



THEME



RESET

The theme for this year's report signals our consistent commitment to making financial success first nature. We choose to **RE-EVALUATE** our approach to ensure we remain relevant to our members' needs. We will continue to **EVOLVE** to grasp the opportunities while being ever mindful of the need to create the right internal environment and adapt to the external environment for a win/win outcome. We will **STRENGTHEN** our base resiliency through the diligent and consistent application of our core principles and service delivery in order to **ENCOURAGE** wealth creation fostering the financial growth of a community of members, promoting thrift and designing custom tailored products. We see this as our pathway to effectively **TRANSITION** to the post pandemic reality, and emerge with our sights firmly **RESET** on the future.

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Corporate Information

St. Kitts Branch and Head Office

Bladen Commercial Development Wellington Road Basseterre, St. Kitts

☎ 869 466 FIRST (3477)

☎ 869 465 9187

@ info@firstfederalcreditunion.com

f @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 8868
Fax: 268 462 8808

BANKERS

The Bank of Nevis Limited
Republic Bank (EC) Limited
St. Kitts-Nevis Anguilla National Bank
CIBC First Caribbean International Bank

SOLICITORS/ATTORNEYS

Hobson-Newman & Amritt, Attorneys-at-Law & Notary Public
Law Offices of Sylvester Anthony
Hector Nisbett Law

Notice of Meeting

Dear Member,

Notice is hereby given that the fourteenth (14th) Annual General Meeting of the members of First Federal Co-operative Credit Union Ltd will be held at the CUNA Conference Centre, Caribbean Confederation of Credit Unions on Thursday, 25th May 2023, at 5:00 p.m. for the following purposes:

1. To read and confirm the Minutes of the 13th Annual General Meeting held on 25th April 2022.
2. To consider matters arising from the Minutes.
3. To receive and adopt the Report of the Board of Directors.
4. To receive and adopt the Auditors' Report and Audited Financial Statements.
5. To receive and adopt the Treasurer's Report.
6. To receive and adopt the Credit Committee's Report.
7. To receive and adopt the Supervisory and Compliance Committee's Report.
8. To receive and adopt the Nominating Committee's Report.
9. To declare and adopt a dividend.
10. To elect Directors and Committee Members.
11. To reconfirm the appointment of the Auditors for the year ending 31st December 2023.
12. To adopt Resolutions for the Setting of Maximum Liability
13. To discuss any other business.



Sean Lawrence
Secretary

28th April 2023

Financial Highlights

Permanent Shares

\$12.3m

+18.48%

Growth

Operation Expenses

\$6.37m

+17%

Growth

Loan Interest Income

\$9.34m

+12.85%

Growth

Membership

8,242

+17.56%

Growth

Assets

\$120m

+23.3%

Growth

Cash & Investments

\$29.4m

+98.5%

Growth

Equity

\$25.8m

+13.87%

Growth

Institutional Capital

\$12.2m

+8.46%

Growth

Standing Orders

1. A member may only address the meeting through the Chairperson and must stand if in person or raise his/her virtual 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 if in person or lower his/her virtual hand if on the virtual platform.
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.

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.

Minutes of the 13th Annual General Meeting

**HELD at the CUNA Caribbean Conference Room and virtually via the zoom platform
on 25th April 2022**

1. Call to Order,

Ms. Dawne Williams, Chair of the proceedings, called the meeting to order at 5:10 PM

2. National Anthem

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

3. Invocation

Mr. Francil Morris led the attendees in prayer followed by the reciting of the Credit Union Prayer, led by Chair, Ms. Dawne Williams.

4. Ascertainment of a Quorum and Apologies for Absence

Mrs. Kjellin Rawlins Elliott, Registrar of Credit Unions confirmed a quorum was established.

A moment of silence was observed for deceased members and the passing of His Excellency Vance Amory.

Ms. Williams proceeded to provide the meeting rules and administration matters, delivered opening remarks, welcomed all present and gave an outline of the institution's progress from 2009 to the present. She expressed confidence in the continued success of the credit union. President and Board, Credit Committee Chair and members, Chair of the Supervisory and Compliance Committee were invited to stand and be acknowledged.

5. Confirmation of Minutes of the 12th Annual General Meeting

The minutes were confirmed on a motion moved by Ms. Camilia Williams, seconded by Mr. Clyde Christopher. The motion was carried.

6. Matters Arising

There were no matters arising.

7. Reports and Adoptions

7.1 Board of Directors' Report

In a pre-recorded presentation, President Howard McEachrane summarized the Board of Directors' Report details of which were set out in the circulated 2021 Annual Report. Highlights of his presentation included:

- First Federal Cooperative Credit Union's (FFCCU) corporate and social responsibility activities
- FFCCU's corporate governance practices
- Financial highlights
- FFCCU's risk and compliance policies
- Staff training activities
- Support to member borrowers

Mr. McEachrane expressed appreciation for the dedication and commitment of staff, volunteers and members which he opined, contributed substantially to the credit union's growth and success.

7.2 Auditors' Report and Audited Financial Statements

Presented by Ms. Raquel Glynn as printed in the 2021 Annual Report.

7.3 Chief Executive Officer's Presentation

The Chief Executive Officer, Mr. Terrence Crossman, presented the 2021 Year in Review under the theme, "A Blueprint for Success".

Mr. Crossman reminded members that the 3-year strategic action plan was built on four pillars – Financial Acuity, Member Focus, Internal Processes and Learning & Growth.

He provided highlights of the credit union's achievements under the four pillars:

- **Financial Acuity**
 - o Assets growth, loans growth, permanent shares growth and deposits growth.
 - o The increased profitability, underlined by a net movement of income over expenses of \$1,799,333. This was supported by the presentation of key financial data.
- **Member Focus**
 - o Mr. Crossman stated that the institution was on track to achieve its stated goal of 8,000 members by 2022.
 - o Corporate social responsibility activities and new products introduced during the year under review were also highlighted.
- **Internal Processes**
 - o Improvements in key operational areas of the organization were highlighted.
- **Learning & Growth**
 - o Internal staff training initiatives such as AML/CFT training and credit card training.

Mr. Crossman concluded by informing members that the full-service downtown branch opened on 14 February 2022.

7.4 Treasurer's Report

In a pre-recorded presentation, Mr. Glenn Quinlan presented a summary of the 2021 Treasurer's Report. The detailed report was included in the 2021 Annual report which was previously circulated. Key highlights included:

- Membership increased by 16.81% over the previous year.
- Total assets increased by 23.83% over the previous year.
- Total Loans showed an increase of 18.59%
- Total deposits increased by 23.22%.
- Cash & Investments increased by 51.72% over the previous year.
- Permanent shares increased by 24.01%.
- Net profit increased by 197.65%
- Delinquencies were reduced by 26.56% compared to the previous year.

Mr. Quinlan concluded by saying that efforts were being made to minimize risk and reduce any negative fiscal impact on the institution by responsibly growing the assets.

7.5 Credit Committee's Report

In a pre-recorded presentation, Ms. Lornette Queeley summarized the Credit Committee's Report, which is set out in detail in the 2021 annual report.

Ms. Queeley presented an overview of the Credit Union's financial performance and highlighted the decline in the delinquency ratio from 3.84 per cent in 2020 to 2.82 per cent in the year under review.

Ms. Queeley also gave a synopsis of the credit portfolio and the value of loans approved annually from 2017 to 2021.

She concluded by expressing appreciation for the dedication of the staff, management and the Supervisory and Compliance Committee during the year under review.

7.6 Supervisory Committee's Report

Mrs. Jessica Ferdinand Phipps presented the Supervisory and Compliance Committee's report. She gave an overview of the committee's role and outlined its duties and functions.

She also informed members of the meetings held by the committee and of its participation in meetings of the Board of Directors and of joint meetings with the Credit Committee and management.

Mrs. Ferdinand Phipps concluded by urging management to ensure that the current growth and expansion path is appropriately accompanied by prudent risk management policies and best practices.

A spirited question-and-answer period followed during which members asked questions, made comments and offered suggestions.

- Mr. Samuel Lawrence suggested that 2023 calendars should be made available to members. He also opined that the institution should acquire National Bank shares and suggested an employee of the year award.
- Mr. Melvin Edwards commended management on the year's performance and commended the CEO and Treasurer for referencing the PEARLS standard. He asked what efforts were being made to recover delinquent and written off loans. Mr. Edwards also sought clarification of the insurance expense and asked what ratio of deposits were held by non-members. He also recommended that the institution effect insurance for members and their savings.
- Mr. Cremoy Agard asked:
 - o Why was there a reduction in pension costs?
 - o What impact was the loan moratorium expected to have upon its cessation?
 - o What was the status of the ATMs?
 - o Why was there an increase in professional fees

Mr Agard also suggested that the performance by branch figures should be broken out in the annual report.

- Mr. Cyril Frederick commended the turnaround in the institution's performance which he described as "incomparable". He said that the support and assistance provided by the credit union was "amazing" and he recognized the efforts made to support the small members. Mr. Frederick added that relationship-building in the institution was superb, and he knew the staff by name. He continued by opining that the employees appeared happy, and urged attendees to join him in commending diligent staff and not just "focus on stats". He emphasized that positive developments should be commended.

Ms. Markysa O'Loughlin responded to all questions, suggestions and comments to the general satisfaction of the members.

A motion from the floor to accept the reports as presented was moved by Adora Warner virtually and seconded virtually by Marlyn Bidder.

8. Declaration of Dividend

The Treasurer Mr. Glenn Quinlan informed members that the directors proposed a dividend of seven per cent (7%). A motion for its acceptance was moved by Mr. Samuel Lawrence, seconded virtually by Mr. Melvin Edwards. The motion was carried.

9. Setting of Maximum Liability

The Treasurer 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 Mr. Shervin White, seconded by Mr. Samuel James. The motion was carried.

10. Appointment of Auditors

Ms. Williams invited a motion for the re-appointment of BDO as external auditors for the 2021 financial year, as recommended by the Board of Directors. The motion was moved by virtually Ms. Pauline Duporte, seconded virtually by Mr. Cyril Frederick. 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. Jamir Claxton was retiring from the Board of Directors. Messrs. Michael Martin, Faron Lawrence, Trevor Cornelius and Sean Lawrence were up for re-election to the board of directors. Ms. Dian Hanley was being nominated to join the Board of Directors; and
- Ms. Lornette Queeley was up for re-election to the Credit Committee.

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

Ms. Williams invited a motion for the acceptance of the Nominating Committee's report. A motion was moved virtually by Mr. Cyril Frederick, seconded by Mrs. Jessica Ferdinand Phipps. The motion was carried.

12. Election of Officers

Mrs. Kjellin Rawlins Elliott conducted the election of officers for the ensuing year. There being no other nominations, a motion for the confirmation of all nominees was moved virtually by Mr. Sanjay Caines, seconded by Mr. Clyde Christopher. The motion was carried.

13. Any Other Business

There was no other business.

14. Adjournment

President McEachrane gave brief closing remarks and Ms. Williams gave a brief vote of thanks followed by a presentation to Mr. Jamir Claxton in recognition of his six years of service to the credit union. Thereafter, she invited a motion for adjournment.

A motion was moved virtually by Ms. Pauline Duporte, seconded by Mr. Clyde Christopher. The motion was carried, and the meeting ended at 6:35 PM.



Michael M. Martin
Secretary

5-YEAR OPERATING HIGHLIGHTS 2018-2022

5-YEAR OPERATING HIGHLIGHTS 2018-2022						2022/2021	
	2018	2019	2020	2021	2022	YEAR GROWTH	%
MEMBERSHIP							
MEMBERSHIP	3591	4709	6002	7011	8242	1231	18%
CREDIT FACILITIES							
NEW LOANS DISBURSED	1099	1,254	1,632	1928	1410	-518	-27%
VALUE OF LOANS DISBURSED	\$16,074,168	\$31,450,899	\$52,460,632	\$46,464,957	\$38,244,498	-8,220,459	-18%
NEW CREDIT CARDS ISSUED	—	—	—	226	649	423	187%
VALUE OF CREDIT LIMITS	—	—	—	\$1,493,650	\$3,737,186	2,243,536	150%
DELINQUENCY	6.90%	4.25%	3.84%	2.82%	2.33%	-0.49%	-17%
CREDIT PORTFOLIO BALANCE	\$27,892,167	\$42,323,124	\$65,119,908	\$77,222,977	\$85,337,775	8,114,798	11%
TOTAL ASSETS	\$41,393,008	\$53,991,336	\$78,889,798	\$97,692,540	\$120,455,816	22,763,276	23%
LIABILITIES							
SAVINGS	\$14,516,450	\$21,745,920	\$33,254,729	\$32,904,091	\$40,374,228	\$7,470,137	23%
TERM DEPOSITS	\$7,653,844	\$11,677,818	\$21,797,627	\$33,662,631	\$44,713,660	\$11,051,029	33%
TOTAL DEPOSITS	\$26,502,757	\$37,508,051	\$58,997,325	\$72,696,702	\$93,356,101	\$20,659,399	28%
PERMANENT SHARES	\$4,252,940	\$5,419,085	\$8,385,195	\$10,398,510	\$12,320,029	\$1,921,519	18%
EXPENSES							
INTEREST PAID ON MEMBERS' SAVINGS	\$537,064	\$734,379	\$1,140,799	\$1,900,290	\$2,433,643	\$533,353	28%
NON-INTEREST EXPENSE	\$2,802,297	\$3,206,057	\$4,616,358	\$3,542,643	\$3,943,528	\$400,885	11%
OPERATING EXPENSES	\$3,339,361	\$3,940,436	\$5,757,157	\$5,442,933	\$6,377,171	\$934,238	17%
INCOME							
OPERATING INCOME	\$1,041,835	\$1,277,580	\$1,830,713	\$3,958,787	\$4,051,263	\$92,476	2%
PROVISION	\$745,648	\$252,075	\$1,551,138	\$886,057	\$595,584	\$(290,473)	-33%
NET INCOME	\$504,771	\$543,201	\$689,914	\$2,053,497	\$1,622,620	\$(430,877)	-21%
DIVIDENDS							
DIVIDENDS PAID	\$226,268	\$299,239	\$279,806	\$390,622	\$669,856	279,234	71%

Rewarding Excellence

Earl was an outlier in all areas of performance - Most outstanding loan sales, error free files and always punctual and present. He is committed and dedicated and always goes above and beyond to ensure service excellence on all fronts. Highly recognized and complimented by members for his service excellence and recognized by First Federal for constantly and consistently upholding the "First" in service standards.

