report.

BOARD MEETINGS

Members of the SCC attended two Board meetings in October and December 2021. At these meetings the committee observed satisfactory levels of attendance and meaningful participation by board members. The meeting agenda and board information appeared to adequately support the board's deliberations on the institution's performance, key risks, policies and procedures, general operations and updates on the progress of its downtown Personal Banking Center.

JOINT MEETING OF SCC, MANAGEMENT AND CREDIT COMMITTEE

Members of the committee attended a special meeting convened with members of Management and the Credit Committee to discuss the findings of, and the way forward on, a Credit Review Report prepared by the SCC, pursuant to a formal request by the Financial Services Regulatory Authority (FSRC) in June 2021. The FSRC requested that the SCC conduct 'a comprehensive review of the credit function of FFCCU, in collaboration with the Credit Committee (CC) and with the assistance of the St Kitts and Nevis National Co-operative League Ltd (SKNNCL).'

Despite manpower and technical limitations, the onsite review was undertaken during the period 15-31 August 2021, and subsequently a report of findings was submitted to the FSRC and FFCCU Board and management. However, FFCCU management was not afforded the opportunity to discuss or provide clarification on the findings of the review prior to finalization and submission of the report, as is standard examination procedure to allow Management to add any clarification, information or evidence that could help to inform the examination conclusions. Consequently, Management formally requested a meeting with the SCC to discuss the report findings. The meeting was convened on 20 October 2021, and due to several evident discrepancies in the reported findings, the SCC agreed to revise and resubmit the report to the FSRC. A draft revision has been completed and is under review.

CONCLUSION

The SCC notes the FFCCU's continued growth in membership and concomitant increases/improvement in key performance indicators including total assets, loans, liquidity and profitability. The Committee commends the board, management and staff for another strong fiscal performance and urges management to ensure that the current growth and expansion path be appropriately accompanied by consistent application of prudent risk management policies and practices. In this vein the Committee looks forward to continuing to provide critical oversight within the established framework to ensure that risks are properly identified and managed in a timely and prudent manner as the credit union continues its strong growth trajectory.

Jessica Ferdinand-Phipps

Chairperson, Supervisory and Compliance Committee

NOMINATING COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

In accordance with the By-Laws of 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.

The Nominating Committee comprised of the following persons:

1. Jamir Claxton - Chairperson
2. Terrence Crossman - Member
3. Markysa O'Loughlin - Member

In its deliberations, the committee ensured that all nominees were in good standing, met the criteria as detailed in the by-laws and were willing and able to serve. In keeping with the Co-operatives Societies Act, No. 31 of 2011, Cap. 21.04 Revised Edition as at 31 December 2017, the committee conducted the required due diligence.

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 with the Notice of Meeting.

The Nominating Committee is pleased to present for your consideration, the following persons who were considered eligible candidates to be re-elected and fill one (1) vacant position 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.

Up for Election to Board of Directors:
Ms. Dian Hanley

Up for Re-election to Board of Directors:
Mr. Michael Martin, Mr. Faron Lawrence, Mr. Trevor Cornelius, Mr. Sean Lawrence

Up for Re-election to Credit Committee:
Ms. Lornette Queeley

Retiring from Board of Directors:
Jamir Claxton

The Committee takes this opportunity to thank Mr. Jamir Claxton who has served with distinction.

NOMINATING COMMITTEE'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

The following tables show the current and proposed members of the Board of Directors, Credit Committee and Supervisory and Compliance Committee

BOARD OF DIRECTORS

NAME	POSITION	TERM	YEARS REMAINING	YEARS REMAINING	NOMINEE
MR. HOWARD MCEACHRANE	PRESIDENT	2ND	2	2024	
MS. DAWNE WILLIAMS	VICE PRESIDENT	2ND	1	2023	
MR. MICHAEL MARTIN	SECRETARY	1ST	0	2022	UP FOR RE-ELECTION
MR. GLENN QUINLAN	TREASURER	2ND	1	2023	
MR. CLYDE RICHARDSON	ASSISTANT SECRETARY	2ND	2	2024	
MR. FARON LAWRENCE	ASSISTANT TREASURER	1ST	0	2022	UP FOR RE-ELECTION
MR. JAMIR CLAXTON (RETIRING)	DIRECTOR	2ND	0	2022	MS. DIAN HANLEY
MR. TREVOR CORNELIUS	DIRECTOR	1ST	0	2022	UP FOR RE-ELECTION
MR. SEAN LAWRENCE	DIRECTOR	1ST	0	2022	UP FOR RE-ELECTION

