



First Regional Co-operative Credit Union Ltd.

"Where you get interest on your money and interest in You!"

14 BRAVO STREET, ST. ANN'S BAY, ST. ANN

Telephone: 876- 972-2424/707-2048

Email: interestinyou@frccul.com

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FIRST REGIONAL
CO-OPERATIVE CREDIT UNION LIMITED

FIRST REGIONAL CO-OPERATIVE CREDIT UNION LIMITED

ENABLING GROWTH & DEVELOPMENT

WHEREVER YOU ARE



**Enabling Growth
& Development**

WHEREVER YOU ARE

ANNUAL REPORT 2022



First Regional Co-operative Credit Union Ltd.

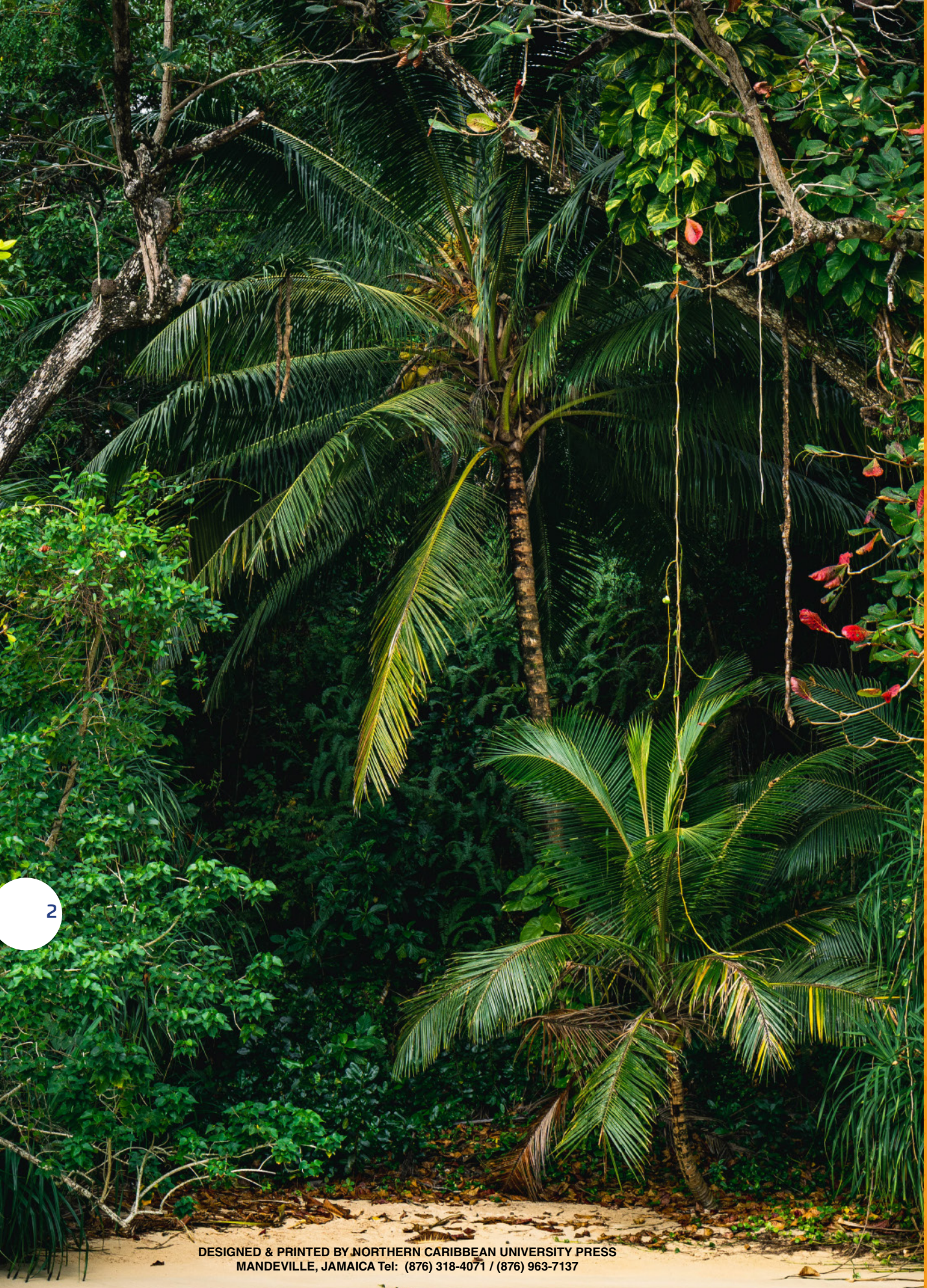
"Where you get interest on your money and interest in You!"

Enabling Growth & Development

WHEREVER YOU ARE

1

ANNUAL REPORT 2022



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DESIGNED & PRINTED BY NORTHERN CARIBBEAN UNIVERSITY PRESS
MANDEVILLE, JAMAICA Tel: (876) 318-4071 / (876) 963-7137

VISION STATEMENT

To become the benchmark and financial institution of choice, driven by members' demands to meet their financial needs worldwide, by offering a diversified range of products and services that are demographically based, available 24 hours, whilst offering competitive returns on shares and deposits, achieving realistic targets and improving profitability upon a foundation of exceptional member service delivered by competent and empowered staff.

MISSION STATEMENT

To efficiently provide world class financial products and services in order to foster a culture of growth and the development of our members and staff.

VALUE STATEMENT

To abide by fair competition practices within the regulatory guidelines and the credit union philosophy.

3



The Jamaican National Anthem

Eternal Father bless our land,
Guard us with Thy Mighty Hand,
Keep us free from evil powers,
Be our light through countless hours.
To our leaders, Great Defender,
Grant true wisdom from above.
Justice, Truth be ours forever,
Jamaica, land we love.
Jamaica, Jamaica, Jamaica land we love.

Teach us true respect for all,
Stir response to duty's call,
Strengthen us the weak to cherish,
Give us vision lest we perish.
Knowledge send us Heavenly Father,
Grant true wisdom from above.
Justice, Truth be ours forever,
Jamaica, land we love.
Jamaica, Jamaica, Jamaica land we love.

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 45th Annual General Meeting of
First Regional Co-operative Credit Union Limited
Will be held by hybrid means at the **Sandals Ochi Beach Club Resort, 130-131 Main Street, Ocho Rios, St. Ann** and online
on
Saturday, July 29, 2023 commencing at 9:00 a.m.

The purpose of the meeting is to:

1. Examine the operations of the Credit Union for the Year 2022
2. Consider any other business that may be properly transacted at the Annual General Meeting in accordance with the Rules of the Credit Union.

To attend the meeting online, members are invited to register on our website: www.firstregionalcreditunion.com. Registration online begins

July 21, 2023 @ 8:00 a.m. and closes
July 28, 2023 @ 11:59 p.m.

Members will need to verify their accounts in order to complete the registration online using their TRN and account numbers. For more information on attendance, participation, registration and the voting process, please visit our website: www.firstregionalcreditunion.com or any of our branches or call 876-707-2048.

Lorraine Brown-Wright
Lorraine Brown-Wright
Secretary
Board of Directors
June 15, 2023



Scholarships and Bursaries Awards Ceremony 2022



Agenda

- **Ascertainment of Quorum**
- **Call to Order and Prayer**
- **Welcome and Apologies**
- **Reading of Notice**
- **Obituary**
- **Confirmation of the Minutes of the 44th Annual General Meeting**
- **Matters Arising**
- **Reports of:**
 - Board of Directors
 - Credit and Supervisory Committees
 - Treasurer

Appropriation of Surplus
Fixing of Maximum Liability
- **Resolutions**
- **Election of Officers**
- **Any Other Business**
- **Vote of Thanks**
- **Termination**

Minutes of the 44th Annual General Meeting

Of First Regional Co-operative Credit Union Limited
Held at the Sandals Ochi Beach Club Resort, Ocho Rios, St. Ann
On Saturday, 5th November 2022

1.1. CALL TO ORDER

The President, Mr. Cyril Mason, having ascertained that there was a quorum, called the meeting to order at 9:36 a.m.

1.2. PRAYER

Bishop Rankin Clarke prayed for God's guidance after which, the Chairman invited attendees to recite the prayer of St. Francis of Assisi, regarded as the credit unions' prayer.

1.3. READING OF NOTICE AND REGISTRAR'S LETTER

The Secretary, Mrs. Lorraine Brown-Wright, read the Notice and the Letter from the Registrar of Co-operatives and Friendly Societies, giving authority to convene the meeting – found on pages 7 and 39 of the 2021 Annual Report, respectively. The Acting Chief Executive Officer, Mr. Ardford Billings, then gave a welcome speech.

1.4. WELCOME AND OPENING REMARKS

The Chairman extended welcome to all including volunteers, staff, guests, members and those individuals who had joined virtually.

1.5. INTRODUCTION OF GUESTS

The Acting Chief Executive Officer introduced the guests, viz:

- Mr. Courtney Shaw
Department of Co-operatives and Friendly Societies
- Ms. Tanesha Facey
Department of Co-operatives and Friendly Societies
- Mr. Andrew Thompson
HLB Mair Russell
- Ms. Sharon Lazarus
HLB Mair Russell
- Mrs. Lisa Thompson
Special Guest
- Ms. Kimberly Lindo
Jamaica Co-operative Credit Union League
- Mr. Andrew Croach
CUNA Caribbean Insurance
- Mrs. Michelle Bassaragh-White
North-East Regional Health Authority

- Ms. Natalie Boreland
Moon Palace Foundation Jamaica
- Mrs. Suzette Wilson
Nominated to Serve on the Board of Directors
- Mr. Andre Yee-Shui
Nominated to Serve on the Supervisory Committee
- Ms. Kerri-Ann Brown
Nominated to Serve on the Credit Committee
- Mr. Mikhail McKenzie
Nominated to Serve on the Supervisory Committee
- Mr. Patrick Haywood
Former Director
- Mr. Vincent Prince
Credit Union Member

1.6. ACCEPTANCE OF APOLOGIES

Apologies for absence were tendered on behalf of:
Mr. Sean Harris
Honourable Norma Walters, Custos Rotulorum
Mrs. Eloise Brown-Panton
Mr. Sixto Coy

1.7. INTRODUCTION OF DIRECTORS AND ACTING CHIEF EXECUTIVE OFFICER

The Chairman introduced the Directors and the Acting Chief Executive Officer, Mr. Ardford Billings.

1.8. OBITUARY

The Chairman read the names of members who had passed on during the year 2021. He then asked whether they knew of any other member who had passed on during 2021. There was none.

A minute of silence was observed as a mark of respect for those deceased members. The Chairman then said the Prayer for Eternal Rest.

2. CONFIRMATION OF MINUTES OF THE 43RD ANNUAL GENERAL MEETING

The Minutes of the 43rd Annual General Meeting (AGM) were taken as read on a motion by Mr. Delroy Rattray (Guy's Hill), seconded by Ms. Marion Case. There being no amendments, the minutes were confirmed on a motion by Mr. Cava White (Ocho Rios), seconded by Marcia Isaacs (Port Maria). The motion was carried.

3. MATTERS ARISING FROM MINUTES

There were none.

4. REPORTS

4.1 The Board Of Directors

The President, Mr. Cyril Mason, presented a condensed version of the report found on pages 16-20 of the 2021 Annual Report as read. On a motion by Ms. Brigsena Phillips (St. Ann's Bay), seconded by Mr. Raymond Kirlew (Kingston), the report was taken as read. The motion was carried. He then invited members' comments/questions.

There being none, the Report of the Board of Directors was unanimously adopted on a motion by Mrs. Sharon O'Connor (Ocho Rios), seconded by Mrs. Elaine Allen-Flynch (Port Maria). The motion was carried.

At this stage, prizes were awarded to members who had correctly answered questions.

4.2 The Credit Committee

Ms. Marion Case, Committee Chairman, requested that a motion be moved to take the report on page 29 of the 2021 Annual Report as read. As such, on a motion by Mr. Vincent Prince (Ocho Rios), seconded by Ms. Rilla Mitchell, the report was taken as read. The motion was carried. She then invited members' comments/questions. There being none, the Report of the Credit Committee was unanimously adopted on a motion by Mr. Patrick Cawley (Ocho Rios), seconded by Ms. Jodi-Ann Pryce (Ocho Rios). The motion was carried.

4.3 The Supervisory Committee

The Assistant Secretary, Mrs. Suzette Barnes-Wilson, requested that a motion be moved to take the report on page 31 of the 2021 Annual Report as read. As such, on a motion by Mr. Vincent Prince (Ocho Rios), seconded by Ms. Psalmonie Smith (Ocho Rios) the report was taken as read. The motion was carried. She then invited members' comments/questions. There being none, the Report of

the Supervisory Committee was unanimously adopted on a motion by Ms. Florette Henry, seconded by Mr. Raymond Kirlew (Kingston). The motion was carried.

At this stage, prizes were awarded to members who had correctly answered questions.

4.4 Treasurer's Report For The Year Ended December 31, 2021

Mr. Andrew Thompson, representative from HLB Mair Russell, was invited to present a condensed version of the financial report found on pages 43-48 of the 2021 Annual Report. Mr. Patrick Bryan, Treasurer - Board of Directors was then invited to present the Treasurer's Report found on pages 21-25 of the 2021 Annual Report. Director Bryan then invited members' comments and or questions. In response to Mr. Patrick Haywood's (Port Maria) query on our delinquency code rating, Director Bryan responded that he would not be able to give a timeline for when First Regional would be at a Code 1 or 2, however, he informed Mr. Haywood that moratoria had been extended to members in 2021 and there had been an uptick in loan payments for 2022. The reports of the Treasurer and Independent Auditor were unanimously adopted en bloc on a motion by Ms. Jodi-Ann Pryce (Ocho Rios), seconded by Mrs. Suzette Barnes-Wilson (St. Ann's Bay). The motion was carried.

5. APPROPRIATION OF SURPLUS for 2021

The President advised that based on our Financial Statements for the year 2021, there would be no distribution of surplus.

6. FIXING OF MAXIMUM LIABILITY

On a motion by Mrs. Elaine Allen-Flynch (Port Maria), seconded by Ms. Takiece Brown (Port Maria) and with the consensus of members present, the Maximum Liability was fixed at six (6) times the Institutional Capital of the

Credit Union. The motion was carried.

7. CORPORATE SOCIAL RESPONSIBILITY

First Regional remained committed to continuing its corporate social responsibility during the year and a slideshow of the different activities and ventures undertaken by us, along with testimonials from members and numerous recipients, was displayed. A special welcome was extended to Mr. Stephen Paisley and Ms. Keandra James and commendations given on the marketing they had done on their social media platforms for First Regional during the year. Prizes were again awarded to members who had correctly answered questions.

8. ELECTION OF OFFICERS

The report of the Nominating Committee on page 32 of the 2021 Annual Report was presented by Director Patrick Bryan. He then invited Mr. Courtney Shaw of the Department of Co-operatives and Friendly Societies to preside over the elections. Mr. Shaw requested that a motion be moved to accept the recommendations given in the Nominating Committee report for the elected volunteers for the year 2022-2023. On a motion by Mrs. Elaine Allen-Flynch (Port Maria), seconded by Ms. Marcia Isaacs (Port Maria), the Volunteers were accepted to service. The motion was carried.

9. AWARDS

Citations - The Acting Chief Executive Officer issued citations to individuals as follows who had contributed to the success of First Regional for the year 2021, as well as those who would be retiring absolutely:
Retiring from the Supervisory Committee

- Mrs. Patricia Gardener
- Mrs. Simone Scott-Pryce
Moon Palace Foundation Jamaica
- Ms. Natalie Boreland
North-East Regional Health Authority
- Mrs. Michelle Bassaragh-

White (Director Lorraine Brown-Wright collected the award on her behalf)

- Mr. Vincent Prince

Mr. Billings further issued awards to the following staff members who had served at the Credit Union for ten (10) years or more:

- Ms. Dorecha Brown (St. Ann's Bay)
- Ms. Takiece Brown (Port Maria)
- Ms. Sheno Campbell (Ocho Rios)
- Ms. Kerry-Ann Carter (Brown's Town)
- Mrs. Sheree Dennis-Brown (St. Ann's Bay)
- Ms. Eugenie Gray (Annotto Bay)
- Ms. Shasha Hamilton (Guy's Hill)
- Ms. Kimberly Phillips (St. Ann's Bay)
- Mrs. Sharon O'Connor (Ocho Rios)
- Ms. Krishawn Williams (St. Ann's Bay)
- Mr. Tavar Richards (Ocho Rios)

At this stage, prizes were awarded to members who had correctly answered questions.

10. ANY OTHER BUSINESS

10.1. Tributes

In relation to the tributes found on pages 124-126 of the 2021 Annual Report, the President requested that we observe a moment of silence as a mark of respect for our volunteers who had passed during the year.

10.2. Presentation to Messrs. Errol Gallimore and Courtney Shaw

The President announced that the Registrar, Mr. Errol Gallimore, and Mr. Courtney Shaw from the Department of Co-operatives and Friendly Societies had suffered the loss of wife and mother, respectively, during the year. In this regard, condolence cards were given to Mr. Shaw, and Ms. Tanesha Facey on behalf of the Registrar in his absence. A donation of two laptops was made to the Department of Co-operatives and Friendly Societies to assist in the continued efficient execution of its duties.

