

ANNUAL REPORT 2022



CREDIT UNION

Cayman Islands Civil Service Association
Co-operative Credit Union Limited

CREDIT UNION UNIVERSAL PRAYER

Saint Francis of Assisi

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.
And 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.

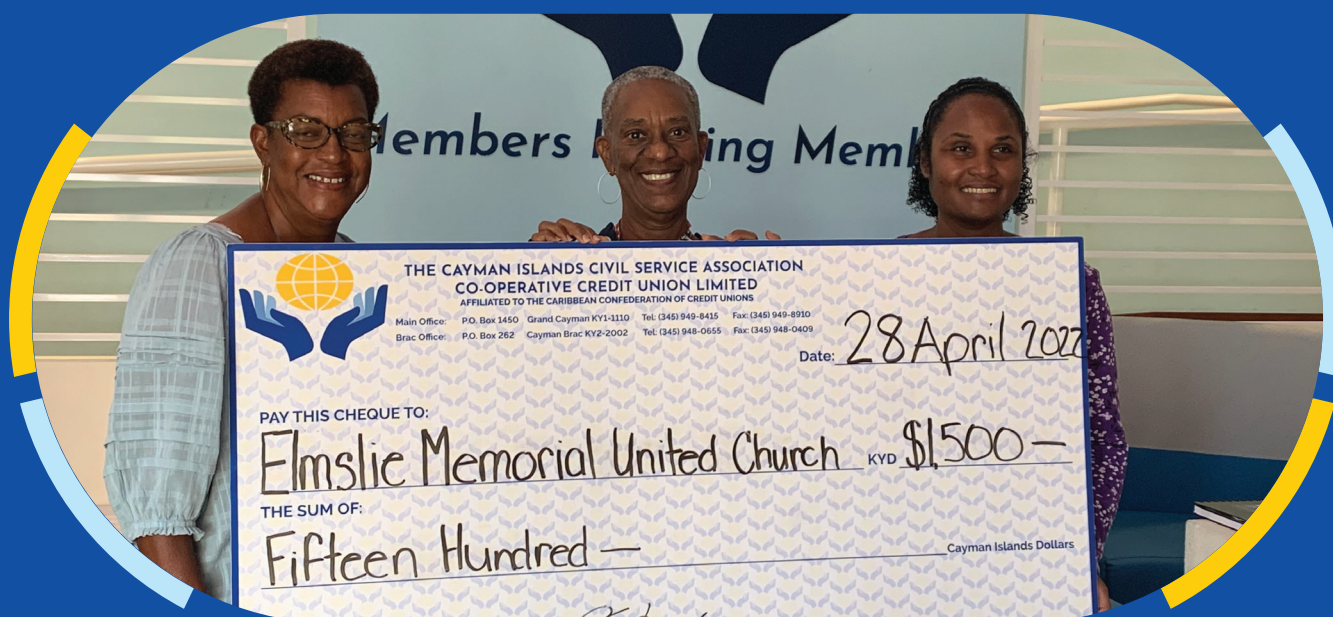
Bless, O Lord our deliberations.
And grant that whatever we may say and do
will have Your blessings and guidance
Through Jesus Christ Our Lord,

Amen!



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CREDIT UNION

Cayman Islands Civil Service Association
Co-operative Credit Union Limited

2022

ANNUAL GENERAL MEETING AGENDA

Agenda

1. Registration
2. Call to Order – Chairman
 - a. Welcome & Ascertainment of a quorum
 - b. Prayer
 - c. Silent Tribute
3. Apologies for Absence
4.
 - a. Minutes of the 46th Annual General Meeting of 24 November 2021 and Minutes of the Special General Meeting of 29 September 2022
 - b. Matters Arising from the Minutes
5. Board of Directors' Report
6. Credit Committee Report
7. Supervisory Committee Report
8. Treasurer and Independent Auditors' Reports
9. Resolutions
10. Elections
11. Any Other Business
12. Adjournment

INTRODUCTION

The Cayman Islands Civil Service Association (CICSA) Co-operative Credit Union Limited (the "Credit Union") was incorporated in the Cayman Islands in 1976 under the provisions of the Cooperative Societies Law and operates as a non-profit organization receiving savings and making loans to members.

The Credit Union was formed by seven civil servants who were members of the Cayman Islands Civil Service Association (CICSA). The seven founding members, Mr. Gilbert McLean, Mr. Louis Moncrieffe (deceased), Mr. John (Lemuel) Hurlston, Mr. Colford Scott, Mr. Ray Miller (deceased), Ms. Rachael Ebanks, and Mr. George McCarthy assisted by the "Matron" of the Credit Union, Mrs. Cicely Delapenha (deceased), started with \$35 (\$5 each); their vision, 46 years later with over 17,500 members and assets in excess of \$510M, is still shared today.

The Credit Union is governed by the Cooperative Societies Law (Revision 2020) as well as a set of Rules approved by members at general meetings.

Our governance structure is strengthened internally by:

- **The role and functions of an elected Board of Directors;**
- **The role and functions of an elected Credit and Supervisory Committee; and**
- **The control functions performed by an Internal Auditor and a Chief Risk & Compliance Officer.**

Governance of our Credit Union is further enhanced by:

- **Annual external audits;**
- **Regulation by the Cayman Islands Monetary Authority (CIMA);**

- **An Entity Risk Management Framework and other policies and procedures.**

Our Credit Union forms part of the global credit union organization with membership in the Caribbean Confederation of Credit Unions (CCCU), which in turn is a member of the World Council of Credit Unions (WOCCU). As such we endeavour to uphold the Co-operative principles of:



Voluntary membership;



Democratic member control;



Member economic participation;



Autonomy and independence;



Financial education, training, information;



Cooperation among Co-operatives; and



Concern for the Community.

As a financial institution primarily funded through member deposits, the Credit Union remains very aware that depositors rely on dividends to live and save for the future. However, borrowers are equally faced with the pressure of trying to create security for their families through residential or personal borrowing. As a member-owned and community-focused organisation, the Credit Union tries to meet both sets of demands from borrowers and depositors with equal focus.

THE YEAR AT A GLANCE

Quick Facts	2022	2021	2020	2019	2018
Total Membership	17,630	16,460	15,360	14,208	13,660
ATM cards issued for the year	1,676	1,412	1,421	1,331	1,116
New Members for the year	1,508	1,617	1,585	1,379	941
Net Income	\$12.25M	\$10.62M	\$10.56M	\$11.5M	\$7.61M
Total assets	\$510M	\$468M	\$410M	\$325M	\$293M
Total Loans disbursed	\$101M	\$88M	\$67M	\$110M	63.8M
Total Loans	\$362M	\$323M	\$294M	\$263M	\$196M
Delinquency Rate	1.07%	1.90%	1.91%	2.77%	5.43%
Member shares	\$437M	\$403M	\$370M	\$273M	248M
Dividends paid to Members	2.10%	2.80%	3.50%	2.8%	2.80%
Interest rebate paid to members	2%	2%	3%	3%	3%
Educational Grants paid	\$200K	\$200K	\$200K	\$200K	\$200K
Staff	70	64	59	55	50

MISSION, VISION, CORE VALUE



Purpose

To provide our members with easier access to financial services, helping them to improve their quality of life.



Mission

The mission of our Credit Union is to offer excellent service to our members enabling them to achieve their financial goals while positively impacting the wider community.



Vision

To be the first-choice financial services provider for all eligible members while maximising their returns.



Values

Professionalism, Respect, Integrity, Helpfulness, and Commitment

KEY PERFORMANCE INDICATORS



Key Ratios	2022	2021
Return On Assets	2.50%	2.40%
Return On Equity	29%	27%
Efficiency	42%	43%



Categories	2022	2021	Change
Net Income	12,250	10,626	15%
Total Assets	510,131	468,571	9%
Total Deposits	463,878	425,607	9%
Loan Portfolio	362,059	323,229	12%



Member Loans	2022	2021	2020	2019
Homeowners	70	56	48	131
Land Owners	156	160	90	55
Vehicle Owners	239	318	179	138



Educational Grants	2022	2021	2020	2019
Total Amount	\$200,000	\$200,000	\$200,000	\$200,000
Grant Recipients	141	167	226	201

BOARD OF DIRECTORS' REPORT

Forty-six years ago, 7 members got together with \$35 and formed our Cayman Islands Civil Service Association Co-operative Credit Union Limited. Their purpose was to find an alternative to the banks and to provide civil servants access to financial services. Our Co-operative was registered on the 15 March 1976.

Members, on behalf of your Board of Directors, I present to you our Annual Report for the year ended 31 July 2022. Today, we are over 17,500 members with assets in excess of \$510 million. Today, our Credit Union's purpose continues – To provide our members with easier access to financial services, and to help them to improve their quality of life.

Today our members include employees from Government-owned companies, statutory authorities, public utility companies, and their immediate families who work in every industry in our Islands. We are all owners of a dynamic Co-operative with one-member-one vote democratic principles. This is very different from banks, whose shareholders may never use its services, and who have the same number of votes as shares held by each.

During this financial year we have achieved a number of milestones as we continue this successful financial journey started by our founding members:

- **Total Assets over half a billion dollars;**
- **Since 2001 implementation of a modern technology banking system with updated online, mobile and ATM service;**
- **The development of a Strategic Plan to guide our Credit Union for the next three years.**
- **Comprehensive review of our Credit Rules since 2012;**
- **Development of a Risk Appetite Statement and Entity Risk Management Framework;**
- **Leasing additional space in the growing Community of Savannah for another Branch; and**
- **Introduction of CUconvenience in response to feedback from our members.**



James Watler
Chairman

Our Credit Union realized a net surplus of \$12.25M (2021: \$10.62M) an increase of 15% which was achieved through our ability to maintain, protect, and grow our loan book. Total loans increased by 12% to \$362M (2021: \$323.2M). Member deposits grew by 9%; the Delinquency Rate remained below 2% at 1.07% which is well below the World Council of Credit Union standard of 5% or below; and total assets grew by 9%.

Categories	2022	2021	Change
Net Income	12,250	10,626	15%
Total Deposits	463,878	425,607	9%
Loan Portfolio	362,059	323,229	12%

This year, based on these financial results, I am pleased to inform you that the Board of Directors is recommending to you the membership, a dividend of 2.3% (2021: 2.1%) and has approved the payment of a loan interest rebate of 2%.

During the past year the Board of Directors provided oversight on the main objectives as follows:

- **The implementation of a New Core Banking System**
- **Development of a three-year Strategic Plan**
- **Continuation of embedding a culture of Enterprise Risk Management**
- **Review of the Credit Union Rules**
- **Improved Governance**
- **Ongoing Business Process Improvements, and**
- **Ongoing Member Engagement**

Core Banking System

The new core banking system was implemented on 1 March 2022. The implementation process commenced in August 2020 and faced a number of challenges with key staff impacted by COVID-19, having to perform dual-roles as subject-matter experts as well as their daily duties, and transition change from a legacy banking system to new technology.

The new system, Universa, is critically important to the Credit Union as it represents the first major IT infrastructure upgrade in over 20 years and allows the Credit Union to leverage technology and provide enhanced services by offering:

- **Three ATMs with two new locations at the Government Administration Building, and Countryside Shopping Plaza in Savannah as well as continued services at the Credit Union Headquarters;**
- **Improved online banking, CUonline;**
- **A new mobile banking app; and**
- **More efficient service to members who visit our branches.**

Our staff and management have worked tirelessly to bring this important project to fruition. The Board acknowledged the extra effort that was required from our staff and the support that management has given to assist the Team.

Strategic Plan

Our Credit Union is a dynamic Co-operative operating a very competitive environment and facing the same risks as other financial institutions providing similar services. We want to continue to be a profitable organization that is financially safe and sound in order to continue to fulfil our purpose as well as our mission: to offer excellent service to our members enabling them to achieve their financial goals while positively impacting the wider community.

Our three-year strategic plan, (The Plan) was crafted with input from you our members, our volunteers, and our staff. We solicited input from all members led by a capable Strategic Planning Committee (made up of a cross-section of members) and consultants with the relevant credit union expertise. Seven key strategic goals were identified for our focus over the next three years:

- **Loan Portfolio Growth – maximizing service delivery;**
- **Enabling Legal and Regulatory Framework – modernize and strengthen governance framework;**
- **Member Engagement and Inclusion – growth of membership;**
- **Financial Safety and Soundness – monitor key performance indicators;**
- **Capacity Development – expansion to Country Corner in Savannah and Implement Document Management System;**
- **Partnerships – a collective undertaking to build healthy and exemplary relationships with employers under the bond; and**
- **Climate Change Resilience – provide awareness and education training, and green loans**

Entity Risk Management

The Board of Directors is committed to ensuring the Credit Unions' risks are appropriately identified and mitigated. In 2021, we took a major step in building a robust Enterprise Risk Management system. Under the guidance of PricewaterhouseCoopers (PwC), a detailed risk analysis and development of a risk register was completed by Management. This register continues to be reviewed and updated by

Management quarterly, with regular reporting by the Chief Executive Officer to the Board of Directors for ongoing monitoring.

We are pleased to report that during the past year, again with the assistance of PwC, we have strengthened our risk framework with the completion of the Risk Management Framework (the Framework) for our Credit Union.

The Framework sets out **Risk Appetite** – covers the types of risks that the Credit Union faces and how it establishes its appetite for each type of risk

Risk Infrastructure – addresses how the Credit Union oversees (governs) and embeds (operationalizes) the identification, assessment, and monitoring of risks across the Credit Union.

Risk Analysis – deals with the Credit Union's method of risk identification, assessment, response, and ongoing risk monitoring.

The Board and Management Team have a robust Risk Framework in place. We believe that by embedding a structured system of Risk Management, the Credit Union will continue to have strong, resilient operations well into the future.

Governance

Corporate governance is core to financial soundness and prudence. Our Credit Union is governed by a system of rules, acts, policies, and procedures. The basic principles of corporate governance are accountability, transparency, fairness, responsibility, and risk management.

The Credit Union Rules (2012 Revision) were comprehensively updated to enhance corporate governance that reflects our size, nature, and complexity. The review and update of the Rules was after a series of meetings to get feedback from our members, volunteers, and staff. A Special General Meeting was held on 29 September 2022 in which the **Credit Union Rules (2022 Revision)** were approved by the members present, in-person, and online.

The substantive changes included eligibility for membership, roles and responsibilities of directors

and committee members, increase in quorum for general meetings, fitness and probity requirements for directors and committee members, enhanced oversight for the directors on investment of excess funds not loaned to members, and enhanced requirements for members to be in good standing.

An internal audit of the Governance Framework of our Credit Union was completed in August 2022. Our Credit Union continues to grow and attempts to meet the demands of our members, the Authority, and other stakeholders. We need to ensure that we have a robust Governance Framework.

The independent evaluation performed by PwC who assessed the existing Governance Framework to determine (1) Adequacy of the terms of reference of each governance body (2) Effectiveness of the governance bodies and (3) Sufficiency of the processes and procedures for managing meetings and the governance structures. Short and long-term recommendations made were accepted by the governance bodies which consist of the Board of Directors, Supervisory and Credit Committees, who are committed to improving the governance of our Credit Union.

The Board of Directors has worked diligently throughout the year on your behalf and met 16 (2021: 14) times to discharge their fiduciary and regulatory duties. The focus areas for the Board continue to be: Financial Strength, Risk Management, Compliance, Strategy, and Sound Governance Practice.

The Development Committee which consists of one director, one member of the Supervisory Committee, and two members met 15 times (2021: 21) during the financial year along with various experts in architecture, project management, construction, engineering, and property valuation.

2021:

- **Completion and approval of architectural drawings for a commercial building and townhomes;**
- **Widening of road to enhance the site access;**

- **Draft agreements for the part sale/part lease of the commercial building; and**
- **Incorporation of an investment property holding company.**

2022:

- **Selection of a Project Manager;**
- **Estimated cost to build from a qualified Quantity Surveyor; and**
- **Selection of contractors for the commercial business and separate contractors for the residential townhomes.**

Business Process Improvements

We recognize the need for continuous improvement as we encourage feedback from our members.







This year we implemented CUconvenience as we listened to your requests for more efficient service.

CUconvenience allows you to call or email in your requests that do not involve a deposit or withdrawal of cash transaction; this service provides the convenience of receiving service without waiting in line.

We are expecting that the **Country Corner Branch** will commence operations in early 2023 and will provide another location for members to have access to our services. The Country Corner Branch will also provide additional office space for future growth.

The review of **Policies and Procedures** is ongoing as we strive to ensure that they meet the requirements of the Credit Union Rules, the Cooperative Societies Act (2020 Revision), the requirements of the Authority, and best practice.

The **Credit Policy** was reviewed and updated in 2022 to meet the requirements of the Authority and other policies are currently being reviewed or drafted to ensure compliance.

						
	James Watler	Corinne Glasgow	Suzanne Bothwell	Jose Hernandez	Nichelle Scott	Michael Nixon
	Chairman	1st Vice Chairperson	2nd Vice Chairperson	Secretary	Treasurer	Director
Director Since	2010	2020	2020	2018	2020	2010
Attendance	31	23	18	31	19	19
Monthly & Special Meetings	16	15	10	16	10	15
Executive Meetings	7	6	6	6	6	1
Statutory Meeting	1	1	1	1	1	1
IT Steering Committee Meetings				8		
Audit & Risk Committee					2	2
Nominating Committee			1			
Development Committee						
Credit Committee	7					
Educational Grants		1				

Member Engagement

Member engagement is key to a member-focused organization such as our Credit Union. We endeavour to keep you informed and engaged as a Co-operative. During the financial year we have solicited your input through focus groups on the Rules and during the Strategic Planning Process, service satisfaction surveys, as well as by appointing some of you as members on sub-committees of the Board.

We have kept you informed, through emails, newsletters, quizzes, International Credit Union Week activities, and new member orientation sessions.

Corporate Social Responsibility

The Credit Union's signature Rupert McCoy Memorial Educational Grants Programme is one of the primary ways we fulfil our social responsibility to develop our community.



In 2022, our Credit Union provided 141 members and children of members with \$200,000 through this Programme to pursue their personal educational goals.

During the financial year, the Credit Union donated funds and assisted various charitable entities and events benefitting youth services and older persons and sponsored educational achievement awards at high schools in our community.

Human Resources

Total staff compliment as of 31 July 2022 was 70 persons (2021: 64), this increase reflects the demand for additional resources to keep pace with the growth in size, complexity and demands of our operations.