Earl Lecointe | Employee of the Year



FIRST FEDERAL CREDIT UNION

PEARLS RATIOS 2019-2022

PEARLS RATIOS	Standard	RATINGS					DEC-19		DEC-20		DEC-21		DEC-22		
		1	2	3	4	5	PEARLS RATIO	PEARLS RATIO	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	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	31.69%	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	70.64%	1	
Savings Deposits/Total Assets	80%	100%-70%	69%-60%	59%-50%	49%-40%	<40%	69.47%	2	74.32%	1	73.53%	1	76.63%	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	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	12.40%	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	2.33%	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	8.42%	3	
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	5.18%	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	1.45%	2	
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	28.88%	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	23.30%	1	
							AVERAGE RATING	1.58	AVERAGE RATING	1.75	AVERAGE RATING	1.42	AVERAGE RATING	1.42	



**We will continue
to positively
impact the lives
of our citizens,
individually and
collectively...”**

Directors' Report

For the year ended 31 December 2022

INTRODUCTION

The Board of Directors is pleased to report on the continuous growth and development of your Credit Union through productive, competitive, and well-managed resources and another year of satisfactory results.

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.

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

- Nevis Department of Agriculture Food Fair
- Culturama Committee
- Royal Rampage Troupe (Culturama)
- Baadaye Troupe (Culturama)
- Richards Promotion - 5 in 1 Fete
- SKN Athletics (official corporate sponsor)
- SKN Netball (official corporate sponsor)
- Tucker Clarke Primary School Spelling Bee Competition
- Seventh Day Adventist School Graduation- Valedictorian Award
- Chattabox J'ouvert (Sugar Mas)
- DFX Carnival Troupe (Sugar Mas)
- Ultra Carnival Troupe (Sugar Mas)
- Luxe Carnival Troupe (Sugar Mas)
- Xplosion J'ouvert Troupe (Sugar Mas)
- Reach for Recovery Breast Cancer Support Group - 20th Anniversary- GLOW Parade
- Essence of Hope Breast Cancer Foundation- I CANservice Fundraiser Cocktail
- SKN Lupus Hope Foundation
- SKN Bar Association- Law Week
- Skills Football Academy
- Department of Co-operatives - Co-operatives Quiz
- Department of Social and Community Development- Elderly Cooking Show
- CFBC Internship Program
- Department of Youth- Youth Empowerment Camp
- Capisterre Project Development Committee- Fishing Tournament



We will continue 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 is fully engaged in ensuring satisfactory programmes that recognize the vital necessity of good governance practices in complying with legislation and modern measures for efficient management of our financial institution. The Board and Committees meet regularly to review, plan, and implement policies and procedures including internal controls, staff training and competence, record keeping and due responsibilities to all stakeholders.

DIRECTOR'S ATTENDANCE REPORT

NAME	POSITION	ATTENDANCE	PERCENTAGE
HOWARD MCEACHRANE	PRESIDENT	11/12	92%
DAWNE WILLIAMS*	VICE PRESIDENT	10/10	100%
MICHAEL MARTIN**	SECRETARY	10/12	83%
CLYDE RICHARDSON	ASSISTANT SECRETARY	11/12	92%
GLENN QUINLAN	TREASURER	10/12	83%
FARON LAWRENCE	ASSISTANT TREASURER	10/12	83%
JAMIR CLAXTON***	DIRECTOR	3/3	100%
SEAN LAWRENCE	DIRECTOR	8/12	67%
TREVOR CORNELIUS	DIRECTOR	10/12	83%
DIAN HANLEY****	DIRECTOR	8/8	100%
VICTOR WILLIAMS*****	DIRECTOR	2/2	100%

*Ms. Dawne Williams resigned from the Board effective October 2022

** Mr. Michael Martin resigned from the Board of Directors effective December 31, 2022

***Mr. Jamir Claxton served his two three-year terms and retired from the Board of Directors at the AGM on April 26, 2022

****Ms. Dian Hanley was elected to the Board of Directors at the AGM on April 26, 2022

*****Mr. Victor Williams joined the Board of Directors on November 16, 2022 as replacement for Ms. Dawne Williams and his position is presented to this AGM for ratification.

My Future in Clear Sight

It's been over a decade since First Federal gave me my business loan to start my garbage disposal business. I remember it like it was yesterday. I tell everyone they treat you like family.

Elvin Douglas



FINANCIAL

Our key performance indicators show that compared to 2021, First Federal experienced further growth in 2022. Assets grew to \$120,455,816, an increase of \$22,763,276, and our loans portfolio grew by \$8,114,798 to reach \$85,337,775. In 2022 we onboarded 1,231 new members, bringing our total membership to 8,242, new loans granted 1,410 and 649 new credit cards issued. Permanent shares increased by \$1,921,519, and deposits grew by \$20,659,399. Our net income for the year totaled \$1,622,620. This performance is a great launch pad for future growth.

RISK AND COMPLIANCE

The Board constantly reviews and assesses risk exposures and all aspects of requisite compliance with laws and regulations with full transparency and accountability while maintaining best standards of operations focusing on customer service and attractive product offerings. Two of our managers received their Anti Money Laundering Specialist Certification (ACAMS), a recognized professional designation for Risk and Compliance practitioners. Both managers held the position of Risk and Compliance Manager at different times within the year.

TRAINING	PARTICIPANTS	FACILITATOR	DATE
Introduction to Data Analysis Tools	Janesha Heyliger- Harville Fyfield Latoya Edmeade- Shiane Francis	UWI Open Campus	March 7-9 2022
Enterprise Risk Management Workshop	Cerene Esdaille-Henry	St. Kitts & Nevis National Co-operative League Ltd. & The Caribbean Confederation of Credit Unions	April 6 2022
Annual Administrative Professional Week Training Seminar	Shonica Willett Louvanna Brookes	National Association of Administrative Professionals	April 27 2022
Loan Securities and Collateral Training	Credit Department Karista Dunrod Shonica Willett	Jennifer Clarke	May 17 2022
Credit Card Training	Member Services Department	Markysa O'Loughlin	May 17 2022
Business Writing	Operations Support	Delcia Bradley-King	Jun 21 2022
Compliance Training	Credit Department	Sonja Fyfield-Hazel	Jun 21 2022
Credit Card Training	Member Services Department	Markysa O'Loughlin	July 19 2022
Loan Pipeline Sales	Credit Department	Markysa O'Loughlin	July 19 2022
Credit Card Sales Calls	Member Services Department	Delcia Bradley-King	July 19 2022
Compliance Training	Operations Support Accounts Louvanna Brookes Jacqueline Henville Janesha Heyliger Marvelyn Emmanuel	Cerene Esdaille-Henry	August 23 2022
Conversational Spanish for the Banking environment	All Staff	Johan Kelly-Samuel	September 8 2022
4Cs Dispute Management Training	All Staff	Tanasha Lawrence	September 2022
CARIBDE	Akilah Simmonds		September 13 2022
ATM Card Refresher	Member Services Operations Support	Sarafina Osborne	September 20 2022

TRAINING	PARTICIPANTS	FACILITATOR	DATE
ACAMS	Cerene Esdaille-Henry Sonja Fyfield Hazel	CAMS	September 22 2022
4Cs Fraud Management Training	All Staff	Odessa Huggins	September 29 2022
4Cs Master Card Dispute Resolution Training	All Staff	Tanasha Lawrence	November 25 2022
New Employee Orientation	Michelle Hutchinson Kevanique Stevens Tiquana Proctor	Managers	December 22 2022
Anti-Money Laundering, Corporate Governance Strat- egy, Enterprise Risk Manage- ment	Management Team Board of Directors Supervisory & Compliance Commit- tee Credit Committee	Wendell Lawrence Shauna Lake	December 22 2022

INFORMATION TECHNOLOGY AND SECURITY SYSTEMS

Swift, accurate and secure transactions and information are vital to the operations of financial institutions. As your credit union grows and offers more digitalized service the dependence on technology increases. We are pleased to report that we have strengthened our in-house capacity in this crucial area with the hiring of a qualified, experienced, and competent Information Technology (IT) executive in the person of Mr. Alden Isaac who recently joined our executive leadership team.

SUPPORT TO MEMBER BORROWERS

Support continued to our member borrowers who were drastically impacted by the COVID pandemic. We are pleased to report progressive recoveries as we strive to see the end of this very difficult period.

Land for Life

Even though I have only been a member for one year, my land loan was a life changer. My friend referred me and I must say the service has been excellent.

Shaylyn Gibson



ACKNOWLEDGMENTS

The Board takes the opportunity to express profound appreciation for the continued support of our members' strong contributions to our deposit and credit portfolios.

We extend thanks and best wishes to our immediate past CEO Mr. Terrence Crossman for his dedication and successful tenure of office and offer our best wishes for the future.

The Board is pleased to welcome our new CEO, Ms. Dawne Williams, a qualified, experienced, dedicated and well respected senior financial executive who has taken over seamlessly and has already commenced in-house training for all staff and greater interactions with members.

We also value the contributions of all our volunteers on the Board and Committees, in particular, those who are leaving us this year. While we look forward to welcoming their replacements these volunteers brought considerable experience and expertise to the significant benefit of our Credit Union.

Our Management and staff are tasked with carrying out all operations successfully every day, building on their technical and interpersonal skills towards achieving our goals of confidentiality, and successful results.

For and on behalf of the Board of Directors



Howard McEachrane

President

Board of Directors



Dian Hanley | Director
Nevis

Howard McEachrane | President
St. Kitts

Clyde Richardson | Vice Treasurer/Secretary
St. Kitts

Trevor Cornelius | Director
Nevis

Sean Lawrence | Secretary
St. Kitts



Victor Williams | Director
St. Kitts

Faron Lawrence | Vice President
St. Kitts

Glenn Quinlan | Treasurer
St. Kitts

CEO's Address to the AGM



“The results tell the story and the notes and analysis that follow explain the story, yes we survived and made a profit.”

Good Afternoon all, welcome!

Embracing Life means embracing change!

Today as part owner and Chief Executive Officer of First Federal Co-operative Credit Union, our Credit Union, I am delighted to bring you greetings on this the 14th Annual General Meeting.

This meeting comes on the heels of one of the most significant changes experienced in our lifetime! The world closed down and forced us to view life from a whole new perspective.

As we move forward, glimpses of the immediate past will remind us that we are a people of utmost strength, resilience, and foresight! We know and understand how to pick up what's left, RESET and move forward stronger!

At this AGM we reflect on the financial year 2022, where the results tell the story and the notes and analysis that follow explain the story, yes we survived and made a profit. Thanks to the members who grasped the moratorium opportunity, but once they were out to work again, continued to honour their financial obligations to our Credit Union, and thanks also to those who continue to demonstrate their confidence in us by doing both their deposit and borrowing business within their First Federal community. We Appreciate your business but most of all we appreciate you!

What were the major lessons learnt by us as a Credit Union in 2022?

1. That change of events provide opportunities to Re-evaluate our market position.
2. That change is constant, consistent, and perpetual, so we must Evolve to face whatever comes our way!
3. That being resilient is the key to success, so we must Strengthen for enhanced resilience.

4. That we must engage our members and Encourage Wealth Creation! save and be prepared for a proverbial "rainy day!"

5. Finally, that we must Transition to the post pandemic reality.

The theme for this year's report launched from our Vision and Mission, signals our consistent commitment to making financial success first nature. We choose to RE-EVALUATE our approach to ensure we remain relevant to our members' needs. We will continue to EVOLVE to face the challenges, yet unknown, while being ever mindful of the need to create the balanced internal environment in which our people can work, thrive and grow. We will STRENGTHEN our resiliency through the diligent application of our core principles, continued embracing of risk & compliance best practice, and enhanced service excellence. We will ENCOURAGE wealth creation through saving and investment products, as we effectively TRANSITION to the post pandemic reality, emerging with our sights firmly RESET on the future.

Our Credit Union is privileged to have a team of highly qualified, competent, experienced, and dedicated leadership professionals at the helm, and a staff who together with the leadership team, work tirelessly, to ensure that we deliver on the First Federal Vision, "Making Financial Success First Nature!"

Resetting is never easy, but we are up to the task. Work has started in earnest to ensure we build an organization that can stand the test of any shock it may experience.

Thanks for being such loyal members of First Federal, we pledge that we will demonstrate our RICH values in our every action and interaction, as we take our Credit Union to higher heights.

The leadership team and all employees present with us today stand when so invited so that all members

present both virtually and physically can see you.