CREDIT COMMITTEE

NAME	POSITION	TERM	YEARS REMAINING	YEARS REMAINING	NOMINEE
MS. AMOY HEYLIGER	CHAIRPERSON	2ND	1	2023	
MS. LORNETTE QUEELEY	SECRETARY	1ST	0	2022	UP FOR RE-ELECTION
DR. THOMAS WILLIAMS JR	ASSISTANT SECRETARY	1ST	1	2023	
MRS. JACQUELINE DOUGLAS	MEMBER	1ST	1	2023	
MS. CAMILA WILLIAMS	MEMBER	2ND	1	2023	
MR. FRANCIL MORRIS	MEMBER	1ST	2	2024	

SUPERVISORY AND COMPLIANCE COMMITTEE

NAME	POSITION	TERM	YEARS REMAINING	YEARS REMAINING
MRS. JESSICA FERDINAND-PHIPPS	CHAIRPERSON	1ST	2	2024
MS. LAVERNE CAINES	SECRETARY	1ST	1	2023
MS. PATRICE CAREY	MEMBER	1ST	2	2024
KAREN WILLIAMS	MEMBER	1ST	2	2024
MS. BRONTIE DUNCAN	MEMBER	2ND	1	2023

For and on behalf of the Nominating Committee

J. Claxton

Jamir Claxton
Chairperson

BRIEF BIOGRAPHY OF NOMINEE TO BOARD OF DIRECTORS

Ms. Dian Hanley of the Parish of St. Thomas, Nevis, is an established businesswoman who has owned and grown multiple businesses for over 20 years.

Though she was initially interested in hospitality, as one of the original staff members of the prestigious Four Season's Resort, her passions as a youth varied as she developed her skills in natural hair care and became known as one of the most talented hair braiders in Nevis. She is now the proud owner of a successful café and coffee shop - Sip on the Square, DD's Hair Braiding and the co-owner of Buju B's Place (a restaurant located in the heart of Charlestown). Ms. Hanley is an ardent advocate for the advancement of women in business and has offered herself to serve on the Board of Directors.

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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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, 2021, 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, 2021, 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
April 12, 2022

Antigua and Barbuda

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Financial Position

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

	Notes		2021	2020
Assets				
Cash and cash equivalents	9	$	11,610,135	7,408,298
Loans	10		77,222,977	65,119,908
Investment securities	11		3,220,100	2,369,131
Other assets	12		988,600	526,607
Property and equipment	13		4,383,689	3,092,690
Intangible assets	14		267,039	373,164
Total Assets		$	97,692,540	78,889,798
Liabilities and Members' Equity				
Liabilities				
Members' deposits	15	$	72,696,702	58,997,325
Other liabilities	16		2,041,476	602,028
Total Liabilities			74,738,178	59,599,353
Members' Equity				
Share capital	17		10,398,510	8,385,195
Statutory reserves and development funds	18		3,230,712	3,225,712
Other reserves	19		2,374,691	2,368,011
Capital-based grant	20		82,711	94,984
Retained earnings			6,867,738	5,216,543
Total Members' Equity			22,954,362	19,290,445
Total Liabilities and Members' Equity		$	97,692,540	78,889,798

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

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

The notes on pages 46 to 89 are an integral part of these financial statements.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Comprehensive Income

Year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

	Notes		2021	2020
Interest income from loans		$	8,277,099	6,294,737
Other interest income	21		230,312	113,836
Interest expense	22		(1,900,290)	(1,140,799)
Net interest income			6,607,121	5,267,774
Other income	23		894,309	1,179,297
Operating income			7,501,430	6,447,071
Operating expenses				
Staff costs	24		2,187,237	2,106,438
General and administrative expenses	25		1,524,500	1,245,636
Depreciation and amortisation	26		466,389	506,043
Finance costs			123,298	68,529
Marketing and promotion expenses	27		255,452	279,373
Provision for loan impairment	10		886,057	1,551,138
Total operating expenses			5,442,933	5,757,157
Net income for the year			2,058,497	689,914
Other comprehensive loss				
Fair value loss on financial assets at FVOCI			(5,000)	-
Total comprehensive income for the year		$	2,053,497	689,914

The notes on pages 46 to 89 are an integral part of these financial statements.