Staff development remains an area of priority with a variety of training and wellness sessions provided for all staff of the Credit Union. The Directors and Volunteers also benefitted from training through the Caribbean Confederation of Credit Unions Annual

					
	Chris Goddard	Ryan Rajkumarsingh	Dierdre Carmola	Zena Merren-Chin	Shakira Gourzong
	Director	Director	Director	Director	Director
Director Since	2010	2021	2021	2007	2015
Attendance	32	12	11	8	5
Monthly & Special Meetings	11	8	8	7	4
Executive Meetings					
Statutory Meeting		1	1	1	1
IT Steering Committee Meetings					
Audit & Risk Committee		2			
Nominating Committee					
Development Committee	15				
Credit Committee	6	1	1		
Educational Grants			1		

Zena Merren-Chin and Shakira Gourzong retired from the Board of Directors in November 2021. Ryan Rajkumarsingh and Dierdre Carmola were elected to serve in November 2021.

Conference which was held virtually and in-person in June 2022 and provided training on a wide range of subjects relevant to the activities of the Credit Union. Two directors also attended the WOCCU Conference in Scotland in July 2022.

The Way Forward

As we look to 2023 the Board of Directors is committed to providing oversight on:

- **Implementation of strategic objectives outlined for 2022/23;**
- **Implementation of the Credit Union Rules (Revision 2022);**
- **Continuing to enhance service delivery and efficiency;**
- **Continuing to enhance risk management by regularly updating Risk Registers and monitoring the Risk Appetite Statement; and**
- **The development project.**

Appreciation

We look forward to a better future with you our members as we collaborate. We will continue to grow from strength to strength as we achieve more milestones in our financial journey.

We wish to record our appreciation to our loyal volunteers, directors, and committee members, management, staff, and all who have assisted the Credit Union in the conduct of its affairs over the past year.

Special thanks to the following long serving volunteers who are retiring:



01

Michael Nixon has served for 12 years on the Board of Directors, 7 of which has been as Chairman. He previously served for a number of years as a Member and Chairman of the Credit Committee and Supervisory Committee.

02

Christopher Goddard has served for 12 years on the Board, 6 of which has been as Treasurer. He previously served for a number of years as a Member of the Supervisory Committee and also as a Member and Chairman of the Credit Committee.



03

Matthew Tibbetts has served as a volunteer for the past 9 years. The first year he served on the Supervisory Committee as Chairman and the last 8 years on the Credit Committee as Chairman.



We thank you, our members, for your dedication and support to our Credit Union; as well as the confidence you placed in us as we strive to serve The Cayman Islands Civil Service Co-operative Credit Union Limited.

TREASURER'S REPORT

I am pleased to report another strong profitable financial year ending 31 July 2022. Our Credit Union achieved Net Income of \$12.25M (2021: \$10.63M), an increase of 15%.

Net Income (\$000)

2022	12,250
2021	10,626
2020	10,563
2019	11,526
2018	7,611

There were significant financial impacts during the year which resulted in our Credit Union achieving a 15% increase in Net Income:

- 7% increase (2021: down 2%) in net interest income despite lower interest rates for the first seven months, boosted by the 12% growth in the loan book; net interest income increased due to:
 - 9% increase in interest on loans
 - 93% (2021: down 34%) increase in interest on fixed deposits with banks (yield on fixed deposits increased to 0.5% (2021: .4%); and
 - 36% increase in fees earned on cash advances.



Nichelle Scott
Treasurer

- **145% increase (2021: 259%) in non-interest income due mainly to:**

- 470% increase, or \$207K rally in market values of equity shares compared to prior year;

- \$147K (2021: \$77K) recovery of loans previously written-off, an increase of 91%;

- \$886K (2021: \$506K) in other fees based on new fees implemented in March and increases in loan fees; and

- \$0K unrealized loss on repossessed collateral during the year (2021: 97K loss).

- **These results were offset by a 5% increase (2021: 14%) in total expenses mainly due to:**

- 8% increase (2021: 11%) in personnel expenses which was mainly due to additional staff.

- 100% decrease in beneficiary benefits paid to deceased members beneficiaries as this benefit was paid from the benevolent fund approved by members at the 2021 AGM.

- 34% increase in general and administrative expenses.

Analysis of Changes in Income & Expenses

\$000			
	2022	2021	%
INTEREST INCOME			
Loans	18,812	17,302	9%
Cash Advances	364	268	36%
Fixed Deposits with Banks	527	273	93%
TOTAL INTEREST INCOME	19,703	17,843	10%
INTEREST EXPENSE			
Members' Deposits	54	58	7%
Lease Liability	6	6	0%
TOTAL INTEREST EXPENSE	60	64	6%
NET INTEREST INCOME	19,643	17,779	10%
Provisions:			
Allowance for loan losses	-168	454	-137%
NET INTEREST INCOME AFTER PROVISION	19,475	18,233	7%
NON-INTEREST INCOME			
Dividends on Equity Investments	132	126	5%
Change in unrealized loss in fair value of securities	163	-44	470%
Realized loss on sale of repossessed collateral	-14	-32	56%
Unrealized loss on repossessed collateral	-	-97	100%
Recovery of loans previously written-off	147	77	91%
Other fee Income	886	506	75%
TOTAL NON-INTEREST INCOME	1,314	536	145%
Gross margin before expenses	20,789	18,769	11%
Less Operating Expenses	8,539	8,143	-5%
TOTAL SURPLUS	12,250	10,626	15%

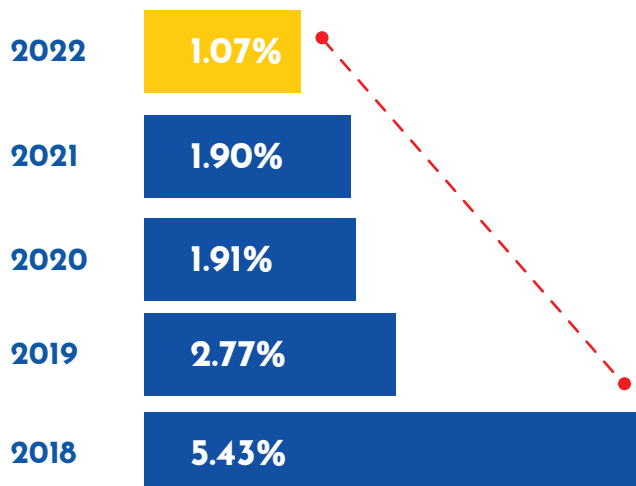
Delinquency Management

Our Debt Collection Department continued to work tirelessly to contain and reduce delinquency. The delinquency rate of 1.07% (2021: 1.90%) improved by 44% due to the continued efforts of our Team.

The 44% improvement in the delinquency rate compared to the previous financial year was mainly due to:

- A 10% reduction in loans past due 89 days or more. This reduction was assisted by a review of loans and a subsequent write off process; and
- A 57% decline in loans past due 31 to 60 days.

In addition, \$147K was collected on previously written-off debt.



Loans

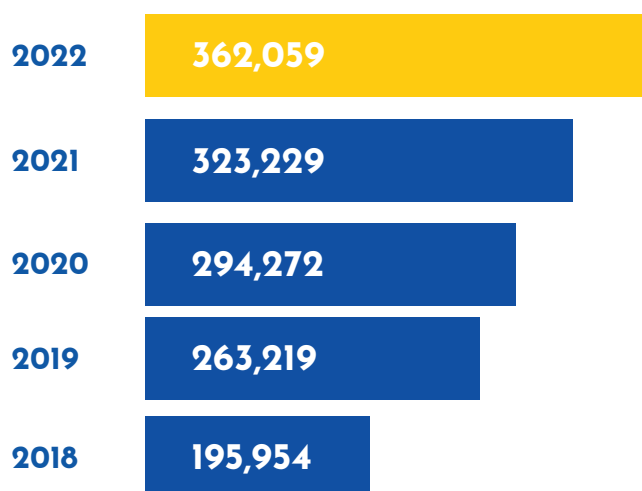
Total Loans, net of provisioning of \$362M (2021: \$323M) increased by 12% (2021: 10%).

Loans disbursed for the financial year of \$105.8M (2021: \$88.9M), increased by 19% mainly due to the demand for home and land ownership.

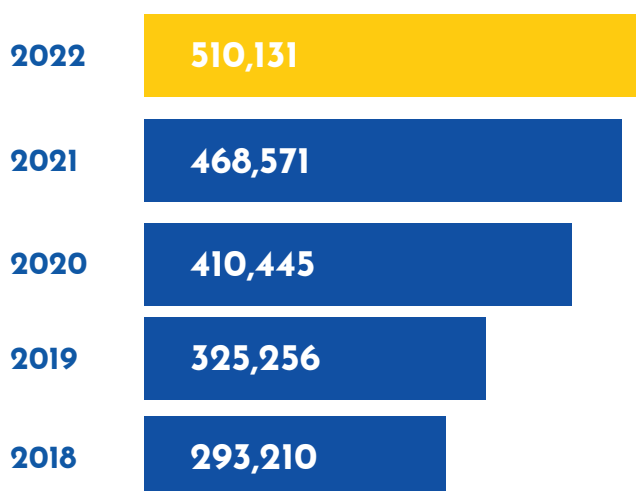
Assets

Total assets of \$510 million (2021: \$468 million), increased by 9% (2021: 14%). Total Assets increased due to an 12% increase in loans to our members and 7% increase in fixed assets as we capitalized the costs of the new banking system and ATMs.

Total Loans (\$000)



Total Assets (\$000)



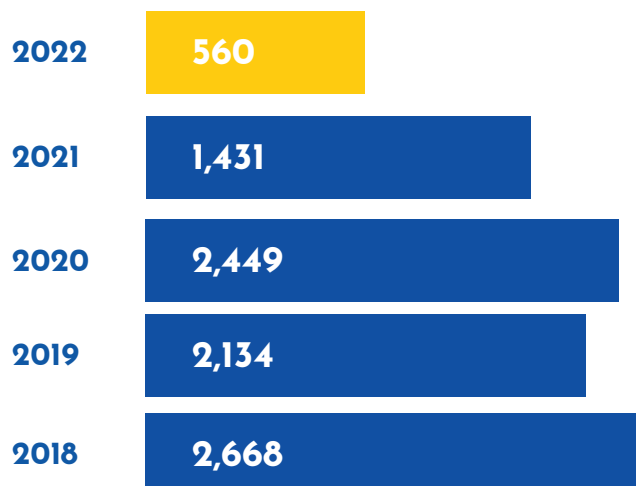
Provisions

Total loan provision of \$560K (2021: \$1.43M) was reduced by loans written-off of \$1.038M (2021: \$564K) as of 31 July 2022 and increased by an additional bad debt provision of \$168K.

Total provision of \$560K includes a specific provision and an expected credit loss provision based on the IFRS9. The specific loan loss provision on non-performing loans decreased by 79% bringing the total specific provision to \$251K (2021: \$1.17M). The expected credit loss on the performing loan book increased by 19% to \$309K (2021: 260K) mainly due to revised assumptions based on the nature and complexity of the loan book.

Loans written-off totaled \$1.038M (2021: \$564K); these loans were written off after careful consideration by the Board of Directors because they had been delinquent for a significant period, and all efforts to secure repayment were exhausted and proved unsuccessful. The members involved have been recorded in the Register of Loans Written Off, and these members may not avail of future lending facilities of the Credit Union, until such time as their previously outstanding indebtedness is repaid.

Loan Provisions (\$000)

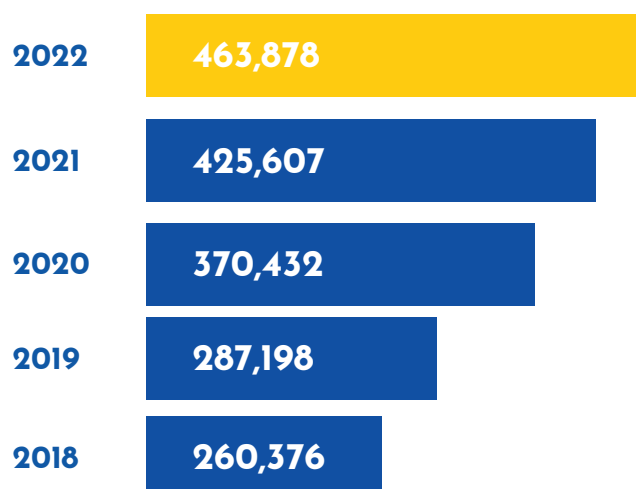


Shares & Deposits

Total member deposits of \$464M (2021: \$426M) grew by 9%.

Members continued confidence in our Credit Union is shown in the growth in member deposits; members' shares grew by 8% (2021: 16%). Member deposits (savings and term deposits) increased by 20% (2021: down 6%) as more members transfer funds online from banks.

Total Member Deposits (\$000)



The Way Forward

Going forward we expect the 2022/23 financial year will be impacted as follows:

- Further increases in interest rates for commercial banks, which will enhance our competitive position to grow our loan book as we do not plan to increase our rates in the next financial year.
- Increased return on deposits not loaned to members and placed with banks due to higher interest rates;
- Increased non-interest income due to new fees being in place from March 2022.

We will continue to provide oversight of our key performance indicators to ensure the financial safety and soundness of our Credit Union so that we can continue with our mission to help you, our members. We remain committed to providing financial solutions to our members in a cost effective, sustainable, and efficient manner.

I wish to thank the management and staff of our Credit Union for remaining diligent in their duties to the organization. It is never easy to operate in a dynamic and ever-changing financial environment.

Thanks to our Auditors, EY, who conducted and completed their audit in a timely manner.

Finally, as Treasurer I am grateful to you, our valued members, for your continued support of our Credit Union and for the opportunity to have served in this capacity.

Thank you, and enjoy the rest of your evening, and may God continue to bless you, our Credit Union and the Cayman Islands.

Nichelle Scott,

Treasurer



CREDIT COMMITTEE REPORT

Overview

This financial year was characterized by the continuation of low interest rates for the first 7 months, the impact of aggressive increases in interest rates for the last 5 months, predatory competition, and escalating real estate values.

The low interest rate environment from August to February, provided the commercial banks with an opportunity to lure our members with lower interest rates; however, the Credit Union was able to reduce the outflow of loans to banks by being flexible and competitive with interest rates on new loans to members and by emphasizing our low borrowing fees and interest rebate to our members.

Commercial banks commenced aggressively increasing interest rates between March and July of the financial year by a total of 2.25% which gave our Credit Union a competitive advantage.

Members' ability to qualify for loans was hampered by the escalation in real estate values and the increased costs of construction. However, lending continued to be robust.

Our strong Credit Policy and Procedures aided in keeping delinquency below 2%, at 1.07% (2021:1.90%) and our strong liquidity facilitated the disbursement of loans, resulting in an 12% growth in the loan book from \$323M to \$362M.

The Credit Policy was reviewed and updated to enhanced regulatory requirements and strengthen controls during the financial year; the Credit Committee provided valuable input during this review.

The Credit Committee approved loans totalling \$99M (2021: \$97M). All loans in excess of the limit for the Committee as set out in the Credit Policy were submitted to the Board of Directors for final review and decision. All loans below the limit for the Credit Committee were approved by the Internal Credit Committee and the loan officers in accordance with the Credit Policy.



Matthew Tibbetts
Chairman

The table on the side shows a 2% increase in total loans approved compared to the previous year.

The increase in total loans approved was mainly due to

- 20% increase in land and home purchases;
- 30% increase in mortgages consolidated and brought home from banks;
- 26% increase in business investments; and
- 18 % increased in unsecured loans.

Membership & Attendance

The Credit Committee held 40 (2021: 36) meetings during the financial year to review and adjudicate loan proposals for our members.

We expect that interest rates will continue to increase in the local market, which will attract members to come home to our Credit Union or begin their borrowing process with us. We remain committed to providing the lowest fees and providing excellent service to our members.

Matthew Tibbetts
Chairman

Out of Share Loans (\$000)

	2022		2021	
	Qty.	Amount	Qty.	Amount
TYPES OF LOANS				
Land & Building Purchase	226	39,675	216	33,155
Debt Consolidation/Refinance	26	11,221	51	8,630
Contruction	18	6,913	35	13,166
Motor Vehicle Purchase	239	8,100	318	10,572
Property/Home Repairs	16	1,177	18	1,019
Personal	10	627	10	585
Business Investment	5	1,553	4	1,231
Education	5	68	5	186
Boat Purchase	-	-	1	35
Medical Purchase	1	12	1	7
Furniture/Appliances	1	30	-	0
TOTAL	547	\$69,376	659	\$68,586
Total Unsecured Loans		6,820		5,775
Total Within Share Loans		22,616		22,776
GRAND TOTAL		\$98,812		\$97,137

Members		Position	Credit Committee	Board	Statutory
			40	16	1
Matthew Tibbetts	Chairman		28	4	1
Louise Burke Richardson	Deputy Chairman		40	5	1
Uche Obi	Member		27	-	1
Jane Ebanks	Member		32	-	1
Keisha Yates	Secretary		37	1	1
Asaph Scott	Member		24	-	-
Beverly McFeild Walters	Member		11	-	-

Beverly McField-Walters retired from the Credit Committee in November 2021. Asaph Scott was elected to serve in November 2021.

Credit Committee



Matthew Tibbetts
Chairman



Louise Burke-Richardson
Deputy Chairperson



Keisha Yates
Secretary



Ida Jane Ebanks
Member



Asaph Scott
Member



Uche Obi
Member

SUPERVISORY COMMITTEE REPORT

Overview

The financial year 2021/2022 has been another successful year for our Credit Union as we saw a 9% increase in deposit, 12% growth in loans, 1,508 new members, changes in senior management, and the implementation of a modern technology banking system. More so, we continue to support and provide guidance and oversight to our Credit Union whilst keeping abreast of the challenging environment to mitigate any accompanying risks, enhancing the systems of internal controls, and monitoring risk and compliance issues.

We emphasize that the success of our Credit Union is due to the commitment and collaboration of our members, volunteers, staff, management, and the leadership and guidance of the many volunteers serving on the Board, the Supervisory Committee and the Credit Committee.

Activities

Under Article XI, Section 54 of the Credit Union Rules (2012 Revision), the Supervisory Committee is charged with the responsibility of examining the affairs of the Credit Union including auditing the books and investigating complaints from members affecting its proper operations. The Supervisory Committee remains committed to this task and operate independently of all entities of the Credit Union. We are dedicated, constantly working to ensure that all policies, practices, and procedures are compliant with the applicable laws and regulations. For this, I thank the diligent membership of the Supervisory Committee for their hard work and the wealth of experience they bring in executing our mandate.