10.3. Questions/Comments

The President invited members' questions/comments.

10.3.1 National Insurance Scheme Payments

Mr. Alton Williston (Port Maria) asked if he could get his National Insurance Scheme (NIS) payments credited to his First Regional account. Mr. Billings responded that he could express his desire for same to NIS.

10.3.2 Promotion of Acting Chief Executive Officer

In response to Mr. Albert Campbell's (Brown's Town) query, the President advised that plans are in place to promote the Acting Chief Executive Officer to Chief Executive Officer.

10.3.3 MasterCard Debit Cards

Ms. Janet Livermore (Claremont) stated that she awaits the roll-out of the MasterCard Debit Card facility. In response, Mr. Billings advised that we are practically ready; however, we are experiencing issues with printing the names on the debit cards. We also have to take extra precautions to mitigate hacking, and as such, we are assigning a special account linked to the debit cards. He stated further that issuance of the debit cards would begin before the end of the year.

10.4. Introduction of Staff Members

Mr. Ardford Billings, the Acting Chief Executive Officer, introduced the members of staff through a slideshow presentation and expressed appreciation for their hard work and dedication to the Credit Union.

10.5. Vote of Thanks

The Operations Manager, Mrs. Carlene Shirley-Johnson stated that as we closed the meeting of the 44th Annual General Meeting of First Regional, there was much for which we should be grateful. She extended thanks to:

- Members for their attendance, participation, unwavering loyalty, trust and support over the years.
- Specially invited Guests for attending - including representatives from the Jamaica Co-operative Insurance Agency, the Department of Co-operatives and Friendly Societies, the Jamaica Co-operative Credit Union League, QNET, external auditors- HLB Mair Russell whose opinion was highly valued.
- Volunteers - who served on the Board, Supervisory, Credit and Nominating Committees for their altruistic service and continued dedication to First Regional.
- The Sandals Ochi Beach Club Resort for accommodation and what was expected to be a sumptuous meal
- Jamaica Information Service (JIS) for assisting with the audio production
- Managers and Staff for their dedication, loyalty and selfless service.

11. TERMINATION OF MEETING

The President, Mr. Cyril Mason, thanked all for attending the meeting. There being no further business, following grace and the singing of the National Anthem, the meeting was terminated at 11:45 a.m.

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- Up to 5 years to repay
- Fast processing time

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Conditions Apply***

Board of Directors

REPORTS



Mr. Cyril Mason
PRESIDENT



Rev. Dr. Glenroy Lalor
1ST VICE PRESIDENT



**Mrs Pollyanna
Brown-Mullings**
2ND VICE PRESIDENT



Mr. Patrick Bryan
TREASURER



Mr. Sean Harris
ASSISTANT TREASURER



Bishop Rankin Clarke
DIRECTOR



Mrs. Lorraine Brown-Wright
SECRETARY



Mr. Higilock Mullings
ASSISTANT SECRETARY



Mr. Cecil Gordon
DIRECTOR



Mr. Peter McHugh
DIRECTOR



Mrs. Suzette Wilson
DIRECTOR

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Report of the Board of Directors



Mr. Cyril Mason
PRESIDENT

Fellow Co-operators:

Your Board of Directors is pleased to report that your Credit Union delivered a phenomenal performance in 2022 which was highlighted by record-breaking financial achievements that signified *First Regional's* full recovery from the descent in income that spawned from the harsh economic conditions that were produced by the COVID-19 pandemic.

Emphasis must be placed on the fact that these praiseworthy achievements were preceded by two consecutive years of gruelling operational challenges at *First Regional* and they give credence to the colloquial expression, 'The comeback is always stronger than the setback' anonymous.

Having satisfactorily achieved our strategic objectives, your Credit Union has indeed remained safe, solid, solvent, and secure and has continued to 'foster a culture of growth and the development of our members' and the communities in which we serve through consistent outstanding service delivery.

This exceptional performance was not coincidental but

resulted from constant re-assessment of our position and the macroeconomic environment; and must be attributed to the efforts of all our stakeholders, which include, the Board of Directors, Credit and Supervisory Committees, our Chief Executive Officer, Mr. Ardford Billings, his management team and the dedicated and hardworking staff.

Sound Corporate Governance

Your Board of Directors in executing its duties exercised sound corporate governance as all the necessary measures were taken to ensure that:

- the Credit Union's operations were transparent, fair, disciplined and ethical
- all the regulatory and financial practices were observed
- risks were carefully managed
- astute stewardship was displayed in the management of the Credit Union's resources
- the Credit Union actively engaged the community through its Corporate Social Responsibility programme.

The Operating Environment

For the reporting period, your Credit Union operated in an economic environment that was plagued by the waning impact of the Coronavirus pandemic and the significant challenges associated with the conflict between Russia and Ukraine which generated substantial increases in international commodity and shipping prices. Domestic inflation remained above the Bank of Jamaica's (BOJ) inflation target of 4% - 6%, a trend observed since August 2021. BOJ's Monetary Policy Committee (MPC) responded by (i) raising the Bank's policy interest rate by 450 basis points (bps) to 7%, following increases of 200 bps in the last quarter of 2021;

(ii) implementing measures aimed at maintaining tight

Jamaican dollar liquidity conditions; and (iii) reducing volatility in the foreign exchange market by re-introducing absolute limits on the Foreign Currency Net Open Positions of authorised dealers and providing US dollar liquidity support to the market. Subsequently, annual headline inflation generally trended down towards 9.4% in December 2022 after peaking at 11.8% in April 2022.

Nonetheless, BOJ reported that the Jamaican economy continued to show signs of strong recovery in 2022 with real quarterly economic activity estimated to have returned to pre-COVID-19 levels at the end of the December 2022 quarter. Jamaica's Real Gross Domestic Product (GDP) for 2022 is estimated to have grown by 5.4%, above the increase of 4.4% in 2021. Marked recovery in the tourism sector and its affiliated services as well as increased production and distribution activities due to the removal of COVID-19 restriction measures were the main drivers behind this improved performance. The Statistical Institute of Jamaica reported the unemployment rate as being 6.6% in July 2022. A decrease of 1.9% on the 8.5% recorded in July 2021 and an uptick on the 6.0% recorded in April 2022 and the 6.2% recorded earlier in January.

Financial Performance

In 2022, *First Regional* maximized the opportunities presented by the progressive recovery of the local economy from the covid-19 pandemic and delivered an extraordinary financial performance.

We achieved:

- (i) the highest total income in the history of our operations of \$873 Million, an increase of \$116 Million on the \$757 Million that was earned in 2021
- (ii) a net surplus of \$270 Million which is the highest level of surplus ever achieved in our history
- (iii) Total Assets which surpassed the \$9 Billion mark - being \$9.49 Billion, an increase of \$1.08 Billion or 13% on the \$8.41 Billion recorded for 2021.

First Regional recorded a Capital Base to Total Assets ratio of 14.85% for 2022 which is a decrease in comparison to 2021's 16.03% but still significantly higher than the 6% mandated by BOJ and the 8% required by the Jamaica Co-operative Credit Union League. Our strong capital base will continue to ensure the long-term sustainability of *First Regional* by being a

buffer to the effects of any unwelcomed economic crises, protecting members' savings and enabling us to continue to meet our obligations to all stakeholders.

Despite operating in an extremely competitive environment, *First Regional's* net loan to members was \$6.71 Billion at the end of 2022, an increase of over \$1 Billion when compared to the previous year. This improved our loan-to-total assets ratio to 70%, increasing 2021's ratio by 8% and positioning us as a good Credit Union per the PEARLS-M standardized ratio of 60% - 80%. Ironically, notwithstanding its devastating impact, the coronavirus pandemic was the stimulant that triggered the diversification of the loan portfolio which resulted in a higher percentage of loans for real estate and business investments in contrast to previous years.

We must commend you, our members, for your unwavering loyalty and confidence, which are the bedrock of *First Regional's* success. We remain committed to providing you with exceptional service and adding value to your lives through products and services that will meet your needs.

Corporate Social Responsibility

First Regional has remained committed to the Credit Union Movement's core philosophy of 'People helping people to succeed' and therefore, we have taken great delight in giving back to our members and making a positive impact in the communities we serve by contributing to initiatives and causes that make a difference.

During 2022, we continued our tradition of sharing our success and distilling our corporate social responsibility by making charitable donations of approximately \$6.92 Million to institutions, interest groups, churches, clubs, associations and other causes that contribute to the holistic development of our communities especially in the areas of education, health & wellness and youth & children's welfare.

Education

- *First Regional* continued to provide educational opportunities for members by awarding scholarships with a total value of One Million Two Hundred Thousand Dollars (\$1,200,000.00) to Primary Exit Profile scholars to attend high school (inclusive of the inaugural presentation of the Radcliffe and Norma

Walters Scholarship), Book Grants totalling Three Hundred and Five Thousand Dollars (\$305,000.00) to those who were shortlisted but did not receive a scholarship or bursary and disbursing Seven Hundred and Sixty Thousand Dollars (\$760,000.00) to previous scholarship recipients. Tertiary bursaries amounting to Seven Hundred and Twenty Thousand Dollars (\$720,000.00) were awarded to tertiary level students.

- We donated Gift Certificates totalling Forty-one Thousand Dollars (\$41,000.00) to the winners of the St. Mary and St. Ann Jamaica Library Services' National Reading Competition and Ten Thousand Dollars (\$10,000.00) towards the purchase of gift items for the winners of the Hanover Parish Library Early Childhood Quiz Competition.
- We contributed Three Hundred and Fifty Thousand Dollars (\$350,000.00) towards the York Castle High School 5K Run/Walk which was in aid of building a new block at the school.

Health & Wellness

- *First Regional* was one of the Silver Sponsors for the Jamaica Cancer Society (St. Ann) - Pink Walk/Run in November 2022.
- *First Regional* participated in the 'Men's Health Fair calling men 40 years and over!' event that was put on by the Jamaica Cancer Society St. Ann/St. Mary Branch in collaboration with the North East Regional Health Authority (NERHA) in July 2022 at the Turtle River Park in Ocho Rios, St. Ann.
- Our members benefitted from health fairs which were conducted during Credit Union Week in October 2022.

Youth & Children Welfare

- Our contribution to the Governor General's '*I Believe Initiative*' continued during 2022 with a donation

of Five Hundred Thousand Dollars (\$500,000.00). The programme's core objective "is to motivate and inspire youths to believe in themselves, achieve their God-given potential and to give service to their country," which is in line with *First Regional's* values.

- We resumed the breakfast feeding programme in tandem with the resumption of face-to-face classes in schools. Runaway Bay, Parry Town and New Orange Hill Primary and Infant Schools were the recipients of the initiative.
- We donated much-needed toiletries and school supplies to the Guidance Counsellor's Department at the Marcus Garvey Technical High School for further distribution to needy students.
- We donated Fifty Thousand Dollars (\$50,000.00) towards the purchase of trophies, medals and refreshments for the St. Mary 4-H Clubs' Parish Achievement Day Awards Ceremony. The involvement of youth in agriculture through training, school gardening and enterprise development was the purpose of this initiative.
- We donated Thirty Thousand Dollars (\$30,000.00) to the Youth Regiment Corps - a non-governmental organisation which uses Paramilitary Ethos to engage youths 8-17 years of age in schools and communities to instil values and attitudes, cultural awareness, and leadership development - to assist with the purchase of uniforms.
- We donated Thirty Thousand Dollars (\$30,000.00) to Port Maria Infant School Children's Treat in May 2022 to support their Child's Month activities
- We donated Gift Certificates totalling Sixty-five Thousand Dollars (\$65,000.00) to the nine (9) contestants of the Jamaica Cultural Development Commission's (JCDC) St. Ann Festival Queen Competition

between accounts, making loan payments etc.

Human Capital

Competent and motivated employees translate to higher quality service delivery, member satisfaction and increased revenue, as such, *First Regional* has continued to invest in its human capital by pursuing effective Human Resource Development Policies and Practices.

Over the past year, we encouraged our employees to build their competencies by providing Education Grants to those pursuing higher education. Training was provided both internally and externally to assist employees in their personal and professional growth and development and staff morale was boosted throughout the year by way of Rewards and Incentive Programmes.

Regrettably, Ms. Adlin Reid, one of our retired employees who worked at the Port Maria Branch, passed away in 2022.

Information Technology

During the year, *First Regional* continued to make technological advancements which will undoubtedly improve service delivery and increase our competitiveness in the market.

- **MasterCard Debit Card Initiative** - Issuance of the MasterCard Debit Cards experienced delays due to the global supply shortage of consumables (printing ribbons) for the debit card printers and other logistic issues. However, we have surmounted those barriers and MasterCard Debit Cards are currently being issued to our members at the Ocho Rios, St. Ann's Bay, and Negril Branches. The Port Maria, Brown's Town and Round Hill branches will begin to issue cards in short order. These debit cards can be used internationally.
- **Online banking** - Work regarding our Online Banking Platform continued in 2022. The required further strengthening of the Credit Union's cybersecurity network perimeter has been completed and the platform should be launched in short order. This platform will enable members to not only view their account balances but also conduct other transactions such as the transferring of funds

Positioning for the future

First Regional demonstrated great resilience and tenacity with the challenges posed by the COVID-19 pandemic and exercised prudence in capitalising on the opportunities that were presented as the local and global economy showed signs of recovery in 2022. Co-operators, be assured that your Credit Union will continue to position itself to benefit from the opportunities that will arise to grow revenues, enhance our service delivery, and improve efficiencies in our operations.

Given our historical ability to generate revenue and our proactive approach to scanning the economic environment, we will remain in a strong financial position which will help us to respond appropriately to challenges and achieve long-term growth and sustainability.



Your Board of Directors will continue to update its corporate strategies and processes to remain competitive whilst holding firm to the Credit Union's core values and principles.

We remain committed to:

- consistently exceeding members' expectations
- engaging in community building by continuing our Corporate Social Responsibility programme, which is geared towards addressing the social and economic issues of our members and the communities we serve
- efficiently running the Credit Union across all delivery channels through improved business processes and a responsive IT system
- managing our operating expenses to ensure valuable returns to you, our members

Acknowledgement

On behalf of the Board of Directors, I wholeheartedly thank you, our members for your continued loyalty and support, which have contributed significantly to *First Regional's* success.

Special recognition must be given to the Supervisory and Credit Committees for faithfully and selflessly discharging their duties.

Special thanks and appreciation must also be extended to:

- our Chief Executive Officer, Management Team and employees for their dedication and commitment to giving members outstanding service and for becoming the embodiment of our tagline that is "where you get interest on your money and interest in you."
- our umbrella organization, the Jamaica Co-operative Credit Union League and our affiliates Jamaica Co-operative Insurance Agency and CUNA Caribbean Insurance Agency for their support.
- our Regulators - the Department of Co-operatives and Friendly Societies and the Bank of Jamaica for their guidance.
- our external auditors - HLB Mair Russell for preparing our Financial Statements.
- my fellow directors for their support as well as their diligence and selflessness in executing the responsibilities associated with their stewardship and good corporate governance.

Your Board will continue to provide sound corporate governance, which will ensure that *First Regional* will remain a trustworthy financial institution that is committed to providing long-term value to members, staff and by extension the communities we serve.

Cyril Mason
CYRIL MASON
President

GOAL ENABLER
Your Safety Net

Savings product designed to help you achieve your goals

- Purchase A House
- Purchase A Car
- Family Vacation
- Children's Education
- Comfortable Retirement

Treasurer's Report

FOR THE YEAR ENDED DECEMBER 31, 2022



Mr. Patrick Bryan
TREASURER

Fellow Co-operators,

I take great pleasure in presenting the Treasurer's Report for the financial year ended 31st December 2022. The financial results for 2022 were very impressive and not only represents a return to our pre COVID-19 levels, but in terms of profitability, the results also represents the highest surplus ever achieved by First Regional since inception. The economic context of our operations for 2022 was in a global economy with a growth rate that had slowed to 3.2%, more than 1 percentage point weaker than the growth that was expected at the end of 2021 (OECD Economic Outlook, Interim Report March 2023). The OECD Economic Outlook (March 2023) further posited that this slowdown in growth was mainly due to Russia's war of aggression in Ukraine and the associated cost-of-living crisis in many countries. This also resulted in a global economy that saw heighten concerns about financial vulnerabilities in financial institutions, housing markets and low-income countries. Other Economists described the global economy for 2022 as one in which inflation was at the highest level

experienced in the last decade and one in which the lingering COVID-19 pandemic continued to weigh heavily on economic performance and outlook (The World Economic Outlook Update, January 2022).

At the local level, our economy continued to show signs of recovery in 2022. The World Bank Report published on April 03, 2023, indicated that Jamaica's real GDP expanded by an annual average rate of 4.4 percent between 2021 and 2022, primarily reflecting continued recovery in tourism and agriculture. This report further postulated that rising economic activity experienced in Jamaica in 2022 resulted in a reduction in the poverty rate to 12.6%, boosted labor market conditions and resulted in the unemployment rate falling below pre-pandemic levels. Despite the recovery in the local economy for 2022, we were cautioned that we could see an undermining of the recovery in tourism, depress remittance inflows, increase borrowing costs, and derailing of long term growth because the outlook for 2023 suggests significant downside risks in the global economy (The World Bank Report, April 2023).