Statement of Changes in Member's Equity

Year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital	Statutory Reserve & Development Funds	Other Reserves	Capital Based Grants	Retained Earnings	Total
Balance at January 1, 2020		5,419,085	3,220,712	2,365,461	107,257	4,823,985	15,936,500
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	-	-	-
Amortisation 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
Fair value loss on quoted equity securities		-	-	(10,000)	-	-	(10,000)
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 46 to 89 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, 2021

(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	$ 2,013,315	-	-	-	-	2,013,315
Dividends paid	31	-	-	-	-	(390,622)	(390,622)
		2,013,315	-	-	-	(390,622)	1,622,693
Reserves and grants movements							
Transfer from Retained Earnings	18	-	-	11,680	-	(11,680)	-
Transfer from Statutory Reserve	18	-	-	-	-	-	-
Transfer to Development Fund		-	5,000	-	-	(5,000)	-
Amortization of capital grants	20	-	-	-	(12,273)	-	(12,273)
		-	5,000	11,680	(12,273)	(16,680)	(12,273)
Total comprehensive income							
Net income for the year		-	-	-	-	2,058,497	2,058,497
Fair value loss on quoted equity securities	19	-	-	(5,000)	-	-	(5,000)
		-	-	(5,000)	-	2,058,497	2,053,497
Balance at December 31, 2021		$ 10,398,510	3,230,712	2,374,691	82,711	6,867,738	22,954,362

The notes on pages 46 to 89 are an integral part of these financial statements.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Cash Flows

Year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

	Notes		2021	2020
Cash flows from operating activities				
Net income for the year		$	2,058,497	689,914
Adjustments for:				
Items not affecting cash:				
Depreciation	13		372,537	414,132
Provision for loan impairment	10		886,057	1,551,138
Bad debts written off	10		(1,247,723)	(1,043,546)
Amortisation of intangibles	14		106,125	104,185
Amortisation of capital-based grants	20		(12,273)	(12,273)
Interest expense			1,900,290	1,140,799
Interest income			(8,281,511)	(6,374,499)
Loss on disposal of property and equipment			5,557	-
Operating loss before changes in working capital			(4,212,444)	(3,530,150)
Change in loans			(11,205,310)	(22,626,293)
Change in other assets			(461,993)	(320,723)
Change in members' deposits			13,202,980	21,423,901
Change in accounts and other liabilities			1,439,448	55,243
Cash used in operations			(1,237,319)	(4,998,022)
Interest received on loans			7,741,007	5,616,654
Interest paid			(1,403,893)	(1,075,426)
Net cash provided by/(used in) operating activities			5,099,795	(456,794)
Cash flows from investing activities				
Interest received on investments			16,329	79,393
Purchase of property and equipment	13		(1,669,093)	(294,420)
Purchase of computer software	14		-	(67,286)
Purchase of investment securities			(3,000,000)	(67,113)
Proceeds from maturity of investment security			2,132,113	-
Proceeds from sale of investment securities			-	198,125
Net cash used in investing activities			(2,520,651)	(151,301)
Cash flows from financing activities				
Proceeds from issuance of shares			2,013,315	2,966,110
Dividends paid			(390,622)	(279,806)
Net cash provided by financing activities			1,622,693	2,686,304
Increase in cash and cash equivalents			4,201,837	2,078,209
Cash and cash equivalents, beginning of year			7,408,298	5,330,089
Cash and cash equivalents, end of year		$	11,610,135	7,408,298
Represented by				
Cash and cash equivalents		$	11,610,135	7,408,298

The notes on pages 46 to 89 are an integral part of these financial statements.

(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 April 12, 2022.

(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, 2021. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Credit Union's financial statements.

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

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR). Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

Several other amendments and interpretations apply for the first time in 2021, 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 2021, unless otherwise stated.

(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.

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.

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

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

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.

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.

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**

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 recognizes 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)*

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. The Credit Union accounts for certain equity securities at FVTOCI.

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;
- 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. Default has occurred when:

- 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. 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 and;
- Central Credit Union base rates.

The assessment of risk and the calculation of ECL both incorporate forward looking information. The Credit Union has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

(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).

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.

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 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.

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.