The Supervisory Committee continued to focus on reviewing the internal audits conducted by the Internal Audit Manager along with increasing assessments conducted by the Chief Risk and Compliance Officer. Internal Audit Manager and the Chief Risk and Compliance Manager continue to strengthen their reporting to the Supervisory



Marco Archer
Chairman

Committee with relevant and timely audits and due diligence assessments on various aspects of the Credit Union's operations. With the demands placed on their respective areas, the competency and staffing resources are continually being assessed and enhanced with training and other support.

Internal Audit

The financial year 2021/2022 has been a challenging year. The new Internal Audit Manager was hired in June 2021 and the Internal Audit Department (IAD) was able to complete 12 audits in the areas of human resources, anti-money laundering, business continuity plan, credit risk management, accounts (finance), new accounts, and several others.

There were three special audit engagements during the financial year but there were no fraudulent activities noted. Relevant recommendations were presented to improve the general internal control environment of the Credit Union. The Departments and Senior Management have responded favorably to the IAU's recommendations by committing to implementing the action plans identified.

As is customary, the Internal Audit Unit will continue to monitor and report on the progress made towards implementation of the action plans to address the audit issues noted. Thus, follow-up audits are scheduled for the financial year 2022/2023. Aside from those, the IAD will also embark on the review of critical controls involving information technology, contract and vendor management, loans operations, member services and risk and compliance operations.

Risk & Compliance

Anti-money Laundering ("AML"), Counter Financing of Terrorism ("CFT") and Counter Proliferation Financing ("CPF")

The Risk and Compliance Department continues to work towards ensuring that the Credit Union remains compliant with the relevant laws and

regulations. The Credit Union's AML Compliance programme is governed through a 4-pillar approach, these being policies and procedures, risk assessment, AML compliance training, and the compliance audit function.

The Credit Union employed a new CRCO in March 2022. The CRCO was charged with the ongoing operation and execution of the AML Compliance Programme for our Credit Union. The CRCO also assisted with the approval process of the members of the Credit Union's Board and Committees with the Cayman Islands Monetary Authority (CIMA) by coordinating the regulatory submissions required for all Board and Committee Members as well as other Senior Officers of our Credit Union.

AML and Prudential Policies and Procedures

The Credit Union continues to enhance its policies and procedures framework through the updates and creation of additional policies and procedures. In an effort to ensure the policies and procedures are up to date and compliant with regulatory requirements, an external service provider was engaged to conduct an independent review and update the existing AML/CFT/CPF policies and procedures as well as those required for compliance with the Credit Union's regulatory and prudential obligations.

AML training

During the 2021/2022 financial year the Risk and Compliance Department hosted various training sessions for new and existing staff, on topics such as updated policies and procedures, source of funds, suspicious activity reporting and updating due diligence for existing members. Risk and Compliance has also assisted with identifying a new eLearning platform which will allow the Credit Union to provide convenient and efficient training for all staff as well as Credit Union Board and Committee Members. Modules include AML/CFT/CPF compliance and Data Protection, which will allow the Credit Union to measure and monitor the effectiveness of its training programme. The programme will be launched during the 2022/2023 financial year.

Compliance Audits

During the 2021/2022 financial year, the Credit Union's compliance audit programme focused on the onboarding of new accounts as well as ongoing monitoring of member transactions to ensure they were in line with regulatory obligations, the Credit Union Rules, and established policies and procedures.

Risk Assessment

The Credit Union has also continued with the ongoing remediation of existing members in accordance with the Credit Union's Risk Based Methodology. To assist with the remediation, the Credit Union recruited a Remediation Officer to ensure the reviews were prioritized and conducted expeditiously. The remediation is ongoing and through this programme, the Credit Union continues to request updated due diligence from its members. We urge all Members to provide information when requested as non-compliance with rules and regulations significantly increases the risk of punitive actions against the Credit Union by the Cayman Islands Monetary Authority (The "Authority").

Enterprise Risk Management ("ERM")

Risk management is integral to all aspects of the Credit Union's activities. As the Credit Union continues to grow in pursuit of its strategic goals, it is committed to ensuring relevant risks are appropriately mitigated. To enhance the ERM programme, the Board approved the Credit Union's Risk Management Framework which ensures that there is an effective process in place to manage risk across all operations. The Risk Management Framework sets out the Credit Union's risk appetite statement which is the amount and type of risk the Credit Union is willing to accept in pursuit of its business objectives.

The Risk and Compliance Department continues to monitor the risk registers of all departments for any updates in order to ensure that all existing and emerging risks are adequately identified and managed.

Data Protection Act ("DPA")

Through its Risk Management Framework, the Credit Union continues to provide ongoing awareness and training for its employees and monitoring of internal processes, to ensure it is able to meet its obligations under the DPA.

Management of complaints process for members

The Risk and Compliance Department is also responsible for monitoring complaints received from members. The management of complaints is controlled through the use of a centralised helpdesk ticketing system where all member complaints are logged and communicated to the various departments.

Complaints are prioritized and categorized to facilitate the effective resolution of customer issues. Customer complaints highlight areas for improvement and offers valuable information that can help the Credit Union to improve our business. Additionally, the Risk and Compliance Department is able to analyze and provide the various departments with meaningful information to reduce member complaints.

One notable area of improvement was remedying the long lines experienced by members when attending the Credit Union. Member complaints in this area led to the introduction of the new CUconvenience service which offers members the option to submit their requests for services via email or telephone and avoid the long lines.

The Way Forward

As the Credit Union increasingly develops as a significant financial entity, we will continue to ensure appropriate enterprise risk management and internal controls are developed to preserve its assets and ensure compliance in line with the ever-increasing requirements.

Membership & Attendance

Following our election in November 2021, the Supervisory Committee noted some changes to the membership. We thank the outgoing members and welcome the new volunteers as we see a sustained high level of experience, commitment and professionalism with requirements by the Authority.

The Committee held a number of meetings to review the reports of the Internal Audit and the Risk & Compliance Managers. In addition, representatives from the Supervisory Committee attended monthly Board of Directors' meetings along with a number of meetings held by the Credit Committee and the Development Committee. In the table below we disclose the attendance at these meetings.

Members	Position	Supervisory Committee	Board	Credit Committee	Statutory	Education Grants	Development Committee
		15	16	40	1	1	21
Kim France	Member	15	4	10	1		
Marco Archer	Chairman	13	2	3	1		10
Ravi Persad	Member	15	3		1		
Deirdre Carmola	Member	4				1	
Golda Tatum Carter	Member	15	2	1	1		
Olivaire Watler	Member	1	1	1			
Jessica Anderson	Secretary	14	2	1	1		
Johnae Moss	Member	10	1		1		
Mervyn Conolly	Vice Chairman	10	1		1		

Olivaire Watler retired in November 2021. Deirdre Carmola was elected to the Board of Directors in November 2021.

We wish to record our sincere thanks to the Board of Directors, Management, Internal Audit Manager, Chief Risk and Compliance Officer and the staff for their co-operation throughout the year. We would also like to thank the Members for the opportunity given to us to serve on the Supervisory Committee during the past fiscal year in support of our mandate.

Marco S. Archer

Chairman

Supervisory Committee



Marco Archer
Chairman



Ravi Persad
Deputy Chairman



Kim France
Member



Johnae Moss
Member



Mervyn Conolly
Member



Jessica Anderson
Member



Golda Tatum
Member

ABOUT US

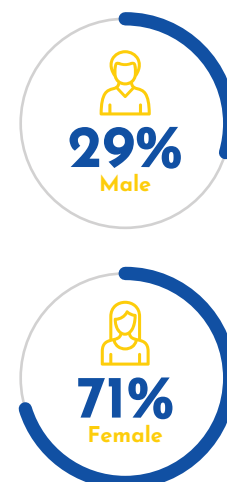
The Credit Union employed 70 (2021: 64) team members, consisting of 20 males and 50 females as of 31 July 2022. Our Team is committed to continuous improvement to meet and exceed the expectations of our members within the rules, policies, and procedures of the Credit Union.

The Teams' years of service, loyalty, and commitment to training and development have enabled them to enhance relationships with our members and provide excellent and professional service.

Years of Service

Range	Number of Employees	
	2022	2021
0-5	45	40
6-10	9	11
11-16	6	6
16-20	8	6
21-25	2	1
Total	70	64

The Table above shows 16 out of 70 employees, or 23% (2021:19%), have maintained their working relationship for more than 10 years:



STAFF AND DEPARTMENTS

Accounts & Finance

Sade Wood
Tinicia Tibbetts
Nicholas Roberts
Xitlanie Douglas
Gegofrey Brown

Internal Audit

Celia Paz Gomez

Credit Risk

Michael Gocul
Rita Needham
Jason Hydes
Jarita Walters Harding
Jordan Seymour-Hodgson
Karlene Minzett

Cayman Brac Branch

Sidney Ebanks
Jannie Powery-Paz

Data Verification

Tonylee Orellana Cruz
Deloris Wood

Marketing & Promotions

Nancy Whittaker
Geordan Banks

Loans Department

Alister Carter
Tasha McKenzie
Yolanda Ebanks
Angelita Small
Autrey Rolle
Denise Campbell
Renee Ferron
Osiris Ramos-Zelaya
Brittany Rose
Rosita Harper
Anneta Twinn
Jeniece Powell
Renika Rankine
Shirley Chambers

Debt Collections

Basil Scott
Lilly Bodden
Mayra Swaby-Lara

New Accounts & Support Services

Lisa Galbraith
Tiffany Ebanks
Sherene Rhoden
Yaimary Clarke
Karen Smith
Theodora Bodden
Zandria Ebanks

IT

Shane Mascal
Daniel Powery
Thelma Badal
David Wood

Executive Officer

Patricia Estwick
Danielle Ebanks Lee

Human Resources

Emilita Clifford
Carla Martin
Suzette Watler-Galeano

Members Services

Michael Bonner
Jeffrey Wilson
Christopher Ebanks
Vito Welcome
Annisia Sheow-Clarke
Ashley Alvarado Reeves
Chrissie Chollette
Elisa Smith
Genova Cordero
Gisela Santos-Reid
Lauren Brown
Patricia Dixon
Sherene Morgan

Risk & Compliance

Nedra Myles
Susan Conolly
Megan Anderson

Security & Operations

Harrison Bothwell
Bridget Powery
Darley Powery

TRAINING AND DEVELOPMENT

The Credit Union has a responsibility to train and develop its employees as well as its directors and volunteers so that they are equipped to carry out their respective duties. Annual training for employees, directors and volunteers was provided through webinars, local and overseas conferences, and in-house training during 2021/2022:

This year the Board approved our Learning and Development Policy which sets out our commitment to training and developing our staff; the Policy includes areas of required training for all staff as well as specific areas of training for each staff member based on the department they are in. See table of training completed for the year below:

ACCOUNTING

AICPA & CIMA Women's Global Summit
AICPA & CIIPA Annual Summit

COMPLIANCE

2022 FIBA AML Conference
26th Annual International AML & AFC Conference - Online
ACAMS Caribbean Conference
AML & Financial Crime Prevention Caribbean Conference
AML Grey Matters
AML Refresher Training
CAMS certification
How to build an effective Risk based screening program
International Compliance Association (ICA) in Anti-Money Laundering
PEP procedures Training
Sink or Swim - Navigating Compliance Post Pandemic

CREDIT UNION CONFERENCES

CCCU 2022 Annual International Hybrid Convention
WOCCU 2022 Annual International Convention

CUSTOMER SERVICES

Critical Elements of Customer Service Training
Providing Exceptional Customer Service
The Customer Service Excellence Workshop

DIGITAL RISK MANAGEMENT

Cyber Security: Journey to Safety
Digital Risk Management - Mitigating Current & Emerging Risks of Credit Union Digitalisation

HUMAN RESOURCES

Certification in Strategic Workforce Planning
CISHRP Annual Conference 2022
Essentials of Human Resources Management 101
Immigration Law 101
Labour Law 101
Pension & Health 101
Strategic HR Leadership Certification
Strategic Workforce Planning

LENDING

Digital Transformation of Your Loan Document Processing
Financial Counselling
Loans & Delinquency Officer Training
Modern Debt Collection Strategies for Credit Unions (2022)
Royal Institution of Chartered Surveyors (RICS)

MANAGEMENT AND LEADERSHIP

Certificate in Executive Leadership
Communication Skills
Effective Email Communication
Essential of Supervision (Part 1): Developing Your Leadership Style
Essentials of Supervision (Part 2): Developing Your Team
Event Management Training
How to write effective policies & procedures
iSHINE: A Certification Program in Exceptional Customer Service
KWC Webinar - Strategic Planning & Execution
Microsoft Excel Beginners II: Building Beyond the Basics
The Art of Negotiation
Time Management & Productivity

Staff turnover during the year included the movement of Management staff as follows:

- **Mr. Shane Mascal joined in January 2022 replacing the former Chief Information Officer.**
- **Mrs. Nedra Myles joined in March 2022 replacing the former Chief Risk & Compliance Officer.**
- **Mr. Alister Carter Chief Credit Officer joined in July 2022 replacing the former Senior Credit Risk Officer.**
- **Mrs. Supipi Gamage joined in August 2022 replacing the former Chief Financial Officer.**

Staff Promotions were as follows:

- **Mr. Nicholas Roberts - Senior Accounts Officer**
- **Mrs. Toni Orellana-Cruz – Finance Manager**
- **Mrs. Osiris Ramos-Zekaya – Senior Loans Officer**
- **Ms Tiffany Ebanks – Assistant Manager New Accounts & Support Services**
- **Mrs. Brittney Rose – Loans Officer**

Volunteers

We pay tribute to all our volunteers who continue to contribute their time, skills, and knowledge on the Board, Credit Committee, Supervisory Committee and Sub-committees to ensure that the Credit Union remains a viable, efficient, and compliant Co-operative.

Acknowledgement

Our Credit Union employees are a dynamic, experienced, loyal, and dedicated team of individuals. They continue to thrive in a changing environment in order to continue to give excellent service to you, our members. They represent our Credit Union in and outside of the workplace. They are not just employees, they are **"Members Helping Members."**

We sincerely thank the directors and members for the allocation of additional training funds from the annual surplus.



OUR COMMUNITY

Community Support is a very important aspect of what Credit Unions do. Our Credit Union supports the community in various ways but in particular through educational grants, sponsorship of various charitable events, sports, school programmes, and celebrating with our members on International Credit Union Day ("ICU Day"). In 2021/2022, a total of \$248K was given to support our community, locally and regionally.

During the financial year, our Credit Union's core principle of members helping members was demonstrated:

- **\$200,000 in grants from the Rupert McCoy Educational Grant programme was provided to 141 members to assist with expenses in pursuit of their educational goals.**

- 57% of the courses are being studied overseas,
- 24% are studying locally, and
- 19% online.

Of the 141 applicants,

- 60% are pursuing a Bachelor's Degree,
- 14% are pursuing a Master's Degree,
- 8% are pursuing an Associates Degree,
- 3% are pursuing a Certificate,
- 10% are pursuing their A levels,
- 1% is pursuing Technical & Vocational Certification, and
- 4% are pursuing their PhDs.

The Credit Union takes pride in providing this financial assistance and wish the recipients every success in their future endeavours.

- **The Credit Union also donated \$47,997 to various charities, sports, school programmes, and special events.**

Annually, the Credit Union adopts and provides support to a government primary school in the Cayman Islands; this year, George Town Primary school was selected. The Credit Union was able to assist all year-three students with their back-to-school supplies.



COMMUNITY DEVELOPMENT

Rupert McCoy Memorial Educational Grant

2022 awards \$200,000

Charities

Lions Club of Tropical Gardens	\$2,500
Lions Club of Cayman Brac	\$1,000
NCVO	\$1,000
Alex Panton Foundation	\$5,000
Loud Silent Voices	\$1,000
Cayman Islands Crisis Centre	\$1,500
Meals on Wheels	\$6,600
Jasmine	\$1,000
Inclusion Cayman	\$2,500
Cayman Islands Cancer Society	\$1,500
Alzheimers and Dementia Association of the Cayman Islands	\$1,000
Cayman Heart Fund	\$1,000
Cayman Islands Seafarers Association	\$500
Cayman Brac Seamen Veterans Association	\$500
Total	\$26,600

School Programmes

School Supplies for George Town Primary School	\$5,202
School Graduations	\$300
Bodden Town Primary mental Health Day	\$500
Layman Scott High School Graduation	\$500
Total	\$6,502

Sports

Netball Association - T-shirts	\$425
Speed Athletics Track Club	\$300
Mustang Track Club	\$475
Academy Football Club	\$475
Total	\$1,675

Church Programmes

United Pentecostal Church	\$500
Wind of Hope	\$500
All Nations United Pentecostal Church	\$500
Elmslie Memorial United Church	\$1,500
Total	\$3,000

Special Events

Shiloh Healthcare	\$1,500
Department of Children and Family Services	\$500
National Children's Festival of the Arts	\$3,000
Cayman Brac Scavenger Hunt	\$300
Total	\$5,300

Regional

CCCU Foundation	\$4,920
Total	\$4,920
Grand Total	\$247,997



INTERNATIONAL CREDIT UNION DAY (ICU DAY)



International Credit Union Day (ICU Day) was celebrated on October 21, 2021, under the theme, **"Building Financial Health For a Brighter Tomorrow"** this theme reflected how the Credit Union helps our members to:

- **Save and borrow wisely; and**
- **Save thousands in fees.**

In 2021, over 1,400 members celebrated during a week of fun, educational events, and competitions. The events and competitions held were:

- **Online Quiz** – 1,379 members participated in this competition, 14 members answered all questions correctly, and our winner was announced live on Radio Cayman.
- **New Membership Drive** – 42 new members opened an account between October 18th and 27th, and two lucky members won 1 of 2 \$500 Share Certificates.
- **Essay Contest** - Student - Members between the ages of 10-17 were asked to submit an essay; 15 young members participated. The topics were:

There were three winners for this competition, First-Place winner won \$500, the Second-Place winner \$250 and the Third-Place winner won \$150.

- **Outfits for Opportunities** - In the Credit Union spirit of "Members Helping Members", the Credit Union held a clothing drive to support unemployed and underemployed men and women. These items were donated to the Cayman Islands Crisis Centre.
- **Credit Union Colours** - On Thursday, 21st October 2021, members were asked to dress down to show-off their Credit Union colours blue & yellow.