Sonja Fyfield Hazel- Executive Leader Business Support Services

Markysa O'Loughlin – Executive Leader Member Services and Business Development

Alden Isaac – Information Technology Manager

Cerene Esdaille- Henry- Risk and Compliance Manager

Marvelyn Emmanuel – Credit Manager

Miranda Herbert – Accounts and Analytics Manager

Nekeita Evelyn – Human Resource and Corporate Affairs Manager

Petal Parry- Clifton Parry – Internal Auditor

Supervisors

Credit and Delinquency Officers

All MEAs

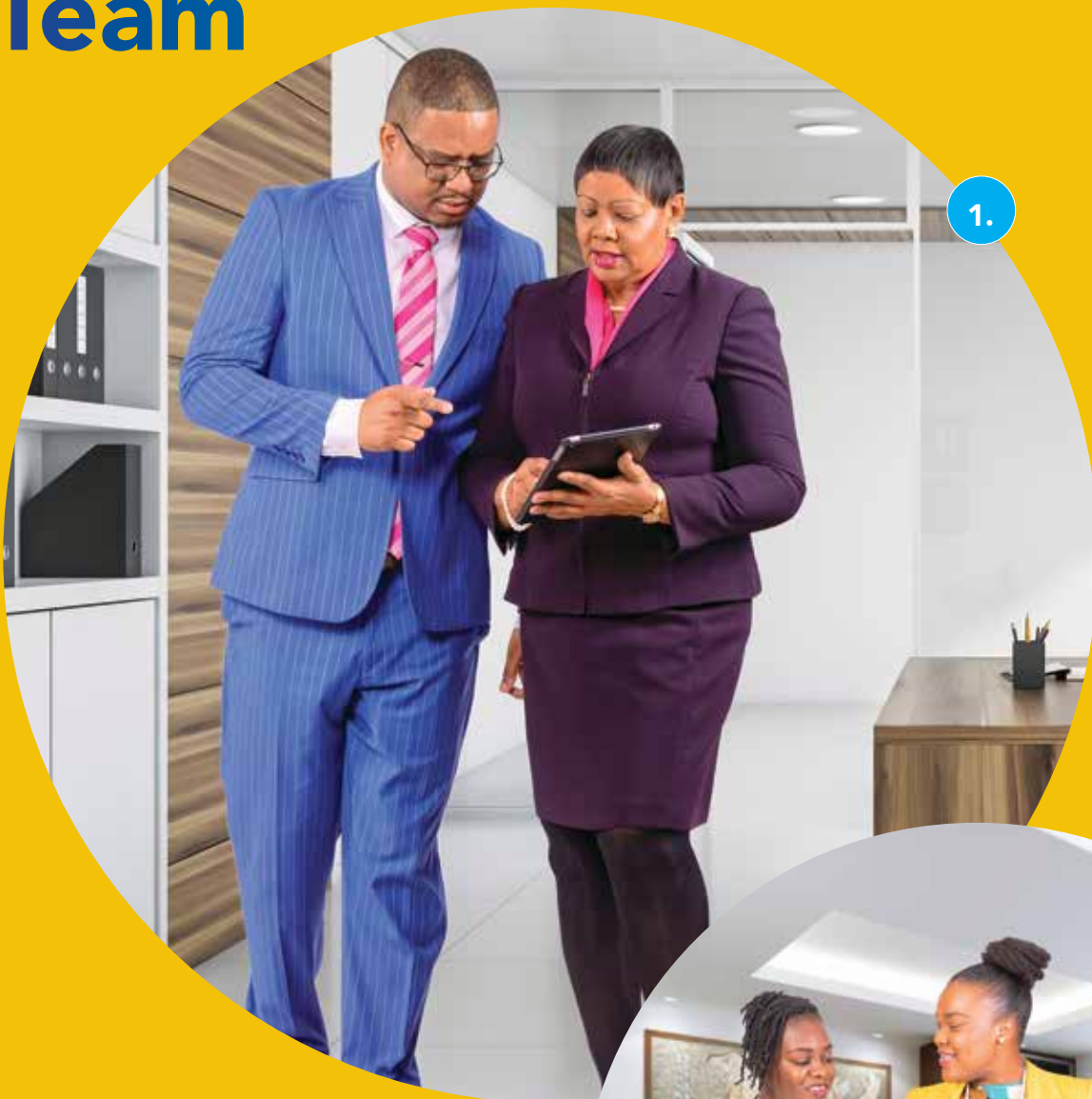
All Support Officers

Members all, We Appreciate each of You! We will continue to give of our best and remember to tell everyone that at First Federal, "We say Yes!!!!"



Chief Executive Officer
Dawne E Williams.

Management Team





1.

R-L
Dawne Williams - Chief Executive Officer
Alden Isaac - IT Manager

2.

R-L
Miranda Herbert - Accounts and Analytics Manager
Nekeita Evelyn - Human Resource and Corporate Affairs Manager

3.

R-L
Marvelyn Emmanuel - Credit Manager
Sonja Fyfield -Hazel - Executive Leader Business Support Services
Cerene Esdaille-Henry - Risk and Compliance Manager

NOT PICTURED: **Markysa O'Loughlin** - Executive Leader Member Services and Business Development.

Treasurer's Report



OVERVIEW

The financial year 2022 was another year of opportunity for First Federal Co-operative Credit Union Ltd. (FFCCU). The world opened and so did our federation and your credit union. We are pleased to report that we achieved a net income of \$1,622,620 despite the immense challenges presented by the global pandemic and lethargic economic recovery.

The Treasurer's Report for the financial year that ended on December 31, 2022, highlights the key Financial Performance Indicators as detailed in the Statement of Financial Position and Statement of Comprehensive Income.

The currency used in this report is Eastern Caribbean Dollars.

KEY HIGHLIGHTS

Indicator	2018	2019	2020	2021	2022	+/- Change (2021/2022)	% Change (2021/2022)
MEMBERSHIP	3,591	4,709	6,002	7,011	8,242	1231	17.56%
TOTAL ASSETS	\$41,393,008	\$53,991,336	\$78,889,798	\$97,692,540	\$120,455,816	\$22,763,276	23.30%
TOTAL LOANS	\$27,892,167	\$42,323,124	\$65,119,908	\$77,222,977	\$85,337,775	\$8,114,798	10.51%
TOTAL DEPOSITS	\$26,502,757	\$37,508,051	\$58,997,325	\$72,696,702	\$93,356,101	\$20,659,399	28.42%
CASH & INVESTMENTS	\$10,269,558	\$7,839,863	\$9,777,429	\$14,834,434	\$29,446,736	\$14,612,302	98.50%
PERMANENT SHARES	\$4,252,940	5,419,085	8,385,195	10,398,510	12,320,029	\$1,921,519	18.48%
INSTITUTIONAL CAPITAL	\$10,285,727	10,517,415	10,810,266	11,306,805	12,262,890	\$956,085	8.46%
EQUITY	\$14,536,397	15,936,500	19,290,445	22,672,065	25,816,364	\$3,144,299	13.87%
LOAN INTEREST INCOME	\$3,507,675	\$4,239,746	\$6,294,737	\$8,277,099	\$9,340,991	\$1,063,892	12.85%
TOTAL INCOME	\$4,381,196	\$5,218,016	\$7,587,870	\$9,401,720	\$10,428,434	\$1,026,714	10.92%
INTEREST EXPENSE	\$537,064	\$734,379	\$1,140,799	\$1,900,290	\$2,433,643	\$533,353	28.07%
TOTAL EXPENSES	\$3,339,361	\$3,940,436	\$5,757,157	\$5,442,933	\$6,377,171	\$934,238	17.16%
NET PROFIT	\$504,771	\$543,201	\$689,914	\$2,053,497	\$1,622,620	(\$430,877)	-20.98%
DELINQUENCY	6.90%	4.25%	3.84%	2.82%	2.33%	-0.49%	-17.38%



Service with Distinction

My First Federal education loan is key to my future growth. The process was easy and I give the rates an A+!

Juliska Huggins

PEARLS - International credit union financial performance standards

PEARLS is a set of 45 financial ratios used to evaluate and monitor the financial stability of credit unions within the World Council of Credit Unions (WOCCU).

1 is the highest possible rating for any area of measurement, while 5 is the lowest. The following table highlights the key PEARLS performance metrics for FFCCU for 2022.

FIRST FEDERAL CREDIT UNION PEARLS RATIOS 2020-2022

PEARLS RATIOS	Standard	RATINGS					DEC-20		DEC-21		DEC-22	
		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%	54.68%	1	32.21%	2	31.69%	2
EFFECTIVE FINANCIAL STRUCTURE												
Loans/Total Assets	80%	>=70%	69%-60%	59%-50%	49%-40%	<40%	83.12%	1	78.58%	1	70.64%	1
Savings Deposits/Total Assets	80%	100%-70%	69%-60%	59%-50%	49%-40%	<40%	74.32%	1	73.53%	1	76.63%	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%	17.17%	1	14.53%	1	12.40%	1
ASSET QUALITY												
Total Delinquency/Gross Loan Portfolio	Max 5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	3.84%	1	2.82%	1	2.33%	1
Non-Earning Assets/Total Assets	Max 5%	<=5%	5.1%-7%	7.1-9%	9.1%-11%	>11%	8.93%	3	9.00%	4	8.42%	3
RATES OF RETURN												
Operating Expenses/Total Assets	5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	6.20%	3	5.04%	2	5.18%	2
Net Income/Average Total Assets	2%	>=2%	1.9%-1%	0.9%-0.5%	0.49%-0%	<0%	0.80%	3	2.28%	1	1.45%	2
LIQUIDITY												
*Liquidity Assets - ST Payables/Deposits	Min 15%	>=15%	14.9%-12%	11.9%-8%	7.9%-4%	<4%	10.92%	3	16.29%	1	28.88%	1
SIGNS OF GROWTH												
Growth in Total Assets	Min 10%	>=10%	9.9%-8%	7.9%-6%	5.9%-4%	<4%	47.08%	1	23.85%	1	23.30%	1
							AVERAGE RATING	1.75	AVERAGE RATING	1.42	AVERAGE RATING	1.42

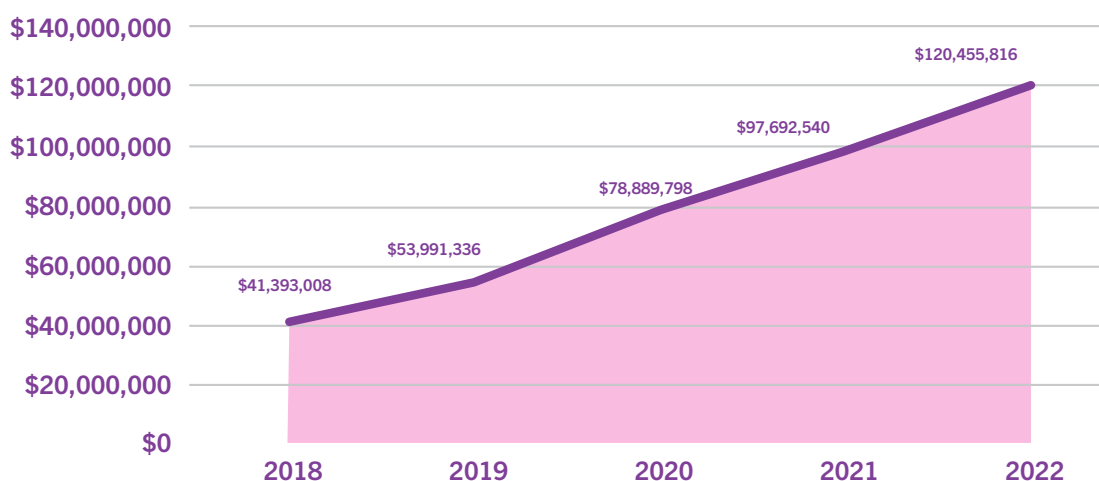
1. Highest	2. Second Highest	3. Medium	4. Second Lowest	5. Lowest
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FINANCIAL POSITION

Assets

Total assets increased by \$22,763,276 or 23.30% from \$97,692,540 in 2021 to \$120,455,816 at the end of 2022. This growth signals the credit union's ability to continue to attract deposits to positively impact its cash position, paving the way for the loan portfolio to continue to grow from funds raised within.

TOTAL ASSETS



Loans

As of December 31st, 2022, the loan portfolio grew by 10.51% moving from \$77,222,977 to \$85,337,775. The strategic decision to reduce the higher dollar value lending that characterized prior years and instead focus on smaller dollar value credit facilities has been successful. The diversification of the portfolio allowed the credit union to improve its PEARLS delinquency percentage by 0.52%, moving from 2.82% in 2021 to 2.33% in 2022, maintaining the highest standard of 1.

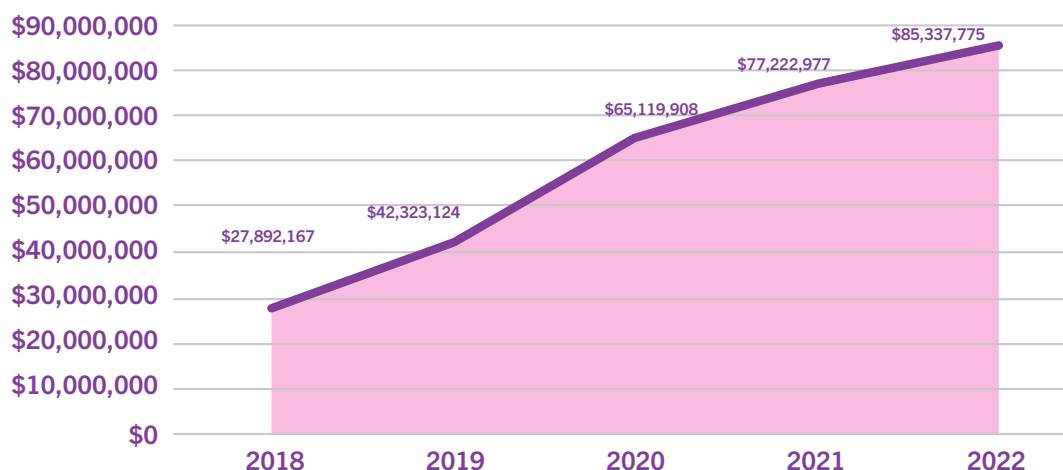
PEARLS RATIOS	Standard	RATINGS					DEC-20		DEC-21		DEC-22	
		1	2	3	4	5	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO
ASSET QUALITY												
Total Delinquency/Gross Loan Portfolio	Max 5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	3.84%	1	2.82%	1	2.33%	1

This strategic intervention also resulted in achieving a liquidity ratio of 28.33%, which is above the highest PEARLS percentage standard of 15%, also attaining the highest rating of 1.