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 judgements 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 management judgements in applying accounting policies and estimation 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 (2020: 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 represents minimum risk of default.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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:

		2021	2020
Credit Risk exposures related to on-balance sheet assets			
Cash at Credit Unions and cash equivalents	$	11,066,151	6,809,459
Loans to members		77,222,977	65,119,908
Investment securities		3,220,100	2,369,131
Other receivables		629,805	388,888
Total	$	92,139,033	74,687,386

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	$	75,108,124	369,702	74,738,422
Stage 2		1,504,438	44,501	1,459,937
Stage 3		1,627,653	603,035	1,024,618
As at December 31, 2021	$	78,240,215	1,017,238	77,222,977

		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

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 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.

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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)

The following table explains the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

		Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Loss allowance as at December 31, 2020	$	**343,126**	**40,218**	**995,560**	**1,378,904**
Movement with P&L Impact:					
Transfer from Stage 1 to Stage 2		(5,267)	38,681	-	33,414
Transfer from Stage 1 to Stage 3		(7,317)	-	406,619	399,302
Transfer from Stage 2 to Stage 1		2,915	(31,950)	-	(29,035)
Transfer from Stage 2 to Stage 3		-	(5,855)	39,696	33,841
Transfer from Stage 3 to Stage 2		1,464	-	(767,205)	(765,741)
Transfer from Stage 3 to Stage 1		-	4,723	(52,027)	(47,304)
Change due to additions, changes in PD and repayments		34,781	(1,316)	(19,608)	13,857
Total net P&L Charge during the period and other movements		369,702	44,501	603,035	1,017,238

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

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

Loans to members *(cont'd)*

(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, 2021 or 2020.

(c) *Repossessed collateral*
The Credit Union had no repossessed collateral in its statement of financial position as of December 31, 2021 (2020: 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.

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.

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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, 2021

		Carrying amount	Up to 1 year	1-5 years	Over 5 years	Total
Liabilities						
Members' deposits	$	72,696,702	63,127,380	9,569,322	-	72,696,702
Other liabilities		2,041,476	1,514,653	526,823	-	2,041,476
	$	74,738,178	64,642,033	10,096,145	-	74,738,178

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

(Expressed in Eastern Caribbean Dollars)

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.

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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, 2021

	Interest rate %		Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and cash equivalents	2.5%	$	8,531,948	-	-	3,078,187	11,610,135
Loans to members	7%-29%		1,697,776	44,026,695	30,037,317	1,461,189	77,222,977
Investment securities	3%-4%		3,000,000	-	-	220,100	3,220,100
Other receivables			-	-	-	629,805	629,805
Total financial assets			13,229,724	44,026,695	30,037,317	5,389,281	92,683,017
Liabilities							
Members' deposits	2.5%-4.5%		62,259,784	9,569,322	-	867,596	72,696,702
Other liabilities			-	-	-	2,041,476	2,041,476
Total financial liabilities			62,259,784	9,569,322	-	2,909,072	74,738,178
Total interest repricing gap		$	(49,030,060)	34,457,373	30,037,317	2,480,209	17,944,839

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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, 2020

	Interest rate%		Up to1 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

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's exposure to cash flow interest rate risk on its investments is limited as it has no variable rate financial instruments.

The cash flow interest rate risk arises from loans and advances from customers, and other interest bearing assets at fixed rates. If at December 31, 2021 interest rates on loans to customers and other interest bearing assets had been at 1% higher/lower, with all other variables held at constant, profit for the year would have been $936,072 higher/lower (2020: $350,098), mainly as a result of higher/lower interest income. Cash flow interest rate risk also arises from customer deposits at fixed interest rates. If at December 31, 2021 interest rates on customer deposits had been 1% higher/lower , with all other variables held constant, profit for the year would have been $630,407 higher/lower (2020: $493,407), mainly as a result of higher/lower interest expense.

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	
		2021	**2020**	**2021**	**2020**
Financial assets					
Cash and cash equivalents	$	11,610,135	7,408,298	11,610,135	7,408,298
Investment securities:					
- Financial assets at amortised costs		3,000,000	2,132,113	3,000,000	2,132,113
Loans		77,222,926	65,119,908	77,222,926	65,119,908
Other receivables		629,805	388,888	629,805	388,888
	$	92,462,866	75,049,207	92,462,866	75,049,207
Financial liabilities					
Members' deposits		72,696,702	58,997,325	72,696,702	58,997,325
Other liabilities		2,041,476	602,028	2,041,476	602,028
	$	74,738,178	59,599,353	74,738,178	59,599,353

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, 2021 and December 31, 2020.