- Photos were posted on our social media pages and one lucky winner won \$500 cash!
- **The Credit Union Difference** Online Financial Seminar – Members had the opportunity to learn about the Credit Union Difference.

36 Members who visited our branches on ICU Day were randomly selected to win door prizes.



NOMINATING COMMITTEE REPORT

In accordance with the provision of Article XIII, Rule 65(1) of the CICS Credit Union Ltd Rules, the Board of Directors appointed a director, whose term is not expiring at the AGM, to chair the Nomination Committee with three members. The Membership of the Committee consist of:

Deirdre Carmola, Member and Chairperson
Melissa Ebanks, Member
Keisha Syms, Member
Mellony Bryan-Waugh

The Committee met and reviewed all nominations against the purview of the Director and Committee Members' Nomination Package. The Committee confirmed that all nominators and nominees are 18 years of age and in good standing and that the nominees possess the necessary skill to serve on the Board of Directors, Credit Committee or Supervisory Committee. All serving members shall also be subject to Cayman Islands Monetary Authority's Regulatory Policy and Procedure on fitness and propriety.

Board of Directors

Under Article VIII, Rule 32(i) directors shall be elected for two-year terms. The Rules dictate that the term of office of not more than the bare majority shall expire at the same AGM.

The Nomination Committee hereby presents the following members as nominees to be elected under Rule 31 (1) to serve as Directors on the Board for the stated term:

1.	Suzanne Bothwell	2 Years
2.	Golda Tatum	2 Years
3.	Heather Smith	2 Years
4.	Paul Inniss	2 Years

The following Directors have agreed to serve the second year of a two-year term:

Deidre Carmola, Ryan Rajkumarsingh, Jose Hernandez, James Watler, Corinne Glasgow

Credit Committee

Under Article X, Rule 44(iii) Credit Committee Members can be elected for 2 years. Rule 44(ii) states that the term of office of not more than the bare majority shall expire at the same AGM.

The Nominating Committee hereby presents the following members as nominees to be elected under Rule 44 (i) to serve as Members on the Credit Committee for the stated term:

1.	Uche Obi	2 Years
2.	Keisha Yates	2 Years

The following Credit Committee Members have agreed to serve the second year of a two-year term:

Louise Burke - Richardson, Ida Jane Ebanks, Asaph Scott

Supervisory Committee

Under Article XI, Rule 52(ii) Supervisory Committee Members can be elected for 1 year.

The Nomination Committee hereby presents the following members as nominees to be elected under Rule 52(ii) to serve as Members of the Supervisory Committee for a one-year term:

1.	Ravi Persad	1 Year
2.	Kim France	1 Year
3.	Marco Archer	1 Year
4.	Johnae Moss	1 Year

Deirdre Carmola
Chairperson

Melissa Ebanks
Member

Mellony Bryan-Waugh
Member

Keisha Syms
Member

12th October 2022

RESOLUTIONS TO THE 47TH AGM

RESOLUTION NO. 1

WHEREAS the Annual General Meeting of Members has both the right and responsibility to sanction the appropriation and distribution of any surplus; and

WHEREAS the surplus of the Credit Union, after statutory reserve, shall be utilised as the Annual General Meeting may decide to, among other things, pay to members a dividend not exceeding 6 percent per annum on fully paid shares; and

WHEREAS the undistributed surplus of the Credit Union as ascertained by the Audit as at 31 July 2022 is CI\$12,249,921; and

WHEREAS the payment of the Statutory Reserve shall be CI\$2,449,984 representing 20% of the audited Net Income; and

WHEREAS the undistributed surplus, before dividends, and after deduction of the required statutory reserve of the Credit Union, as ascertained by the Audit as of 31 July 2022 is CI\$9,799,881;

BE IT RESOLVED that this Annual General Meeting approve the payment of a dividend of 2.3% and thereafter the following distribution of CI\$9,799,881, after payment to the Statutory Reserve.

a.	Payment of Dividend 2.3%	\$9,468,388
b.	Educational Grants to members for July 2022	\$200,000
c.	Remaining balance to training of members, volunteers, and staff	\$131,493

Proposed by:

The Board of Directors

RESOLUTION NO. 2

As a requirement of the Cooperative Societies Law ® and Article XVI of the Credit Union Rules (2012 Revision) (the "Rules"), **BE IT RESOLVED** that this Annual General Meeting of CICSA Co-operative Credit Union Limited, approve the maximum liability of CI\$5,000,000.00 for the financial year 1 August 2022 to 31 July 2023.

Proposed by:

The Board of Directors

FINANCIAL STATEMENTS

**THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED**

Year Ended July 31, 2022

With Report of Independent Auditors

Ernst & Young Ltd.



THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

Year Ended July 31, 2022

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Independent Auditor's Report

The Board of Directors
The Cayman Islands Civil Service Association (CICSA) Co-operative Credit
Union Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Cayman Islands Civil Service Association (CICSA) Co-operative Credit Union Limited (the Credit Union), which comprise the statement of financial position as at July 31, 2022, and the statement of comprehensive income, statement of changes in reserves 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 July 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 *Auditor's 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

The Board of Directors are responsible for overseeing the Credit Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

This report is made solely to the Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

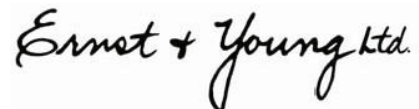
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 auditor's 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 auditor's 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 the Board of Directors 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.



Grand Cayman, Cayman Islands
November 4, 2022

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED


STATEMENT OF FINANCIAL POSITION

(Expressed in Cayman Islands Dollars)

	July 31	
	2022	2021
ASSETS		
Cash on hand and at bank (Note 3)	\$ 22,872,380	\$ 46,060,135
Fixed deposits (Note 3)	112,650,932	87,670,602
Securities at fair value through profit or loss (Note 4)	3,072,188	2,781,773
Mortgage and personal loans including interest receivable, net of loan loss provision (Note 5)	362,058,603	323,228,957
Receivable and other assets (Note 26)	726,011	205,465
Repossessed collateral (Note 5)	—	403,315
Fixed assets (Note 6)	6,776,017	6,308,109
Right-of-use asset (Note 6)	96,774	79,292
Investment property (Note 7)	1,878,071	1,833,496
Total assets	<u>\$ 510,130,976</u>	<u>\$ 468,571,144</u>
LIABILITIES AND RESERVES		
Liabilities:		
Members' deposits (Note 8)	\$ 27,309,135	\$ 22,703,631
Members' shares (Note 9)	436,568,536	403,902,700
Accounts payable and accrued expenses (Note 27)	2,064,529	1,391,228
Lease obligations (Note 6)	74,428	82,550
Total liabilities	<u>466,016,628</u>	<u>428,080,109</u>
Reserves:		
Statutory reserve (Note 10)	32,524,027	30,061,503
Permanent shares (Note 10)	427,670	395,950
Information Technology Fund (Note 11)	734,866	904,974
Development fund (Note 12)	627,904	627,904
Undistributed surplus	9,799,881	8,500,704
Total reserves	<u>44,114,348</u>	<u>40,491,035</u>
Total liabilities and reserves	<u>\$ 510,130,976</u>	<u>\$ 468,571,144</u>

Approved for issue on behalf of The Cayman Islands Civil Service Association (CICSA) Co-operative Credit Union Limited's Board of Directors by:

James Watler and Nichelle Scott

 Directors
Nichelle Scott (Nov 4, 2022 17:39 CDT)

November 4, 2022

Date

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

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Cayman Islands Dollars)

	Year Ended July 31	
	2022	2021
Interest income		
Interest on loans <i>(Note 24)</i>	\$ 18,812,301	\$ 17,302,524
Bank deposit interest <i>(Note 3)</i>	526,915	273,086
Service fees – cash advances <i>(Note 16)</i>	363,994	267,620
Total interest income	19,703,210	17,843,230
Interest expense		
Interest expense on members' deposits <i>(Note 8)</i>	(54,125)	(57,888)
Interest expense on lease liability <i>(Note 6)</i>	(5,903)	(5,794)
Net interest income	19,643,182	17,779,548
 (Increase)/Decrease in provision for loan losses and interest receivables <i>(Note 5)</i>	 (167,692)	 453,519
Net interest income after provision for loan losses	19,475,490	18,233,067
Non-interest income		
Change in unrealized gain/(loss) of securities <i>(Note 4)</i>	162,850	(44,266)
Realized loss on repossessed collateral <i>(Note 5)</i>	(14,353)	(31,600)
Unrealized loss on repossessed collateral <i>(Note 5)</i>	—	(97,159)
Dividend income <i>(Note 4)</i>	131,660	125,837
Recovery of loans previously written off <i>(Note 5)</i>	146,815	77,291
Other income <i>(Note 25)</i>	885,701	505,868
Total non-interest income	1,312,673	535,971
Non-interest expenses		
Salaries and other personnel costs <i>(Notes 18 and 19)</i>	6,102,548	5,656,949
Members' beneficiary benefits <i>(Note 17)</i>	—	418,871
General and administrative	878,353	653,570
Depreciation on assets <i>(Note 6)</i>	396,868	357,867
Depreciation on right of use assets <i>(Note 6)</i>	41,192	30,792
Premises costs <i>(Note 20)</i>	471,214	470,943
Audit fees	151,700	103,984
CCCU & WOCCU convention	349	12,872
Annual general meeting	36,029	38,011
Computer expenses	389,411	358,897
Bank charges	49,202	19,814
International Credit Union Day	21,376	20,584
Total non-interest expenses	8,538,242	8,143,154
Net income for the year, being net comprehensive income for the year	\$ 12,249,921	\$ 10,625,884

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

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CHANGES IN RESERVES

(Expressed in Cayman Islands Dollars)

	Statutory Reserve & Permanent Shares	Information Technology Fund	Development Fund	Undistributed Surplus	Total Reserves
Balance at July 31, 2020	\$ 28,273,316	\$ 904,974	\$ 627,904	\$ 8,450,284	\$ 38,256,478
Net income for the year	–	–	–	10,625,884	10,625,884
Transfer to Statutory Reserve (Note 10)	2,125,177	–	–	(2,125,177)	–
Scholarship grants (Note 13)	–	–	–	(200,000)	(200,000)
Training (Note 13)	–	–	–	(102,803)	(102,803)
Dividends 2020 (Note 14)	–	–	–	(8,147,484)	(8,147,484)
Permanent shares 2021 (Note 10)	42,900	–	–	–	42,900
Entrance fees (Note 10)	16,060	–	–	–	16,060
Balance at July 31, 2021	<u>\$ 30,457,453</u>	<u>\$ 904,974</u>	<u>\$ 627,904</u>	<u>\$ 8,500,704</u>	<u>\$ 40,491,035</u>
Net income for the year	\$ –	\$ –	\$ –	\$ 12,249,921	\$ 12,249,921
Transfer to Statutory Reserve (Note 10)	2,449,984	–	–	(2,449,984)	–
Scholarship grants (Note 13)	–	–	–	(300,000)	(300,000)
Benevolent Fund (Note 17)	–	–	–	(250,000)	(250,000)
Training (Note 13)	–	–	–	(206,482)	(206,482)
Dividends 2021 (Note 14)	–	–	–	(7,744,278)	(7,744,278)
Reserves utilized during the year (Note 11)	–	(170,108)	–	–	(170,108)
Permanent shares 2022 (Note 10)	32,555	–	–	–	32,555
Entrance fees (Note 10)	11,705	–	–	–	11,705
Balance at July 31, 2022	<u>\$ 32,951,697</u>	<u>\$ 734,866</u>	<u>\$ 627,904</u>	<u>\$ 9,799,881</u>	<u>\$ 44,114,348</u>

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

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

(Expressed in Cayman Islands Dollars)

	Year Ended July 31	
	2022	2021
Cash flows from operating activities		
Dividends received	\$ 4,014	\$ 4,014
Interest received	19,326,050	20,895,600
Interest paid	(59,776)	(74,658)
Interest on lease liabilities	(5,903)	(5,794)
Loan originations, net of principal collected on loans to members	(38,983,973)	(32,195,955)
Recoveries on loans previously written off	146,815	77,291
Net increase in members' shares	24,921,609	49,498,689
Net increase/(decrease) in members' deposits	4,605,504	(1,471,400)
Cash payments for non-interest expenses	(8,179,778)	(8,478,321)
Fees, premium refunds and charges received	409,418	693,786
Service fees – cash advances	363,994	267,620
Fixed deposit placements, original terms greater than 3 months	(24,980,330)	(55,770,353)
Cash payment for non-interest expenses claimed against Information Technology Fund (Note 11)	(102,664)	–
Net cash flows (used in) operations	<u>(22,535,020)</u>	<u>(26,559,481)</u>
Cash flows from investing activities		
Purchase of fixed assets (Note 6)	(924,426)	(796,841)
Purchase of investment property (Note 7)	(44,575)	–
Proceeds from sale of repossessed collateral (Note 5)	388,963	135,800
Lease advance payment (Note 6)	(28,467)	–
Net cash flows used in investing activities	<u>(608,505)</u>	<u>(661,041)</u>
Cash flows from financing activities		
Payment of lease liabilities	(44,230)	(28,642)
Net cash flows used in financing activities	<u>(44,230)</u>	<u>(28,642)</u>
Net increase (decrease) in cash and cash equivalents	(23,187,755)	(27,249,164)
Cash and cash equivalents, beginning of year	<u>46,060,135</u>	<u>103,946,669</u>
Cash and cash equivalents, end of year	<u>22,872,380</u>	<u>76,697,505</u>
Cash and cash equivalents include:		
Cash on hand and at bank (Note 3)	22,872,380	46,060,135
Fixed deposits (original term less than 3 months) (Note 3)	–	30,637,370
	<u>\$ 22,872,380</u>	<u>\$ 76,697,505</u>
Investment of dividend income (Note 4)	127,565	121,824
Increase/(decrease) in fair value of securities (Note 4)	162,850	(44,266)

Dividends on members shares of \$9,468,388 (2021: \$7,744,226) (Note 14) are credited directly to members' shares accounts. Loan interest rebate on members loans of \$340,228 (2021: \$350,000) (Note 15) are credited directly to member's shares. As at July 31, 2022, there are no repossessed collateral held for sale (2021: \$403,315) (Note 5).

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

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

July 31, 2022

1. Incorporation and activities

The Cayman Islands Civil Service Association (CICSA) Co-operative Credit Union Limited (the “Credit Union”) was incorporated in the Cayman Islands in 1976 under the provisions of the Cooperative Societies Act (the “Act”) and operates as a non-profit organization making loans to and receiving savings from members.

The Credit Union’s registered office is 58 Huldah Ave., George Town, Grand Cayman, Cayman Islands.

Membership in the Credit Union has historically been limited to persons who have attained 18 years of age and are employed by the Government of the Cayman Islands (including all Statutory Boards/Bodies of Government) and/or their immediate family members. At the Annual General Meeting (“AGM”) held July 25, 2001, the persons eligible for membership were extended to include employees of Utility Companies operating in the Cayman Islands and/or immediate relations thereof.

The number of persons employed by the Credit Union as of July 31, 2022, is 70 (2021: 64).

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost basis, except for the financial assets at fair value through profit or loss that have been measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

Functional and presentation currency

Items included in the financial statements of the Credit Union are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Cayman Islands Dollars, which is the Credit Union’s functional and presentation currency.

2.2 Significant accounting judgments and estimates

The preparation of the Credit Union’s financial statements requires management to make certain significant estimates and judgments that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Other disclosures relating to the Credit Union’s exposure to risks and uncertainties includes:

- Capital management Note 21
- Financial risk management and policies Note 22
- Sensitivity analysis disclosures Note 22

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.2 Significant accounting judgments and estimates (continued)

The estimates and judgments that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i) Going concern

The Credit Union's management has made an assessment of the Credit Union's ability to continue as a going concern and is satisfied that the Credit Union has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Credit Union's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

ii) Impairment losses on loans and advances

The Credit Union reviews its loan portfolio to assess impairment at least on a quarterly basis or when an indicator of impairment is present. In determining whether an impairment loss should be recorded in the statement of comprehensive income on these loans, the Credit Union makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the discounted collateral and 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 local economic conditions that correlate with defaults on assets in the Credit Union.

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. If the fair value of collateral held in respect of loans classified as past due by 90 days (2021: 90 days) and not specifically provided for were to decrease by 5% an additional impairment provision of approximately \$53,154 (2021: \$49,563) would have been recorded at July 31, 2022.

Additionally, the Credit Union periodically reviews its provisions for losses incurred in the performing loan portfolio but not specifically identifiable at year end. In determining the provision for loan losses management makes certain judgments regarding the extent to which historical loss trends and current economic circumstances impact their best estimate of losses that exist in the performing loan portfolio at the statement of financial position date.

The measurement of impairment losses across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Credit Union's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Credit Union's internal credit grading model, which assigns a probability of default (PD) to the individual grades
- The Credit Union's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit losses (LTECL) basis and the qualitative assessment

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.2 Significant accounting judgments and estimates (continued)

- The segmentation of financial assets when their expected credit loss (ECL) is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, exposure at default (EAD) and loss given default (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Credit Union's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

2.3 Changes in accounting policies and disclosures

Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Credit Union's financial statements. These standards and interpretations will be applicable to the Credit Union at a future date and will be adopted when they become effective. The Credit Union is currently assessing the impact of adopting these standards and interpretations.

IAS 1 Presentation of Financial Statements - Amendments to IAS 1 (effective January 1, 2023)

The IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.3 Changes in accounting policies and disclosures (continued)

Replacement of the term 'significant' with 'material' In the absence of a definition of the term 'significant' in IFRS, the IASB decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the IASB. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments to IAS 8 (effective January 1, 2023)

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the IASB.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective January 1, 2023)

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Credit Union is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.4 Summary of accounting policies (continued)

Recognition of income and expenses

Interest income and expense

Interest income and expense are recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, financial instruments designated at FVPL.

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the EIR, we estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. Credit Union recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Interest on loans is recognised over the term of the loan and is calculated using the effective yield method, interest ceases to be recognised on loans that are over 90 days in arrears.

Service fees

Service fees arising on cash advances are recognised on a time proportion basis over the period (of up to one month) of the cash advance.