At the credit union level, First Regional's Board of Directors and Management continued to leverage the opportunities provided by the local and global economy to improve our financial performance and to strengthen other key areas of our operations in order to ensure that we were a viable option within the financial sector. Before the COVID-19 Pandemic most of our loans were

tied to the hospitality sector, these loans were negatively impacted by the pandemic and resulted in a significant erosion in our income. However, the COVID-19 Pandemic also acted as the catalyst needed by us to diversify our loan portfolio to include other sectors. As a result, at the end of 2022, our loan portfolio had a good mixture of development and business loans to complement loans in the hospitality sector, and represented a much healthier loan portfolio compared to previous years. Below is a summary of our other important financial results for 2022.

Financial Performance for 2022

The financial performance of First Regional for 2022 was judged by comparing our financial results to the relevant regulatory standards such as the PEARLS-M Ratios, which is the financial performance-monitoring system for Credit Unions worldwide. The acronym PEARLS-M stands for:

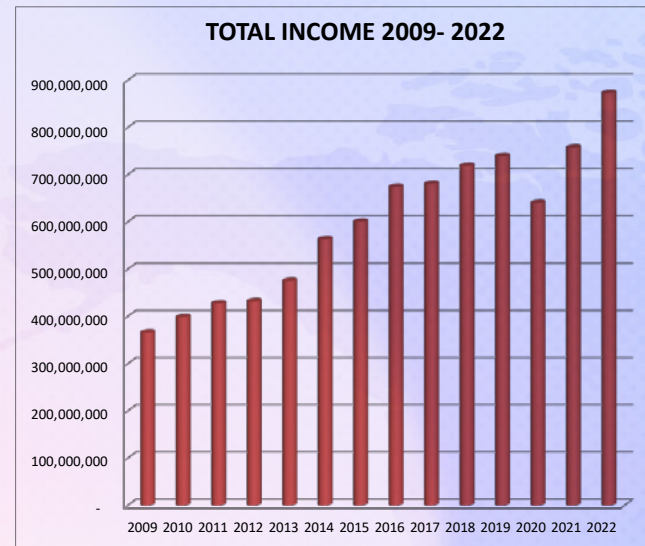
- Protection**
- Effective financial structure**
- Asset quality**
- Rates of return and costs**
- Liquidity**
- Signs of growth**
- Management**

The PEARLS-M standard ranks performance on a scale of 1 to 5 with Code 1 being the highest. First Regional achieved good financial results for 2022, and was able to attain code 1 ratios for all our core areas of operation except those for "growth in membership" and "delinquency" which were at Code 3 and Code 2

respectively. **Statement of Comprehensive Income**

INCOME

Figure 1



At the end of 2022 First Regional's total income was \$873 Million which was \$116 Million more than the \$757 Million achieved in 2021. This represents the highest income we have ever achieved in the history of First Regional and is also additional evidence that First Regional has fully recovered from the falloff in income that was a result of the COVID-19 pandemic.

Figure 2

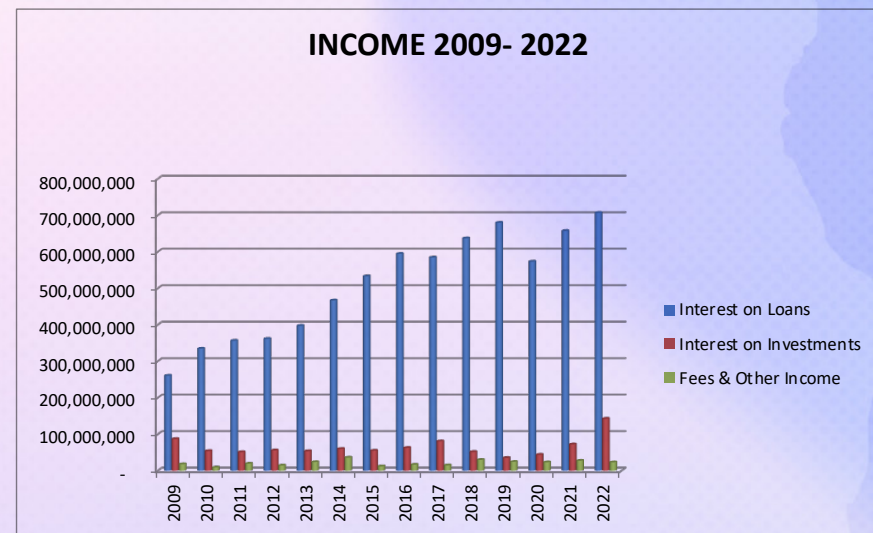
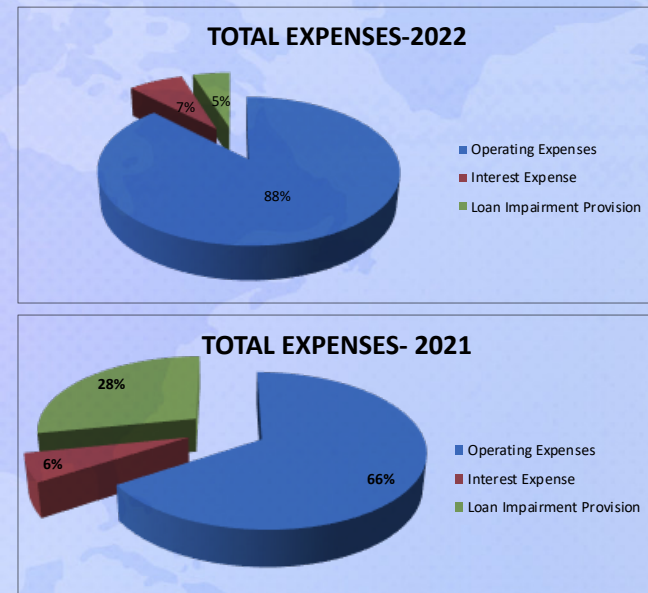


Figure 2 indicates that in 2022 we attained the \$700 Million mark for interest income from loans and that for the first time since 2009, we have earned in excess of \$100 Million

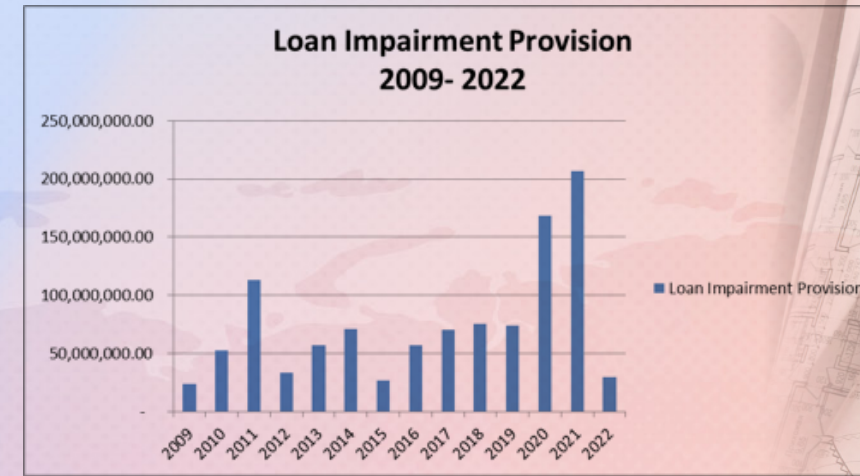
from interest on investments. Loan interest income and interest income from investments accounted for 97% of the income earned by First Regional in 2022. The fact these income are again moving in the right direction is an indication that First Regional's capacity for earning higher income in the future is also improving. First Regional is not overly concerned that we are only earning 3% from fees and other income because our practice was never to levy high fees on our members.

Figure 3



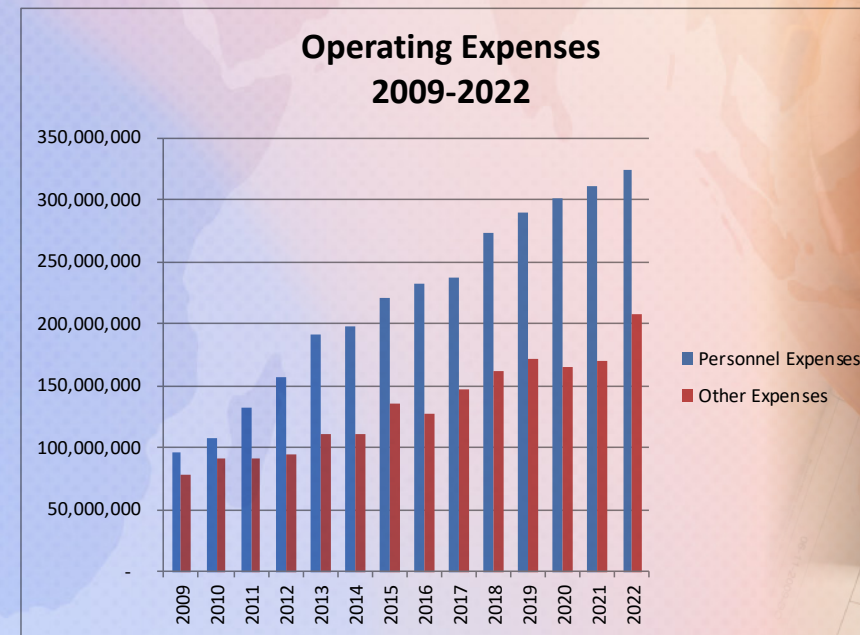
Interest expense remained relatively stable between 2021 and 2022, accounting for 6% and 7% respectively of the total operating expenses of First Regional. Our Loan Impairment Provision decreased from 28% of total expenses in 2021 to 5% of total expenses in 2022. This is an indication that the delinquency status of several of our loans is improving and was heavily influenced by the fact that our members in the hospitality sector have return to full employment. In 2022, operating expenses accounted for 88% of the total expenses of First Regional, this was an increase of 22% compared to the prior composition. The increase of 22% was mainly impacted by the improvement in the impairment status of our loan portfolio as well an increase in operating expenses for 2022 compared to 2021.

Figure 4



Loan Impairment Provision of \$30 Million for 2022 represents a decrease of 86% from the amount recorded for 2021 of \$207 Million. This is the third lowest annual provision recorded since 2009 and is an indication that First Regional has recovered from the high levels reported in 2021 and 2020. The negative impact of the COVID-19 pandemic on our members in 2020 and 2021 necessitated us extending deferment and skipped payment arrangements; these arrangements had a deleterious impact our loan portfolio and were the main reasons for the high provisions in those years. We will continue to make improvements and modifications to the mechanisms we use to manage delinquency in an effort to continue to reduce our level of loan provision.

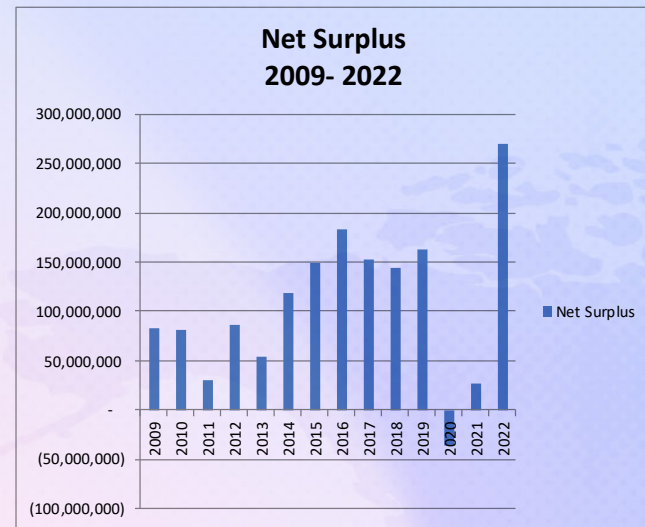
Figure 5



Operating expenses increased by \$51 Million or 11% from the \$480 Million recorded in 2021 to \$531 Million at the end of 2022. The growth of 11% for 2022 was significantly less than the average annual increase of 18% between 2009 and 2022, which is an indication that for 2022 we did a very good job in controlling our operating expenses. Personnel Expenses is our largest and most important expense; it accounted for 61% of the total operating expenses for 2022, which was also a reduction from the 65% of total operating expenses reported in 2021. At First Regional we always strive to minimize our operating expenses but it is worth highlighting that there are always inflationary and other general factors that are outside of our control.

NET SURPLUS

Figure 6



I am happy to report that the net surplus of \$270 Million achieved for 2022 is the highest level of surplus that we have ever achieved in our history. The fact that this surplus was achieved immediately after the two most difficult years of our operations makes this achievement even more impressive. The level of net surplus is also an indication that the measures and changes implemented in the heights of the COVID-19 pandemic not only prevented us from suffering further financial fallout, but also acted as the springboard that we needed to return to a very profitable institution in the shortest possible time. The net surplus for 2022 will allow us to:

- make significant contribution to education and to fulfill our other cooperate social responsibilities
- pay a dividend to our members
- improve our physical plant and IT infrastructure
- invest in our human resources
- strengthen our capital base
- reinvest in First Regional to secure future growth and returns to our members.

We realized fair value gain on investments of \$12 Million and suffered actuarial loss of \$32 Million on Retirement Benefit Asset (Pension Fund), which resulted in a net loss in Other Comprehensive Income of \$20 Million and Total Comprehensive Income of \$250 Million for 2022.

Statement of Financial Position

It is important to manage the growth process of First Regional to ensure that as the size of our Statement of Financial Position increases we also increase all the key components that impacts our Statement of Financial

Position. In 2022, the growth in our Statement of Financial Position was in excess of \$1 Billion and this growth was achieved while maintaining Code 1 PEARLS-M Ratios for most of the key areas of our operations. The key areas of the Statement of Financial Position are discussed below.

ASSETS

Figure 7



Total Assets stood at \$9.49 Billion at the end of 2022, this represents a growth of \$1.1 Billion or 13% over the 2021 position of \$8.41 Billion. Figure 7 above also indicates that we have been on a growth trajectory since 2009. Most of this growth was achieved generically and this provided us with the opportunity to strengthen the key components of our balance sheet as we grew.

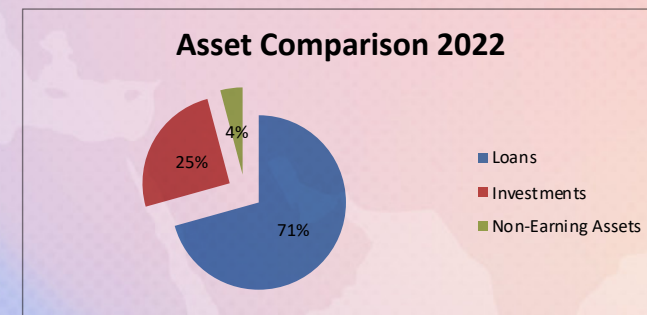
Figure 8



Our loans to members is our largest and most important asset. Based on the regulatory requirements of the PEARLS-M standard, a credit union is deemed to have a good

loan to total asset ratio when loans to members represents 60% to 80% of the total assets of that credit union. The challenges we encountered during the COVID-19 pandemic period resulted in this ratio falling to a low of 62% at the end of 2021. For 2022 we were able to improve this ratio to 70% and we are aiming to take it to at least 75% by the end of 2023. Our net loans to member of \$6.71 Billion at the end of 2022 also represented a healthier loan portfolio compared to prior years because we were able to reduce our concentration of loans in the hospitality sector and increase our loans in other sectors such as development and business. In 2022 our investment portfolio decreased by \$335 Million or 12% from \$2.727 Billion reported in 2021 to \$2.392 Billion. Return on investments for 2022 was significantly higher than the returns for previous years, however our loans to members were still providing us with higher returns and so the reduction in our investment portfolio for 2022 was due to our decisions to encash some of our investments to satisfy demands for loans.

Figure 9



First Regional's composition of assets for 2022 further highlights the strength of our financial position. Earning Assets accounted for 96% of our assets whilst Non-Earning Assets only accounted for 4%.