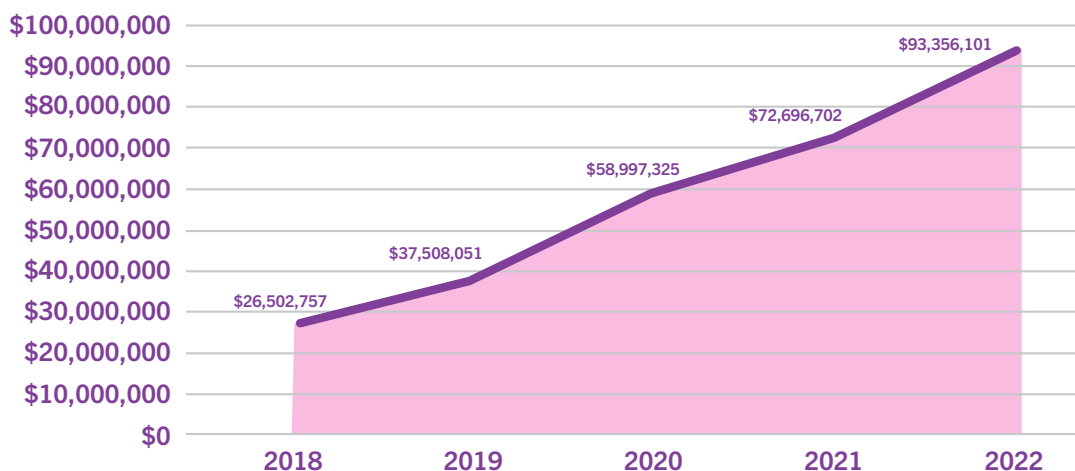
PEARLS RATIOS	Standard	RATINGS					DEC-20		DEC-21		DEC-22	
		1	2	3	4	5	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO	PEARLS RATIO
LIQUIDITY												
*Liquidity Assets - ST Payables/Deposits	Min 15%	>=15%	14.9%-12%	11.9%-8%	7.9%-4%	<4%	10.92%	3	16.29%	1	28.88%	1

There was also a deliberate attempt to improve the quality of the loan underwriting, and this resulted in the lower number of business-as-usual delinquencies.

TOTAL LOANS



TOTAL DEPOSITS



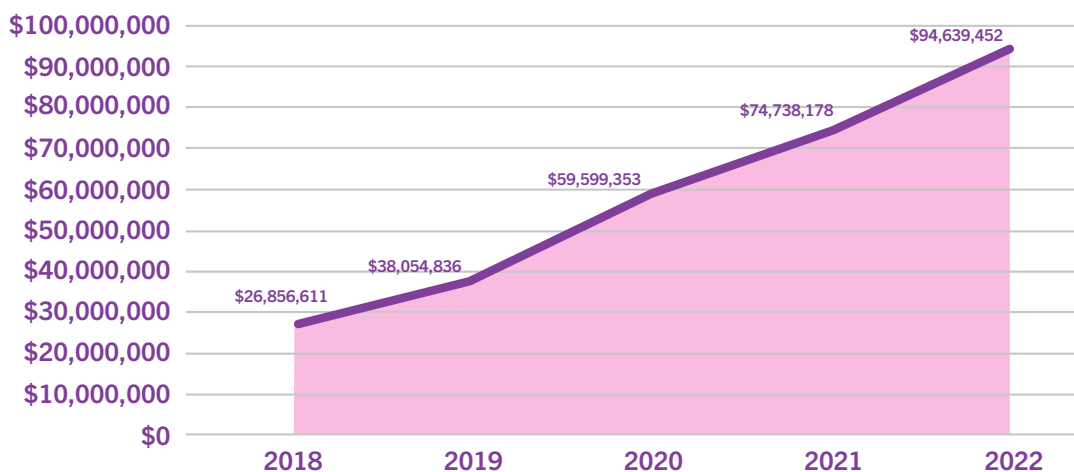
Deposits

Deposits grew by 28.42% moving from \$72,696,702 in 2021 to \$93,356,101 at the end of 2022. This growth was due mainly to the introduction of new deposit products like the Multiplier Savings and the decision to have members benefit from higher interest rates on their deposits, which saw higher dollar value deposits onboarded.

Liabilities

Total liabilities increased by \$19,901,274 or 26.63 % from \$74,738,178 to \$94,639,452. This correlates with the increase in members' deposits of \$20,659,399 and is a good indication of the confidence placed in your credit union. The ability to attract deposits allowed us to meet the growing demand for credit facilities from the internal deposit base.

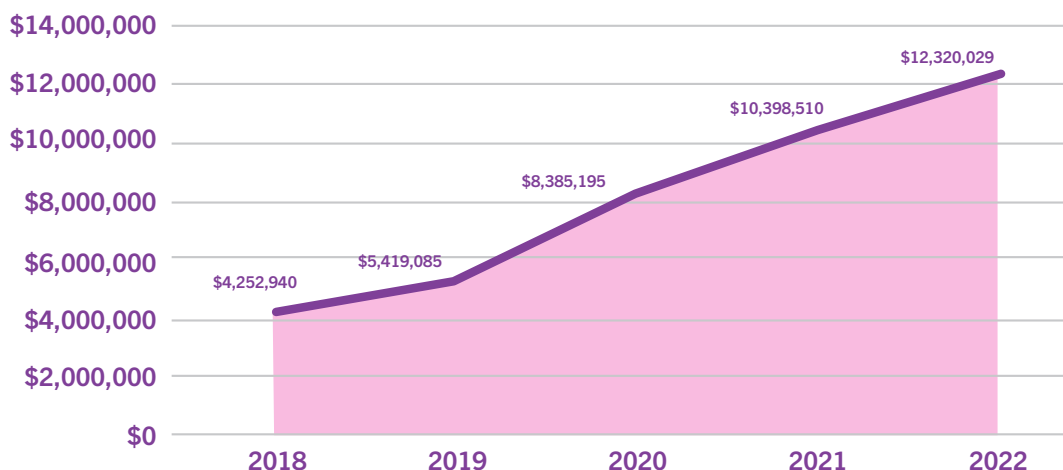
TOTAL LIABILITIES



Permanent Shares

Permanent shares grew by \$1,921,519 or 18.48 % from \$10,398,510 in 2021 to \$12,320,029 in 2022. The sustained growth in permanent shares enabled us to reach our strategic 3-year target which was to increase permanent shares to \$10 million by 2022.

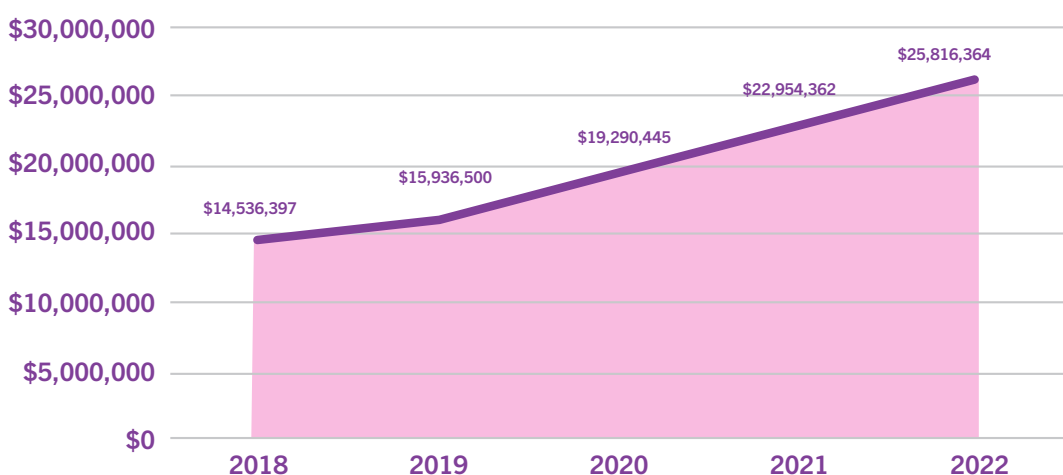
PERMANENT SHARES



Equity

Total Member's Equity, which is the sum of Share Capital, Statutory Reserve, Special Reserve, Capital Grants, and Retained Earnings, increased by \$2,862,002 or 12.47% from \$22,954,362 to \$25,816,364. The increase was positively impacted by the increases in Share Capital and Retained Earnings.

EQUITY



Liquidity

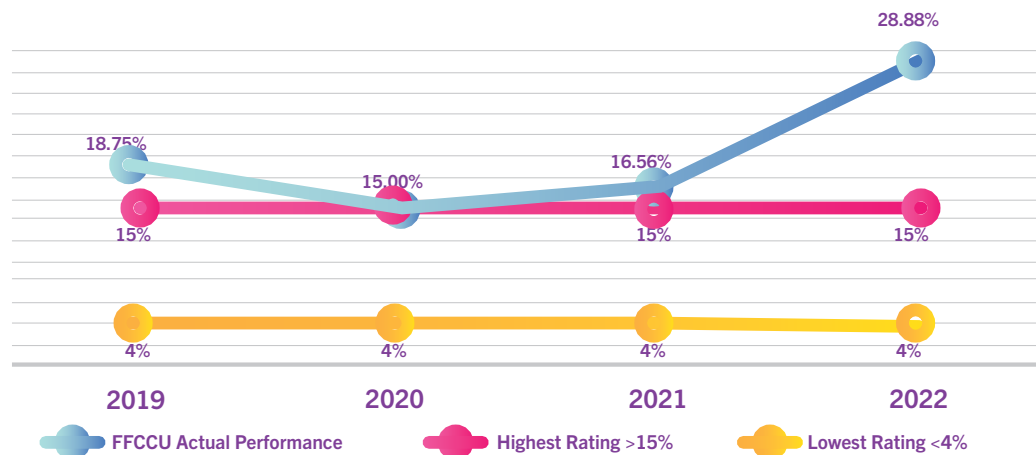
Unlike most other businesses, the assets of a credit union are primarily the loans on its books. There are other asset types like the building, vehicle, equipment (these are fixed assets) and, of course, cash is also one of the assets of the credit union. Given that the principal reason for the existence 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 the 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 in the liquidity ratio performance.

PEARLS RATIOS	Standard	RATINGS					DEC-20		DEC-21		DEC-22	
		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%	10.92%	3	16.29%	1	28.88%	1

LIQUIDITY



PROFITABILITY

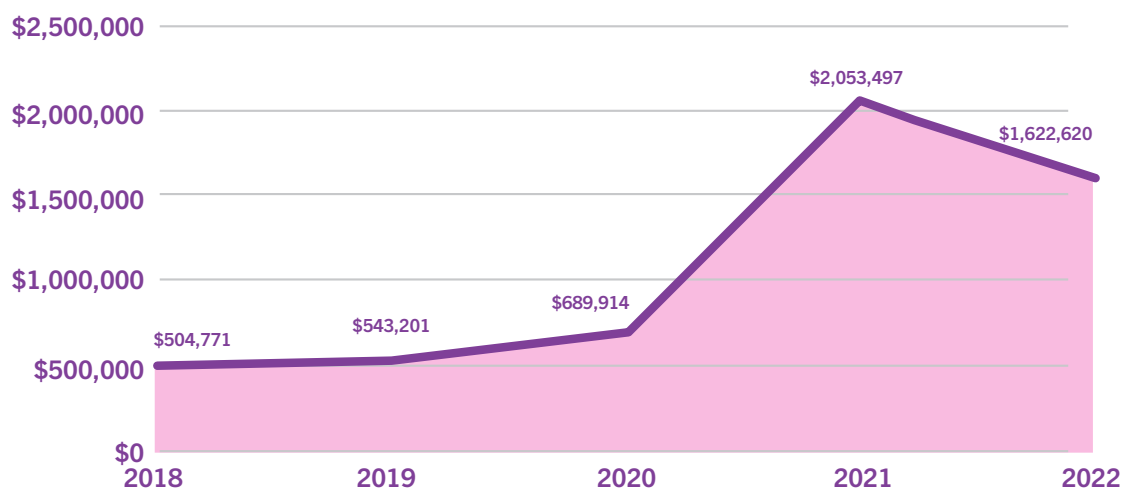
Income

A successful deployment of more responsive credit products resulted in another good year of net profit. Though the 2022 net profit was below the historic 2021 figure, it only fell short by \$430,877 or 20.98%. This is commendable, given that we were just coming out of the Covid period. Additionally, your credit union opened a full-service branch in downtown Basseterre and the related operational expenses for that operation weighed heavily on the overall expenses. Worthy of note is that most of the new business realized in 2022 came from this new location.

Despite the challenges, Loan Interest Income increased by 12.85% or \$1,063,892 moving from \$8,277,099 in 2021 to \$9,340,991 in 2022.

Total income (which is made up of loan interest income, credit card interest income, investment income, bad debt recoveries, loan fees and commissions) increased by \$1,026,714 or 10.92%, from \$9,401,720 in 2021 to \$10,428,434 in 2022.