Financial instruments: Initial recognition

Date of recognition

Financial assets and liabilities, with the exception of mortgage and personal loans and members' deposits, are initially recognised on the settlement date, which is the date that an asset is delivered to or by the Credit Union. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the members' accounts. Members' deposits are recognized when funds are transferred to the Credit Union.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, Credit Union accounts for the Day 1 profit or loss, as described below.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.4 Summary of accounting policies (continued)

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, Credit Union recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Credit Union classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

The Credit Union classifies and measures its equity securities at FVPL as explained in summary of accounting policies. Credit Union may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition.

Financial liabilities, other than loan commitments, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial assets and liabilities

Debt instruments are those that contain contractual obligations to pay the instrument holder certain cash flows. Cash, fixed deposits, mortgages and personal loans, and receivables are classified as debt instruments. The classification and subsequent measurement of debt instruments depend on the assessment of business model and characteristics of cash flow.

Business model assessment

The Credit Union determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.4 Summary of accounting policies (continued)

The expected frequency, value and timing of sales are also important aspects of the Credit Union's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Credit Union's original expectations, the Credit Union does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Solely Payments of Principal and Interest test (SPPI test)

As a second step of its classification process the Credit Union assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Credit Union applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Based on these factors, the Credit Union classifies and measures its debt instruments at amortized cost, as they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured.

Equity instruments are those that do not contain contractual obligations to pay the instrument holder and that evidence residual interests in the issuer's net assets. The Credit Union measures all equity investments at fair value through profit or loss. Impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Credit Union's right to receive payments is established.

All loans are originated by the Credit Union and are initially recognised at fair value, which is the cash consideration to originate the loan, and then subsequently measured at amortised cost using the effective interest rate method less, where applicable, a provision for loan losses.

iv. Reclassification of financial assets and liabilities

The Credit Union does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Credit Union acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.4 Summary of accounting policies (continued)

v. Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

Derecognition due to substantial modification of terms and conditions Credit Union derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Credit Union considers the following factors:

- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, Credit Union records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. Credit Union also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Credit Union has transferred the financial asset if, and only if, either:

- Credit Union has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby Credit Union retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- Credit Union has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.4 Summary of accounting policies (continued)

- Credit Union cannot sell or pledge the original asset other than as security to the eventual recipients.
- Credit Union has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, Credit Union is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- Credit Union has transferred substantially all the risks and rewards of the asset.

Or

- Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Credit Union considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third-party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When Credit Union has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of Credit Union's continuing involvement, in which case, Credit Union also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Credit Union has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration Credit Union could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value Credit Union would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.4 Summary of accounting policies (continued)

vi. Impairment of Financial Assets

Overview of the Expected Credit Loss (ECL) principles

As described in Note 1, the adoption of IFRS 9 has fundamentally changed the Credit Union's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. The Credit Union records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 2. The Credit Union's policies for determining if there has been a significant increase in credit risk are set out in Note 22. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Credit Union's policy for grouping financial assets measured on a collective basis is explained in Note 22.

The Credit Union has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 22.

The Credit Union has established a policy on how it groups its loans. IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. Based on the above process, Credit Union groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- A loan that is not credit-impaired on initial recognition is classified in 'Stage 1'. Loans in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the loan is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Loans in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis.
- If the loan is credit-impaired, it is then moved to 'Stage 3'. Loans in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired loans are those that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.
- The ECL allowance is only recognized or released to the extent that there is a subsequent change in the ECL.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.4 Summary of accounting policies (continued)

Delinquency status is utilized as the main indicator for changes in credit risk. Credit management actions are triggered by movements in days past due. Other qualitative factors are considered, which include but are not limited to:

- Early signs of cash flow/liquidity problems
- Known adverse change in financial conditions
- Known adverse changes in business or economic conditions in which the borrower operates

Default is defined as delinquency of 90 days past due or more. Other qualitative criteria are also considered such as:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenants

The Credit Union assesses on a forward-looking basis the ECL associated with its loans and with the exposure arising from loan commitments. The Credit Union recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- 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.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Credit Union measures credit risk using Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD').

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months, or over the remaining lifetime of the obligation. PD is generated based on historical default data.

EAD is based on the amounts the Credit Union expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. EAD is assessed based on contractual terms of the loan.

LGD represents the Credit Union's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability of collateral or other credit support.

ECL is determined by projecting the PD, LGD and EAD for future period and for each individual exposure or collective segment. These three components are multiplied together and discounted. For expected credit loss provisions modelled on a collective basis, a group of exposures is assessed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.4 Summary of accounting policies (continued)

When incorporating forward looking information, such as macroeconomic forecasts, into determination of ECL, the Credit Union considers the relevance of macroeconomic indicators for the loans, which include but are not limited to unemployment rate. In addition to the base scenario, the Credit Union also incorporated upside and downside scenarios along with scenario weightings. The attributes of scenarios are reassessed at each reporting date. The scenario weightings take account of the range of possible outcomes each chosen scenario is representative of.

Collateral repossessed

Credit Union's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Credit Union's policy.

Write-offs

Financial assets are written off either partially or in their entirety only when the Credit Union has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

There were no other such standards, interpretations or amendments to existing standards that are expected to have a significant impact on the Credit Union.

Investment in securities

All investments in securities are initially recognized at fair value and are classified as securities at fair value through the profit and loss. Such investments are subsequently re-measured at fair value with gains and losses arising in the year included in the Statement of Comprehensive Income. Securities which are listed are fair valued by reference to the price as quoted on the principal exchange on which they are traded. The Credit Union has elected to recognize the gains and losses through the Statement of Comprehensive Income as they arise. Dividends are recognized on the ex-dividend date and recorded as dividend income in Statement of Comprehensive Income.

Purchases and sales of investments are accounted for on a trade date basis. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Credit Union has transferred substantially all the risks and rewards of ownership. Realized gains or losses arising from the sale of investments are calculated using on gross proceeds less the average cost of securities sold. Unrealized gains or losses are included in other non-operating income.

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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.4 Summary of accounting policies (continued)

Investment property

Property that is held for capital appreciation or which the Credit Union has an undetermined purpose is classified as investment property. Investment property comprises principally of land which is not depreciated. Investment properties are measured initially at cost, including transaction costs and are subsequently measured at depreciated cost less any accumulated impairment losses. Valuations will be performed every three years for disclosure purposes with any impairment losses being recognized in the Statement of Comprehensive Income.

Fixed assets and computer software

Fixed assets are carried at historical cost less accumulated depreciation and are depreciated on the straight-line basis at the following rates and estimated useful lives:

Building	2.5%, 10%, 33.3%	(40 years, 10 year and 3 years)
Computer equipment	20%, 25%	(5 years, 4 years)
Furniture and fittings	12.5% to 20%	(8 years to 5 years)
Motor vehicles	20%	(5 years)
Computer software	25%, 10%, 33.3%	(4 years, 10 years and 3 years)

Freehold land is not depreciated.

Assets under construction relate to assets which are in the process of being constructed or developed and are currently not in use. No depreciation is charged on such assets. Upon completion, these assets will be transferred to their appropriate asset category and depreciation will commence on the first day that the assets become available for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Dividends on members' shares

Dividends on members' shares are discretionary. Dividends, if any, are proposed by the Board of Directors and are subject to ratification by the members at their AGM at which time an accrual is recognized. The obligation to pay the dividend arises on ratification by the members and accordingly no provision for dividends in respect of the results for the year ended July 31, 2022, has been made in these financial statements.

Employee benefit plans

The Credit Union's employees participate in a defined contribution pension plan. The cost of Credit Union's contributions to the defined contribution pension plan is expensed as incurred. The Credit Union has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.4 Summary of accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at bank and fixed deposits with original maturities of three months or less.

Leases

The Credit Union assesses at contract inception whether a contract is, or contains a lease. This is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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. Credit Union recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use-assets and Lease liabilities

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

At the commencement date of the lease, the Credit union recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Credit union and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The right-of-use assets and Lease liabilities are presented within Note 6 Fixed Assets and Right-of-Use.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

2.4 Summary of accounting policies (continued)

Members' shares

Member shares are generally redeemable at the option of the holder of the shares, subject to certain conditions. As a result, member shares are presented as financial liabilities and are not reclassified to equity as all reclassification criteria within IAS 32 and IFRIC ("International Financial Reporting Interpretations Committee") 2 are not met.

Other provision

Provisions for legal claims costs are recognized when the Credit Union has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Fair value measurement

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into Cayman Islands dollars at the exchange rate prevailing on the balance sheet date. Revenue and expense items denominated in foreign currencies are translated into Cayman Islands dollars at the exchange rate prevailing on the transaction date. Gains and losses on translation are included in the Statement of Comprehensive Income.

The Credit Union translates its United States dollars to Cayman Islands dollars at a fixed rate of CI\$0.82 to US\$1.00.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

3. Cash on hand and at bank and fixed deposits

The composition of cash on hand and at bank is as follows:

	2022	2021
Cash on hand	\$ 4,171,690	\$ 2,571,356
Cash at bank	18,700,690	43,488,779
	<u>\$ 22,872,380</u>	<u>\$ 46,060,135</u>

The composition of fixed deposits is as follows:

	2022	2021
Fixed deposits:		
Original terms to maturity of 3 months or less	\$ –	\$ 30,637,370
Original terms to maturity of greater than 3 months	112,650,932	57,033,232
	<u>\$ 112,650,932</u>	<u>\$ 87,670,602</u>

During the financial year ending July 31, 2022, interest was earned on fixed deposits held in the amount of \$526,915 (2021: \$273,086).

4. Securities at fair value through the profit or loss

The Credit Union's investments are carried at fair value through profit or loss as described in Note 2.

The Credit Union ranks its investment securities based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Credit Union's market assumptions. These two types of inputs lead to the following fair value hierarchy:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date;

Level 2: Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3: Inputs that are unobservable.

The investment in securities as at July 31, 2022 and 2021, are as follows:

	2022	2021
<i>Level 2</i>		
Caribbean Utilities Company, Ltd.	\$ 2,817,127	\$ 2,637,784
Cayman National Corporation, Ltd.	255,061	143,989
	<u>\$ 3,072,188</u>	<u>\$ 2,781,773</u>

There were no transfers between levels during the year.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

4. Securities at fair value through the profit or loss (continued)

On an annual basis the investment in the Caribbean Utilities Company Ltd declares and pays dividends. Credit Union's dividends are automatically reinvested. In 2022 the reinvestment of dividend income was \$127,565 (2021: \$121,824).

	2022	2021
<i>Level 2</i>		
Opening balance at August 1	\$ 2,781,773	\$ 2,704,215
Additions	127,565	121,824
Sale of Investment	—	—
Change in unrealized gain/(loss)	162,850	(44,266)
Closing balance at July 31	<u>\$ 3,072,188</u>	<u>\$ 2,781,773</u>

5. Mortgages and personal loans

The composition of loans to members is as follows:

	2022	2021
Mortgage loans	\$ 260,403,955	\$ 226,605,706
Personal loans	101,296,605	97,149,706
Total loans	<u>361,700,560</u>	<u>323,755,412</u>
Loan interest receivable	917,887	904,724
Total loans including interest receivable	<u>362,618,447</u>	<u>324,660,136</u>
Less: Provision for loan losses:		
- Specific provision	(251,260)	(1,171,536)
- Expected credit loss	(308,584)	(259,643)
	<u>(559,844)</u>	<u>(1,431,179)</u>
Total	<u>\$ 362,058,603</u>	<u>\$ 323,228,957</u>

Term and interest rates

Generally, the maximum repayment period of mortgage loans is up to 35 years (2021: up to 35 years) and personal loans is less than 10 years (2021: less than 10 years) and all assets held as security for such loans are located in the Cayman Islands. Loans attract interest at rates which are fixed at the time of credit origination. For the year ended July 31, 2022, the effective yield on the loan portfolio is 5.47% (2021: 5.57%).

Loans to related parties

All loans to employees and elected volunteers are subject to the same terms and conditions as those applicable to other members of the Credit Union. Interest rates for employees and elected volunteers vary between 3% and 12% (2021: 3.5% and 12%).

Included in mortgage and personal loans are loans of \$15,914,236 (2021: \$15,233,219) to directors, employees and committee members of the Credit Union (Note 19), of which the scheduled repayments on none of the loans were past due at July 31, 2022 (2021: none).

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

5. Mortgages and personal loans (continued)

A summary of the gross loan portfolio by nature of loan product is as follows:

	July 31	
	2022	2021
Personal loans		
Out-of-share loans	\$ 33,228,711	\$ 32,495,997
Within-share loans	54,661,662	50,923,015
Unsecured:		
Overdrafts and cash advances	13,406,232	13,730,694
Total personal loans	<u>\$ 101,296,605</u>	<u>\$ 97,149,706</u>
Mortgage loans		
Out-of-share loans:		
less than 10-year loans	\$ 43,547,312	\$ 25,744,013
10 to 15-year loans	42,960,016	50,785,338
15 to 35-year loans	173,896,627	150,076,355
Total mortgage loans	<u>260,403,955</u>	<u>226,605,706</u>
Total loans	<u>\$ 361,700,560</u>	<u>\$ 323,755,412</u>

The following tables contain the analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount including accrued interest receivable of financial assets below also represents the Credit Union's maximum exposure to credit risk on these assets.

	2022				
	ECL Staging				
	Stage 1	Stage 2	Stage 3	Originated	
Mortgage loans	12-month ECL	life-time ECL	life-time ECL	credit-impaired	Total
Performing loans	\$ 246,515,243	\$ 12,145,240	\$ –	\$ –	\$ 258,660,483
Impaired loans	–	–	2,416,145	–	2,416,145
Gross carrying amount	\$ 246,515,243	\$ 12,145,240	\$ 2,416,145	\$ –	\$ 261,076,628
Loss allowance	(64,474)	(71,376)	(34,379)	–	(170,229)
Carrying amount	<u>\$ 246,450,769</u>	<u>\$ 12,073,864</u>	<u>\$ 2,381,766</u>	<u>\$ –</u>	<u>\$ 260,906,399</u>

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

5. Mortgages and personal loans (continued)

	2021				
	ECL Staging				Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Originated credit-impaired	
Mortgage loans					
Performing loans	\$ 220,513,932	\$ 4,579,532	\$ –	\$ –	\$ 225,093,464
Impaired loans	–	–	2,132,505	–	2,132,505
Gross carrying amount	220,513,932	4,579,532	2,132,505	–	227,225,969
Loss allowance	(64,419)	(43,778)	(380,243)	–	(488,440)
Carrying amount	220,449,513	4,535,754	1,752,262	–	226,737,529

	2022				
	ECL Staging				Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Originated credit-impaired	
Personal loans					
Performing loans	\$ 99,494,554	\$ 1,358,707	\$ –	\$ –	\$ 100,853,261
Impaired loans	–	–	688,558	–	688,558
Gross carrying amount	99,494,554	1,358,707	688,558	–	101,541,819
Loss allowance	(84,158)	(88,575)	(216,882)	–	(389,615)
Carrying amount	99,410,396	1,270,132	471,676	–	101,152,204

	2021				
	ECL Staging				Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Originated credit-impaired	
Personal loans					
Performing loans	\$ 95,025,140	\$ 1,207,060	\$ –	\$ –	\$ 96,232,200
Impaired loans	–	–	1,201,967	–	1,201,967
Gross carrying amount	95,025,140	1,207,060	1,201,967	–	97,434,167
Loss allowance	(65,443)	(86,003)	(791,293)	–	(942,739)
Carrying amount	94,959,697	1,121,057	410,674	–	96,491,428

The allowance for ECL is recognized in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movement in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12-month and life-time ECL.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

5. Mortgages and personal loans (continued)

The following tables explain 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 Lifetime ECL	Originated credit-impaired	Total
Mortgage loans					
Loss allowance as at August 1, 2021	\$ 64,419	\$ 43,778	\$ 380,243	\$ —	\$ 488,440
Transfers:					
Transfer from Stage 1 to Stage 2	(53,837)	53,837	—	—	—
Transfer from Stage 1 to Stage 3	(34,379)	—	34,379	—	—
Transfer from Stage 2 to Stage 1	537	(537)	—	—	—
Transfer from Stage 2 to Stage 3	—	—	—	—	—
Transfer from Stage 3 to Stage 2	—	—	—	—	—
Transfer from Stage 3 to Stage 1	—	—	—	—	—
New financial assets originated or purchased	23,655	—	—	—	23,655
Financial assets fully derecognized during the year	(5,473)	(4,696)	(497,191)	—	(507,360)
Loans fully written off, net of recoveries	—	—	(241,473)	—	(241,473)
Changes to inputs used in ECL calculation	69,552	(21,006)	358,421	—	406,967
Loss allowance as at July 31, 2022	64,474	71,376	34,379	—	170,229
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit-impaired	Total
Mortgage loans					
Loss allowance as at August 1, 2020	\$ 294,900	\$ —	\$ 878,304	\$ —	\$ 1,173,204
Transfers:					
Transfer from Stage 1 to Stage 2	(11,213)	11,213	—	—	—
Transfer from Stage 1 to Stage 3	(2,535)	—	2,535	—	—
Transfer from Stage 2 to Stage 1	—	—	—	—	—
Transfer from Stage 2 to Stage 3	—	—	—	—	—
Transfer from Stage 3 to Stage 2	—	50,844	(50,844)	—	—
Transfer from Stage 3 to Stage 1	33,867	—	(33,867)	—	—
New financial assets originated or purchased	15,684	2,275	—	—	17,959
Financial assets fully derecognized during the year	(24,056)	—	(28,011)	—	(52,067)
Loans fully written off, net of recoveries	—	—	(216,488)	—	(216,488)
Changes to inputs used in ECL calculation	(242,228)	(20,554)	(171,386)	—	(434,168)
Loss allowance as at July 31, 2021	64,419	43,778	380,243	—	488,440