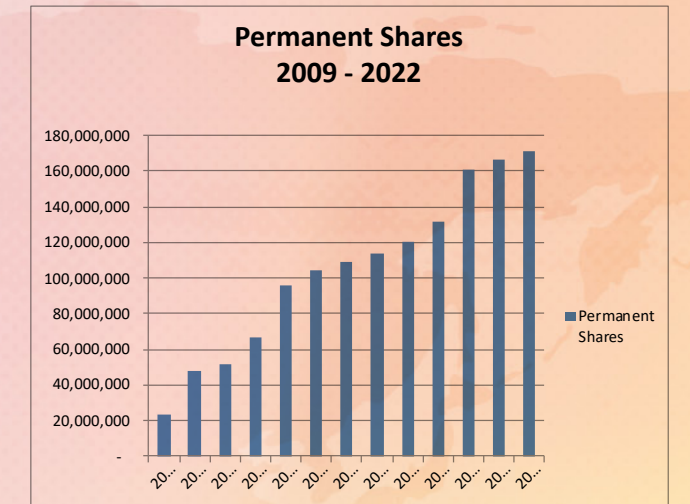
Figure 10



Voluntary Shares grew by 13% in 2022. However, this was less than the 16% growth recorded for 2021. Growth in Members' Deposits for 2022 was 11%. This was also less

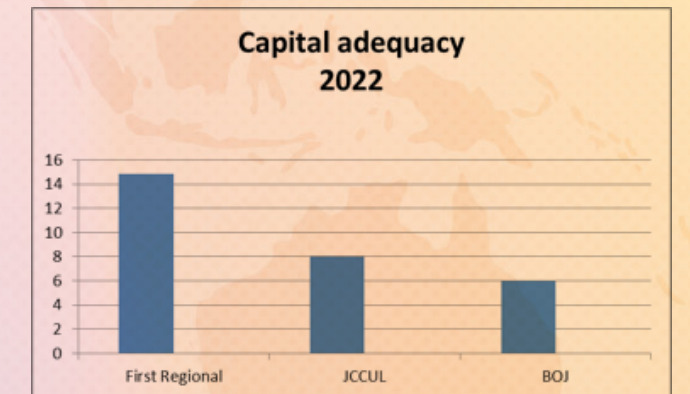
than the 15% reported for 2021. Despite the reduction in the growth rate for members' voluntary savings for 2022, the growth rate was still considered to be significant and still represents a vote of confidence in First Regional by our members as the institution of choice for their deposits.

Figure 11



Permanent Shares grew by 3% or \$5 Million in 2022 which was the same growth rate experienced in 2021. At the end of 2022 Permanent Shares stood at \$171 Million. We are not only aiming to continue to grow our Permanent Shares, but to also to return this ratio to at least 5%, which is the growth in membership that is specified by the PEARLS-M standard for a code 1 rating.

Figure 12



First Regional remained well capitalized with a Capital Base ratio of 14.85% for 2022; this is a reduction of the 16.03% reported for the prior year, but still significantly higher than the 8% required by the Jamaica Co-operative Credit Union League (JCCUL) and 6% required by the Bank of Jamaica (BOJ).

Conclusion

The financial results indicate that First Regional has made significant strides and has performed at a very high level in 2022 compared to previous years. We are well aware that there are still major challenges in the local and global economy, but we stand resolute and determined to continue to operate in such a way that will ensure that First Regional remains profitable and strong for the future.

I want to take this opportunity to thank our hard working Board of Directors, Volunteers, Management, and Staff of First Regional for the stewardship and commitment in 2022. I also want to commend you, our members for continued support and investment in your credit union. First Regional is our credit union and if we continue to work together, I am sure that First Regional will have a bright future and will remain the institution that we are happy to identify with.

Patrick Bryan
PATRICK BRYAN
TREASURER

First Regional Co-operative Credit Union Ltd.
"Where you get interest on your money and interest in You"

PAADNA PLAN

Reap Sweet Bonu\$\$\$

Income, Expenditure & Appropriation Account for the Year Ended 31st December 2022

	\$'000	\$'000
Income as obtained from interest on:		
Members' loans	707,078	
Liquid assets	7,497	
Investments	135,318	
Making a total of		849,893
From this we paid interest expenses totaling		(43,987)
Leaving Net Interest Income of		805,906
From this was taken:		
Provision for loan loss		29,799
Net Interest Income after provision		776,107
We also earned income from:		
Dividends	689	
Fees and Other Income	22,602	23,291
Therefore our Net Interest and Other Income was		799,398
From this we paid:		
Administrative Expenses	485,875	
Other Operating Expenses	45,097	
Loss/Gain on disposal of Property, Plant and Equipment	(1,736)	529,236
Leaving a Net Income of		270,162
This was adjusted for:		
Fair Value Gain on Investments		12,048
Actuarial Loss on Defined Benefit Plan		(31,697)
Leaving Total Comprehensive Income for the Year of		250,513
From this was taken:		
Statutory Reserve (20% of Net Income)		(54,033)
Leaving a Net Surplus of		196,480
From this was taken:		
Net transfer to Non-Institutional Capital		55,787
		252,267
Add Undistributed Net Income at the beginning of the year		201,631
		453,898
Less transfers approved at AGM for 2021:		
Dividend on Permanent Shares	-	
Capital Expenditure Reserve	-	
Statutory Reserve	-	
Surplus available for distribution		453,898

Balance Sheet as at 31st December 2022

	\$'000	\$'000
Assets (The value of all we own)		
Earning Assets		
Loans to Members (after provision)		6,706,772
To this is added:		
Our Liquid Assets		
Saving and Call Deposits		453,170
Short Term Investment		10,193
Reverse Repurchase Agreements		1,001,846
Financial Investments		926,355
		<u>9,098,336</u>
Non-Earning Assets		
Cash	63,940	
Income Receivable & Prepayments	34,938	
Intangible Assets	8,599	
Property, Plant and Equipment	247,383	
Retirement Benefit Asset	36,312	391,172
Total Assets		<u><u>9,489,508</u></u>
Liabilities and Equity		
Interest Bearing Liabilities		
Members' Deposits were	2,253,089	
Members' Voluntary Shares were	5,138,849	
Borrowings	-	7,391,938
Non-Interest Bearing Liabilities		
Accounts Payable		83,487
Total Liabilities		<u>7,475,425</u>
Members' Permanent Share Capital	171,200	
Institutional Capital	1,237,981	
Non-Institutional Capital	151,004	
Accumulated Surplus	453,898	
Total Equity		<u>2,014,083</u>
TOTAL LIABILITIES AND EQUITY		<u><u>9,489,508</u></u>

Therefore, at December 31, 2022 the value of all we owned (Total Assets) stood at \$9,489,508,000 compared to \$8,411,637,000 for the previous year.



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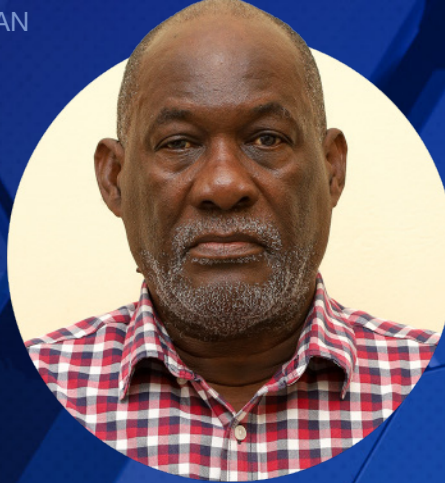
CREDIT COMMITTEE



Ms. Marion Case
CHAIRMAN



Ms. Florette Henry
SECRETARY



Mr. Robert Shippey
ASSISTANT SECRETARY



Ms. Kerri-Ann Brown
MEMBER



Ms. Rilla Mitchell
MEMBER

CREDIT COMMITTEE REPORT

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022

The Credit Committee of First Regional Co-operative Credit Union Limited comprises five (5) volunteers who were duly nominated and elected to serve. They are:

- Ms. Marion Case - Chairman
- Ms. Florette Henry - Secretary
- Mr. Robert Shippey
- Ms. Kerri-Ann Brown
- Ms. Rilla Mitchell

The members, during the year 2022, served the Credit Union by completing core functions as they worked closely with the Manager and those tasked to give oversight to the Committee. The Committee was mandated to:

- examine loan applications that required the Committee's approval based on the nature of the loans.
- ensure that the supporting documents for loan applications met the required standard.
- through a quorum, determine whether the processing of loans was being carried out according to the established standards.
- review and sign off on loan applications each month.
- make valuable contributions to the Credit Union through attendance and participation at Joint Committee Meetings.

The Committee conducted regular reviews of a range of loan applications for special lending purposes such as Purchase of Land, Building & Repairs, Business Investments, Motor Vehicle Purchase & Repairs, Personal & Domestic Expenses, Agriculture and Education.

For the period, approximately 3,676 loan applications were reviewed and loans disbursed totalling \$3,537,633,436.71. The loan applications processed contained all the relevant supporting documents; and the discrepancies were actioned by the specified branches.

The Credit Union continues to make the necessary adjustments to its services and offerings with its members in mind. This has shown not just interest in the members' money but undoubtedly in the members' welfare and development.

We thank the members of First Regional for their loyalty and support, which they continue to exhibit. The Credit Committee believes that the Credit Union will definitely continue to be there for its members, and will make lives better through financial partnerships.

The Credit Committee is grateful for the trust and confidence reposed in our team, and is particularly pleased that we are able to serve the needs of our members. We are truly appreciative of the cooperation and support given to us by the Board of Directors, Management and staff and are satisfied that the Credit Union can only get better as we ensure compliance to its policies and continued commitment to its tagline "where you get interest on your money and interest in You!"

Thank you!
Marion Case
Marion Case
Chairman

SUPERVISORY COMMITTEE



MRS. SUZETTE BARNES-WILSON
CHAIRMAN



MRS. ELOISE BROWN-PANTON
SECRETARY



MS. ALTHEA LANDELL
ASSISTANT SECRETARY



MR. ANDRE YEE-SHUI
MEMBER



MR. MIKHAIL MCKENZIE
MEMBER

REPORT OF THE SUPERVISORY COMMITTEE

FOR THE YEAR ENDED DECEMBER 31, 2022

Members of the Committee were:

- Mrs. Suzette Barnes - Wilson, Chairperson
- Mrs. Eloise Panton, Secretary
- Ms. Althea Landell
- Mr. Andre Yee Shui
- Mr. Mikhail McKenzie

Internal Audit is an independent, objective assurance and consulting function that is designed to add value and improve an organization's operations. This department helps the Credit Union to meet its objectives by assessing the effectiveness of the Credit Union's governance processes, risk management and internal controls.

The department is supervised by the Supervisory Committee, which is required to meet on a monthly basis to review and discuss Audit Reports. The Committee was successful in convening eight (8) meetings for the year 2022 and the following Audits were tabled, their findings discussed and recommendations noted:

1. Branch Operations
2. Anti-Money Laundering and Countering Financing of Terrorism Act (Proceeds of Crime Act)
3. Staff and Volunteer Loans
4. Information Technology Contingency & Business Continuity
5. Special Audits

The Committee must highlight the improvements that have been observed in several areas of the Credit Union's operations and we look forward to continued improvement, which can be achieved through strengthening internal controls, adherence to established operating policies and procedures, the timely review and implementation of policies, the standardization of processes and training.

The Committee commits to continue executing its roles and responsibilities to First Regional with pride and integrity to ensure its continued success as a going concern. We extend our appreciation to the Internal Audit Department for their hard work and to the Management and Staff for their support in helping us to discharge our functions efficiently.

Mrs. Suzette Barnes - Wilson
Mrs. Suzette Barnes - Wilson
Chairman

Report of the Nominating Committee

The Nominating Committee met on April 28, 2023 and June 14, 2023 to consider the vacancies that will be available on the Board of Directors, Credit and Supervisory Committees.

Members of the Committee present were:

- Mrs. Polly- Anna Brown-Mullings- Chairperson
- Mrs. Lorraine Brown-Wright
- Ms. Jodi-Ann Pryce

OFFICERS RETIRING AND RECOMMENDATIONS OF THE NOMINATING COMMITTEE 2023

The following persons were nominated to serve on the Board of Directors, Supervisory and Credit Committee:

BOARD OF DIRECTORS		
Retiring	Recommended	Term in Office
Mr. Patrick Bryan <i>(eligible for re-election)</i>	Mr. Patrick Bryan	2 years
Mrs. Suzette Wilson <i>(eligible for re-election)</i>	Mrs. Suzette Wilson	2 years
Mr. Higilock Mullings <i>(eligible for re-election)</i>	Mr. Higilock Mullings	1 year
Mr. Cecil Gordon <i>(eligible for re-election)</i>	Mr. Cecil Gordon	2 years
Bishop Rankin Clarke <i>(eligible for re-election)</i>	Bishop Rankin Clarke	1 year
Polly-Ann Brown-Mullings <i>(Retiring)</i>	Marion Case	2years
Lorraine Brown-Wright <i>(Retiring)</i>	Pearline Bailey	2years

SUPERVISORY COMMITTEE		
Retiring	Recommended	Term in Office
Mr. Andre Yee-Shui	Mr. Andre Yee-Shui	1 year
Ms. Althea Landell	Ms. Althea Landell	1 year
Mrs. Suzette Barnes-Wilson	Mrs. Suzette Barnes Wilson	1 year
Ms. Eloise Brown-Panton	Eloise Brown-Panton	1 year
Mr. Mikhail McKenzie	Mikhail McKenzie	1 year

CREDIT COMMITTEE		
Retiring	Recommended	Term in Office
Ms. Marion Case	Judy Bell	2 years
Ms. Rilla Mitchell	Lanthon Williams	2 years
Mr. Robert Shippey (eligible for re-election)	Mr. Robert Shippey	2 Years

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CO-OPERATIVE CREDIT UNION LIMITED

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First Regional Co-operative Credit Union Ltd.

"Where you get interest on your money and interest in You!"

Proud financial partners of the Sun Coast Beach Club development



www.suncoastbeachclub.com

Standing Orders

1. The meeting is open to all members of the First Regional Co-operative Credit Union Limited with the right to participate in the proceedings.
2. A member shall only address the meeting when called upon by the Chairman to do so. Member shall stand when addressing the Chair, after which he or she shall immediately take his or her seat.
3. Speeches must be clear and relevant to the subject before the meeting.
4. No member shall address the meeting except through the Chairman.
5. All persons desiring the floor shall rise and address themselves to the Chair.
6. All speakers are to identify themselves and make use of the desk and floor microphones when addressing the Meeting in order that their comments or questions may make a permanent record in the meeting's proceedings.
7. Should two or more persons rise at the same time, the Chair shall decide without debate, who is entitled to the floor.
8. If a speaker is called to order while speaking, the speaker should take his or her seat until the question of order is determined.
9. Any member desirous of introducing business for the consideration of the meeting may do so after the business on the Agenda has been completed.
10. A member shall not speak twice on the same subject, except;
 - a. He or she is the mover of the motion and has the right to reply.
 - b. He or she rises to object or explain (with permission of the Chair).
11. No speeches to be made after the 'Question' has been put and carried or negated.
12. A member rising on a 'Point of Order' is to state the point clearly and precisely. (A 'Point of Order' must have relevance to the "Standing Orders").
13. A member should not 'call' another member 'to order'; but may draw the attention of the Chair to a 'Breach of Order.'
14. In no event shall a member call the Chair to order.
15. A 'Question' should not be put to the vote if a member desires to speak on it or move an amendment to it- except that a Procedural Motion, the 'Previous Question' proceed to the next 'Business' or the closure that the question be now 'put' may be moved at any time.
16. Only one amendment should be before the meeting at one, and the same time.
17. When a motion is withdrawn any amendment to it fails.
18. The Chairman has the right to a casting vote.
19. If there is equality of voting on an amendment and if the Chairman does not exercise his casting vote, the amendment fails.
20. The Chair should not be subject to any personal abuse or verbal attack from any speaker.
21. No member shall impute improper motives to another.



DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES

CHARITIES AUTHORITY, JAMAICA

Ministry of Industry, Investment and Commerce

2 Musgrave Avenue, Kingston 10

Jamaica, W. I.

Tel: (876) 927-4912 | 927-6572 | 978-1946

E-mail: info@dcfs.gov.jm

Website: www.dcfs.gov.jm

ANY REPLY OR SUBSEQUENT REFERENCE TO THIS COMMUNICATION SHOULD BE ADDRESSED TO THE REGISTRAR AND THE FOLLOWING REFERENCE QUOTED:

S1
R402/374/03/23

March 31 2023

The Secretary
First Regional Co-operative Credit Union Limited
14 Bravo Street
St. Ann's Bay
St. Ann

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the financial year ended December 31, 2022.

The Annual General Meeting (AGM) must be convened under **Regulation 19, 21 and 25 a-f** of the Co-operative Societies (Amendment) Regulations, 2021. At least seven (7) days' notice shall be given before the meeting is held.

A copy of your report, which you intend to present to the Annual General Meeting on the year's working of the Society as set forth in **Regulation 35 (b)** of the Co-operative Societies Regulations should be forwarded to this office.

Kindly advise the Department of the date of the Annual General Meeting, so that arrangements can be made for representation.

Yours truly,

.....
Lavern Gibson-Eccleston (Mrs.)
(For) Registrar of Co-Operative Societies
And Friendly Societies

HOPE GARDENS
Hope Gardens
Kingston 6
(876) 977-2508 / 927-1948

MANDEVILLE, MANCHESTER
23 Caledonia Road
(RADA Bldg.)
(876) 615-9083

MONTEGO BAY, ST. JAMES
10 Delisser Drive
(The Office of the Prime Minister)
(876) 952-7913

First Regional Co-operative Credit Union Ltd.