2018-2022 Net Surpluses



Membership

Membership increased 17.56%, growing by 1231 new members, moving from 7011 at the end of 2021 to 8242 as of 31 December 2022.

CONCLUSION

We are pleased to report that your credit union achieved a net income of \$1,622,620 despite the immense challenges presented by the pandemic and lethargic global economic recovery. We continue to strengthen risk and compliance, service excellence, and other key areas as we grow the organization responsibly.

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

Signed,



Director Glenn A. Quinlan
Treasurer



Going Places Together

My vehicle loan was fast, easy and at a great rate. I depend on my vehicle every day and I am grateful for First Federal's great service every day too!

Bervis Burke

Credit Committee's Report

INTRODUCTION

Congratulations once more to First Federal Co-operative Credit Union Ltd, for another successful performance. The Credit Committee is delighted to report that despite the many challenges, the total amount lent for the period under review showed increases over the previous year. This gives credence to the institution and is testament to the trust placed in our credit union by the members. As we eased out of the pandemic and members started to work once more, the members with loans on moratorium began to pay, allowing the credit union to restructure and repair this segment of the credit portfolio.

The Credit Committee met bi-monthly to deliberate on the applications sent for adjudication and made sure that each application was judged on its own merit, albeit within the parameters set for lending. We also ensured that the integrity of the Credit Union and its commitment to its members was upheld, as the deliberations ensued.

In keeping with the Credit Committee's mandate, members' information was treated with the highest level of privacy and confidentiality. We remained committed to safeguarding the mutual interests of the credit union and its members by placing a high focus on the soundness of the ability to repay the borrowing as arranged. This ability was buttressed by CUNA credit insurance coverage in the event of death of the borrowing member.

COMPOSITION OF THE CREDIT COMMITTEE FOR 2022

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 of Member	Position Held
Lornette Queeley	Chairperson
Francil Morris	Secretary
Thomas Williams Jr	Assistant Secretary resigned in August, 2022 and replaced by Longs Matthew, to be ratified at this meeting.
Amoy Heyliger	Member
Camilia Williams	Member
Doris Archibald-Webbe	Member (Deceased on June 14th 2022 and replaced by Mrs. Yvette Blanchette to be ratified at this AGM)
Jacqueline Douglas	Member

Strong Support

I chose First Federal for the service. They have been by my side every step as I grow my steel business. I recommend First Federal for their commitment to customers and the community.

Hector and Associates



Attendance at Meetings

The Credit Committee met on average of twice monthly during 2022. The table below provides a snapshot of the Members' attendance and their corresponding percentages.

Table 2: Members' Attendance Report for 2022

MEMBER	NUMBER OF MEETINGS ATTENDED	PERCENTAGE
Lornette Queeley	15/15	100
Francil Morris	13/15	86.6
Dr. Thomas Williams Jr (Resigned)	5/10	50
Amoy Heyliger	15/15	100
Camilia Williams	14/15	93.3
Doris Archibald-Webbe (Deceased)	2/10	20
Jacqueline Douglas	12/15	80
Longs Matthew	4/4	100
Yvette Blanchette	8/15	53.3

The main agenda items for meetings convened during 2022 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

Another financial performance success for First Federal Co-operative Credit Union for the year ended December 31, 2022. The credit portfolio increased by 10.51% or \$8,114,798 from \$77,222,977 in 2021 to \$85,337,775 in 2022. This growth took place against a backdrop of enhanced underwriting thus also improving the loan loss provisioning which moved down by 31% or \$290,473 from \$866,057 in 2021 to \$595,584 in 2022. The delinquency ratio also improved moving from 2.82% to 2.33%.

Loans Portfolio

In the year under review, we were easing our way out of the pandemic and the effects of the depressed economy continued. However, First Federal, through good strategic planning and focus was able to grow the loan book. The loans portfolio at the end of December 2022 stood at \$85,337,775, in comparison to \$77,222,977 at the end of December 2021 (see table 3). The value of the loans disbursed in 2022 totaled \$38,242,498. The top five categories for which loans were granted were First Credit Line, Personal Loan, Christmas Campaign Loan, Vehicle Loan and Business Expense (see table 4). The Ubiquity Credit Card which was added as a new credit facility in 2021, has grown in portfolio size to 875 cards distributed valued at 5,230,836.

Table 3: Five Year Performance of Loans Portfolio

Year	2018	2019	2020	2021	2022
Portfolio Value (EC\$)	27,892,167	42,323,124	65,119,908	77,222,977	85,337,775
Growth Rate (%)	17.98	51.74	53.86	18.58	10.51

Table 4: Top Five Categories of Loan Disbursed in 2022

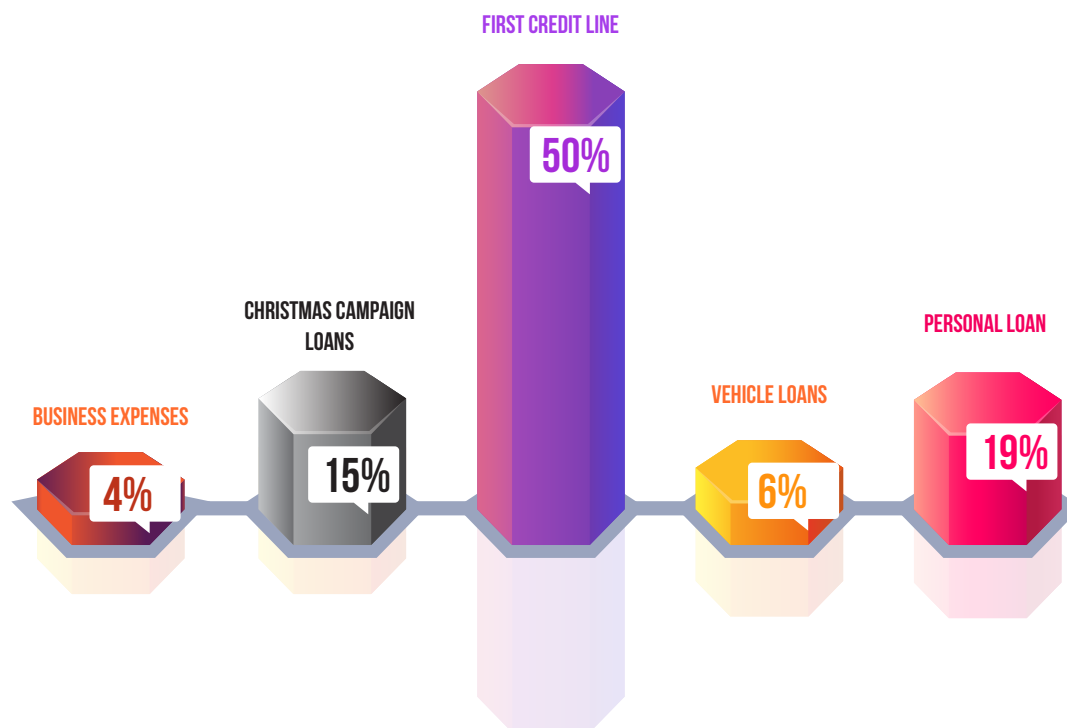


Table 5: Credit Card Portfolio

UBIQUITY CARD AS AT DECEMBER 2022

Number of Cards	Credit Limit
875	5,230,836

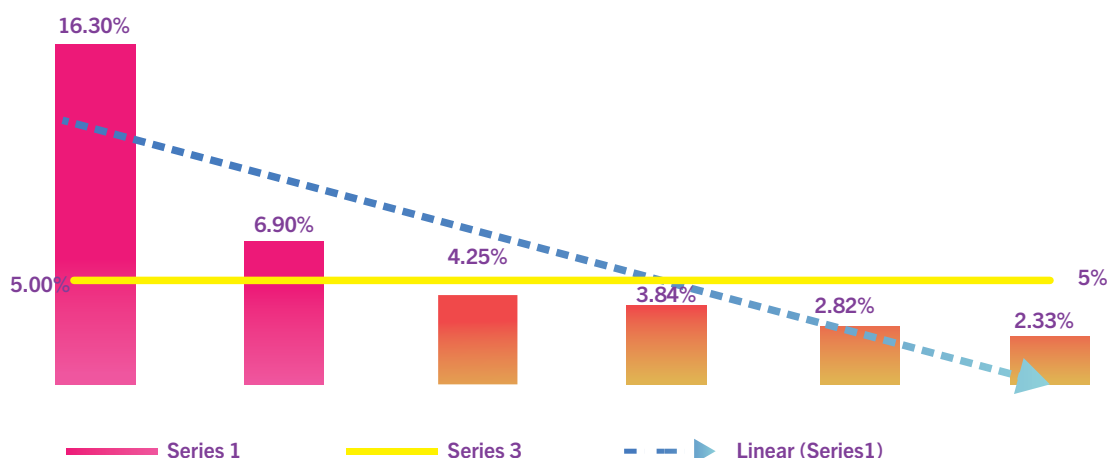
Home Sweet Loan

The amazing folks at First Federal helped me become a homeowner. The rates were affordable and they made sure I had everything in order for an easy process!

Deleon Esdaille



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 fourth consecutive year fell below the PEARLS Standard of 5 percent, at 2.33 percent (see Figure 2). The Credit Committee hereby acknowledges Management for maintaining a comprehensive and effective credit risk assessment.

ACKNOWLEDGMENTS

The Credit Committee expresses its deep appreciation to the dedicated staff of First Federal Co-operative Credit Union; and we thank the immediate past CEO, Mr. Terrence Crossman and current CEO Dawne Williams, 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

FFCCU Supervisory and Compliance Committee's Report

For Period ended 31 December 2022

OVERVIEW

The Supervisory and Compliance Committee (SCC) applauds the continued hard work and dedication of the Board, Committees, Management, and Staff of the First Federal Co-operative Credit Union (FFCCU) which contributed to another year of solid growth and overall financial performance. The key performance indicators reflected strength despite challenges posed by the ongoing global pandemic compounded by changes in key management staff during the year. Notwithstanding, the credit union remained resilient as Management continued to implement strategic initiatives to enhance Members' value.

In fulfilment of its duties and functions outlined in the Co-operative Societies Act and the First Federal Co-operative Credit Union (FFCCU) By-Laws, the SCC continued to engage in various activities aimed at providing the necessary supervisory oversight to the institution's operations.

DUTIES AND FUNCTIONS OF THE COMMITTEE

Having established a suitable framework for effectively fulfilling its duties and functions, the Committee continued to advance its risk-focused supervisory approach of identifying and addressing key risks through various initiatives. These included the review of several documents submitted for risk-focused supervision. Documents reviewed for the period included:

- Minutes of Board and Senior Management meetings
- The Internal Audit Charter, Plan and Risk Assessment
- The Management Letter in respect of the External Auditor's findings pertaining to the audit of the credit union's financial statements for the year ended December 31, 2021
- Compliance and AML/CFT reports

No major risks or concerns were identified from the review of the External Auditor's Management Letter, which assessed three observations noted by the Auditor as medium risk. The SCC noted Management's responses to address the exceptions highlighted. The SCC held a subsequent virtual meeting with Raquel Glynn, a Partner of BDO Eastern Caribbean, which conducted the External Audit, who confirmed that no major issues of concern emanated from the external audit.

The SCC also undertook two major assessments during the year. During the first half of the year, an assessment of the credit union's Asset-Liability and Liquidity Risk Management was undertaken in accordance with the SCC's Work Plan/Programme. The Work Plan activities were prioritised based on a risk profile informed by the Internal Audit Risk Matrix. The review findings reflected an improvement in FFCCU's liquidity position as at review date, following two years of tighter liquidity during 2020-2021. The improvement was achieved through a restructuring of the balance sheet through increased placement of funds in short-term investments plus liquid assets, accompanied by a necessary curtailment in the loan growth rate.

The Committee also undertook a review of key categories of the FFCCU's General and Administrative Expenses. Review procedures included comprehensive onsite interviews with members of Management including the Business and Development Manager, the Manager - Risk and Compliance and the Acting Finance Manager. Discussions were also held with the outsourced Internal Auditor and the Chairperson of the Audit Committee to obtain an understanding of the internal control environment. In addition, the team reviewed general ledger accounts, supporting transaction documents and policy documents. The reviews did not highlight any noteworthy concerns or risks. The findings and recommendations emanating from both reviews were discussed and shared with the Board and Management.

Having regard to the internal audit function's critical role in proving assurance regarding the operating effectiveness of the entity's business activities, the Committee continued to engage with the outsourced Internal Auditor, Ms Petal Parry, in an effort to coordinate work efforts and obtain critical insights relating to work initiatives being undertaken by the Committee. These discussions were rather instructive given the Internal Auditor's more intimate knowledge and risk assessment of the institution.

MEETINGS ATTENDED BY THE SUPERVISORY AND COMPLIANCE COMMITTEE

Committee Meetings

The composition of the committee remained unchanged as follows:

NAME	POSITION
Mrs. Jessica Ferdinand-Phipps	Chairperson
Ms. Laverne Caines	Secretary
Ms. Patrice Carey	Member
Ms. Karen Williams	Member
Ms. Brontie Duncan	Member

Meetings during the reporting period focused on finalization and execution of the Committee's annual work plan. Committee members deliberated on findings from the risk-focused information received from Management and discussed measures to address any key risks or concerns highlighted. Meetings also focused on the preparation and review of the assessments undertaken.

Board Meetings

Members of the Committee attended the Board meeting held in September at which the findings of the review of the FFCCU's General and Administrative Expenses were presented.

Joint Board and Committee Meetings

Members of the SCC attended three joint Board and Committee meetings in March, August, and December 2022.