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, 2021					
Financial assets					
Financial assets at fair value through other comprehensive income	$	170,000	-	50,100	220,100

		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

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, 2021 and December 31, 2020.

		Level 1	Level 2	Level 3	Total
December 31, 2021					
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, 2020					
Property and equipment					
Land and building	$	-	2,264,256	-	2,264,256
	$	-	2,264,256	-	2,264,256

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	2021 %	2020 %
1.	Net Loans/Total Assets	70% to 80%	79%	83%
2.	Institutional Capital/Total Assets	10% minimum	11%	14%
3.	Total Delinquency/Total Loans	5% maximum	2.8%	4%

9. **Cash and cash equivalents:**

		2021	2020
Cash on hand	$	543,984	598,839
Cash at other credit unions		8,312,287	5,335,267
Cash at Banks		2,753,864	1,474,192
Total cash and cash equivalents	$	11,610,135	7,408,298

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10. **Loans to members:**

		2021	2020
Consumer	$	69,693,144	57,446,956
Business		7,076,885	8,117,763
		76,770,029	65,564,719
Interest receivable		1,470,186	934,093
		78,240,215	66,498,812
Allowance for impairment		(1,017,238)	(1,378,904)
Total loans to members	$	77,222,977	65,119,908
Current	$	2,008,409	3,105,553
Non-current		75,214,568	62,014,355
	$	77,222,977	65,119,908

As at December 31, 2021, interest rates charged on loans range from 5.5% to 29.0% (2020: 7% to 29%). The weighted average effective interest rate on productive loans to members at amortised cost as at December 31, 2021 is 13.3% (2020: 13.5%).

Provision for loan losses

		2021	2020
Balance at beginning of year	$	1,378,904	871,312
Loans written off		(1,247,723)	(1,043,546)
Provision for the year		886,057	1,551,138
Balance at end of the year	$	1,017,238	1,378,904

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, 2021, the provision for credit losses in accordance with the PEARLS methodology amounted to $663,539 (2020: $1,088,292).

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11. **Investment securities:**

		2021	2020
Financial assets at fair value through other comprehensive income (FVTOCI)			
Quoted equity securities			
Bank of Nevis Limited 20,000 ordinary shares at $3.50 each (2020: $3.75 each)	$	70,000	75,000
S L Horsford & Company Limited 50,000 ordinary shares at $2.00 each (2020: $2.00 each)		100,000	100,000
Total quoted equity securities		170,000	175,000
Unquoted equity securities			
Nevis Co-operative Credit Union Limited 50,000 permanent shares at cost at $1.00 each (2020: $1.00)		50,000	50,000
St. Kitts Co-operative Credit Union Limited 20 permanent shares at cost at $5.00 each (2020: $5.00)		100	100
Total unquoted equity securities		50,100	50,100
Total financial assets at fair value through other Comprehensive Income (FVTOCI)		220,100	225,100
Financial assets at Amortised cost			
St. Kitts Co-operative Credit Union Term deposit maturing December 26, 2022 with interest rate of 3.00%		3,000,000	-
Nevis Co-operative Credit Union Limited Term deposit maturing November 30, 2021 with interest rate of 3.25%		-	2,132,113

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

		2021	2020
Total financial assets at amortised cost		3,000,000	2,132,113
Total investment securities		3,220,100	2,357,213
Interest and dividends receivables		-	11,918
Balance at end of year	$	3,220,100	2,369,131
Current	$	3,000,000	2,144,031
Non-current		220,100	225,100
	$	3,220,100	2,369,131

12. **Other assets:**

		2021	2020
Prepayments	$	358,795	137,719
Other receivables		629,805	388,888
Total other assets	$	988,600	526,607