LIST OF PRODUCTS

Savings Plans:

Paadna Plan

- Minimum throw of \$500.00 weekly
- Throw your hand weekly, fortnightly or monthly
- Reap sweet bonus

Solid Saver

- Start with a minimum of \$5,000.00
- Interest paid monthly

Fixed Deposits

- 30 days, 60 days, 90 days, 180 days, 365 days
- Attractive interest rates



Wealth Master Gold

- Start with a minimum of \$10,000.00
- Interest paid quarterly

Goal Enabler/Golden Harvest

- Insured Savings at no direct cost to you
- No minimum Savings Goal
- No minimum Monthly Deposit

Loan Products

Unsecured Loans:

Easi Loan

- (Regular, Hospitality, Educator's & N.E.R.H.A)

Auto & Home Insurance

Secured Loans:

Mortgage

- (Buy, Equity, Build, Improvement)

Motor Vehicle

Share and Deposit

Within Shares



Insurance Products:

Family Indemnity Plan

(covers funeral expenses for you and up to five (5) other eligible family members)

Life Savings Insurance

Group Creditor Life Insurance

Loan Protection Insurance



First Regional Co-operative Credit Union Limited

Financial Statements

December 31, 2022

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Independent auditor's report

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited
(A society registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Regional Co-operative Credit Union Limited ("the Credit Union"), which comprise the statements of financial position as at December 31, 2022, statement of income and expenditure, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirement of the Co-operative Societies Act.

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' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

hlbjm.com

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Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited
(A society registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd)

Key audit matters (cont'd)

Loan and allowances for credit losses on loans

As at December 31, 2022 loans after allowances for credit losses of \$394.5 Million amounted to \$6.3 Billion or 67% of the total assets of the Credit Union. We consider the measurement of expected credit losses a key audit matter as there is a number of significant judgement by management, including:

- Determining the criteria for a significant increase in credit risk, which impacts the staging of the asset and the related calculation, ie one year or lifetime expected loss calculations.
- Determining the relevant inputs and techniques included in the expected credit loss model utilised in probability of default (PD), loss given default (LGD) and exposures at default (EAD) parameters.
- For loans and advances, a significant amount of historical data is built into the PD, LGD and EAD risk parameters.
- Use of multiple economic scenarios that are forward looking.
- Valuation of real estate property pledged as collateral for term loans: this is the most significant repayment source for credit-impaired assets.
- We evaluated the appropriateness of the Credit Union's staging and where applicable, determined whether the significant increase in credit risk and default definitions were appropriately applied.
- We obtained an understanding of management's ECL model including source data, evaluated the theoretical soundness and tested the mathematical integrity of the model. We tested reliability of source data used in the models on a sample basis by corroborating to historical data or external public information where available.
- We evaluated the appropriateness of management's judgement pertaining to forward looking information, the basis of the multiple economic scenarios used and the weighting applied to capture nonlinear losses.
- We tested the opening equity adjustments in relation to the adoption of the new standard's classification and measurement requirements.
- We performed the calculation of days past due, a key data input into the PD parameter, in the Credit Union's banking system on a sample basis.

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited
(A society registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd)

Loan and allowances for credit losses on loans (cont'd)

- We tested the completeness and accuracy of the historical data used by agreeing details on default rates and recovery rates. The data used for these assessments were based on the Credit Union's internal default experience segmented by loan type. For a sample of credit exposures, we agreed the critical data fields, such as origination date, maturity date, default date, principal, collateral value and cash recoveries and exposure limits, used in developing default, recovery and utilisation rates to source documents.
- For a sample of stage 3 loans we obtained an understanding of the latest developments at the borrowers and the basis of measuring the impairment provisions and considered whether key judgements were appropriate given the borrower's circumstances. We re-performed management's impairment calculation including the expected future cash flows and valuation of collateral held, and determined reasonableness of the valuation of real estate collateral with the assistance of auditors' expert.
- Based on the procedures described above, no material exceptions were noted in our assessment of the Credit Union's implementation of IFRS 9, including its provisioning in accordance with its newly adopted expected credit loss model.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included those over identification of which loans and advances were impaired. We determined we could rely on these controls for the purposes of our audit.

The criteria we used to determine if there is objective evidence of impairment included:

- Default or delinquency in interest or principal payments;
- Concessions granted to a borrower that would not otherwise be considered due to the borrower's financial difficulty.

We tested the completeness of management's listing of potentially impaired loans by reperforming the process using management's impairment criterion. Based on the testing, no adjustments were considered necessary.

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited
(A society registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd)

How our audit addressed the key audit matter (cont'd)

We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events and did not identify any such events.

Other information

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the *annual report*, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with governance for the financial statements

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

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

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

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited
(A society registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the financial statements (cont'd)

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 presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
 Re: First Regional Co-operative Credit Union Limited
 (A society registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd) Auditor's Responsibilities for the Audit of the financial statements (cont'd)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on additional matters as required by the Co-operative Societies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Co-operative Societies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Sixto Coy.

Kingston, Jamaica

March 30, 2023



HLB Mair Russell
 Chartered Accountants

First Regional Co-operative Credit Union Limited Statement of financial position

December 31, 2022


	Note	2022 \$'000	2021 \$'000
Assets			
Non-current assets			
Earning			
Reverse repurchase agreements	(4)	1,001,846	1,252,216
Financial investments	(5)	467,688	243,970
Loans, after provision for expected credit losses	(6)	6,547,776	5,115,454
		8,017,310	6,611,640
Non-Earning			
Property, plant and equipment	(7)	247,383	240,171
Intangible asset	(8)	8,599	8,408
Retirement benefit asset	(9)	36,312	67,577
		292,294	316,156
Total non-current assets		8,309,604	6,927,796
Current assets			
Earning			
Financial investments	(5)	458,667	696,769
Loans, after provision for loan impairment	(6)	158,996	176,747
Liquid assets	(10)	463,363	533,512
		1,081,026	1,407,028
Non-earning			
Bank and cash balances	(11)	63,940	49,372
Receivables and prepayments	(12)	34,938	27,441
		98,878	76,813
Total current assets		1,179,904	1,483,841
Total assets		9,489,508	8,411,637


First Regional Co-operative Credit Union Limited
Statement of financial position

December 31, 2022

	Note	2022 \$'000	2021 \$'000
Capital and liabilities			
Capital			
Members' permanent share capital	(13)	171,200	165,932
Institutional capital	(14)	1,237,981	1,182,706
Non-institutional capital	(15)	151,004	206,803
Undistributed surplus		453,898	201,631
Total capital		2,014,083	1,757,072
Liabilities			
Non-current			
Interest bearing			
Members' deposits	(16)	2,253,089	2,026,974
Members' voluntary shares	(17)	5,138,849	4,552,745
Total non-current liabilities		7,391,938	6,579,719
Current			
Non-interest bearing			
Accounts payable and accruals	(18)	83,487	74,846
Total current liabilities		83,487	74,846
Total liabilities		7,475,425	6,654,565
Total capital and liabilities		9,489,508	8,411,637

Approved for issue by the Board of Directors on March 30, 2023 and signed on its behalf by:

) President
Cyril Mason

) Treasurer
Patrick Bryan

The notes on the accompanying pages form an integral part of these financial statements.

First Regional Co-operative Credit Union Limited
Statement of income and expenditure

Year ended December 31, 2022

	Note	2022 \$'000	2021 \$'000
Interest income			
Members' loans		707,078	657,534
Liquid assets		7,497	117
Investments		135,318	72,247
		849,893	729,898
Interest expense			
Interest on members' fixed deposits		4,862	3,861
Interest on members' other deposits		8,464	9,074
Interest on voluntary shares		30,661	30,645
		43,987	43,580
Net interest income		805,906	686,318
Net movement on loan impairment provision	(6c)	(29,799)	(206,513)
Net interest income after loan impairment provision		776,107	479,805
Non-interest income			
Fees and other income		23,291	27,545
		23,291	27,545
Net interest and other income		799,398	507,350
Less: Operating expenses	(23)	530,972	480,469
Gain/(loss) on disposal of property, plant and equipment		1,736	137
		270,162	26,744
Surplus for the year		270,162	26,744

The notes on the accompanying pages form an integral part of these financial statements.

First Regional Co-operative Credit Union Limited
Statement of other comprehensive income
Year ended December 31, 2022

	2022 \$'000	2021 \$'000
Surplus/(deficit) for the year (page 9)	270,162	26,744
Other comprehensive income:		
Actuarial loss on defined benefit plan (9)	(31,697)	(18,737)
Fair value gain on investments	12,048	1,146
Other comprehensive income for the year	(19,649)	(17,591)
Total comprehensive income for the year	250,513	9,153

The notes on the accompanying pages form an integral part of these financial statements.

First Regional Co-operative Credit Union Limited
Statement of changes in equity
Year ended December 31, 2022

	Permanent Share Capital \$'000	Institutional Capital \$'000	Non- Institutional Capital \$'000	Undistributed Surplus \$'000	Total \$'000
Balance at January 1, 2022	165,932	1,182,706	206,803	201,631	1,757,072
Surplus for the year	-	-	-	270,162	270,162
Other comprehensive income	-	-	-	(31,697)	(31,697)
Actuarial loss on defined benefit plan	-	-	-	(31,697)	(31,697)
Fair value gain on Investments	-	-	-	12,048	12,048
Total comprehensive income for the year	-	-	-	(19,649)	(19,649)
Transaction with owners:					
20% statutory reserve	-	54,033	-	(54,033)	-
Retirement benefit asset reserve	-	-	(31,265)	31,265	-
Share capital issued	5,268	-	-	-	5,268
Transfer to members share capital	-	-	(13)	-	(13)
Scholarship and other donations	-	-	(6,930)	6,930	-
Entrance fees	-	1,242	-	-	1,242
Accumulated remeasurement loss on retirement benefit asset	-	-	(29,639)	29,639	-
Accumulated remeasurement gains on investments	-	-	12,048	(12,048)	-
Balance at December 31, 2022	171,200	1,237,981	151,004	453,898	2,014,083

The notes on the accompanying pages form an integral part of these financial statements.

First Regional Co-operative Credit Union Limited
Statement of changes in equity

Year ended December 31, 2022

	Permanent Share Capital \$'000	Institutional Capital \$'000	Non-Institutional Capital \$'000	Undistributed Surplus \$'000	Total \$'000
Balance at January 1, 2021	161,055	1,176,220	184,626	219,998	1,741,899
Surplus for the year	-	-	-	26,744	26,744
	-	-	-	26,744	26,744
Other comprehensive income					
Actuarial loss on defined benefit plan				(18,737)	(18,737)
Fair value gain on investments				1,146	1,146
Total comprehensive income for the year				(17,591)	(17,591)
Transaction with owners:					
20% statutory reserve	-	5,349	-	(5,349)	-
Retirement benefit asset reserve	-	-	(14,054)	14,054	-
Share capital issued	4,877	-	-	-	4,877
Transfer to members share capital	-	-	6	-	6
Scholarship and other donations	-	-	(4,436)	4,436	-
Entrance fees	-	1,137	-	-	1,137
Accumulated remeasurement gains on retirement benefit asset	-	-	40,661	(40,661)	-
	4,877	6,486	22,177	(27,520)	6,021
Balance at December 31, 2021	165,932	1,182,706	206,803	201,631	1,757,072

The notes on the accompanying pages form an integral part of these financial statements.

First Regional Co-operative Credit Union Limited
Statement of changes in equity

Year ended December 31, 2022

	Institutional Capital				Total \$'000
	Statutory Reserve \$'000	Permanent Share Capital \$'000	Business Combinations Reserve \$'000	Total Reserve \$'000	Total \$'000
Balance at January 1, 2021	1,156,047	5,539	14,634	1,176,220	
Appropriations from 2021 surplus					
Transfer from accumulated surplus	5,349	-	-	5,349	
Entrance fees	1,137	-	-	1,137	
Balance at December 31, 2021	1,162,533	5,539	14,634	1,182,706	
Appropriations from 2022 surplus					
20% statutory reserve	54,033	-	-	54,033	
Entrance fees	1,242	-	-	1,242	
Balance at December 31, 2022	1,217,808	5,539	14,634	1,237,981	

The notes on the accompanying pages form an integral part of these financial statements.

First Regional Co-operative Credit Union Limited
Statement of changes in equity

Year ended December 31, 2022

	Non-Institutional Capital				Corporate Social Responsibility Reserve	Total
	Retirement Benefit Asset Reserve \$'000	Capital Expenditure Reserve \$'000	Non-distributable Reserve \$'000	Share Transfer Fund \$'000	Reserve \$'000	\$'000
Balance at January 1, 2021	81,631	75,000	12,434	94	15,467	184,626
Transfer of increase in retirement benefit assets	(14,054)	-	-	-	-	(14,054)
Outreach expenditure for the year	-	-	-	-	(4,436)	(4,436)
Transfer from surplus account	-	-	-	-	6,400	6,400
Transfer of member share capital	-	-	-	6	-	6
Transfer of gain on pension plan	-	-	40,661	-	-	40,661
Balance at December 31, 2021	67,577	75,000	53,095	100	11,031	206,803
Transfer of decrease in retirement benefit assets	(31,265)	-	-	-	-	(31,265)
Outreach expenditure for the year	-	-	-	-	(6,930)	(6,930)
Transfer from members share capital	-	-	-	(13)	-	13
Transfer of gains on pension plan	-	-	(17,591)	-	-	(17,591)
Balance at December 31, 2022	36,612	75,000	35,504	87	4,101	151,004

The notes on the accompanying pages form an integral part of these financial statements.

First Regional Co-operative Credit Union Limited
Statement of cash flows

Year ended December 31, 2022

	2022 \$'000	2021 \$'000
Cash flows from operating activities:		
Interest received	849,893	729,898
Interest paid	(43,986)	(43,580)
Fees and other income	23,291	27,545
Recoveries on impaired loans	57,619	61,010
Payments to employees and suppliers	(480,048)	(470,060)
	469,388	304,813
Changes in operating assets and liabilities		
Loans to members	(927,436)	(440,327)
Receivables and prepayments	(7,497)	(15,295)
Retirement benefit asset	31,265	14,054
Members' voluntary shares	586,104	619,524
Members' deposits	226,115	259,902
Net cash provided by operating activities	377,939	742,671
Cash flows from investing activities:		
Liquid assets and investments	(334,903)	(747,541)
Purchase property, plant and equipment	(34,978)	(11,983)
Net cash used in investing activities	(369,881)	(759,524)
Cash flows from financing activities:		
Entrance fees	1,242	1,138
Members' permanent share capital	5,267	4,878
Net cash provided by financing activities	6,509	6,016
Net (decrease)/increase in bank and cash balances	14,568	(10,837)
Bank and cash balances at beginning of year	49,372	60,209
Bank and cash balances at end of year (Note 12)	63,940	49,372

The notes on the accompanying pages form an integral part of these financial statements.

First Regional Co-operative Credit Union Limited

Notes to the financial statements

December 31, 2022

1. General information and nature of operations

First Regional Co-operative Credit Union Limited (the Credit Union) is incorporated under the laws of Jamaica and is registered under The Co-operative Societies Act. The Credit Union's registered office is located at 14 Bravo Street, St. Ann's Bay, St. Ann, and its operations are concentrated in the parishes of St. Ann, St. Mary and Hanover.

Pursuant to the provisions of Section 53 of the Co-operative Societies Act, and by resolutions passed at the Annual General meetings of the Hospitality Industries Co-operative Credit Union Limited (HICUL) held on March 27, 2020 and the Round Hill Hotel Staff Co-operative Credit Union Limited (RHCUL) held on March 7, 2021, the members of HICUL and RHCUL authorised the transfer of all their assets and liabilities to the Credit Union. This was followed by a resolution passed at the Annual General Meeting of the Credit Union on June 8, 2020 accepting all assets, liabilities and other engagements of HICUL and RHCUL. The effective date of transfer was July 1, 2021.

Membership in the Credit Union is obtained by holding a minimum of \$2,000 in permanent shares and a minimum of \$500 in voluntary shares. Individual membership may not exceed 20% of the total share capital of the Credit Union. Membership is primarily available to individuals who live or work and or were born in the parishes of St. Ann and St. Mary, employees and related parties of Round Hill Hotel, all current and past employees of the hospitality industries throughout Jamaica, and staff of the Credit Union.

At our last AGM a resolution was passed to increase permanent share from \$2,000 to \$2,500 for each member; the effective month of the increase was November 2020.

The main activities of the Credit Union are to promote thrift amongst its members by affording them an opportunity to accumulate their savings and to create for them a source of credit, for provident or productive purposes at reasonable rates of interest.

The Credit Union is a member of the Jamaica Co-operative Credit Union League Limited (JCCUL/the League), which provides financial services, technical support and sets prudential standards for the credit union movement.

2. Regulation

The Co-operative Societies Act requires, amongst other provisions, that at least twenty percent (20%) of the net surplus of the Credit Union be transferred to a reserve fund each year. Section 59 of the Act provides for the exemption from income tax and stamp duty for the Credit Union.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2022

3. Summary of significant accounting policies

The Credit Union's financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties and equity investments.

These financial statements are expressed in Jamaican Dollars (J\$).

a Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Changes in accounting policies Standards, interpretations and amendments to published standards effective in the current year

Certain new standards, interpretations and amendments to existing standards have been published and became effective during the current financial year. The Credit Union has assessed the relevance of all such new standards, interpretations and amendments and determined that the following will have an impact on the Credit Union.