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

5. Mortgages and personal loans (continued)

Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit- impaired	Total
Loss allowance as at August 1, 2021	\$ 65,443	\$ 86,003	\$ 791,293	\$ –	\$ 942,739
Transfers:					
Transfer from Stage 1 to Stage 2	(70,366)	70,366	–	–	–
Transfer from Stage 1 to Stage 3	(120,121)	–	120,121	–	–
Transfer from Stage 2 to Stage 1	665	(665)	–	–	–
Transfer from Stage 2 to Stage 3	–	(58,236)	58,236	–	–
Transfer from Stage 3 to Stage 1	–	1,508	(1,508)	–	–
Transfer from Stage 3 to Stage 2	15	–	(15)	–	–
New financial assets originated or purchased	26,873	6,575	14,972	–	48,420
Financial assets fully derecognized during the year	–	–	(797,354)	–	(797,354)
Loans fully written off, net of recoveries	(6,665)	(10,959)	(545,573)	–	(563,197)
Changes to inputs used in ECL calculation	188,314	(6,017)	576,710	–	759,007
Loss allowance as at July 31, 2022	84,158	88,575	216,882	–	389,615
Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit- impaired	Total
Loss allowance as at August 1, 2020	\$ 203,215	\$ 2,460	\$ 1,070,158	\$ –	\$ 1,275,833
Transfers:					
Transfer from Stage 1 to Stage 2	(7,572)	7,572	–	–	–
Transfer from Stage 1 to Stage 3	(4,362)	–	4,362	–	–
Transfer from Stage 2 to Stage 1	999	(999)	–	–	–
Transfer from Stage 2 to Stage 3	–	(694)	694	–	–
Transfer from Stage 3 to Stage 1	22,035	–	(22,035)	–	–
Transfer from Stage 3 to Stage 2	–	14,042	(14,042)	–	–
New financial assets originated or purchased	11,670	13,058	16,480	–	41,208
Financial assets fully derecognized during the year	(33,937)	(245)	(76,783)	–	(110,965)
Loans fully written off, net of recoveries	–	–	(347,774)	–	(347,774)
Changes to inputs used in ECL calculation	(126,605)	50,809	160,233	–	84,437
Loss allowance as at July 31, 2021	65,443	86,003	791,293	–	942,739

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

5. Mortgages and personal loans (continued)

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts including accrued interest receivable of financial assets below represent the Credit Union's maximum exposure to credit risk on these assets.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit- impaired	Total
Mortgage loans					
Gross carrying amount as at August 1, 2021	\$ 220,513,932	\$ 4,579,532	\$ 2,132,505	\$ –	\$ 227,225,969
Transfers:					
Transfer from Stage 1 to Stage 2	(9,923,653)	9,923,653	–	–	–
Transfer from Stage 1 to Stage 3	(1,053,366)	–	1,053,366	–	–
Transfer from Stage 2 to Stage 1	1,507,800	(1,507,800)	–	–	–
Transfer from Stage 2 to Stage 3	–	(240,106)	240,106	–	–
Transfer from Stage 3 to Stage 2	–	78,814	(78,814)	–	–
Transfer from Stage 3 to Stage 1	39,792	–	(39,792)	–	–
New financial assets originated or purchased	63,790,847	–	–	–	63,790,847
Financial assets fully derecognized during the year	(21,580,058)	(370,084)	(721,527)	–	(22,671,669)
Loans fully written off, net of recoveries	–	–	(241,473)	–	(241,473)
Changes in principal and interest	(6,780,051)	(318,769)	71,774	–	(7,027,046)
Gross carrying amount as at July 31, 2022	246,515,243	12,145,240	2,416,145	–	261,076,628
	Stage 1	Stage 2	Stage 3	Originated	
	12-month	Lifetime	Lifetime	credit-	
	ECL	ECL	ECL	impaired	Total
Mortgage loans					
Gross carrying amount as at August 1, 2020	\$ 203,652,559	\$ –	\$ 3,518,960	\$ –	\$ 207,171,519
Transfers:					
Transfer from Stage 1 to Stage 2	(4,204,966)	4,204,966	–	–	–
Transfer from Stage 1 to Stage 3	(797,558)	–	797,558	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	240,429	(240,429)	–	–
Transfer from Stage 3 to Stage 1	847,909	–	(847,909)	–	–
New financial assets originated or purchased	47,926,772	217,352	–	–	48,144,124
Financial assets fully derecognized during the year	(18,129,281)	–	(200,169)	–	(18,329,450)
Loans fully written off, net of recoveries	–	–	(216,488)	–	(216,488)
Changes in principal and interest	(8,781,503)	(83,215)	(679,018)	–	(9,543,736)
Gross carrying amount as at July 31, 2021	220,513,932	4,579,532	2,132,505	–	227,225,969

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

5. Mortgages and personal loans (continued)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit- impaired	Total
Personal loans					
Gross carrying amount as at August 1, 2021	\$ 95,025,140	\$ 1,207,060	\$ 1,201,967	\$ –	\$ 97,434,167
Transfers:					
Transfer from Stage 1 to Stage 2	(1,032,797)	1,032,797	–	–	–
Transfer from Stage 1 to Stage 3	(432,102)	–	432,102	–	–
Transfer from Stage 2 to Stage 1	448,189	(448,189)	–	–	–
Transfer from Stage 2 to Stage 3	–	(113,439)	113,439	–	–
Transfer from Stage 3 to Stage 1	11,556	–	(11,556)	–	–
Transfer from Stage 3 to Stage 2	–	25,009	(25,009)	–	–
New financial assets originated or purchased	26,873	6,575	14,972	–	48,420
Financial assets fully derecognized during the year	(11,009,772)	(391,719)	(1,193,014)	–	(12,594,505)
Loans fully written off, net of recoveries	–	–	(797,354)	–	(797,354)
Changes in principal and interest	16,457,467	40,613	953,011	–	17,451,091
Gross carrying amount as at July 31, 2022	99,494,554	1,358,707	688,557	–	101,541,819
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit- impaired	Total
Personal loans					
Gross carrying amount as at August 1, 2020	\$ 87,663,380	\$ 69,216	\$ 1,816,110	\$ –	\$ 89,548,706
Transfers:					
Transfer from Stage 1 to Stage 2	(983,305)	983,305	–	–	–
Transfer from Stage 1 to Stage 3	(423,626)	–	423,626	–	–
Transfer from Stage 2 to Stage 1	16,617	(16,617)	–	–	–
Transfer from Stage 2 to Stage 3	–	(18,046)	18,046	–	–
Transfer from Stage 3 to Stage 1	23,263	–	(23,263)	–	–
Transfer from Stage 3 to Stage 2	–	14,714	(14,714)	–	–
New financial assets originated or purchased	24,082,804	230,039	43,102	–	24,355,945
Financial assets fully derecognized during the year	(12,302,355)	(24,816)	(93,249)	–	(12,420,420)
Loans fully written off, net of recoveries	–	–	(347,774)	–	(347,774)
Changes in principal and interest	(3,051,638)	(30,735)	(619,917)	–	(3,702,290)
Gross carrying amount as at July 31, 2021	95,025,140	1,207,060	1,201,967	–	97,434,167

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

5. Mortgages and personal loans (continued)

The most significant period-end assumptions used for the ECL estimate for the non-core loans portfolio are set out below. Unemployment rate was not factored into the core loans portfolio, due to stability of the Government employment history.

Cayman Islands unemployment rate	Scenarios	2020/2021	2021/2022
	Base	5.2%	4.32%
	Upside	2.8%	3.45%
	Downside	6.3%	5.19%

The scenario weightings assigned to each economic scenario were as follows.

Non-Core	Base	Upside	Downside
Mortgage and Personal loans	70%	10%	20%

Impact on ECL measured on collective basis		
Collateral haircut	Change in threshold	Change in ECL
Loans	(+ 5) %	\$ 53,154

Set out above are the changes to the ECL as at July 31, 2022, that would result from reasonably possible variations in the most significant assumption affecting the ECL allowance:

An estimate of the fair value of the collateral held against individually impaired loans is as follows:

	July 31	
	2022	2021
Mortgage loans	\$ 5,466,000	\$ 651,373
Personal loans	593,429	228,581
	<u>\$ 6,059,429</u>	<u>\$ 879,954</u>

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

5. Mortgages and personal loans (continued)

Repossession of collateral

As at July 31, 2022, the Credit Union does not hold repossessed collaterals (2021: \$403,316). During the year ended July 31, 2022, repossessed property held of \$403,316 as of July 2021, was sold for \$388,963 resulting in a loss on sale of \$14,353 which is recorded in the Statement of Comprehensive Income.

Loans written off

During the year ended July 31, 2022, the Board approved to write off \$1,038,827 (2021: \$564,262) of loans which related to loans due from 156 (2021: 65) members. These loans were written off after careful consideration by the Board of Directors because they had been delinquent for a significant period of time, and all efforts to secure repayment were exhausted and proved unsuccessful. The members involved have been recorded in the Register of Loans Written Off, and these members may not avail of future lending facilities of the Credit Union, until such time as their previously outstanding indebtedness is repaid.

Loans renegotiated that would otherwise be past due or impaired

Loans may be renegotiated at the request of the Credit Union or the member for commercial purposes, where there is evidence of the continuing ability of the member to meet renegotiated payment obligations. The Credit Union will generally only issue a new loan to a member if the previous indebtedness has been cleared and the member can present sufficient collateral in accordance with the standard terms and considerations in line with the established credit policy. Members who are in arrears are not eligible to avail of additional lending facilities until the passage of specified period of time during which the member must have demonstrated his repayment capacity and fulfilled his obligations in line with the contractual agreement. It is not the practice of the Credit Union to extend credit to members where the repayment capacity is in doubt. Notwithstanding this, the Credit Union, in limited circumstances may agree to temporarily revised repayment schedules on loans which are past due. Where loans that are past due or impaired are renegotiated, it is the Credit Union's standard practice to retain these loans in the past due or impaired classifications until the member has brought his account up to date.

Limitations on lending to one borrower and significant loans

The maximum amount that the Credit Union may lend to one single member/borrower may not exceed a 3% of the Credit Union's total gross loans to all members; currently 3% is a maximum of \$10,851,017. As at July 31, 2022, gross carrying value of the largest loan issued to a member is \$2,085,518 (2021: \$2,092,000). The total value of loans held by members who hold total loans in excess of \$300,000 as at July 31, 2022, is \$107,376,710 in 423 loans (2021: \$71,066,154 in 288 loans).

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

6. Fixed assets and Right-of-Use assets

As at July 31, 2022:

	Freehold Land	Building	Assets Under Construction	Computer Equipment	Computer software	Furniture and Fittings	Motor Vehicles	Right of Use Assets	Total
Cost									
Balance July 31, 2021	\$ 227,775	\$ 7,221,979	\$ 663,676	\$ 718,232	\$ 697,905	\$ 1,265,850	\$ 19,205	\$ 117,376	\$ 10,931,998
Additions	—	—	651,967	143,643	26,014	74,507	28,295	58,674	983,100
Transfers	—	—	(1,194,083)	267,947	910,073	16,063	—	—	—
Disposals	—	—	—	—	—	—	—	—	—
Balance July 31, 2022	<u>\$ 227,775</u>	<u>\$ 7,221,979</u>	<u>\$ 121,560</u>	<u>\$ 1,129,822</u>	<u>\$ 1,633,992</u>	<u>\$ 1,356,420</u>	<u>\$ 47,500</u>	<u>\$ 176,050</u>	<u>\$ 11,915,098</u>
Depreciation									
Balance July 31, 2021	\$ —	\$ 2,237,405	\$ —	\$ 572,008	\$ 660,113	\$ 1,017,781	\$ 19,205	\$ 38,084	\$ 4,544,596
Charge for the year	—	190,029	—	102,027	61,936	96,872	5,655	41,192	497,711
Disposals	—	—	—	—	—	—	—	—	—
Balance July 31, 2022	<u>\$ —</u>	<u>\$ 2,427,434</u>	<u>\$ —</u>	<u>\$ 674,035</u>	<u>722,049</u>	<u>\$ 1,114,653</u>	<u>\$ 24,860</u>	<u>\$ 79,276</u>	<u>\$ 5,042,307</u>
Net book value									
July 31, 2022	<u>\$ 227,775</u>	<u>\$ 4,794,545</u>	<u>\$ 121,560</u>	<u>\$ 455,787</u>	<u>\$ 911,943</u>	<u>\$ 241,767</u>	<u>\$ 22,640</u>	<u>\$ 96,774</u>	<u>\$ 6,872,791</u>
Net book value									
July 31, 2021	<u>\$ 227,775</u>	<u>\$ 4,984,574</u>	<u>\$ 663,676</u>	<u>\$ 146,224</u>	<u>\$ 37,792</u>	<u>\$ 248,069</u>	<u>\$ —</u>	<u>\$ 79,292</u>	<u>\$ 6,387,401</u>

As at July 31, 2021:

	Freehold Land	Building	Assets Under Construction	Computer Equipment	Computer software	Furniture and Fittings	Motor Vehicles	Right of Use Assets	Total
Cost									
Balance July 31, 2020	\$ 227,775	\$ 7,221,979	\$ 9,986	\$ 673,355	\$ 670,541	\$ 1,194,940	\$ 19,205	\$ 62,501	\$ 10,080,282
Additions	—	—	653,690	44,877	27,364	70,910	—	54,875	851,716
Transfers	—	—	—	—	—	—	—	—	—
Disposals	—	—	—	—	—	—	—	—	—
Balance July 31, 2021	<u>\$ 227,775</u>	<u>\$ 7,221,979</u>	<u>\$ 663,676</u>	<u>\$ 718,232</u>	<u>\$ 697,905</u>	<u>\$ 1,265,850</u>	<u>\$ 19,205</u>	<u>\$ 117,376</u>	<u>\$ 10,931,998</u>
Depreciation									
Balance July 31, 2020	\$ —	\$ 2,051,081	\$ —	\$ 501,315	\$ 646,060	\$ 930,985	\$ 19,205	\$ 7,292	\$ 4,155,938
Charge for the year	—	186,324	—	70,693	14,054	86,796	—	30,792	388,659
Disposals	—	—	—	—	—	—	—	—	—
Balance July 31, 2021	<u>\$ —</u>	<u>\$ 2,237,405</u>	<u>\$ —</u>	<u>\$ 572,008</u>	<u>\$ 660,114</u>	<u>\$ 1,017,781</u>	<u>\$ 19,205</u>	<u>\$ 38,084</u>	<u>\$ 4,544,597</u>
Net book value									
July 31, 2021	<u>\$ 227,775</u>	<u>\$ 4,984,574</u>	<u>\$ 663,676</u>	<u>\$ 146,224</u>	<u>\$ 37,791</u>	<u>\$ 248,069</u>	<u>\$ —</u>	<u>\$ 79,292</u>	<u>\$ 6,387,401</u>
Net book value									
July 31, 2020	<u>\$ 227,775</u>	<u>\$ 5,170,898</u>	<u>\$ 9,986</u>	<u>\$ 172,040</u>	<u>\$ 24,481</u>	<u>\$ 263,955</u>	<u>\$ —</u>	<u>\$ 55,209</u>	<u>\$ 5,924,344</u>

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

6. Fixed assets and Right-of-Use assets (continued)

Included in depreciation of Computer Equipment of \$102,027 is \$20,656, which is claimed against Information Technology Fund.

Included in depreciation of Computer Software of \$61,936 is \$46,788, which is claimed against Information Technology Fund.

Included in additions to right of use assets are an advance payment of \$28,467 for the new lease agreement entered in June 2022 for Credit Union's new branch in Savannah and a remeasurement of lease liability by \$30,205 for leased premises for its storage due to increase in monthly rental expenses from \$2,448 to \$2,616 effective from December 1, 2021.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022	2021
Opening balance at August 1, 2021	\$ 82,550	\$ 56,318
Additions	30,205	54,874
Accretion of interest	5,903	5,794
Payments	(44,230)	(34,436)
Closing balance at July 31, 2022	<u>\$ 74,428</u>	<u>\$ 82,550</u>

As of July 31, 2022, total gross carrying amount of fully depreciated fixed assets still in use is at \$2,093,357 (2021: \$1,685,330).

7. Investment property

During the year ended December 31, 1999, at two separate Special General Meetings the membership approved both an amendment of the Credit Union Rules (the "Rules") to allow for the investment of funds in real estate and the purchase of two parcels (at a cost of \$1,175,870) of land adjoining the Credit Union's current premises at 58 Huldah Ave. The Cayman Islands Government completed a road widening project on Smith Road in 2017 and this resulted in the Credit Union having to sell a small portion of this property. The Credit Union received \$24,289 for the property recorded at cost of \$4,196 (net of impairment) which resulted in a gain of \$20,093 in the year 2017. As of July 31, 2022, this property was valued at \$3,944,000(2021: \$3,944,000).

During the year ended July 31, 2005, the Credit Union purchased land in Cayman Brac at a cost of \$126,308. This land was valued based on market data, by an independent appraiser with a relevant and recognized professional qualification as of July 20, 2022, at \$190,000 (2021: \$190,000).

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

7. Investment property (continued)

During the year ended July 31, 2010, the Credit Union purchased additional land on Smith Road, Grand Cayman, at a total cost (including acquisition costs) of \$455,297. A building that was situated on the property was demolished during the year ended July 31, 2012, leading to the fall in value of the property and as a result an impairment loss of \$215,297 was recognized in the Statement of Comprehensive Income for the year ended July 31, 2012. As of July 20, 2018, this property was valued at \$229,000, as a result an impairment loss of \$11,000 has been recognized in the Statement of Comprehensive Income for the year 2017. The Cayman Islands Government completed a road widening project on Smith Road in 2017 and this resulted in the Credit Union having to sell a small portion of this property. The Credit Union received \$10,542 for the property recorded at cost of \$10,286 (net of impairment) which resulted in a gain of \$255. As at July 31, 2022, this property was valued at \$366,000 (2021: \$366,000).

During the year ended July 31, 2014, the Credit Union purchased land on Huldah Avenue for \$376,401. This land was valued based on market data, by an independent appraiser with a relevant and recognized professional qualification as of May 3, 2015, at \$316,000, as a result an impairment loss of \$60,401 has been recognized in the Statement of Comprehensive Income for the year 2015. During the year ended July 31, 2022, cost of land is increased by \$44,575 due to land improvements to be used for parking. As at July 31, 2022, this property was valued at \$632,000 (2021: \$632,000).

In accordance with IAS 40 Revised “*Investment Property*”, management have determined it appropriate to account for these investments in land at cost less impairment, as the land is currently being held for an ‘undetermined future use’.

	2022	2021
Balance, beginning of year	\$ 1,833,496	\$ 1,833,496
Additions/(Disposals)	44,575	–
Impairment charge	–	–
Balance, end of year	<u>\$ 1,878,071</u>	<u>\$ 1,833,496</u>

8. Members’ deposits

Members’ deposits comprise the following:

	2022	2021
Regular savings	\$ 26,418,900	\$ 20,936,002
Term deposits	890,235	1,767,629
	<u>\$ 27,309,135</u>	<u>\$ 22,703,631</u>

Included in members’ deposits are deposits of \$564,182 (2021: \$167,748) placed by directors, employees and committee members of the Credit Union (Note 19).