Meeting of the Internal Audit Committee

The SCC also attended a meeting of the newly appointed Internal Audit Committee held in April to observe the conduct of the meeting. At the meeting, the Committee considered and approved the Internal Audit Charter and Plan.

Meeting with the External Auditor

In June, 2022, the SCC Chairperson attended a virtual meeting with Raquel Glynn, a Partner of BDO Eastern Caribbean and discussed the findings of the Management Letter emanating from the 2021 external audit. The Auditor expressed satisfaction with the overall management of the credit union.

TRAINING/CONFERENCES

During the year, SCC members benefitted from training opportunities provided by the credit union including a session on Compliance Training for Board of Directors, Committees and Management Members facilitated by Mr. Wendell Lawrence in December 2022. Training topics included:

1. Anti-Money Laundering and Countering the Financing of Terrorism
2. Corporate Governance, Strategy and Enterprise Risk Management

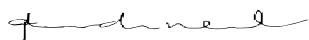
The training session was rather comprehensive, enlightening and interactive.

The SCC was also represented at the Caribbean Conference of Credit Unions held in June 2022. The conference provided excellent opportunities to connect and network with, as well as learn from, industry experts, leaders, and services providers. The sessions and presentations were very informative, inspiring and thought-provoking. It brought together a well-researched combination of competent leaders, presenters, and motivational speakers of diverse backgrounds, even a medical practitioner.

These brought to the fore in a very colorful manner, a wide range of ideas and strategies to enhance leadership and service delivery and to integrate technological development in the credit union thrust for innovation in an increasingly competitive, yet highly regulated operating environment. A key theme was the need for greater collaboration within the credit union sector.

ACKNOWLEDGMENTS

The SCC expresses sincere appreciation to the industrious Board, Management and Staff of the FFCCU for their continued dedicated support to the Committee's work throughout the year and commends them for their contribution to the strong fiscal growth and performance recorded by the credit union. The SCC further acknowledges the sterling contributions made by former staff to the FFCCU's successes, and particularly recognises the organizational transformation achieved under the innovative leadership of the former Chief Executive Officer, Mr. Terrence Crossman. The Committee encourages Management to consistently apply prudent risk management policies and practices and looks forward to continued positive collaboration as it undertakes its critical oversight role of ensuring that risks are properly identified and managed in a timely and prudent manner in the interests of all Members.



Jessica Ferdinand-Phipps

Chairperson, Supervisory and Compliance Committee

Nominating Committee's Report

NOMINATING COMMITTEE REPORT

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

The Nominating Committee comprised of the following persons:


1. Sean Lawrence - Chairperson
2. Dawne Williams - Member
3. Sonja Fyfield Hazel- Member

In its deliberation the committee ensured that all nominees are in good standing, meet the criteria as detailed in the by-laws and are willing and able to serve. In keeping with the Co-operatives Act, 2011- 31, the required due diligence was conducted. Also taken into consideration was a better mix of gender on the Board and Committees.

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

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

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



SEAN LAWRENCE

Chairperson

BOARD OF DIRECTORS

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING	NOMINEE
Mr. Howard McEachrane	President	2nd	1	2024	
Mr. Faron Lawrence	Vice President	2nd	2	2025	
Mr. Sean Lawrence	Secretary	2nd	2	2025	
Mr. Glenn Quinlan (Retiring)	Treasurer	2nd	0	2023	Mrs. Angelina Sookoo Bobb
Mr. Clyde Richardson	Assistant Secretary	2nd	1	2024	
Mr. Trevor Cornelius	Director	2nd	2	2025	
Mr. Michael Martin (Resigned)	Secretary	2nd	2	2025	Ms. Che-Rainer Warner
Ms. Dian Hanley	Director	1st	2	2024	
Mr. Victor Williams	Director	1st	2	2024	To be Ratified

SUPERVISORY & COMPLIANCE

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING	NOMINEE
Mrs. Jessica Ferdinand-Phipps (Resigned)	Chairperson	2nd	2	2024	Tuffida Stewart
Ms. Laverne Caines	Secretary	1st	0	2023	Up for Re-Election
Ms. Patrice Carey (Resigned)	Member	1st	1	2024	Jabari Trotman
Ms. Karen Williams	Member	1st	1	2024	
Ms. Brontie Duncan (Retiring)	Member	2nd	0	2023	Bervis Burke

CREDIT COMMITTEE

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING	NOMINEE
Ms. Lornette Queeley	Chairperson	2nd	2	2024	
Mr. Francil Morris	Secretary	1st	1	2024	
Ms. Amoy Heyliger (Retiring)	Member	2nd	0	2023	Kareem Martin
Mrs. Jacqueline Douglas	Member	1st	0	2023	Up for Re-Election
Ms. Camila Williams (Retiring)	Member	2nd	0	2023	Kira Purcell
Mr. Longs Matthew	Member	1st	2	2024	To be Ratified
Mrs. Yvette Blanchette	Member	1st	2	2024	To be Ratified

VICTOR OBADIAH WILLIAMS - ARCHITECT & PLANNER

Mr. Victor Williams is an Architect and Planner by profession. He gained an Associates degree in Town and Country Planning at the United Nations Physical Planning Institute and placed third in the entire Caribbean when he graduated. He also has a Bachelors degree in Architecture from The New York Institute of Technology where he graduated top of his class with a 3.98 Grade Point Average and was awarded Student of the year and won over eight top awards upon graduating.

June of 2023 will mark 41 years since Mr. Williams has been practicing as a professional in his chosen field of Architecture and Planning. Over the 41 years, he has developed an impressive record of achievements and is recognized as a leader in the field of Architecture and Planning.

ANGELINA GRACY SOOKOO-BOBB LLB (HONS) LEC (HON ROLL), ACC. DIR.

Angelina Gracy Sookoo-Bobb is an Attorney-at-Law by profession with over 12 years of standing with the Bar Associations of Trinidad and Tobago, and Saint Kitts and Nevis. Mrs. Sookoo-Bobb has extensive experience in civil and commercial litigation, corporate law and litigation, construction litigation, administrative, constitutional, and election law, real estate litigation, and transactional matters. She appears as Counsel at all levels of the judicial system, from Magistrates' Court to the Privy Council's Judicial Committee. Mrs Sookoo-Bobb has been involved in three (3) cases before the Privy Council's Judicial Committee. A number of these cases in which Mrs. Sookoo-Bobb was instrumental are considered seminal and are taught today in the University of the West Indies law programs.

Mrs Sookoo-Bobb is an approved corporate service provider with the Financial Service Regulatory Commission—St. Kitts Branch. In addition, in September 2022, she was awarded the designation of an Accredited Director by the Chartered Governance Institute of Canada (CGIC) and is a current member of the Subscriber Group of CGIC. In addition to her many achievements, she sits on the executive committees of several local, regional, international, and non-governmental organisations.

CHE-RAINA D. WARNER

Ms. Che-Raina Warner is currently employed as the Communications Officer of the Ministry of Public Infrastructure, having joined the St. Kitts Nevis Civil Service in this capacity, in August 2020. During her short time, Ms. Warner has facilitated the development of websites for two (2) departments, the launch of online payment and other customer service related initiatives.

Prior to joining the civil service, Ms. Warner was employed by the University of the Virgin Islands as a Public Relations Specialist in the Institutional Advancement Department, for three (3) years. During her tenure, she worked tirelessly to bolster outreach efforts, was instrumental in the execution of several of the University's premiere community engagement efforts, voiced and scripted promotional material that remain in circulation presently.

Ms. Warner holds a Bachelor of Arts degree in Communications with Summa Cum Laude Honours and a Master of Arts degree in Education Leadership from the University of the Virgin Islands. Ms. Warner was inducted into the Golden Key International Honor Society in 2016. In 2017, she was inducted into the Alpha Mu Gamma Honor Society for Foreign Languages. She is also a trained Spanish Tutor and tutored at the University of the Virgin Islands from 2016-2019.

Recently, Ms. Warner served on the St. Kitts and Nevis Roads and Safety Traffic Board of Directors, as the representative for the Ministry of Public Infrastructure, from 2020 – 2022.

Ms. Warner is honoured to join the Board of Directors at an institution as prestigious as the First Federal Credit Union and looks forward to supporting the company's strategic objectives.

TUFFIDA STEWART

Ms. Stewart is a Finance and Management Executive, with over 16 years of senior management experience in Public Accounting, Hospitality, Financial and Ports sectors. She has worked in Grenada, Trinidad and Tobago, Antigua and Barbuda, and St. Kitts and Nevis. Ms. Stewart is a Fellow of the Association of Chartered Certified Accountants (FCCA), UK, holds a Certificate in International Audit, a BSc. in Accounting and Business Administration and a Master of Business Administration.

JABARI TROTMAN

Jabari N. Trotman is a Certified Business Architect with a wealth of experience in the field. Currently working as a Business Process Architect for the Federal Reserve Bank of San Francisco, he has built and matured architectural reference models for the Cash line of business, investigated business problems, and conceptualized potential future systems and operational changes. He is responsible for continuously building Business Process Models, Business Capability Models, Business Motivation Models, Value Stream Models, and Heat Maps. Jabari continuously seeks ways to apply new technology and reuse existing technology for business processes. He collaborates with all other architects to ensure that architecture aligns with business architecture standards.

Before joining the Federal Reserve Bank, Jabari worked for Depository Trust and Clearing Corporation (DTCC) in Jersey City, NJ, as a Senior IT Business Architect Analyst. In this role, he supported crafting the North Star Vision, performed functional gap analyses, and drove product modernization and business process improvement. He also collected, organized, correlated, and produced capability models to describe the artifacts, principles, frameworks, and strategy for fixed income securities and internal enterprise data management functions. He provided enterprise-wide business strategy support and engaged with SMEs to build a foundational data capability model.

Jabari began his career as a Research Intern at Eastern Caribbean Central Bank in Basseterre, St. Kitts, where he conducted research in the Technical Unit of the Research Department based on the research agenda put forward to ensure a strong and resilient financial sector. Jabari has worked at numerous financial institutions both locally and internationally and he is highly skilled in business architecture, process mapping, functional gap analysis, capability modeling, and business strategy support. He has a Dual Bachelor of Arts in Economics and Psychology from Rutgers University.

BERVIS BURKE

He is an Attorney-at-Law and is currently a Law Chamber. Bervis Burke is particularly interested in corporate governance, commercial law, company law and white-collar criminal matters.

He holds a Bachelors of Law Degree (LL.B) (U.K), and a Postgraduate Diploma in Law, he is a member of the Honourable Society of Lincolns Inn. Mr. Burke was called to the Bar of England and Wales in 2020. He holds a Certificate of Legal Education from the Norman Manley Law School and was called to the of Bar St. Kitts and Nevis in 2022.

He has worked at the JHT Law firm in Nevis, where he focused on large commercial matters. He also worked at the Office of the Director of Public Prosecutions, where he focused on white collar criminal matters. Currently, as a partner at Blanchette- Burke Law Chambers, his current focus areas are commercial, personal injury and criminal matters.

LONGS MATTHEW

Mr. Longs Matthew is a Customs and Excise professional of 8 years tenure with Her Majesty's Customs and Excise Department, St. Kitts. He is best described as a hard-working professional with proven knowledge of conflict resolution, customer communication, and customer needs assessment.

He is a team player who leverages his interpersonal skills to successfully grasp the opportunities presented to him in both his professional and social life.

As a member of the Credit Committee, he brings the team approach to the deliberations and actively participates in the discussions and adjudication process. His level of commitment and dedication to the task is invaluable.

YVETTE BLANCHETTE

Mrs. Yvette Blanchette has been an Educator for 46 years. She was employed by the Government of St. Kitts and Nevis as a teacher in the late 1970s and enjoyed every step of the journey.

She taught for ten years at Cayon Primary School and later served at the Cayon High School and Basseterre High School as a Guidance Counselor. She is currently the Principal of the St. Kitts Seventh-day Adventist Primary School, a position she has held for 16 years.

Mrs. Blanchette embraces every opportunity to become equipped for the various capacities in which she serves.

- 2003 – 2005 – Postgraduate studies in Educational Psychology, Andrews University, Michigan
- 1996 – 2000 – Bachelor of Arts in Behavioral Science, Andrews University, Michigan
- 1983 – 1985 – Trained Teacher's Certificate, Teachers' College, St. Kitts

In 2016, she was nominated as 'Outstanding Principal in the South Leeward Conference of Seventh-day Adventists.'

She has attended several seminars and workshops for capacity building.

- Leadership Training – Trinidad and London
- Cultural Arts – Dominica
- Counseling Workshops – Jamaica and St. Vincent
- Musical Seminars – St. Maarten and Tortola

Mrs. Blanchette has a passion for excellence and encourages "nothing but the best." She instills this in all with whom she comes into contact.

During her leisure time, she writes skits, poems, and songs for various occasions. She also facilitates seminars in Family Life Education in church and community groups.

Mrs. Blanchette attributes her success in life to God.

KAREEM MARTIN

Kareem Martin is a Senior Economist at the Eastern Caribbean Central Bank. He is a member of the Monetary and Analytics Unit with responsibility for econometric analysis and data science projects. In this role, he builds and monitors machine learning and financial models, conducts research, and provides policy guidance to stakeholders.

Kareem has published working papers and peer-reviewed articles on topics such as banking, risk management, machine learning, and macroeconomics. He is a proficient coder with functional knowledge of Stata, R, and Python programming languages.

Mr. Martin is an active member of the Global Association of Risk Professionals (GARP) and a certified Financial Risk Manager (FRM). He holds a BSc. in Economics and Management and a MSc. in Financial and Business Economics from the University of the West Indies. He also holds professional certificates in Data Science from IBM and Forecasting from the International Monetary Fund.