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities, (effective for annual periods beginning on or after January 1, 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9 and IFRS 16, (effective for annual periods beginning on or after January 1, 2022). Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments and the Illustrative examples accompanying IFRS 16, 'Leases'.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2022

3. Summary of significant accounting policies (cont'd)

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Credit Union

At the date of approval of these financial statements, certain new standards amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Credit Union.

Management anticipates that all relevant pronouncements will be adopted in the Credit Union accounting policies for the first period beginning after the effective date of the pronouncement.

New standards, interpretations and amendments not early adopted or listed below are not expected to have a material impact on the Credit Union's financial statements.

Narrow scope amendments to IAS1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after January 1, 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

b Property, plant and equipment

- (i) Property, plant and equipment are carried at historical cost less accumulated depreciation and impairment losses. No depreciation is considered necessary in respect of land and work-in-progress. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost can be measured reliably.

All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

- (ii) Depreciation is charged on assets from the date of acquisition.

Depreciation is provided on the straight line basis at such rates as will write off the cost or revalued assets over the period of their expected useful lives. The useful lives are:

Buildings	2½%
Computers	33⅓%
Furniture fixtures and equipment	10%
Motor vehicle	12½%
Reducing balance basis-Roadways	2½%

No depreciation is provided on land. Property and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2022

3. Summary of significant accounting policies (cont'd)

b Property, plant and equipment

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the revenue and expenditure statement when the expenditure is incurred.

- (iii) Repairs and renewals

The costs of repairs and renewals which do not increase the expected useful lives of assets or enhance their carrying values, are charged to the Revenue and Expenditure Statement when incurred.

c Intangible assets

i Computer software

Computer software are capitalised on the basis of the costs incurred to acquire and install the specific software.

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 5o. The useful lives approximate to four (4) years. The initial amortisation period will commence in the year following capitalisation.

Subsequent expenditures on the maintenance of computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

ii Customer relationships

Customer relationships are shown at historical cost less impairment and are deemed to have a finite useful life. Customer relationships are the estimated economic benefits derived from the incremental revenues and related cash flows as a direct result of relationships in place versus having to try and replicate them. Amortisation is calculated using the straight-line method to allocate the cost of the intangible asset over its estimated useful lives of ten years.

iii Co-operative society bond

The co-operative society bond is shown at historical cost less impairment and is deemed to have an indefinite useful life. The co-operative society bond is the estimated economic benefits derived from the incremental revenues and related cash flows as a direct result of the acquisition of a co-operative society bond versus having to apply for one. No amortisation is considered in respect of the co-operative society bond.

First Regional Co-operative Credit Union Limited
Notes to the Financial StatementsYear ended December 31, 2022

3. Summary of significant accounting policies (cont'd)**d Foreign currency translation:***Functional and presentation currency*

The financial statements are prepared and presented in Jamaican dollars, which is the functional currency of the company.

Foreign currency translations and balances

- (i) Foreign currency balances at the date of the statement of financial position have been translated at rates of exchange ruling at that date;
- (ii) Transactions in foreign currency are converted at rates of exchange ruling at the dates of those transactions;
- (iii) Gains/losses arising from fluctuations in exchange rates are included in the Statement of comprehensive income.

e Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis, using the effective yield method, based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discounts or premiums on discounted instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Credit Union estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Where collection of interest income is considered doubtful, the related financial instruments are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

f Fees and other income

Fees and other income are recognised on an accruals basis. Loan origination fees are deferred and are recognised over the life of the loan, as an adjustment to the effective yield on the loans.

First Regional Co-operative Credit Union Limited
Notes to the Financial StatementsYear ended December 31, 2022

3. Summary of significant accounting policies (cont'd)**g Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred. Expenditure for warranties is recognised when the Bank incurs an obligation, which is typically when the related goods are sold.

h Financial instruments**Recognition and derecognition**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2022

3. Summary of significant accounting policies (cont'd)

h Financial instruments (cont'd)

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The category also contains equity investments that are held for trading purposes.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet both of the following conditions:

- they are held under a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial assets and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments are measured at FVTPL (see above) unless they are not held for trading purposes, in which case, an irrecoverable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification on to profit or loss.

Any gains or losses are recognised in other comprehensive income (OCI).

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the company first identifying a credit loss event. Instead the company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2022

3. Summary of significant accounting policies (cont'd)

h Financial instruments (cont'd)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Other receivables and contract assets

The company makes use of a simplified approach in accounting for impairment of other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The company assess impairment of other receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The company's financial liabilities include borrowings, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless the company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2022

3. Summary of significant accounting policies (cont'd)

i Reverse repurchase agreements

A reverse repurchase agreement (“reverse repo”) is a short-term transaction whereby an entity buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending and are measured at amortised cost.

The Credit Union enters into reverse repurchase agreements to resell substantially identical investments at a certain date in the future at a fixed price. The amounts paid are recognised as “securities purchased under resale agreements” and are collateralised by the underlying securities.

The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the transaction, using the effective interest method, and is included in interest income.

j Accounts receivable

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on all outstanding amounts at year end. Bad debts are written off in the year in which they are identified.

k Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank and deposits with original maturities of less than 90 days, not held to satisfy League requirements, net of bank overdrafts. Bank overdrafts are shown within borrowings on the statement of financial position.

l Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

m Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. 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 impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2022

3. Summary of significant accounting policies (cont'd)

n Employee benefits

(i) Pension plan

The Credit Union participates in a multi-employer defined benefit pension plan. The pension plan is generally funded by payments from employees and by the participating Credit Unions, taking into account the recommendations of independent qualified actuaries.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the statement of comprehensive income.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Credit Union before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Credit Union recognises termination benefits at the earlier of the following dates: (a) when the Credit Union can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

o Accounts payable

Accounts payable are initially recorded at fair value and subsequently stated at amortised cost using the effective interest method.

p Provisions

Provisions are recognised 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 a reliable estimate of the amount can be made.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

3. Summary of significant accounting policies (cont'd)**q Members' voluntary shares**

Members' voluntary shares represent withdrawable deposit holdings of the Credit Union's members to facilitate eligibility for loans and other benefits. Interest paid on these shares are determined at the discretion of the Credit Union and reported as interest expense in the statement of comprehensive income in the period in which they are approved.

r Members' permanent share capital

Members' permanent share capital represents shares paid up in cash and form part of the risk capital of the Credit Union. Members' permanent share capital may be redeemable subject to the sale, transfer or repurchase of such shares. Dividends on members' permanent share capital are recognised in members' voluntary shares in the period in which they are approved by the Credit Union's members.

s Institutional capital

Institutional capital includes the statutory reserve fund, as well as various other reserves established from time to time which, in the opinion of the directors, are necessary to support the operations of the Credit Union and, thereby, protect the interest of the members. These reserves are not available for distribution to members.

t Non-institutional capital

Non-institutional capital includes various reserves established from time to time which, in the opinion of the directors, are necessary to support the operations of the Credit Union.

u Investment property

Property that is held for capital appreciation and that is not occupied by the Credit Union, is classified as investment property. Investment property comprises land, for which no depreciation is provided, and is carried at cost, including transactions costs.

Recognition of investment property takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

v Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

3. Summary of significant accounting policies (cont'd)**w Leases**

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Receipts under operating leases are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

x Business combinations

The Credit Union uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Credit Union. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Credit Union recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

In business combinations involving mutual parties, one of the previously existing entities is normally deemed to be the acquirer for accounting purposes. In these situations, the deemed acquirer uses principles in IFRS 3 – Business Combinations, to account for the net assets of the deemed acquiree. Goodwill or negative goodwill is determined by using the acquisition-date fair value of the acquiree's equity interest instead of the acquisition-date fair value of the acquirer's equity interests transferred as a consideration. In addition, the acquiree's net assets are recognised as an addition to capital or equity in the acquirer's statement of financial position.

y Critical accounting estimates and judgements in accounting policies

Estimates and judgements 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.

The Credit Union makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

3. Summary of significant accounting policies (cont'd)

y Critical accounting estimates and judgements in accounting policies (cont'd)

Pension and post-retirement benefits

The cost of these benefits and the net present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets and discount rate. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect Planned funding of the pension plans.

The expected return on plan assets assumption is determined on a uniform basis, considering long term historical returns, asset allocation and future estimates of long term investment returns. The actuaries determine the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. Other key assumptions for the pension and post-retirement benefits cost and credits are based in part on data supplied by the Jamaica Co-operative Credit Union League as well as on current market conditions.

4. Reverse repurchase agreements

The Credit Union enters into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its collateral obligations. At December 31, 2022, the Credit Union held securities representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements as follows:

	2022 \$'000	2021 \$'000
Credit Union Fund Management Company	15,753	17,578
CUMAX Wealth Management	57,353	46,461
Jamaica Money Market Brokers Limited	565,974	406,956
NCB Capital Markets Limited	362,766	781,221
Total	1,001,846	1,252,216

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

5. Financial investments

	2022 \$'000	2021 \$'000
Non-current		
At amortised cost		
Credit Union Fund Management Company		
Special Mortgage fund	215	208
First Global Bank Limited		
Fixed deposit (d)	3,162	3,123
	3,377	3,331
Government of Jamaica securities		
JA\$ Benchmark investment notes	10,000	10,000
Certificate of deposit	83,344	-
Cumax Bond	25,000	-
Treasury Bill	59,000	-
	177,344	10,000
National Commercial Bank Financial Group	143,800	100,000
	143,800	100,000
Credit Union Fund Management Company		
Mortgage funds (e)	7,054	6,880
	7,054	6,880
Fair value through profit or loss		
Jamaica Money Market Brokers Limited	395	473
	395	473
Fair value through other comprehensive income		
Shares – Jamaica Co-operative Credit Union Limited (a)	70,934	58,175
Shares – Quality Networks Co-operative Limited (b)	1,125	1,103
Shares – Credit Union Fund Management Company	10,000	10,733
Shares – Credit Union Fund Management Company (c)	500	500
Shares – Jamaica Money Market Brokers equity fund	2,161	2,775
Shares – Jamaica Money Market Brokers	50,998	50,000
	135,718	123,286
	467,688	243,970
Current		
At amortised cost		
FCIB investment notes	458,667	696,769

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

5. Financial investments (cont'd)

- (a) The unquoted equity investment in the League is the aggregate of the minimum shares previously held by member societies which were merged and is a requirement for the Credit Union to retain membership status.
- (b) The unquoted equity investment in Quality Network Co-operative Limited is to help facilitate the development of the QNET software by that company.
- (c) This represents unquoted equity investment in Credit Union Fund Management Company (formerly held in Jamaica Co-operative Insurance Agency Limited).
- (d) The fixed deposit held with First Global Bank Limited (FGB) is used to secure credit cards issued to members at the Round Hill branch by FGB.
- (e) The rules of the League stipulate that the Credit Union must invest 5% of the net increase in the members' share accounts in CUFMC's mortgage fund instruments.

6. Loans, after provision for loan impairment

- (a) Movement in loans during the year

	2022 \$'000	2021 \$'000
Balance at the beginning of the year	5,292,202	5,111,157
Add: Disbursement during the year	3,874,552	2,373,807
	9,166,754	7,484,964
Less: Repayment	2,123,063	1,896,825
	7,043,691	5,588,139
Add: Interest receivable	57,619	61,010
	7,101,310	5,649,149
Less: Expected credit losses	394,538	356,948
	6,706,772	5,292,201
Less: Current portion	158,996	176,747
Total	6,547,776	5,115,454

- (b) Expected credit losses

	2022 \$'000	2021 \$'000
Provision for impairment at beginning of year	356,948	249,248
Increase amounts provided for during the year	131,018	265,529
Bad debt written-off	(93,428)	(157,829)
	394,538	356,948
Provision for impairment at end of year	394,538	356,948

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

6. Loans, after provision for loan impairment (cont'd)

- (c) Net movement on loan impairment provision:

	2022 \$'000	2021 \$'000
Increase on loan loss provision during the year	131,018	265,529
Loans recovered that were previously provided for	(101,219)	(59,016)
Charged to income and expenditure and appropriations account during the year	29,799	206,513

- (d) Delinquent loans

At December 31, 2022, there were five hundred and seventy two (572) (2021 – five hundred and seventy four (574)) delinquent loans aged as disclosed below. At minimum, the total loan provision derived below is consistent with the loan loss provisioning rules of the League. The total provision for 2022 was not in excess (2021 - was not in excess) of the provision required under IFRS provisioning rules as indicated in Note 6 (e) below. These loans are summarised as follows:

2022

Number of Months in Arrears	Total number of loans	Delinquent loans \$'000	Savings held against loans \$'000	Exposure \$'000	Rates %	PEARLS Provision Required \$'000
Less than 2	78	70,562	969	69,593	-	-
2 to 3	59	61,763	649	61,113	10	6,176
3 to 6	167	126,100	1,844	124,256	30	37,277
6 to 12	223	221,137	3,210	217,928	60	130,757
Total	527	479,562	6,672	472,890		174,210

2021

Number of Months in Arrears	Total number of loans	Delinquent loans \$'000	Savings held against loans \$'000	Exposure \$'000	Rates %	PEARLS Provision Required \$'000
Less than 2	76	85,155	1,748	83,407	-	-
2 to 3	70	99,640	3,018	96,622	10	9,964
3 to 6	216	213,136	4,695	208,441	30	63,941
6 to 12	212	191,622	2,369	189,253	60	114,973
Total	574	589,553	11,830	577,723		188,878

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements
Year ended December 31, 2022

6. Loans, after provision for loan impairment (cont'd)

(c) Provision for loan impairment	2022 \$'000	2021 \$'000
Provision at beginning of year IFRS	356,948	249,248
Additional amounts provided for during the year	131,018	265,529
Bad debt written off	(93,428)	(157,829)
Provision for impairment at end of year	394,538	356,948
Provision for impairment in accordance with League provisioning rules	174,210	188,878

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements
Year ended December 31, 2022

7. Property, plant and equipment

The carrying amounts for property, plant and equipment for the years included in these financial statements as at December 31, 2022 can be analysed as follows:

	Work-In-Progress \$'000	Land & Buildings \$'000	Furniture & Fixtures \$'000	Roadway \$'000	Computer \$'000	Motor Vehicles \$'000	Total \$'000
Gross carrying amount							
Balance at January 1, 2022	2,413	263,292	55,715	509	47,711	3,000	372,640
Additions	11,260	-	9,693	-	8,676	5,350	34,979
Transfer	(12,903)	-	-	-	-	-	(12,903)
Disposal	-	-	(474)	-	(36)	(3,000)	(3,510)
Balance at December 31, 2022	770	263,292	64,934	509	56,351	5,350	391,206
Depreciation							
Balance at January 1, 2022	-	(44,172)	(42,551)	(210)	(42,536)	(3,000)	(132,469)
Charge for the year	-	(4,564)	(3,804)	(8)	(5,794)	(669)	(14,839)
Eliminated on disposal	-	-	449	-	36	3,000	3,485
Balance at December 31, 2022	-	(48,736)	(45,906)	(218)	(48,294)	(669)	(143,823)
Carrying amount at December 31, 2022	770	214,556	19,028	291	8,057	4,681	247,383

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

7. Property, plant and equipment (cont'd)

	Work-In-Progress \$'000	Land & Buildings \$'000	Furniture & Fixtures \$'000	Roadway \$'000	Computer \$'000	Motor Vehicles \$'000	Total \$'000
Gross carrying amount							
Balance at January 1, 2021	1,902	263,292	55,655	509	40,280	3,000	364,638
Additions	4,035	-	1,466	-	4,279	-	9,780
Transfer	(3,524)	-	-	-	3,524	-	-
Disposal	-	-	(1,406)	-	(372)	-	(1,778)
Balance at December 31, 2021	2,413	263,292	55,715	509	47,711	3,000	372,640
Depreciation							
Balance at January 1, 2021	-	(39,599)	(40,525)	(202)	(38,602)	(3,000)	(121,928)
Charge for the year	-	(4,573)	(3,274)	(8)	(4,306)	-	(12,161)
Eliminated on disposal	-	-	1,248	-	372	-	1,620
Balance at December 31, 2021	-	(44,172)	(42,551)	(210)	(42,536)	(3,000)	(132,469)
Carrying amount at December 31, 2021	2,413	219,120	13,164	299	5,175	-	240,171

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First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

8. Intangible assets

Details of the intangible assets and their carrying amounts are as follows:

	Computer Software \$'000	Customer Relationship \$'000	Co-operative Social Bond \$'000	Total \$'000
Gross carrying amount				
Balance at January 1, 2022	12,892	4,400	6,000	23,292
Addition	2,688	-	-	2,688
Balance at December 31, 2022	15,580	4,400	6,000	25,980
Amortisation and impairment				
Balance at January 1, 2022	(10,924)	(3,960)	-	(14,884)
Charge for the year	(2,057)	(440)	-	(2,479)
Balance at December 31, 2022	(12,981)	(4,400)	-	(17,381)
Carrying amount at December 31, 2022	2,599	-	6,000	8,599

	Computer Software \$'000	Customer Relationship \$'000	Co-operative Social Bond \$'000	Total \$'000
Gross carrying amount				
Balance at January 1, 2021	10,689	4,400	6,000	21,089
Addition	2,203	-	-	2,203
Balance at December 31, 2021	12,892	4,400	6,000	23,292
Amortisation and impairment				
Balance at January 1, 2021	(9,763)	(3,520)	-	(13,283)
Charge for the year	(1,161)	(440)	-	(1,601)
Balance at December 31, 2021	(10,924)	(3,960)	-	(14,884)
Carrying amount at December 31, 2021	1,968	440	6,000	8,408

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First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

9. Retirement benefit

The Credit Union participates in a joint contributory pension scheme, which is open to all permanent employees of the Credit Union and operated by the Jamaica Co-operative Credit Union League Limited. The plan provides benefits to members based on average earnings for their final 3 years of service with the Credit Union and employees each contributing 5% - 10 % of pensionable salaries. The plan is valued annually by independent actuaries.