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

8. Members' deposits (continued)

Interest of \$54,125 (2021: \$57,888) was paid to members holding term deposits during the financial year ended July 31, 2022.

9. Members' shares

The members' equity in the Credit Union is unlimited and is divided into shares of a par value of \$2 each. The liability of each member, in case of liquidation, is limited to the value of the shares held by the member at the par value. Per Article III, Rule 17, the maximum amount of shares which may be held by any one member shall not exceed 3% of total members' shares. Unless provided as collateral for loans, money paid in on shares, or instalments of shares, may be withdrawn in whole or in part on any day when the Credit Union is open for business. However, the Board of Directors have the right to require a member to give up to six months' notice of intention to withdraw.

Members' shares are non-interest bearing but may attract a dividend. Article XIV of the Rules provides that a dividend may be paid to members out of the net surplus of the Credit Union after the transfer to the Statutory Reserve (Note 10). However, the Cooperative Societies Act prescribes that the dividend paid to each member may not exceed six percent per annum on the lowest balance of fully paid shares outstanding during each month (Note 14).

Included in members shares are shares of \$7,359,414 (2021: \$5,455,801) placed by directors, employees and committee members of the Credit Union (Note 19).

10. Statutory reserve

The Act and Article XIV, Rule 68 require that 20% of the net surplus (before dividends on member shares) of each financial year be set aside to the Statutory Reserve. During the year ended July 31, 2022, Credit Union transferred 20% (2021: 20%) or \$2,449,984 (2021: \$2,125,177) of the Statutory Reserve from the Undistributed Surplus.

Article XIII of the Rules also requires that all entrance fees (\$10 per member) and transfer fees be credited to this reserve. During the year ended July 31, 2022, the total entrance fees credited to this reserve was \$11,705 (2021: \$16,060).

The Statutory Reserve is the property of the Credit Union and may not be distributed, except on liquidation or in accordance with the Act and Rules. It may be applied, with the sanction of the Registrar of Cooperative Societies, to meet losses on loans to members and such other losses as authorised in accordance with the Act and Rules.

Permanent Shares

At the AGM held November 2019, it was approved to pay a permanent share dividend to 13,354 active members at July 31, 2019, in the amount of \$333,850. This was classified as part of the reserves. New members joining after August 1, 2019, will be required to pay \$25 as a permanent share that will be held until their account is closed. During the year ended July 31, 2022, the total permanent shares credited to this reserve was \$32,555.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

11. Information Technology fund

The Credit Union established this fund in 1993 by appropriation from the Undistributed Surplus to enable the Credit Union to set aside funds to provide longer-term mortgage loans to members. At the AGM on November 28, 2018, the members agreed to transfer \$693,400 from the Mortgage Fund to supplement the dividend. Members resolved that the remaining balance of \$904,974 is now designated for Information Technology ("IT Fund") purposes. Included in \$170,108 of expenses claimed from Information Technology fund are \$67,444 of depreciation of Computer Equipment and Computer software, and \$102,664 of non-interest expenses.

12. Development fund

The Credit Union established this fund in 1992 by appropriation from Undistributed Surplus for future development of the Credit Union. During the current financial year there were no changes made to the Development Fund.

13. Scholarship fund and training fund

On November 24, 2021, at the AGM in respect of the year ended July 31, 2021, the members resolved to transfer an amount of \$300,000 (2021: \$200,000) to the Scholarship grants and \$206,482 (2021: \$102,803) to training of the volunteers and staff. This was satisfied by way of appropriation of funds from the Undistributed Surplus in accordance with Article XIV of the Rules (Note 21).

14. Dividends paid/payable

On November 25, 2020, at the AGM in respect of the year ended July 31, 2021, the members resolved to pay a dividend of 2.1% or \$7,744,278 (2021: 2.8% or \$8,147,484) This was satisfied by way of appropriation of funds from the Undistributed Surplus and was recorded in the financial statements for the year ended July 31, 2022.

15. Loan interest rebate/payable

In 2022 a 2% (2021:2%) loan interest rebate was accrued in amount of \$340,228(2021: \$350,000) and is recorded as a debit to loan interest income and a credit in accounts payable and accrued expenses.

16. Services fees – cash advances

The Credit Union offers cash advances to members whereby members can obtain an unsecured payroll advance, which are repayable in full within one month from date of grant. Subject to certain qualifying criteria and conditions, the members are permitted to obtain a cash advance up to 50% of their monthly salary less any loan payments to be repaid in the following month.

The Credit Union does not charge any interest on cash advances but levies a service fee of 12% (2021: 10%) of the total value of the sum advanced. During the year ended July 31, 2022, the cash advance fees earned was \$363,994 (2021: \$267,620) and is included within interest income – service fees cash advances, in the Statement of Comprehensive Income.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

17. Benevolent fund and Member beneficiary benefits

During the year, the Credit Union paid \$84,611 (2021: \$418,871) in beneficiary benefits and total is claimed from the Benevolent Fund.

On November 24, 2021, at the AGM in respect of the year ended July 31, 2021, the members resolved to transfer an amount of \$250,000 (2021: \$Nil) to the Benevolent Fund. This was satisfied by way of appropriation of funds from the Undistributed Surplus in accordance with Article XIV of the Rules (Note 21).

18. Pension plan

The Credit Union and its employees make contributions (7% and 3% respectively) to a defined contribution pension plan regulated in the Cayman Islands. During the year, the Credit Union made \$289,305(2021: \$278,018) in pension contributions and this amount is included in salaries and other personnel costs in the Statement of Comprehensive Income.

19. Related-party transactions and balances

As a co-operative society the Credit Union only receives deposits from and lends money to members (Note 1). All staff and individuals involved with the governance structures of the Credit Union are members. The Credit Union has considered this fact pattern in the light of relevant accounting standards and has determined that related parties include directors, employees and committee members. All transactions with related parties are subject to the same terms and conditions and rates as those applicable to other members of the Credit Union.

Total remuneration earned by key management during the year was as follows:

	2022	2021
Salaries and other short-term benefits	\$ 196,240	\$ 196,396
Defined contributions pension costs	12,146	12,146
	<u>\$ 208,386</u>	<u>\$ 208,542</u>

During the November 2019 AGM, it was approved in accordance with Rule 36, that all directors and committee member are eligible for a fixed honorarium where a fixed per meeting fee will be paid in the amounts of: \$400 for chairman of the board, \$250 for all other directors, \$125 for chairman of committees and \$100 for members of committees. As such an amount of \$100,000 was accrued for the payments due to directors for the year ended July 31, 2022.

As at July 31, 2022, \$423,755 is receivable from CICSA CU Investment Ltd., which was incorporated on November 24, 2021 for the construction of a development project consisting of a 30,000 sq ft commercial building and approximately 63 townhomes for sale.

Related-party balances are disclosed in Notes 5, 8, and 9.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

20. Commitments

As at July 31, 2022, the Credit Committee had approved a number of commitments for undrawn loans to a value of \$12,675,436 (2021: \$20,554,540). The ECL on these undrawn loans is \$3,144, the below table reflects the breakdown of the ECL:

	<u>2022</u>	<u>2021</u>
Stage 1 – Mortgage loans	\$ 2,425	\$ 4,303
Stage 1 – Personal loans	719	2,381
	<u>\$ 3,144</u>	<u>\$ 6,684</u>

The Credit Union leases premises for its storage. The lease term is one year and expired at November 30, 2022. The Credit Union currently pays \$2,616 (2021: \$2,448) per month. The Credit Union continued to occupy this leased premises through the date of approval of these financial statements. The future lease payment for this non-cancellable lease contract is \$31,392 within one year and \$10,464 within five years

Credit Union entered into a lease agreement in January 2020 for its branch in Cayman Brac which will mature after three years and renewable for another two years. The future lease payment for this non-cancellable lease contract is \$14,850 within one year and \$21,037 within five years.

21. Capital management

The Credit Union's objective when managing capital is to safeguard the Credit Union's ability to continue as a going concern in order to provide a return in the form of dividends to members. The Credit Union accepts deposits and shares from members for various periods, and seeks to earn reasonable interest margins by investing these funds in loans to members. In addition, the Credit Union seeks to maintain sufficient liquidity by investing excess funds in cash deposits and short-term fixed deposits in order to meet all claims that might fall due in the ordinary course of operations.

As per Article XIV of the Rules, the net surplus of the Credit Union shall be applied as follows:

- i. at least 20% of net income shall be carried to the Reserve Fund in accordance with Article XIV (Note 10);
- ii. the remainder shall be utilized as the AGM may decide in any one or more of the following ways:
 - to pay to members a dividend not exceeding what is prescribed by Act (at present 6% per annum) on fully paid shares provided that fully paid shares for any one month may include payment received within the first seven days of that month;
 - to promote co-operative education among members; and for any social, charitable or cultural purposes, subject to Section 36 of the Act;
 - to create any Special Reserve;
 - agreed to pay fees;
 - to create and maintain a Share Transfer Fund to be used as prescribed in Rule 15 and the By-Laws.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

21. Capital management (continued)

In order to maintain or adjust the capital structure, the Credit Union may, by way of resolution of the members at the AGM, adjust any of the matters specified in (ii) above.

Management consider that the Credit Union has complied with these requirements during the years ended July 31, 2021 and 2022.

The capital of the Credit Union is defined as the Reserves as shown on the Statement of Financial Position.

22. Financial risk management

The Credit Union's activities expose it to a variety of financial risks including credit risk, liquidity risk, market risk and geographic concentration risk.

i. Introduction and overview

The business of the Credit Union is overseen by the Board of Directors. The Board along with independently elected committees (Supervisory and Credit) is responsible for the adherence with the Act, the Rules, and established policies and procedures. All committees report regularly to the Board on their activities. The Board has the general direction and control of the affairs of the Credit Union and more particularly, act for the Credit Union and provide for the management and development of the Credit Union. The Board meets as often as the business of the Credit Union may require, and in any case not less frequently than once per month.

The Supervisory Committee is responsible for the monitoring of any deviations from the Rules, established policies and procedures via Internal Audit and Risk and Compliance. The activities of the Supervisory Committee include the inspections of securities, cash and accounts of the Credit Union, examination of the affairs of the Credit Union and investigating any complaints made by members affecting the proper running of the Credit Union. In the process of its examinations and audits, the Supervisory Committee can examine all applications for loans made during the period under examination and satisfy itself that the loans have been issued in accordance with the established policies and procedures. The Supervisory Committee is required to send a report of its activities to the Board quarterly. These responsibilities are substantively carried out by an Internal Audit Manager and Chief Risk and Compliance Officer who report directly to the Supervisory Committee with administrative line to the CEO.

The Credit Committee is given the responsibility for the oversight of the Credit Union's credit risk and the development of credit policies. The Credit Committee through the Loans Officer shall enquire into the character and financial position of each applicant for loan and sureties, if any, to ascertain the member's ability to repay fully and promptly the obligations incurred and to determine whether the loan sought is for a provident or productive purpose and will be of probable benefit to the member. The Credit Committee shall also determine the amount of each loan and the period of repayment based on the form and value of the security. The Credit Committee shall endeavour diligently to assist applicants in solving their financial problems.

The Credit Committee shall hold meetings as the business of the Credit Union may require, and not less frequently than once per month. Presently, the Credit Committee meets on a weekly basis. The Credit Committee records the actions of each meeting through minutes which are forwarded to the Chief Executive Officer. The Chief Executive Officer sends a report of the activities of the Credit Committee to the Board of Directors each month.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

22. Financial risk management (continued)

All Committee members are elected at the AGM of the Credit Union, where the supreme authority of the Credit Union is vested in the General Meeting of members at which every member has a right to attend and vote on all issues. All Board and Committee members come from a wide range of highly experienced positions within the Government, Statutory bodies and the private sector.

ii. Credit risk

Financial assets that potentially expose the Credit Union to credit risk consist principally of cash at bank, fixed deposits, and loans.

The extent to which the Credit Union is exposed to credit risk in respect of these financial assets approximates their carrying value as reflected in the Statement of Financial Position.

Cash at bank and fixed deposits

The Credit Union seeks to mitigate its credit risk by placing its cash at banks and fixed deposits with reputable financial institutions. At July 31, 2022, all of the cash at bank and fixed deposits are placed with two unrated financial institutions, being Cayman National Bank and Butterfield Bank (Cayman) Limited and one rated bank CIBC First Caribbean Bank Limited. All Banks hold Class A banking licenses, which in the opinion of management, are stable financial institutions and in addition are regulated by the Cayman Islands Monetary Authority.

Loans to members

All of the Credit Union's business activity is with its members, who are employees or former employees, or relations thereof, of the Government of the Cayman Islands and Statutory Authorities/Boards or Utility Companies operating in the Cayman Islands, which gives rise to a concentration of risk in respect of geographical area, as both members and assets pledged as security are based exclusively in the Cayman Islands.

All members are eligible for loans provided they meet the conditions specified in the Rules and the Credit Policy. However, to meet the interest of individual members as well as that of total membership as a whole, the ability to repay, type of security offered and the availability of funds (management of liquidity risk) assume paramount significance.

The management of credit risk in respect of loans to members is executed by the management of the Credit Union. All significant loan applications and credit terms are reviewed and authorised respectively by the Internal Credit Committee and the Credit Committee. The Credit Union follows lending policies and guidelines approved by the Board of Directors, as set out in the Credit Policy, which guides the Credit Union's credit process. The amount of other collateral obtained is based on the Credit Committee's credit evaluation of the member.

The Credit Union does not make use of an automated credit scoring or rating system. It is the Credit Union's policy to extend borrowing facilities to members that are within the member's capacity to repay and not to rely exclusively on security pledged or offered.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

22. Financial risk management (continued)

The granting of loans to members is based on a number of criteria generally including, *inter alia*, the following:

- Loan be made to members only, for provident and productive purposes only;
- Satisfactory proof of employment or income to support members repayment capacity;
- Limit of debt service ratio to generally 50% of members income for regular out of share loan products;
- Completion of the required loan application forms and approval by Manager of Loans, Internal Credit Committee and Credit Committee;
- Loans to officers, members of the Board or Committees require approval by the Board of Directors and Supervisory Committee in conjunction with the Credit Committee;
- Certain repayment requirements on pre-existing loans prior to approval for additional loans;
- Loans are not granted to delinquent members, or only to former delinquent members after a period of 6 – 12 months during which time their accounts must have been maintained satisfactorily;
- Completion of satisfactory credit checks at all local financial institutions for any amount at Credit Union 's discretion;
- Significant loans in excess of \$400,000 (2021: \$400,000) require the formal approval of the Board of Directors, in addition to that of the Credit Committee;
- The period of the loan shall generally not exceed 35 years (2021: 35 years);
- The extension of credit is generally limited to 80% of the value of the collateral obtained (in the case of land and structure) or 100% in the case of raw land, in addition to the other conditions of lending as discussed above.

Collateral required for loans

The Credit Union holds collateral against loans to members in a variety of forms, including, but not limited to mortgage interests over property, lien over motors vehicles, other registered securities over assets, hypothecation of shares, other savings held in the Credit Union and guarantees. Estimates of fair values are based on values of collateral assessed (by approved and recognized qualified appraisers) at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired.

The amount of other collateral obtained is based on the Credit Committee's credit evaluation of the member. However, the extension of credit is generally limited to 80% of the value of collateral obtained (with the exception of raw land which is 100%) in addition to other conditions of lending as described above.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

22. Financial risk management (continued)

In order to ensure continued safeguard of the value of the collateral offered, buildings and motor vehicles are required to hold valid comprehensive insurance policies in order to ensure that the collateral is not compromised after the initial grant of the loan. For all insurances at the time of credit origination, the Credit Union registers its interest in the property with the insurance provider.

The Credit Union only accepts collateral in the form of assets located in the Cayman Islands.

Notwithstanding the requirement for collateral, the Credit Union does offer loans to members which are unsecured, which are termed "Xpress or Overdraft Loans."

These loans are only granted to members subject to the satisfaction of strict lending criteria including assessment of borrower's past credit history, ability to repay, confirmation of employment status. The maximum value of the unsecured element on any one loan is limited to \$15,000.

In addition to the "Xpress or Overdraft Loans", the Credit Union also offers cash advances to members which are also unsecured. Cash advances are issued for a period of one month. In February 2017, the repayment term for overdraft loans were extended, by Board approval, to 36 months. These lending products are only offered to members after careful consideration of the members' repayment ability and assessment of credit status.

Management of credit risk, post credit origination

Loans to members constitute the Credit Union's principal asset and source of income and as such must always be protected against loss, by firm, decisive and quick action. The prompt identification of delinquent loans and quantification of credit risk, coupled with a detailed action plan, are essential to ensure full collection and to ensure the Credit Union is maintaining adequate reserves for possible credit and settlement losses.

The Board has established effective Delinquency Control and Collections policies in order to minimize the risk associated with default. The application and implementation of these policies affect the cash receipts and ultimately the amount of cash available for new loans and other purposes including undistributed surplus from which dividends are paid. By establishing and enforcing a firm credit and delinquency policy the Credit Union teaches members to respect both their obligations and the founding principle of the Credit Union. Failure to apply these policies would significantly increase the risk of default and could lead to serious financial problems for the Credit Union, and therefore its membership as a whole.

The Credit Union has established a number of different functions in order to manage the level of delinquent loans, including, a Debt Collection Department ("DCD") and a team of debt collection officers (collectively, the "debt collection team").

The debt collection officer will make collection strategy recommendations based on the facts as they are verified and developed, in order to return the loan to a current status as soon as possible. Loans lacking a defined strategy, for whatever reason or, credit relationships where the borrower is not fully cooperating, are referred to the DCD for further action. The supervision of the DCD is controlled by the Senior Credit Risk Manager.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

22. Financial risk management (continued)

On a monthly basis, the DCD prepares a report on all delinquent loans in excess of 15 days delinquent, which in turn is presented to the Chief Executive Officer, Board of Directors, and the Chairpersons for the Credit and Supervisory Committees. This report summarizes the totals of the various delinquency classes, the delinquency rate and the current exposure. The Board, Chairpersons of the two committees and the various other functions established review the reports and ascertain whether satisfactory effort is being made on all delinquent accounts.