(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 Assets	Total
Cost:									
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
Disposals		-	-	-	-	-	-	-	-
At December 31, 2020		2,264,256	134,297	921,398	468,751	213,490	230,071	449,585	4,681,848
Additions		-	5,335	71,215	43,947	-	863,379	685,217	1,669,093
Disposals		-	-	(15,327)	-	-	-	-	(15,327)
At December 31, 2021	$	2,264,256	139,632	977,286	512,698	213,490	1,093,450	1,134,802	6,335,614
Accumulated depreciation:									
Balance at December 31, 2019	$	48,215	76,266	529,062	238,607	130,263	-	152,613	1,175,026
Charge for the year		55,260	13,429	129,986	38,444	22,698	-	154,315	414,132
Write-back on disposals		-	-	-	-	-	-	-	-
At December 31, 2020		103,475	89,695	659,048	277,051	152,961	-	306,928	1,589,158
Charge for the year		55,241	5,514	130,534	45,969	22,698	-	112,581	372,537
Write-back on disposals		-	-	(9,770)	-	-	-	-	(9,770)
At December 31, 2021	$	158,716	95,209	779,812	323,020	175,659	-	419,509	1,951,925
Net book value:									
At December 31, 2021	$	2,105,540	44,423	197,474	189,678	37,831	1,093,450	715,293	4,383,689
At December 31, 2020	$	2,160,781	44,602	262,350	191,700	60,529	230,071	142,657	3,092,690

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14. **Intangible Assets:**

		Computer Software
Cost:		
As at December 31, 2019	$	655,181
Additions		67,286
Disposals		-
As at December 31, 2020		722,467
Additions		-
Disposals		-
As at December 31, 2021	$	722,467
Accumulated amortisation:		
As at December 31, 2019	$	245,118
Charge for the year		104,185
Disposals		-
As at December 31, 2020		349,303
Charge for the year		106,125
Disposals		-
As at December 31, 2021	$	455,428
Carrying Values		
As at December 31, 2021	$	267,039
As at December 31, 2020	$	373,164

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15. **Members' Deposits:**

		2021	2020
Savings deposits	$	32,904,091	33,254,729
Time deposits		33,662,631	21,797,627
		66,566,722	55,052,356
Chequing accounts		5,262,384	3,573,770
Interest payable		867,596	371,199
Total members' deposits	$	72,696,702	58,997,325
Current	$	63,127,380	46,004,917
Non-current		9,569,322	12,992,408
	$	72,696,702	58,997,325

These deposits have various maturity profiles with interest rates varying from 2.5% to 4.5% (2020: 2.5% to 4%).

16. **Other liabilities:**

		2021	2020
Lease liability	$	664,605	143,665
Audit fees		27,100	40,000
Statutory contributions		23,317	48,382
Bills of sale		38,603	32,549
Other payables		1,287,851	337,432
Total accounts payable and other liabilities	$	2,041,476	602,028
Current	$	1,514,653	602,028
Non-current		526,823	-
	$	2,041,476	602,028

17. **Member shares:**

		2021	2020
Balance at the beginning of the year	$	8,385,195	5,419,085
Issued during the year		2,013,315	2,966,110
Balance at end of year	$	10,398,510	8,385,195

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

		2021	2020
Statutory reserve fund	$	3,218,092	3,218,092
Development fund		12,620	7,620
Total	$	3,230,712	3,225,712

(a) Statutory reserve

		2021	2020
Balance at beginning of year	$	3,218,092	3,218,092
Transfer from retained earnings – entrance fees		11,680	12,550
Transfer to Special Capital Reserve		(11,680)	(12,550)
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 2021, the Credit Union’s Statutory Reserves and other institutional Reserves exceeded ten percent (10%) of total assets.

(b) **Development Fund:**

		2021	2020
Fund balance	$	12,620	7,620

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.

19. **Other reserves:**

		Revaluation Reserve: Property	Special Capital Reserve	Revaluation Reserve: Investments	Total
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
Transfer from Statutory Reserve Fund		-	11,680	-	11,680
Unrealised loss on quoted equity securities		-	-	(5,000)	(5,000)
Balance at December 31, 2021	$	1,125,278	1,229,413	20,000	2,374,691

(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.

20. **Capital-based grant:**

		2021	2020
Balance at beginning of year	$	94,984	107,257
Amortization of grant		(12,273)	(12,273
Total	$	82,711	94,984

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

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

21. **Other Interest Income:**

		2021	2020
Investment securities	$	4,412	79,762
Savings account		225,900	34,074
Total interest income	$	230,312	113,836

22. **Interest Expense:**

		2021	2020
Savings deposits	$	785,875	586,528
Time deposits		1,114,415	554,271
Total interest expense	$	1,900,290	1,140,799

23. **Other Income:**

		2021	2020
Fees	$	547,983	887,749
Bad debt recoveries		241,805	251,357
Miscellaneous		104,521	40,191
Total other income	$	894,309	1,179,297