The disclosures below are based on the actuarial valuation which was carried out as at December 31, 2022.

Asset recognised in the statement of financial position

	2022 \$'000	2021 \$'000
Present value of funded obligation	274,600	385,019
Fair value of plan assets	(460,423)	(452,596)
Change in effect of asset ceiling	149,511	-
Asset recognised in the statement of financial position	(36,312)	(67,577)

The movement in the defined benefit obligation over the year is as follows:

	2022 \$'000	2021 \$'000
Balance at beginning of year	385,019	336,684
Current service cost	11,882	10,846
Interest cost	30,379	29,990
	427,280	377,520
Re-measurements		
Gain from changes in demographic assumptions	(135,376)	11,249
Experience gains	(18,228)	(9,063)
	(153,604)	2,186
Members' contributions	11,500	12,233
Benefits paid	(10,576)	(6,920)
	924	5,313
Balance at end of year	274,600	385,019

9. Retirement benefit (cont'd)

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

The movement in the defined benefit asset during the year is as follows:

	2022 \$'000	2021 \$'000
Balance at beginning of year	452,596	418,315
Interest income	36,600	38,313
Re-measurements		
Return on plan assets, excluding amounts included in interest income	(35,791)	(16,550)
Members' contributions	11,500	12,233
Employer's contributions	8,896	9,464
Benefits paid	(10,575)	(6,920)
Administrative expenses	(2,803)	(2,259)
Balance at end of year	460,423	452,596

The amounts recognised in the net surplus are as follows:

	2022 \$'000	2021 \$'000
Current service cost	11,882	10,846
Administrative expenses	2,803	2,259
Interest income (net)	(6,222)	(8,323)
Total, included in staff costs (Note 26)	8,463	4,782

As at the last valuation date, the present value of the defined benefit obligation was \$274,600,000 (2021 - \$385,019,000).

Plan assets are comprised as follows:

	2022 \$'000	2022 %	2021 \$'000	2021 %
Quoted equities	102,168	22	104,688	23
Real estate	102,274	23	103,258	23
Government bonds	151,487	33	117,668	26
Repurchase Agreements	43,433	9	40,443	9
US\$ Bonds	33,013	7	59,651	13
Other	28,048	6	26,888	6
	460,423	100	452,596	100

Expected contributions to the post-employment plan for the year ending December 31, 2022 are \$10,000,000.

Movements in the amounts recognised in the statement of financial position:

	2022 \$'000	2021 \$'000
Asset at beginning of year	(67,577)	(81,631)
Amounts recognised in the net surplus	8,463	4,781
Contributions paid	(8,895)	(9,464)
Total re-measurements included in other comprehensive income	31,697	18,737
Asset at end of year	36,312	67,577

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

9. Retirement benefit (cont'd)

The significant actuarial assumptions used were as follows:

	2022 %	2021 %
Discount rate	13	8
Future salary increases	7.5	5.5
Expected pension increase	5.5	3.75
Long-term inflation rate	5.5	5

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Impact on Post-employment obligations			
	Change in assumption %	Increase in assumption \$'000	Decrease in assumption \$'000
Discount rate	1	(22,160)	29,119
Future salary increases	1	9,295	25,619
Expected pension increase	1	17,106	38,217
		Increase in assumption by one year \$'000	Decrease in assumption by one year \$'000
Life expectancy		5,440	-

Risk associated with pension plans and post-employment plans

Through its defined benefit assets, the Credit Union is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets under perform this yield, this will create a deficit.

As the plan matures, the Credit Union intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds largely represent investments in Government of Jamaica securities.

However, the Credit Union believes that due to the long-term nature of plan liabilities, a level of continuing equity investment is an appropriate element of the Credit Union's long term strategy to manage the plans efficiently.

Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

9. Retirement benefit (cont'd)

Inflation risk

Higher inflation will lead to higher liabilities in the event that discretionary pension increases are granted.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increase in the life expectancy will result in an increase in the plans' liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The Credit Union ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plan. Within this framework, the Credit Union's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Credit Union actively monitors how duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Credit Union does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2022 consist of Government bonds and Repurchase Agreements.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 5% - 10% of pensionable salaries. The next triennial valuation is due to be completed as at December 31, 2022. The Credit Union considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.

The liability duration for each category of Member as at the current and prior period measurement dates is shown below:

Category of Participant	Liability duration (years)	
	2022 \$'000	2021 \$'000
Active Members	11	17.8
Deferred Pensioners	15.6	23.4
Retirees	7.6	9.1
All Participants	10.5	16.2

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

10. Liquid assets

	2022 \$'000	2021 \$'000
Call deposits		
CUMFC – CU cash	95	532,995
Credit Union Fund Management Company	10,193	517
CUFMC – Liquidity Reserve	453,075	-
Total	463,363	533,512

Savings deposits comprises an Equity Money Market Fund Account (EMMA) maintained with Jamaica Money Market Brokers Limited. Interest is earned on the account until the Credit Union decides which stock or equity to invest the funds in.

A minimum of 8% is required to be invested with the Credit Union Fund Management Company (CUFMC) and a maximum of 2% with any other approved financial institution. Of the 8% requirement, a minimum of 2% must be invested in call deposits and the balance to be invested in reverse repurchase agreements or call deposits or a mixture of the both. As at December 31, 2022, the Credit Union was in compliance with these requirements.

Call deposits are cash management call accounts which are required to be maintained with CUFMC and should represent a minimum of 3.5% of the monthly average of members' savings deposits and voluntary shares. CUFMC is the investment arm of the League and was established to provide a wide array of investment and wealth management products to satisfy the needs of the League's members.

All savings and call deposits are expected to mature within 12 months of the end of the financial year.

11. Bank and cash balances

	2022 \$'000	2021 \$'000
Cash in hand	28,203	22,980
Current accounts	35,737	26,392
Total	63,940	49,372

12. Receivables and prepayments

	2022 \$'000	2021 \$'000
Prepaid expenses	30,165	23,079
Other	4,773	4,362
Total	34,938	27,441

All amounts are short-term and the carrying value is considered as reasonable approximation of fair value.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

13. Members' permanent share capital

Members' permanent share capital represents shares invested by members of the Credit Union. These shares are not available for withdrawal. During the year 2021, equity with net fair value of \$2,704,000 was created as a result of the acquisition of Round Hill Hotel Staff Co-operative Credit Union Limited and Hospitality Industries Co-operative Credit Union Limited. The attribution of the permanent shares at December 31 is as follows:

	2022 \$'000	2021 \$'000
Balance at beginning of year	165,932	161,055
Share capital issued	5,268	4,877
Balance at end of year	171,200	165,932

The Credit Union may purchase shares from a member out of its Share Transfer Fund Reserve (Note 16 (c)) for transfer to the Credit Union.

Dividends may be paid on permanent shares subject to the profitability of the Credit Union.

14. Institutional capital

	2022 \$'000	2021 \$'000
Statutory reserve	1,217,808	1,162,533
Permanent capital reserve	5,539	5,539
Business combinations reserve	14,634	14,634
Total	1,237,981	1,182,706

(a) Statutory reserve

As required by the Co-operative Societies Act and the rules of First Regional Co-operative Credit Union Limited, a minimum of twenty percent (20%) of the annual surplus before entrance fees, and amounts collected for entrance fees must be transferred to this reserve.

(b) Permanent capital reserve

This reserve transfers from accumulated surplus on the recommendation of the Directors, for the purpose of strengthening institutional capital.

(c) Business combinations reserve

This reserve represents equity acquired arising from the business combinations with Round Hill Hotel Staff Co-operative Credit Union Limited and Hospitality Industries Co-operative Credit Union Limited.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

15. Non-institutional capital

	2022 \$'000	2021 \$'000
(a) Retirement benefit asset reserve	36,312	67,577
(b) Capital expenditure reserve	75,000	75,000
(c) Share transfer fund	87	100
(d) Corporate social responsibility reserve	4,101	11,031
(e) Accumulated remeasurement (loss)/gain on retirement benefit asset	(26,302)	3,337
(f) Accumulated fair value gains on investment	61,806	49,758
Total	151,004	206,803

(a) Retirement benefit asset reserve

This reserve was created to match the retirement benefit asset of the Credit Union. Movement on this reserve passes through accumulated surplus.

(b) Capital expenditure reserve

The capital expenditure reserve was initially established by transfers from the contingency reserve. Subsequently transfers to the reserve are approved by the members at the Annual General Meeting. It is available for future projects undertaken by the Credit Union.

(c) Share transfer fund reserve

The share transfer fund reserve was established in accordance with Rule 15 and the Special Bye-laws relating to Rule 11 of the Credit Union Rules, for the purpose of redeeming permanent shares from a member to the Credit Union. Shares purchased through this reserve must be sold to members of the Credit union before any new shares may be issued.

(d) Corporate social responsibility reserve

This reserve was set up to facilitate donations, scholarships and grants. It is available for future activities that the Credit Union decides to undertake to promote its corporate social responsibilities. The amounts are transferred to the reserve from accumulated surplus and are approved at the Annual General Meeting. Costs incurred are recognised in the statement of comprehensive income.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

16. Members' deposits

	2022 \$'000	2021 \$'000
(a) Members' Fixed deposits-		
Opening balance	578,465	561,985
Deposits during the year	255,843	178,019
Interest credited during the year	3,818	3,774
	838,126	743,778
Less: Withdrawals during the year	(177,637)	(165,314)
	660,489	578,464
(b) Members' Ordinary deposits		
Opening balance	253,905	180,893
Deposits during the year	225,773	271,119
Interest credited during the year	1,411	1,211
	481,089	453,223
Less: Withdrawals during the year	(243,009)	(199,319)
	238,080	253,904
(c) Members' Golden Harvest deposits		
Opening balance	1,015	1,446
Deposits during the year	2,696	1,935
Interest credited during the year	15	14
	3,726	3,395
Less: Withdrawals during the year	(2,376)	(2,380)
	1,350	1,015
(d) Members' Solid Saver deposits		
Opening balance	506,692	428,766
Deposits during the year	376,572	347,263
Interest credited during the year	4,055	3,495
	887,319	779,524
Less: Withdrawals during the year	(326,754)	(272,832)
	560,565	506,692
(e) Members' Fixed deposits-		
Opening balance	622,160	532,893
Deposits during the year	1,043,369	854,139
Interest credited during the year	4,855	4,068
	1,670,384	1,391,100
Less: Withdrawals during the year	(949,974)	(768,914)
	720,410	622,186
(f) Members' Ordinary deposits		
Opening balance	64,290	60,731
Deposits during the year	28,416	23,454
Interest credited during the year	372	369
	93,078	84,554
Less: Withdrawals during the year	(21,947)	(20,264)
	71,131	64,290
(g) Interest payable on members' deposits	1,064	423
Total	2,253,089	2,026,974

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

17. Members' voluntary shares

	2022 \$'000	2021 \$'000
Balance at the beginning of the year	4,552,745	3,933,221
Shares issued	5,040,975	4,127,984
Interest paid during the year	30,294	29,666
Dividends paid on permanent shares	-	-
Shares withdrawn or transferred	(4,515,815)	(3,568,776)
	5,108,199	4,522,095
Add: Interest payable	30,650	30,650
Total	5,138,849	4,552,745

18. Accounts payables

	2022 \$'000	2021 \$'000
Other payables	48,205	43,567
Accruals	35,282	31,279
Total	83,487	74,846

19. Commitments

(a) At December 2022, there were commitments of approximately \$533,702,691 (2021 - \$401,966,558) in respect of loans approved, but not disbursed.

(b) At December 2022, there were no commitments in respect of payments not yet disbursed as part of the Credit Union's capital expenditure projects.

(c) The Credit Union leases commercial space to its tenants under non-cancellable operating lease agreements. The future minimum lease payments receivable are as follows:

	2022 \$'000	2021 \$'000
Not later than 1 year	6,047	5,441
Later than 1 year but not later than 5 years	507	498
Balance at end of year	6,554	5,939

(d) The Credit Union entered into non-cancellable operating lease agreements with its lessors for commercial space. The future minimum lease payments are as follows:

	2022 \$'000	2021 \$'000
Not later than 1 year	2,384	2,384
Later than 1 year but not later than 5 years	-	1,073
Balance at end of year	2,384	3,457

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

20. Comparison of ledger balances

	Voluntary Shares \$'000	Deposits \$'000	Loans \$'000
Balance per members' ledgers	5,108,199	2,260,537	7,186,864
Add: Accrued interest	30,650	7,448	57,619
Less: Amortisation of commitment fees	-	-	(143,173)
	5,138,849	2,253,089	7,101,310
Less: Expected credit loss	-	-	(394,538)
Balance per general ledger	5,138,849	2,253,089	6,706,772

21. Insurance

(a) Fidelity insurance coverage

Fidelity insurance coverage was maintained during the year.

(b) Life savings and loan protection insurance

There were life and savings and loan protection insurance during the year.

22. Related party transactions and balances

Related parties of the Credit Union include staff members, committee members and Board of Directors. The following transactions were carried out with related parties:

(a) Key management compensation

	2022 \$'000	2021 \$'000
Salaries and other short-term employee benefits	62,173	58,585
Statutory contributions	6,769	6,039
Pension benefits	4,259	4,135
Other	12,053	12,605
Total	85,254	81,364

(b) Loans, shares and savings

Loans, shares and savings to directors, committee members, staff members and key management of the Credit Union (and their families):

	2022 \$'000	2021 \$'000
Directors, committee members, key management (and their families) -		
Shares and savings	25,171	22,567
Loans, including interest	99,139	112,112
Staff members -		
Shares and savings	30,525	32,134
Loans, including interest	100,506	104,081

No provision for impairment is required for these loans.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

23. Operating expenses

	2022 \$'000	2021 \$'000
Staff costs		
Salaries and allowances	259,840	254,411
Travelling and subsistence	1,058	920
Statutory deductions	28,679	27,289
Pension cost	12,045	7,531
Other	21,660	20,832
	323,282	310,983
Administrative		
Audit fees and related costs	4,589	4,566
Insurance	25,104	22,651
Software maintenance	4,168	3,936
Office expense	13,558	9,647
Security services	27,684	21,876
Printing, stationery and postage	12	16
Repairs and maintenance	6,927	8,207
Property taxes and rates	525	553
Utilities	36,147	35,377
Rental – branch offices	2,384	2,384
Scholarship and grants	2,362	2,151
Bank charges	673	1,844
Depreciation	16,907	13,343
Amortisation of intangible assets	440	440
Professional fees	278	163
GCT expenses	16,356	13,749
Miscellaneous	37	-
ATM expense	4,442	1,078
Total administrative expenses	162,593	141,981
Representation and affiliation		
League fees	16,689	14,849
Stabilisation dues	8,224	4,275
Board and committee meetings	3,612	2,262
International Credit Union month	730	549
Annual general meeting	4,597	2,715
Credit union meetings	4,292	-
Total representation and affiliation expenses	38,144	24,650
Marketing and promotion		
Advertising and promotion	3,057	1,358
Donations	3,896	1,497
Total marketing and promotion expenses	6,953	2,855
Total operating expenses	530,972	480,469

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies

The Credit Union's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risk. Taking risk is core to the financial services industry, and operational risk is an inevitable consequence of being in business. The Credit Union's aim is therefore to achieve an appropriate balance between risk and returns and minimise potential adverse effects on the Credit Union's financial performance. The Credit Union's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the adherence to limits by means of reliable and up-to-date information systems. The Credit Union regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Credit Union's risk management policies and strategies and is committed to complying with all the regulations and legislation under which the Credit Union operates. In addition, an effective compliance programme is an important element of its risk management system.

The Board has established committees/units for managing and monitoring risks as follows:

(i) Risk Compliance Unit

This unit ensures conformity with regulatory requirements. A Risk and Compliance Manager ensures that all regulatory requirements of the Bank of Jamaica, the League and the Financial Investigating Unit of the Ministry of Finance and Planning are met.

(ii) The Treasury and Investment Committees

The Treasury Committee is responsible for managing the Credit Union's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Credit Union. The Investment Committee is responsible for monitoring and formulating investment portfolios and investment strategies for the Credit Union.

(iii) Asset and Liability Committee

The Asset and Liability Committee is responsible for establishing appropriate trading limits and reviewing reports on compliance controls to ensure that its mandate is properly followed.

(iv) Credit Committee

The Credit Committee oversees the approval and disbursement of credit facilities to members. It is also primarily responsible for monitoring the quality of the loan portfolio.