A review of the schedule of delinquent loans is essential to the Board in making certain that its policies and procedures are being carried out. It is an invaluable aid to the Treasurer and the Chief Executive Officer as they cannot carry out their responsibilities and take appropriate action unless they know what loans are delinquent for how long and what efforts have been made to collect them.

The debt collection team regularly monitor a variety of sources of information in assessing the credit worthiness of the borrower, including reference to court judgements and information available in the public domain.

The collection efforts include making initial contact with the member to regularize their accounts, followed by up to three reminder letters, up to and including legal action in the event of significant default.

During and after the reminders are sent to delinquent borrowers and their co-makers or guarantor(s), every effort is made to collect the debt. In the event of significant default, where the loan is secured by securities such as a Bill of Sale or mortgage (charge on property) the Credit Union can take the necessary action so that the security maybe realised. If efforts to regularise the members' loans fail, the ultimate action is referral of the matter to the Credit Union's attorney, in respect of loans secured on property, who in turn take legal proceedings against the member. These proceedings can include action for foreclosure, and possession of property served as security for the loan. With respect to consumer loans, the loan may be referred for further collection efforts to the Cayman Islands National Credit Bureau.

Any dividends earned on delinquent members' shares must be credited against his outstanding obligations, first to the outstanding interest, then towards reducing the outstanding principal.

Upon initial recognition for loans and advances, the fair value of collateral is based on valuation techniques commonly used for corresponding assets and include valuations provided by reputable local property valuation specialists. In subsequent periods, the fair value is updated periodically from time to time depending on market conditions and/or when collateral values approximate the carrying value of the loan.

The carrying value of impaired loans is generally determined by reference to the fair value of collateral held in respect of such loans. Accordingly, any change in the fair value of collateral held in respect of impaired loans will have a direct impact on the carrying value of impaired loans. In addition, the assessment if whether a loan is classified as past due but not impaired is also generally made by reference to the fair value of collateral held.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

22. Financial risk management (continued)

iii. Market risk

The market risk to which the Credit Union's financial assets are exposed to include currency risk, equity price risk and interest rate risk.

iv. Currency risk

The Credit Union is exposed to currency risk in relation to monetary assets and liabilities denominated in foreign currencies. The Credit Union holds an insignificant amount of its cash at bank and fixed deposits denominated in United States dollars, in addition to the two securities held as investments (Note 4), which are also denominated in United States dollars. The value of such monetary assets will fluctuate because of changes in the exchange rates at which these are converted into Cayman Islands dollars. Management considers this risk to be minimal as all foreign currency holdings are denominated in the United States dollar, which has a fixed rate of exchange to the Cayman Islands dollar.

v. Equity price risk

The Credit Union's investment in securities exposes it to equity price risk. The investments consist of publicly traded shares of Caribbean Utilities Company, Ltd. and Cayman National Corporation Ltd. The primary goal of the Credit Union is to achieve capital growth and dividend income from these investments. Management considers that equity price risk is not material as this risk is mitigated by restricting the value of funds invested to two different holdings, which management consider are relatively stable over time. Management regularly monitors the movements in the share prices of these equities in order to minimize the risk of significant loss to the Credit Union.

The table below illustrates the sensitivity of the Credit Union's net income of a reasonably possible +/-10% change in equity prices for the investments held at the year-end:

	2022	2021
Change in equity price of investments		
+ 10%	\$ 307,219	\$ 278,177
- 10%	\$ (307,219)	\$ (278,177)

vi. Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

22. Financial risk management (continued)

Cash at bank, fixed deposits, members' deposits and loans are subject to interest rate risk. To mitigate this risk, the Credit Union places funds on fixed deposits for periods of less than one year at prevailing rates of interest. The Credit Union manages its cash flow interest rate risk on its loan book, by issuing all loans at fixed rates of interest. The Credit Union's overall exposure to interest rate risk is low due to the fact that its 'Members' shares' liabilities are non-interest bearing (Note 9) but may attract a discretionary periodic dividend proposed by the Board of Directors based on the income of the Credit Union. The maximum dividend level is limited as described in Note 9.

The table below illustrates the sensitivity of the Credit Union's net income of reasonably possible changes in interest rates for loans, deposits placed with banks, and members' deposits (comprising regular saving and term deposits). Since loans to members are issued at fixed rates, the sensitivity to interest rates on loans are based on the variation in the composition of the loan book as the Credit Union issues different types of loans based on collateral specific criteria, rather than variations in interest rates.

	2022	2021
Interest earned on loans		
+ 0.05%	\$ 179,757	\$ 160,858
- 0.05%	\$ (179,757)	\$ (160,858)
Interest earned on fixed deposits		
+ 0.10%	\$ 112,651	\$ 87,671
- 0.10%	\$ (112,651)	\$ (87,671)
Interest paid on member deposits:		
+ 0.50%	\$ 136,546	\$ 113,518
- 0.50%	\$ (136,546)	\$ (113,518)

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

22. Financial risk management (continued)

The tables below summarize the Credit Union's exposure to interest rate risk, as of July 31, 2022 and 2021.

Included in the tables are the financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity date.

July 31, 2022	Under Six Months	Six Months to one Year	One Year to Four Years	Five Years to ten Years	Over ten Years	Non-Interest Bearing	Total
Assets							
Cash on hand and at bank	\$ 22,872,380	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 22,872,380
Fixed deposits	–	112,650,932	–	–	–	–	112,650,932
Securities at fair value through P&L	–	–	–	–	–	3,072,188	3,072,188
Mortgages and personal loans	8,352,017	6,238,460	26,595,220	73,596,661	247,836,089	–	362,618,447
	<u>\$ 31,224,397</u>	<u>\$ 118,889,392</u>	<u>\$ 26,595,220</u>	<u>\$ 73,596,661</u>	<u>\$ 247,836,089</u>	<u>\$ 3,072,188</u>	<u>\$ 501,213,947</u>
Liabilities							
Accounts payable and accrued expenses	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 2,064,528	\$ 2,064,528
Members' shares	–	–	–	–	–	436,568,536	436,568,536
Members' deposits:	–	–	–	–	–	–	–
- Regular savings	26,418,900	–	–	–	–	–	26,418,900
- Term deposits	432,121	456,848	1,266	–	–	–	890,235
	<u>\$ 26,851,021</u>	<u>\$ 456,848</u>	<u>\$ 1,266</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 438,633,064</u>	<u>\$ 465,942,199</u>
July 31, 2021	Under Six Months	Six Months to one Year	One Year to Four Years	Five Years to ten Years	Over ten Years	Non-Interest Bearing	Total
Assets							
Cash on hand and at bank	\$ 46,060,135	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 46,060,135
Fixed deposits	87,670,602	–	–	–	–	–	87,670,602
Securities at fair value through P&L	–	–	–	–	–	2,781,773	2,781,773
Mortgages and personal loans	19,190,031	13,315,804	90,895,209	79,337,868	121,921,224	–	324,660,136
	<u>\$ 152,920,768</u>	<u>\$ 13,315,804</u>	<u>\$ 90,895,209</u>	<u>\$ 79,337,868</u>	<u>\$ 121,921,224</u>	<u>\$ 2,781,773</u>	<u>\$ 461,172,646</u>
Liabilities							
Accounts payable and accrued expenses	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 1,391,228	\$ 1,391,228
Members' shares	–	–	–	–	–	–	–
Members' deposits:	–	–	–	–	–	403,902,700	403,902,700
- Regular savings	20,936,002	–	–	–	–	–	20,936,002
- Term deposits	1,487,716	279,913	–	–	–	–	1,767,629
	<u>\$ 22,423,718</u>	<u>\$ 279,913</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 405,293,928</u>	<u>\$ 427,997,559</u>

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

22. Financial risk management (continued)

vii. Liquidity risk

Liquidity risk is that the Credit Union will not be able to meet its financial obligations as they fall due. The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

The Credit Union's liquidity management process includes the following:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by members;
- Maintaining a minimum level of cash on hand and at bank, and placement of term deposits for varying periods of time which can be easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of loan maturities.

The Credit Union also monitors unmatched medium-term assets, the level and type of undrawn lending commitments and the usage of overdraft facilities.

On a monthly basis, the Chief Financial Officer prepares a liquidity report, which compares total loans to total deposits (including shares) placed by members, cash on hand and cash at bank, including the funds placed on term deposits with other financial institutions. This report is shared with the Chief Executive Officer and to the Board of Directors. Furthermore, on a daily basis, management regularly reviews the total funds drawn down under loans, including loan commitments compared to available funds to ensure that sufficient liquid resources are available. An important element of the credit policies is a review of funds available to ensure that loan applications are not approved without first considering the level of liquid resources available prior to entering into that commitment with the member. The report also includes a summary of those members with significant amounts placed on deposit (balances in excess of \$100,000). As at July 31, 2022, approximately 10% (2021: 10%) of the member shares are held by 25 (2021: 25) members.

Of these 25 members, only a small portion of the funds on deposit (in the form of members' shares) approx. 0.51% (2021: 0.51%) of total loans serve as collateral against those members' loans. This represents a significant concentration of liquidity risk arising from monies from these members.

The Credit Union is exposed to daily demands on its available cash resources from members' shares and deposit accounts. The Credit Union does not maintain cash resources to meet all of these needs, as experience has shown that trends for withdrawals can be predicted with a high level of certainty. If withdrawals are significantly in excess of expectations and available resources, then this can increase the liquidity risk of operations.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

22. Financial risk management (continued)

The Credit Union seeks to minimize the level of cash on hand and at bank (in the form of call accounts), through effective budgeting and cash flow monitoring processes. Excess funds are placed with banks on term deposits at higher yields of interest in order to maximize the return to the Credit Union. The terms of placement of the fixed deposits vary and are staggered to ensure that the funds mature or roll over at varying dates to minimize the mismatching of cash flows arising from loan repayments, future loan disbursements, taking into consideration anticipated withdrawals from member's deposits.

The loan portfolio comprises loans, issued at varying terms from 3 months to 35 years (2021: 3 months to 35 years). As outlined above, all loans generally require a minimum level of members shares (loan to share ratio). For some members with loans, access to members' shares is generally restricted where the loan balance exceeds the members share balance. The members' shares available for withdrawal are limited to the amount of shares in excess of that members' loan. Notwithstanding this, there are a significant number of members with no loans, which represents the most significant risk from a liquidity perspective. In the normal course of business these funds are available on demand. However, as described in Note 9 the Board of Directors have the right to require members to provide up to six months notice prior to withdrawal of those funds.

The table below presents the undiscounted cash flows payable and receivable by the Credit Union from the financial instruments by remaining contractual maturities at the year-end.

July 31, 2022	Under Six Months	Six Months to One Year	One Year to Four Years	Five Years to Ten Years	Over Ten Years	Non-Fixed Maturity	Total
Cash inflows							
Cash on hand and at bank	\$ 22,872,380	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 22,872,380
Fixed deposits	–	112,650,932	–	–	–	–	112,650,932
Securities at fair value through P&L	–	–	–	–	–	3,072,188	3,072,188
Mortgages and personal loans	8,352,017	6,238,460	26,595,220	73,596,661	247,836,089	–	362,618,447
	<u>\$ 31,224,397</u>	<u>\$ 118,889,392</u>	<u>\$ 26,595,220</u>	<u>\$ 73,596,661</u>	<u>\$ 247,836,089</u>	<u>\$ 3,072,188</u>	<u>\$ 501,213,947</u>
Cash outflows							
Accounts payable and accrued expenses	\$ 2,064,529	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 2,064,528
Members' shares	–	–	–	–	–	436,568,536	436,568,536
Members' deposits:							
- Regular savings	26,418,900	–	–	–	–	–	26,418,900
- Term deposits	432,121	456,848	1,266	–	–	–	890,235
	<u>\$ 28,915,550</u>	<u>\$ 456,848</u>	<u>\$ 1,266</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 436,568,536</u>	<u>\$ 465,942,200</u>
Off-balance sheet cash outflows							
Loan commitments	\$ 12,657,436	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 12,675,436
Net exposure	<u>\$ (10,348,589)</u>	<u>\$ 118,432,544</u>	<u>\$ 26,593,954</u>	<u>\$ 73,596,661</u>	<u>\$ 247,836,089</u>	<u>\$(433,496,348)</u>	<u>\$ 22,596,311</u>

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

22. Financial risk management (continued)

July 31, 2021	Under Six Months	Six Months to One Year	One Year to Four Years	Five Years to Ten Years	Over Ten Years	Non-Fixed Maturity	Total
Cash inflows							
Cash on hand and at bank	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 46,060,135	\$ 46,060,135
Fixed deposits	87,670,602	–	–	–	–	–	87,670,602
Securities at fair value through P&L	–	–	–	–	–	2,781,773	2,781,773
Mortgages and personal loans	27,405,760	21,652,216	144,154,744	122,314,522	164,551,354	–	480,078,596
	<u>\$ 115,076,362</u>	<u>\$ 21,652,216</u>	<u>\$ 144,154,744</u>	<u>\$ 122,314,522</u>	<u>\$ 164,551,354</u>	<u>\$ 48,841,908</u>	<u>\$ 616,591,106</u>
Cash outflows							
Accounts payable and accrued expenses	\$ 1,391,225	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 1,391,225
Members' shares	324,185,988	3,848,374	24,826,251	20,373,435	30,668,652	–	403,902,700
Members' deposits:							
- Regular savings	20,936,002	–	–	–	–	–	20,936,002
- Term deposits	1,487,716	279,913	–	–	–	–	1,767,629
	<u>\$ 348,000,931</u>	<u>\$ 4,128,287</u>	<u>\$ 24,826,251</u>	<u>\$ 20,373,435</u>	<u>\$ 30,668,652</u>	<u>\$ –</u>	<u>\$ 427,997,556</u>
Off-balance sheet cash outflows							
Loan commitments	\$ 20,554,540	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 20,554,540
Net exposure	<u>\$ (253,479,109)</u>	<u>\$ 17,523,929</u>	<u>\$ 119,328,493</u>	<u>\$ 101,941,087</u>	<u>\$ 133,882,702</u>	<u>\$ 48,841,908</u>	<u>\$ 168,039,010</u>

23. Financial instruments and other – fair values

Fair values approximate amounts at which financial assets and liabilities could be exchanged between willing parties and are determined using judgement and after consideration of uncertainties. Therefore, the aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The main assumptions and valuation techniques used at arriving at fair values are outlined below.

The carrying value of cash and cash equivalents approximates their carrying value as they are placed for periods of three months or less. Securities at fair value through profit and loss are held at market value on the Statement of Financial Position. Mortgage and personal loans are at fixed rates of interest. The directors consider that the carrying value of loans approximate fair value as the fixed interest rates on these loans approximate current market rates, and due to the inherent characteristics of the loan book and the linkage of certain members shares which act as collateral against those members' loans. However, the lack of any formal secondary market for these types of assets means that in practice, it may not be feasible to liquidate or exchange such assets for consideration which approximates carrying value.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

23. Financial instruments and other – fair values (continued)

As noted in Note 9 members shares are non-interest bearing, however, they may attract dividends. The directors consider that the carrying value of members' shares approximate their fair value due to the inherent characteristics of the instruments for the years ending July 31, 2022 and 2021. As outlined above, members shares are non-interest bearing, may attract a dividend and an element of those members shares act as collateral against members' loans. Members' savings accounts are available on demand. Members' term deposits are at rates that re-price on each roll over date.

IFRS 13 requires the Credit Union to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Credit Union. The Credit Union considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The carrying amounts of the Credit Union's financial assets and liabilities at the balance sheet date approximated their fair value due to the relative short-term nature of the balances and/or fact that interest rates on loans reflect rates for new similar loans. Per the fair value hierarchy of IFRS 13, all financial assets and liabilities are classified as Level 2. The fair value of the investment property is disclosed in Note 7, and is based upon prices for similar properties, and is considered a Level 2 fair value.

24. Interest income

Interest income comprises of the following:

	<u>2022</u>	<u>2021</u>
Mortgage loans	\$ 12,885,727	\$ 11,351,558
Personal loans	5,926,574	5,950,966
Total interest on loans	<u>\$ 18,812,301</u>	<u>\$ 17,302,524</u>

25. Other income

Other income comprises of fee income related to member services, loan application fees, delinquent loan fees and miscellaneous income.

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2022

26. Receivable and other assets

Receivables and other assets are comprised of prepayments and other miscellaneous assets. During the financial year no receivables (2021: \$Nil) were written off as uncollectible after being outstanding for more than 365 days.

27. Accounts payable and accrued expenses

The Credit Union regular accounts payable for 2022 was recorded at \$1,563,754 (2021: \$1,072,589). Additionally, amounts were accrued for staff training and scholarships in the amount of \$506,482. Also recorded as an accrued expense for 2021 are unposted incoming member funds of \$16,725 awaiting outstanding documentation for posting.

28. Contingent liabilities

The Credit Union is intermittently involved in a number of claims or potential claims arising from its operations. Where appropriate, management establishes provisions after taking into consideration the advice of attorneys and other specialists. It is management's policy to rigorously assert its position in such cases. Management has assessed that there is no requirement for a provision for year ending July 31, 2022, and 2021.

29. Taxation

The Cayman Islands Government does not currently levy taxes on income or capital gains; consequently, no tax liability or expense has been recorded in these financial statements.

30. Subsequent events

On October 27, 2022, the Board of Directors recommended a dividend payment of 2.3% which is subject to approval at the Annual General Meeting in November 2022.

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THE RUPERT MCCOY MEMORIAL EDUCATIONAL GRANT PROGRAMME



The Credit Union congratulates the **141 students** who were awarded a total of **\$200,000** in education grants through the Rupert McCoy Memorial Educational Grant Programme to assist with achieving their educational goals.

Annual education grants have been awarded by the Credit Union for **28 years** (since 1994), providing more than KYD **\$2.4 million dollars** in grants.



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SERVICES OFFERED:

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- ✓ **Cash Advance;**
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- ✓ **Transfers** (Between yours and another Credit Union Account);
- ✓ **Account Print-Out;**
- ✓ **Account Research on Transactions;**
- ✓ **Term Deposit** (Open, Close & Change);
- ✓ **Payroll Deduction** (Set-up, Change & Cancel);
- ✓ **Standing Order** (Set-up, Change & Cancel);
- ✓ **Automatic Transfer** (Set-up, Change & Cancel);
- ✓ **Acceptance of Signatory Form;**
- ✓ **CUonline** (Application, Password & Queries)
- ✓ **ATM Card** (Application, Replacement & Queries)
- ✓ **General Enquiries**

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