KIRA PURCELL

Kira Purcell has almost 20 years as a professional in the tourism industry. Ms. Purcell holds an associate degree in hospitality management, was the recipient of the runner-up National Scholar award, and captured the prestigious St. Christopher Air & Sea Ports Authority's Award for most outstanding student. Ms. Purcell holds a certificate in Law for Human Resource from the University of the West Indies Open Campus.

Ms. Purcell is an event coordinator and an administrative professional in the Ministry of Tourism. In her previous post as Marketing Associate at the St. Kitts Tourism Authority, Ms. Purcell conducted destination sales calls at a regional level and attended trade show events on behalf of the St. Kitts Tourism Authority.

Ms. Purcell is currently a member of the Youth Department's Women Empowering Girls mentorship programme and has served on numerous Religious and Social committees including the annual In the Spirit of Christmas concert series.

Ms. Purcell's is ready to serve in her capacity as a member of the credit committee of the First Federal Co-operative Credit Union.



Auditors' Report & Financial Statements

December 31, 2022

(Expressed in Eastern Caribbean Dollars)



Tel: 268-462-8868
268-462-8869
268-462-8992
Fax: 268-462-8808

Cnr. Factory Road and Carnival Gardens
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, 2022, the statement of profit or loss and other comprehensive income, statement of changes in member's equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2022, 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.



Chartered Accountants
April 28, 2023

Antigua and Barbuda

Statement of Financial Position

December 31, 2022

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Assets			
Cash and cash equivalents	9	\$ 18,934,772	11,610,135
Loans	10	85,337,775	77,222,977
Investment securities	11	10,511,964	3,220,100
Other assets	12	732,906	988,600
Property and equipment	13	4,748,481	4,383,689
Intangible assets	14	189,918	267,039
Total Assets		\$ 120,455,816	97,692,540
Liabilities and Members' Equity			
Liabilities			
Members' deposits	15	\$ 93,356,101	72,696,702
Other liabilities	16	1,283,351	2,041,476
Total Liabilities		94,639,452	74,738,178
Members' Equity			
Share capital	17	12,320,029	10,398,510
Statutory reserves and development funds	18	3,235,712	3,230,712
Other reserves	19	2,392,041	2,374,691
Capital-based grant	20	70,430	82,711
Retained earnings		7,798,152	6,867,738
Total Members' Equity		25,816,364	22,954,362
Total Liabilities and Members' Equity		\$ 120,455,816	97,692,540

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

 President  Treasurer 

The notes on pages 56 to 101 are an integral part of these financial statements.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Comprehensive Income

Year ended December 31, 2022

(Expressed in Eastern Caribbean Dollars)

	Notes	2022	2021
Interest income from loans		\$ 9,340,991	8,277,099
Other interest income	21	512,794	230,312
Interest expense	22	(2,433,643)	(1,900,290)
Net interest income		7,420,142	6,607,121
Other income	23	574,649	894,309
Operating income		7,994,791	7,501,430
Operating expenses			
Staff costs	24	2,615,660	2,187,237
General and administrative expenses	25	1,993,753	1,524,500
Depreciation and amortisation	26	650,353	466,389
Finance costs		129,021	123,298
Marketing and promotion expenses	27	392,800	255,452
Provision for loan impairment	10	595,584	886,057
Total operating expenses		6,377,171	5,442,933
Net income for the year		1,617,620	2,058,497
Other comprehensive loss			
Fair value gain/(loss) on financial assets at FVOCI		5,000	(5,000)
Total comprehensive income for the year		\$ 1,622,620	2,053,497

The notes on pages 56 to 101 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, 2022

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	Share Capital	Statutory Development Funds	Other Reserves	Capital Based Grants	Retained Earnings	Total
Balance at December 31, 2020		8,385,195	3,225,712	2,368,011	94,984	5,216,543	19,290,445
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)	-
Amortisation 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 56 to 101 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, 2022

(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	\$ 1,921,519	-	-	-	-	1,921,519
Dividends paid	31	-	-	-	-	(669,856)	(669,856)
		1,921,519	-	-	-	(669,856)	1,251,663
Reserves and grants movements							
Transfer from Retained Earnings	18	-	-	12,350	-	(12,350)	-
Transfer from Statutory Reserve	18	-	-	-	-	-	-
Transfer to Development Fund		-	5,000	-	-	(5,000)	-
Amortization of capital grants	20	-	-	-	(12,281)	-	(12,281)
		-	5,000	12,350	(12,281)	(17,350)	(12,281)
Total comprehensive income							
Net income for the year		-	-	-	-	1,617,620	1,617,620
Fair value loss on quoted equity securities	19	-	-	5,000	-	-	5,000
		-	-	5,000	-	1,617,620	1,622,620
Balance at December 31, 2022		\$ 12,320,029	3,235,712	2,392,041	70,430	7,798,152	25,816,364

The notes on pages 56 to 101 are an integral part of these financial statements.

Statement of Cash Flows

Year ended December 31, 2022

(Expressed in Eastern Caribbean Dollars)

	Notes	2022	2021
Cash flows from operating activities			
Net income for the year		\$ 1,617,620	2,058,497
Adjustments for:			
Items not affecting cash:			
Depreciation	13	553,707	372,537
Provision for loan impairment	10	595,584	886,057
Bad debts written off	10	(553,578)	(1,247,723)
Amortisation of intangibles	14	108,927	106,125
Amortisation of capital-based grants	20	(12,281)	(12,273)
Fair value loss on financial assets		5,000	-
Interest expense		2,433,643	1,900,290
Interest income		(9,853,785)	(8,281,511)
Loss on disposal of property and equipment		-	5,557
Operating loss before changes in working capital		(5,105,163)	(4,212,444)
Change in loans		(8,302,857)	(11,205,310)
Change in other assets		255,694	(461,993)
Change in members' deposits		15,991,888	13,202,980
Change in accounts and other liabilities		(758,125)	1,439,448
Cash provided by/(used in) operations		2,081,437	(1,237,319)
Interest received on loans		9,487,044	7,741,007
Interest paid		2,233,868	(1,403,893)
Net cash provided by operating activities		13,802,349	5,099,795
Cash flows from investing activities			
Interest received on investments		314,697	16,329
Purchase of property and equipment	13	(939,306)	(1,669,093)
Proceeds from the sale of equipment		20,807	-
Purchase of computer software	14	(31,806)	-
Purchase of investment securities		(7,093,767)	(3,000,000)
Proceeds from maturity of investment security		-	2,132,113
Net cash used in investing activities		(7,729,375)	(2,520,651)
Cash flows from financing activities			
Proceeds from issuance of shares		1,921,519	2,013,315
Dividends paid		(669,856)	(390,622)
Net cash provided by financing activities		1,251,663	1,622,693
Increase in cash and cash equivalents		7,324,637	4,201,837
Cash and cash equivalents, beginning of year		11,610,135	7,408,298
Cash and cash equivalents, end of year		\$ 18,934,772	11,610,135
Represented by			
Cash and cash equivalents		\$ 18,934,772	11,610,135

The notes on pages 56 to 101 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 conducive 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 and on Central Street, Basseterre, St Kitts as well as 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 28, 2023.

(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, 2022. 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.

- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)*
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- *Conceptual Framework for Financial Reporting (Amendments to IFRS 3)*
In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
- *IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract)*. In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.
- Annual Improvements to IFRS Standards 2018-2020

IFRS 1 - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

*(Expressed in Eastern Caribbean Dollars)***3. Basis of Preparation: (cont'd)****(d) New Standards and interpretation of amendments to existing standards issued but not effective during the year:**

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

- **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2):**
The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
- **IAS 1 Presentation of Financial Statements (Amendment -Classification of Liabilities as Current or Non-Current).** Current or Non-Current). In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of January 1, 2022, however, in July 2020 this was deferred until January 1, 2024 as a result of the COVID-19 pandemic. At the IFRS Interpretations Committee's December meeting, the Committee discussed the amendments due to feedback from stakeholders which indicated that the requirements of the amendments may be unclear. These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings.
- **Amendments on IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors**
On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)* to help entities to distinguish between accounting policies and accounting estimates. The amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, while changes in accounting estimates are applied prospectively.

The amendments further clarify that accounting estimates are monetary amounts in the financial statements and are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops accounting estimates to achieve the objective set out by an accounting policy.

- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)**
The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

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.

*(Expressed in Eastern Caribbean Dollars)***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)**Financial Instruments (cont'd)****(a) Initial recognition and measurement of financial instruments**

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

- If that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss.
- In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, the Credit Union recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

(b) Classification and subsequent measurement of financial assets

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

- (i) the Credit Union's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial asset.

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

Financial assets at amortised cost

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

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

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

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

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

*(Expressed in Eastern Caribbean Dollars)***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;

*(Expressed in Eastern Caribbean Dollars)***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 unlikelihood 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.

*(Expressed in Eastern Caribbean Dollars)***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 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).

*(Expressed in Eastern Caribbean Dollars)***4. Summary of significant accounting policies: (cont'd)****4.6 Cash and cash equivalents**

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

Cash and cash equivalents are measured at amortised cost.

4.7 Property and equipment and depreciation**(a) Initial measurement**

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

(b) Subsequent measurement***Land and building***

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

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

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

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

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

Furniture, equipment and motor vehicles

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

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.

*(Expressed in Eastern Caribbean Dollars)***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

(Expressed in Eastern Caribbean Dollars)

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 Credit Union will have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an 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.

(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:

	2022	2021
Credit Risk exposures related to on-balance sheet assets		
Cash at Credit Unions and cash equivalents	\$ 17,607,236	11,066,151
Loans to members	85,337,775	77,222,977
Investment securities	10,511,964	3,220,100
Other receivables	444,644	629,805
Total	\$ 113,901,619	92,139,033

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	\$ 83,986,020	531,415	83,454,605
Stage 2	743,806	26,657	717,149
Stage 3	1,667,193	501,172	1,166,021
As at December 31, 2022	\$ 86,397,019	1,059,244	85,337,775
	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

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.

(Expressed in Eastern Caribbean Dollars)

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, 2022	\$ 369,702	44,501	603,035	1,017,238
Movement with P&L Impact:				
Transfer from Stage 1 to Stage 2	(1,658)	16,522	-	14,864
Transfer from Stage 1 to Stage 3	(4,946)	-	322,196	317,250
Transfer from Stage 2 to Stage 1	3,342	(36,149)	-	(32,807)
Transfer from Stage 2 to Stage 3	-	(3,202)	40,511	37,309
Transfer from Stage 3 to Stage 1	547	-	(470,354)	(469,807)
Transfer from Stage 3 to Stage 2	-	1,784	(22,704)	(20,920)
Change due to additions, changes in PD and repayments	164,428	3,201	28,488	196,117
Total net P&L Charge during the period and other movements	531,415	26,657	501,172	1,059,244
Write-offs	-	-	553,558	553,558
Provision for loan loss	-	-	595,584	595,584

(Expressed in Eastern Caribbean Dollars)

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, 2021	\$ 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

*(Expressed in Eastern Caribbean Dollars)***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, 2022 or 2021.

(c) Repossessed collateral

The Credit Union had no repossessed collateral in its statement of financial position as of December 31, 2022 (2021: 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.

6.2 Liquidity risk analysis

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

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

(Expressed in Eastern Caribbean Dollars)

6. Financial instrument risk: (cont'd)

6.2 Liquidity risk analysis (cont'd)

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

As of December 31, 2022

Liabilities	Carrying Amount	Up to 1 year	1-5 years	Over 5 years	Total
Members' deposits	\$ 93,356,101	74,438,787	18,917,314	-	93,356,101
Other liabilities	1,283,351	867,842	415,509	-	1,283,351
	<u>\$ 94,639,452</u>	<u>75,306,629</u>	<u>19,332,823</u>	<u>-</u>	<u>94,639,452</u>

As of December 31, 2021

Liabilities	Carrying Amount	Up to 1 year	1-5 years	Over 5 years	Total
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
	<u>\$ 74,738,178</u>	<u>64,642,033</u>	<u>10,096,145</u>	<u>-</u>	<u>74,738,178</u>

*(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.

(Expressed in Eastern Caribbean Dollars)

6. Financial instrument risk: (cont'd)

6.3 Market risk analysis (cont'd)

(iii) Interest rate risk (cont'd)

As of December 31, 2022

	Interest rate %	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash equivalents	2.5%	\$ 8,987,287	-	-	9,947,485	18,934,772
Loans to members	7%-29%	80,846	27,913,817	56,028,022	1,315,090	85,337,775
Investment securities	3%-4%	10,088,767	-	-	423,197	10,511,964
Other receivables		-	-	-	444,644	444,644
Total financial assets		19,156,900	27,913,817	56,028,022	12,130,416	115,229,155
Liabilities						
Members' deposits	2.5%-4.5%	73,571,191	18,917,314	-	867,596	93,356,101
Other liabilities		-	-	-	1,283,351	1,283,351
Total financial liabilities		73,571,191	18,917,314	-	2,150,947	94,639,452
Total interest repricing gap		\$ (54,414,291)	8,996,503	56,028,022	9,979,469	20,589,703

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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 to1 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%	62,259,784	9,569,322	-	1,067,371	72,896,477
Other liabilities		-	-	-	2,041,476	2,041,476
Total financial liabilities		\$ 62,259,784	9,569,322	-	3,108,847	74,937,953
Total interest repricing gap		\$ (49,030,060)	34,457,373	30,037,317	2,280,434	17,745,064

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, 2022 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 \$934,946 higher/lower (2021: \$936,072), 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 \$850,879 higher/lower (2021: \$630,407), 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;

(Expressed in Eastern Caribbean Dollars)

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	
	2022	2021	2022	2021
Financial assets				
Cash and cash equivalents	\$ 18,934,772	11,610,135	18,934,772	11,610,135
Investment securities:				
- Financial assets at amortised costs	10,088,767	3,000,000	10,088,767	3,000,000
Loans	85,337,775	77,222,926	83,750,726	77,222,926
Other receivables	444,644	629,805	444,644	629,805
	<u>\$ 114,805,958</u>	<u>92,462,866</u>	<u>113,218,909</u>	<u>92,462,866</u>
Financial liabilities				
Members' deposits	93,356,101	72,696,702	93,356,101	72,696,702
Other liabilities	1,283,351	2,041,476	1,283,351	2,041,476
	<u>\$ 94,639,452</u>	<u>74,738,178</u>	<u>94,639,452</u>	<u>74,738,178</u>

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, 2022 and December 31, 2021.