(Expressed in Eastern Caribbean Dollars)

24. **Staff costs:**

		2021	2020
Salaries, wages and incentives	$	1,818,876	1,729,556
Statutory contributions		131,352	130,470
Other staff benefits		92,864	116,343
Group insurance		109,713	67,962
Pension costs		34,432	62,107
	$	2,187,237	2,106,438

25. **General and administrative expenses:**

		2021	2020
MIS support	$	379,065	228,138
Telecommunication expenses		199,318	196,203
Professional fees		93,244	55,491
Travel expenses		90,581	73,451
Entertainment and appreciation		90,575	71,915
Stationery and office supplies		77,226	80,797
Electricity and water		75,917	78,234
Insurance		73,403	59,267
Security services		59,868	56,534
Affiliation dues		58,200	56,957
Training, meetings and conventions		47,755	60,399
Equipment maintenance		46,057	76,880
Office maintenance		44,857	17,168
Office Rent		42,350	-
Audit fees and expense		40,000	40,000
Vehicle expense		37,784	17,504
Annual General Meeting		20,906	11,858
Office consumables		15,706	19,669
Credit card charges		10,605	30,038
Storage		9,865	8,843
Impairment loss		5,557	-
Postage		1,997	770
Periodical and subscriptions		408	3,850
Miscellaneous		3,256	1,670
Total general and administrative expenses	$	1,524,500	1,245,636

(Expressed in Eastern Caribbean Dollars)

26. **Depreciation and amortisation:**

		2021	2020
Depreciation	$	372,537	414,132
Amortisation – software costs		106,125	104,185
Amortisation credit		(12,273)	(12,274)
Total depreciation and amortisation	$	466,389	506,043

27. **Marketing and promotion expense:**

		2021	2020
Advertising and promotion	$	179,807	260,627
Donation and sponsorship		75,645	18,746
Total marketing and promotion expense	$	255,452	279,373

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	
		2021	**2020**	**2021**	**2020**
Board of Directors	$	-	57,006	665,564	308,969
Credit Committee		53,659	113,614	180,036	179,750
Supervisory Committee		85,189	101,021	574,362	390,968
Key Management Personnel		66,128	-	207,509	558,477
Total related party balances	$	204,976	271,641	1,627,471	1,438,164

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.

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

Related party transactions *(cont'd)*

		2021	2020
Interest income on loans	$	34,213	38,850
Interest expense on deposits		45,129	24,456

Remuneration of Key Management Personnel

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

		2021	2020
Salaries and allowances	$	771,591	868,879
Other staff costs		251,483	196,410
	$	1,023,074	1,065,289

30. **Commitments:**

Capital commitments

There were no capital commitments at December 31, 2021 (2020: nil)

31. **Dividends:**

At the 12th Annual General Meeting of the Credit Union, held on August 26, 2021 the Board of Directors recommended, and the members approved a dividend of 6% in respect of year ended December 31, 2020 (2019: 6%).

32. **Covid Impact:**

First Federal Credit Union like other financial institutions, developed a Covid-19 financial relief plan in response to the economic hardship experienced by members as a result of the Covid-19 pandemic and the resultant massive retrenchment in employment across the global and local economy. 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.

32. **Covid Impact:** *(cont'd)*

Further, since then, Fist Federal Co-operative Credit Union has taken the decision to reduce the loans portfolio's concentration in members working in the tourism sector, which resulted in the delinquency rate in that sector declining from 2.39% in 2020 to 0.6% in 2021.

First Federal continues to focus on improving internal processes, monitoring liquidity and credit trends and put policies in place that would address easing measures for moratoria on loan repayment, while ensuring the needs of our members are put first.

The lingering effect of COVID-19 felt globally, continues to affect the economic outlook with new waves of COVID-19 infections, rising inflation and lingering supply-chain challenges. Economic indicators predict, St Kitts and Nevis and the OECS, slowly returning to the economic conditions that existed before the Covid-19 pandemic no sooner than 2023. We continue to monitor the economic conditions that will inform our future decision making.

Although trade and travel have resumed, economies are not projected to recover sooner than 2023. The economic impact has been extensive and there is still much uncertainty as the coronavirus continues to be a threat with second and even third waves of infection being experienced in many countries. First Federal will maintain its focus on its key performance indicators with particular attention to the PEARL Ratios.