(Expressed in Eastern Caribbean Dollars)

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

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

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

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Financial assets				
Financial assets at fair value through other comprehensive income	\$ 175,000	-	50,100	225,100
	Level 1	Level 2	Level 3	Total
December 31, 2021				
Financial assets				
Financial assets at fair value through other comprehensive income	\$ 170,000	-	50,100	220,100

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.

(Expressed in Eastern Caribbean Dollars)

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, 2022 and December 31, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2022				
Property and equipment				
Land and building	\$ -	2,264,256	-	2,264,256
	<u>\$ -</u>	<u>2,264,256</u>	<u>-</u>	<u>2,264,256</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2021				
Property and equipment				
Land and building	\$ -	2,264,256	-	2,264,256
	<u>\$ -</u>	<u>2,264,256</u>	<u>-</u>	<u>2,264,256</u>

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.

*(Expressed in Eastern Caribbean Dollars)***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:

	<u>Regulatory requirement</u>	<u>2022 %</u>	<u>2021 %</u>
1. Net Loans/Total Assets	70% to 80%	71%	79%
2. Institutional Capital/Total Assets	10% minimum	10.22%	11%
3. Total Delinquency/Total Loans	5% maximum	2.33%	2.8%

9. Cash and cash equivalents:

	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 1,327,536	543,984
Cash at other credit unions	5,660,511	8,312,287
Cash at Banks	11,946,725	2,753,864
Total cash and cash equivalents	\$ 18,934,772	11,610,135

*(Expressed in Eastern Caribbean Dollars)***10. Loans to members:**

		2022	2021
Consumer	\$	77,901,483	69,693,144
Business		7,171,402	7,076,885
		<u>85,072,885</u>	<u>76,770,029</u>
Interest receivable		1,324,134	1,470,186
		<u>86,397,019</u>	<u>78,240,215</u>
Allowance for impairment		<u>(1,059,244)</u>	<u>(1,017,238)</u>
Total loans to members	\$	<u>85,337,775</u>	<u>77,222,977</u>
Current	\$	1,337,960	2,008,409
Non-current		83,999,815	75,214,568
	\$	<u>85,337,775</u>	<u>77,222,977</u>

As at December 31, 2022, interest rates charged on loans range from 4.9% to 29% (2021: 5.5% to 29.0%). The weighted average effective interest rate on productive loans to members at amortised cost as at December 31, 2022 is 11.4% (2021: 13.5%).

Provision for loan losses

		2022	2021
Balance at beginning of year	\$	1,017,238	1,378,904
Loans written off		(553,578)	(1,247,723)
Provision for the year		<u>595,584</u>	<u>886,057</u>
Balance at end of the year	\$	<u>1,059,244</u>	<u>1,017,238</u>

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, 2022, the provision for credit losses in accordance with the PEARLS methodology amounted to \$445,003 (2021: \$663,539).

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

*(Expressed in Eastern Caribbean Dollars)***11. Investment securities:**

	2022	2021
Financial assets at fair value through other comprehensive income (FVTOCI)		
Quoted equity securities		
Bank of Nevis Limited		
20,000 ordinary shares at \$3.75 each (2021: \$3.50 each)	\$ 75,000	70,000
S L Horsford & Company Limited		
10,000 ordinary shares at \$2.00 each (2021: \$2.00 each)	100,000	100,000
Total quoted equity securities	175,000	170,000
Unquoted equity securities		
Nevis Co-operative Credit Union Limited		
10,000 permanent shares at cost at \$5.00 each (2021: \$5.00)	50,000	50,000
St. Kitts Co-operative Credit Union Limited		
20 permanent shares at cost at \$5.00 each (2021: \$5.00)	100	100
Total unquoted equity securities	50,100	50,100
Total financial assets at fair value through other Comprehensive Income (FVTOCI)	225,100	220,100
Financial assets at Amortised cost		
St. Kitts Co-operative Credit Union		
Term deposit maturing December 26, 2022 with interest rate of 3.00%	3,088,767	3,000,000
Nevis Co-operative Credit Union Limited		
Term deposit maturing April 30, 2023 with interest rate of 3.25%	4,000,000	-
TDC Financial Service Company Limited Fixed deposit maturing April 30, 2023, with interest rate of 3% per annum	3,000,000	-

(Expressed in Eastern Caribbean Dollars)

11. Investment securities: (cont'd)

	2022	2021
Total financial assets at amortised cost	10,088,767	3,000,000
Total investment securities	10,313,867	3,220,100
Interest and dividends receivables	198,097	-
Balance at end of year	\$ 10,511,964	3,220,100
Current	\$ 198,097	3,000,000
Non-current	10,313,867	220,100
	\$ 10,511,964	3,220,100

12. Other assets:

	2022	2021
Prepayments	\$ 288,262	358,795
Other receivables	444,644	629,805
Total other assets	\$ 732,906	988,600

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED
Notes to the Financial Statements
December 31, 2022

(Expressed in Eastern Caribbean Dollars)

13. Property and equipment:

	Land and Building	Leasehold Improvement	Plant and Equipment	Furniture and Office Equipment	Computer Equipment	Motor Vehicles	Capital Projects	Right-of-use Assets	Total
Cost:									
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
Additions	-	537,207	-	451,034	22,226	45,000	(275,726)	159,565	939,306
Disposals	-	-	-	-	-	(113,490)	-	-	(113,490)
At December 31, 2022	\$ 2,264,256	537,207	139,632	1,428,320	534,924	145,000	817,724	1,294,367	7,161,430

Accumulated depreciation:

Balance 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
Charge for the year	99,541	35,814	5,558	152,398	44,225	21,523	-	194,648	553,707
Write-back on disposals	-	-	-	-	-	(92,683)	-	-	(92,683)
At December 31, 2022	\$ 258,257	35,814	100,767	932,210	367,245	104,499	-	614,157	2,412,949
Net book value:									
At December 31, 2022	\$ 2,005,999	501,393	38,865	496,110	167,679	40,501	817,724	680,210	4,748,481
At December 31, 2021	\$ 2,105,540	-	44,423	197,474	189,678	37,831	1,093,450	715,293	4,383,689

*(Expressed in Eastern Caribbean Dollars)***14. Intangible Assets:**

	Computer Software
Cost:	
As at December 31, 2020	\$ 722,467
Additions	-
Disposals	-
As at December 31, 2021	722,467
Additions	31,806
Disposals	-
As at December 31, 2022	\$ 754,273
Accumulated amortisation:	
As at December 31, 2020	\$ 349,303
Charge for the year	106,125
Disposals	-
As at December 31, 2021	455,428
Charge for the year	108,927
Disposals	-
As at December 31, 2022	\$ 564,355
Carrying Values	
As at December 31, 2022	\$ 189,918
As at December 31, 2021	\$ 267,039

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

*(Expressed in Eastern Caribbean Dollars)***15. Members' Deposits:**

	2022	2021
Savings deposits	\$ 40,374,228	32,904,091
Time deposits	44,713,660	33,662,631
	85,087,888	66,566,722
Chequing accounts	7,200,842	5,262,384
Interest payable	1,067,371	867,596
Total members' deposits	\$ 93,356,101	72,696,702
Current	\$ 74,438,787	63,127,380
Non-current	18,917,314	9,569,322
	\$ 93,356,101	72,696,702

These deposits have various maturity profiles with interest rates varying from 2.5% to 4.5% (2021: 2.5% to 4%).

16. Other liabilities:

	2022	2021
Lease liability	\$ 615,967	664,605
Audit fees	14,900	27,100
Statutory contributions	29,665	23,317
Bills of sale	28,203	38,603
Other payables	594,616	1,287,851
Total accounts payable and other liabilities	\$ 1,283,351	2,041,476
Current	\$ 867,842	1,514,653
Non-current	415,509	526,823
	\$ 1,283,351	2,041,476

17. Member shares:

	2022	2021
Balance at the beginning of the year	\$ 10,398,510	8,385,195
Issued during the year	1,921,519	2,013,315
Balance at end of year	\$ 12,320,029	10,398,510

*(Expressed in Eastern Caribbean Dollars)***18. Statutory reserve and development funds:**

	2022	2021
Statutory reserve fund	\$ 3,218,092	3,218,092
Development fund	17,620	12,620
Total	\$ 3,235,712	3,230,712

(a) Statutory reserve

	2022	2021
Balance at beginning of year	\$ 3,218,092	3,218,092
Transfer from retained earnings - entrance fees	12,350	11,680
Transfer to Special Capital Reserve	(12,350)	(11,680)
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:

	2022	2021
Fund balance	\$ 17,620	12,620

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.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

*(Expressed in Eastern Caribbean Dollars)***19. Other reserves:**

	Revaluation Reserve: Property	Special Capital Reserve	Revaluation Reserve: Investments	Total
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
Transfer from Statutory Reserve Fund	-	12,350	-	12,350
Unrealised loss on quoted equity securities	-	5,000	-	5,000
Balance at December 31, 2022	\$ 1,125,278	1,246,763	20,000	2,392,041

(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.

*(Expressed in Eastern Caribbean Dollars)***20. Capital-based grant:**

	2022	2021
Balance at beginning of year	\$ 82,711	94,984
Amortization of grant	(12,281)	(12,273)
Total	\$ 70,430	82,711

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

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

21. Other Interest Income:

	2022	2021
Investment securities	\$ 260,423	4,412
Savings account	252,371	225,900
Total interest income	\$ 512,794	230,312

22. Interest Expense:

	2022	2021
Savings deposits	\$ 946,035	785,875
Time deposits	1,487,608	1,114,415
Total interest expense	\$ 2,433,643	1,900,290

23. Other Income:

	2022	2021
Fees	\$ 220,311	547,983
Bad debt recoveries	232,476	241,805
Miscellaneous	121,862	104,521
Total other income	\$ 574,649	894,309

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

*(Expressed in Eastern Caribbean Dollars)***24. Staff costs:**

	2022	2021
Salaries, wages and incentives	\$ 2,203,611	1,818,876
Statutory contributions	167,606	131,352
Other staff benefits	136,592	92,864
Group insurance	67,995	109,713
Pension costs	39,856	34,432
	\$ 2,615,660	2,187,237

25. General and administrative expenses:

	2022	2021
MIS support	\$ 396,502	379,065
Professional fees	210,585	93,244
Telecommunication expenses	187,833	199,318
Training, meetings and conventions	163,998	47,755
Stationery and office supplies	118,782	77,226
Entertainment and appreciation	115,386	90,575
Security services	110,570	59,868
Travel expenses	98,021	90,581
Electricity and water	96,715	75,917
Credit card charges	80,691	10,605
Insurance	79,363	73,403
Office maintenance	73,631	44,857
Vehicle expense	62,221	37,784
Equipment maintenance	57,578	46,057
Audit fees and expense	48,000	40,000
Annual General Meeting	18,270	20,906
Storage	14,524	9,865
Office consumables	12,916	15,706
Affiliation dues	11,958	58,200
Periodical and subscriptions	11,315	408
Postage	3,403	1,997
Impairment loss	-	5,557
Office Rent	-	42,350
Miscellaneous	21,491	3,256
Total general and administrative expenses	\$ 1,993,753	1,524,500

*(Expressed in Eastern Caribbean Dollars)***26. Depreciation and amortisation:**

	2022	2021
Depreciation	\$ 553,707	372,537
Amortisation - software costs	108,927	106,125
Amortisation credit	(12,281)	(12,273)
Total depreciation and amortisation	\$ 650,353	466,389

27. Marketing and promotion expense:

	2022	2021
Advertising and promotion	\$ 235,155	179,807
Donation and sponsorship	157,645	75,645
Total marketing and promotion expense	\$ 392,800	255,452

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.

(Expressed in Eastern Caribbean Dollars)

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	
		2022	2021	2022	2021
Board of Directors	\$	-	-	3,490,094	665,564
Credit Committee		14,584	53,659	203,437	180,036
Supervisory Committee		157,406	85,189	501,247	574,362
Key Management Personnel		19,482	66,128	166,526	207,509
Total related party balances	\$	191,472	204,976	4,361,304	1,627,471

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.

(Expressed in Eastern Caribbean Dollars)

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

	2022	2021
Interest income on loans	\$ 17,859	34,213
Interest expense on deposits	38,930	45,129

Remuneration of Key Management Personnel

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

	2022	2021
Salaries and allowances	\$ 930,544	771,591
Other staff costs	297,029	251,483
	\$ 1,227,573	1,023,074

30. Commitments:**Capital commitments**

There were no capital commitments at December 31, 2022 (2021: 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 \$669,856 in respect of year ended December 31, 2022 (2021: \$390,622).

NOTES



Bladen Commercial Development Wellington Road
Basseterre, St. Kitts

info@firstfederalcreditunion.com

firstfederalcreditunion.com