(v) Supervisory Committee

The Supervisory Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors through the Supervisory Committee.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

(v) Supervisory Committee (cont'd)

In addition, the League has established a Risk Management Unit for credit unions in Jamaica and the Credit Union participates in this risk management initiative. They conduct seminars, draft policies and assist credit unions in identifying and managing risks.

The Credit Union is exposed to credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risk.

a Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises mainly from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Risk and Compliance Officer who monitors price movements of financial assets on the local market. Market risk exposures are measured using sensitivity analysis. There has been no change to the Credit Union's exposure to market risk or the manner in which it manages and measures the risk.

i Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Credit Union takes on open positions in a currency. To control this exchange risk, the Investment Committee has approval limits for net open positions and has also adhered to the mandate of the Bank of Jamaica to discontinue additional foreign currency investments.

The Credit Union also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Credit Union's net exposure is kept to an acceptable level as it has not been purchasing new investments in foreign currencies. Foreign currencies purchased/(received) are sold immediately to the commercial banks.

Concentrations of currency risk-on-and off-statement of financial position financial instruments

The Credit Union is exposed to foreign currency movement through investments held in reverse repurchase agreements and financial investments as follows:

	2022		
	Jamaican \$'000	US\$ \$'000	Total \$'000
Reverse repurchase agreements	986,093	15,753	1,001,846
Financial investments	926,355	-	926,355
Total	1,912,448	15,753	1,928,201

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

a Market risk (cont'd)

i Currency risk (cont'd)

	2021		
	Jamaican \$'000	US\$ \$'000	Total \$'000
Reverse repurchase agreements	1,234,638	17,578	1,252,216
Financial investments	940,739	-	940,739
Total	2,175,377	17,578	2,192,955

Foreign currency sensitivity

The following table indicates the currencies to which the Credit Union had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at year end for the percentage changes in foreign currency rates as indicated below. The sensitivity of the net surplus was as a result of reverse repurchase agreements and financial investments. There would be no impact on equity other than through net surplus.

	Change in currency rate 2022 %	Effect on net surplus 2022 \$'000	Change in currency rate 2021 %	Effect on net surplus 2021 \$'000
Currency:				
Devaluation				
USD	4	630	8	1,406
Revaluation				
USD	1	(158)	2	(352)

ii Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates, and arises mainly from investments, loans and deposits.

Floating rate instruments expose the Credit Union to cash flow interest risk, whereas fixed interest rate instruments expose the Credit Union to fair value interest risk.

The Credit Union's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the Asset and Liability Committee and the Treasury Committee.

First Regional Co-operative Credit Union Limited Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

a Market risk (cont'd)

ii Interest rate risk (cont'd)

The following tables summarise the Credit Union's exposure to interest rate risk. It includes the Credit Union's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2022						
	Within One Month \$'000	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial assets							
Earning assets							
Liquid assets	453,075	261,913	290,292	-	-	7,522	1,012,801
Reverse repurchase agreements	-	610,327	396,842	-	-	12,419	1,019,588
Financial investments	-	215	-	-	-	122,000	122,215
Loans, net of impairment provision	-	101,881	349,348	1,800,942	4,556,292	4,840	6,813,303
Non-earning assets	-	-	-	-	-	73,827	73,827
Total financial assets	453,075	974,336	1,036,482	1,800,942	4,556,292	220,608	9,041,735
Interest bearing liabilities							
Members' deposits	-	1,221,053	809,616	13,121	-	1,064	2,044,854
Members' voluntary shares	-	37,251	110,195	1,414,015	3,577,388	-	5,138,849
Non-interest bearing liabilities	-	-	-	-	-	2,528	2,528
Total financial liabilities	-	1,258,304	919,811	1,427,136	3,577,388	3,592	7,186,231
Total interest rate Sensitivity Gap	453,075	(283,968)	116,671	373,806	978,904	217,016	1,855,504
Cumulative Gap	453,075	169,107	285,778	659,584	1,638,488	1,855,504	

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First Regional Co-operative Credit Union Limited Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

a Market risk (cont'd)

ii Interest rate risk (cont'd)

	2021						
	Within One Month \$'000	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial assets							
Earning assets							
Liquid assets	697,286	-	-	-	-	11,508	708,794
Reverse repurchase agreements	-	-	1,258,114	-	-	8,172	1,266,286
Financial investments	-	7,088	-	110,000	-	654,723	771,811
Loans, net of impairment provision	-	94,990	130,579	1,896,458	3,141,780	-	5,263,807
Non-earning assets	-	-	-	-	-	55,244	55,244
Total financial assets	697,286	102,078	1,388,693	2,006,458	3,141,780	729,647	8,065,942
Interest bearing liabilities							
Members' deposits	-	1,085,157	741,579	12,101	-	423	1,829,260
Members' voluntary shares	-	60,184	113,495	1,648,337	2,730,729	-	4,552,745
Non-interest bearing liabilities	-	-	-	-	-	2,528	2,528
Total financial liabilities	-	1,145,341	855,074	1,660,438	2,730,729	2,951	6,394,533
Total interest rate Sensitivity Gap	697,286	(1,043,263)	533,619	346,020	411,051	726,696	1,671,409
Cumulative Gap	697,286	(345,977)	187,642	533,662	944,713	1,671,409	

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First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

a Market risk (cont'd)

- ii Interest rate risk (cont'd)

Average effective yields on interest rate sensitive financial instruments by the earlier of the contractual re-pricing or maturity dates:

	2022				
	Within Three Months %	Three to Twelve Months %	One to Five Years %	Over Five Years %	Weighted Average %
Financial assets					
Earning assets					
Liquid assets	3	-	-	-	3
Short-term investments (Local)	3	7	-	-	5
Reverse repurchase agreements					
Local	7	7	-	-	7
Foreign currencies	3	7	-	-	5
Financial investments					
Local	3	7	-	-	5
Foreign currencies					
Loans	10	10	10	10	10
Interest bearing liabilities					
Members' deposits	1	1	1	-	1
Members' voluntary shares	1	1	1	1	1

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First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

a Market risk (cont'd)

- ii Interest rate risk (cont'd)

	2021				
	Within Three Months %	Three to Twelve Months %	One to Five Years %	Over Five Years %	Weighted Average %
Financial assets					
Earning assets					
Liquid assets	4	-	-	-	4
Short-term investments (Local)					
Reverse repurchase agreements	-	4	-	-	4
Local	3	-	-	-	3
Foreign currencies					
Financial investments					
Local	1	-	6	-	4
Foreign currencies					
Loans	1				
Interest bearing liabilities					
Members' deposits	1	1	1	-	1
Members' voluntary shares	1	1	1	1	1

(1) Yields are based on book values, net of allowances for credit losses and contractual interest rates.

(2) Yields are based on contractual interest rates.

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First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

a Market risk (cont'd)

ii Interest rate risk (cont'd)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Credit Union's net surplus.

The sensitivity of the surplus is the effect of the assumed changes in interest rates on net surplus based on liquid assets, reverse repurchase agreements, financial investments and members' deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to the changes in each variable, variables had to be analysed on an individual basis. It should be noted that movements in these variables are non-linear.

Change in Basis points 2022	Effect on Net Surplus 2022 \$'000	Change in basis points 2021	Effect on Net Surplus 2021 \$'000
J\$ instruments		J\$ instruments	
-50	(3,604)	-50	(3,431)
+100	7,208	+300	20,586
US\$ instruments		J\$ instruments	
-50	(79)	-100	(176)
+100	158	+100	176

iii Other price risk

The Credit Union is exposed to equity securities price risk because of investments classified at fair value through profit or loss. The investments in quoted equity securities are of other entities that are publicly traded on the Jamaica Stock Exchange.

Sensitivity to changes in price of equity securities

The following table indicates the sensitivity to a reasonable possible change in prices of equity securities, with all other variables held constant, on the income statement and equity.

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as available-for-sale.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

a Market risk (cont'd)

iii Other price risk

The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Effect on Net Surplus for the Year \$'000		Equity \$'000	
	+6%	-6%	+6%	-6%
December 31, 2022	(3,084)	(3,084)	3,034	(3,084)
December 31, 2021	2,524	(2,524)	2,524	(2,524)

b Credit risk analysis

The Credit Union takes on exposure to credit risk, which is the risk that its members or counterparties will cause a financial loss for the Credit Union by failing to discharge their contractual obligations. Management carefully manages its exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in financial instruments not included in the statement of financial position, such as loan commitments. The Credit Union structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty, related counterparties and industry segments.

Credit review process

The Credit Union has a credit quality review process involving regular analysis of the ability of borrowers to meet interest and capital repayment obligations.

(i) Loans

The Credit Union assesses the probability of default of borrowers. Exposure to credit risk is managed in part by obtaining collateral and personal guarantees. The credit quality review process allows the Credit Union to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

(ii) Investments

The Credit Union limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality, and in Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

b Credit risk analysis (cont'd)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the member and the size of the loan. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

- Mortgages over real estate
- Bills of sale on motor vehicles
- Hypothecated financial instruments such as certificates of deposits with regulated banks
- Liens on members' deposits maintained with the Credit Union

Management monitors the market value of collateral, during its review of the adequacy of the provision for credit losses.

Loans to members and expected credit loss

The Credit Union applies the “three stage” model under IFRS 9 in measuring the expected credit losses on loans, and makes estimations about likelihood of defaults occurring, associated loans ratios, changes in market conditions, and expected future cash flows. This is measured using the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) for loans.

- Probability of Default – This represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- Exposure at Default – This represents the expected balance at default, taking into account the repayment of principal and interest from the statement of financial position date to the default event together with any expected drawdowns of committed facilities.
- Loss Given Default – The LGD represents the expected losses on the EAD given the event of default, taking into account the mitigating effect of collateral value at the time it is expected to be realised and also the time value of money.

The “three stage” model is used to categorise financial assets according to credit quality as follows:

- Stage 1 – financial assets that are not credit impaired on initial recognition or are deemed to have low credit risk. These assets generally abide by the contractual credit terms. The ECL is measured using a 12 month PD, which represents the probability that the financial asset will default within the next 12 months.
- Stage 2 – financial assets with a significant increase in credit risk (SICR) since initial recognition, but are not credit impaired. The ECL is measured using a lifetime PD.
- Stage 3 – credit impaired financial assets. The ECL is measured using a lifetime PD.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

b Credit risk analysis (cont'd)

Transfer between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment.

In measuring the expected credit losses, the loan to member have been assessed on a case by case basis as they possess different credit risk characteristics. They have been grouped based on the loan type (motor vehicle, real estate, cash secured and unsecured), past due days and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for customers over the past three years before December 31, 2022 and January 1, respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Bank has identified interest rate, exchange rate gross domestic product (GDP) and unemployment rates of Jamaica to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors.

On the above basis the expected credit loss for loan members receivables as at December 31, 2022 and January 1, 2022 was determined as follows:

Expected credit loss summarise by stage

Loan stage	December 31, 2022		Expected credit loss rate %
	Total loan balance \$'000	Expected credit loss \$'000	
Stage 1	6,622,116	213,467	3.2
Stage 2	141,952	21,647	15.2
Stage 3	337,242	159,424	47.3
Total	7,101,310	394,538	

Expected credit loss summarise by stage

Loan stage	December 31, 2021		Expected credit loss rate %
	Total loan balance \$'000	Expected credit loss \$'000	
Stage 1	5,059,759	169,207	3.3
Stage 2	233,097	26,896	11.5
Stage 3	356,293	160,845	45.1
Total	5,649,149	356,948	

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

b Credit risk analysis (cont'd)

Maximum exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements.

For items on the statement of financial position, the exposures are based on net carrying amounts as reported in the statement of financial position.

The following table explains the changes in the loan loss provision between the beginning and the end of the financial year.

(i) Expected credit losses on loans

	2022 \$'000	2021 \$'000
Provision for impairment at beginning of year	356,948	249,248
Increase in amounts provided for during the year	168,609	265,529
Bad debt written-off	(131,019)	(157,829)
Provision for impairment at end of year	394,538	356,948

(ii) Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. As at December 2021 and 2022, there were no renegotiated loans.

(iii) Repossessed collateral

The Credit Union obtained assets by taking possession of collaterals held as security. The forced sale value of these assets were as follows:

	2022 \$'000	2021 \$'000
Real estate	209,400	230,100
Motor vehicles	30,282	21,152
Total	239,682	251,252

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

b Credit risk analysis (cont'd)

(iii) Repossessed collateral (cont'd)

These assets were to cover outstanding debts including interest as detailed below:

	2022 \$'000	2021 \$'000
Motor vehicles	-	6,089
Total	-	6,089

Repossessed collateral is sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Credit Union does not occupy repossessed property for business use. There is no transfer of title to the Credit Union and it therefore does not recognise the property as an asset.

(iv) Debt securities

The following table summarises the Credit Union's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	2022 \$'000	2021 \$'000
Government of Jamaica	10,000	10,000
Banks and securities dealers	1,906,154	2,182,955
Total	1,916,154	2,192,955

The disclosures provided in this note are based on the Credit Union's investment portfolio as at December 31, 2022 and 2021.

(v) Loans

The following table summarises the Credit Union's credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	2022 \$'000	2021 \$'000
Construction and real estate	4,036,433	2,540,653
Education	89,406	79,753
Business investment	433,669	344,578
Agriculture	49,474	11,242
Motor vehicle	1,581,648	1,779,015
Personal and other	853,061	832,898
	7,043,691	5,588,139
Less: Provision for impairment	(394,538)	(356,948)
	6,649,153	5,231,191
Interest receivable	57,619	61,010
Total	6,706,772	5,292,201

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

c Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its commitments associated with financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay members and fulfil commitments to lend.

Liquidity risk management process

The Credit Union's liquidity risk management processes are monitored by the Treasury Committee includes:

- (i) monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash outflows and the availability of cash to meet these outflows;
- (ii) maintaining a balanced portfolio between financial investments and liquid assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) optimising cash returns on investments;
- (iv) maintaining committed lines of credit; and
- (v) monitoring statement of financial position liquidity ratios against internal and regulatory requirements.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Credit Union. It is unusual for financial institutions to ever be completely matched since business transacted is often on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Credit Union and its exposure to changes in interest rates and exchange rates.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

c Liquidity risk (cont'd)

Financial liabilities and assets held for managing liquidity risk

The tables below present the cash flows receivable and payable of the Credit Union for financial liabilities and assets held for managing liquidity risk by remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows (principal and interest cash flows).

	2022					Total \$'000
	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	No Specific Maturity \$'000	
Financial assets						
Earning assets						
Liquid assets	736,365	318,102	-	-	-	1,054,467
Reverse repurchase agreements	663,568	429,565	-	-	-	1,093,133
Financial investments	39,471	228,957	-	-	122,000	390,428
Loans, net of impairment provision	525,205	1,281,592	4,161,544	6,343,851	-	12,312,192
Non-earning assets	34,868	8,487	-	-	30,472	73,827
Total financial assets	1,999,477	2,266,703	4,161,544	6,343,851	152,472	14,924,047
Financial liabilities						
Interest bearing liabilities						
Members' deposits	1,231,374	816,178	13,224	-	-	2,060,776
Members' voluntary shares	37,251	110,195	1,414,015	3,577,387	-	5,138,848
Non-interest bearing liabilities	2,528	-	-	-	-	2,528
Total financial liabilities	1,271,153	926,373	1,427,239	3,577,387	-	7,202,152
Net position	728,324	1,340,330	2,734,305	2,766,464	152,472	7,721,895

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

c Liquidity risk (cont'd)

2021

	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	No Specific Maturity \$'000	Total \$'000
Financial assets						
Earning assets						
Liquid assets	734,995	-	-	-	-	734,995
Reverse repurchase agreements	-	1,319,675	-	-	-	1,319,675
Financial investments	7,097	-	118,031	-	652,834	777,962
Loans, net of impairment provision	516,871	1,182,731	3,483,460	4,316,159	-	9,499,221
Non-earning assets	26,392	4,352	-	-	24,501	55,245
Total financial assets	1,285,355	2,506,758	3,601,491	4,316,159	677,335	12,387,098
Financial liabilities						
Interest bearing liabilities						
Members' deposits	1,093,411	747,485	12,203	-	-	1,853,099
Members' voluntary shares	60,184	113,495	1,648,337	2,730,729	-	4,552,745
Non-interest bearing liabilities	2,528	-	-	-	-	2,528
Total financial liabilities	1,156,123	860,980	1,660,540	2,730,729	-	6,408,372
Net position	129,232	1,645,778	1,940,951	1,585,430	677,335	5,978,726

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and bank balances, investment securities and loans. In the normal course of business, a proportion of members' loans contractually repayable within one year will be extended. The Credit Union is also able to meet unexpected net cash outflows by selling securities and accessing overdraft facilities from its main financing institutions.

The members' voluntary shares are contractually on call except in cases where these balances are held as security for loan facilities.

Off-statement of financial position items

All loan commitments existing at year end (Note 23 (a)) expire within 12 months.

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First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

24. Risk management policies (cont'd)

d Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements.

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

The primary responsibility for the development and implementation of controls to identify operational risk is assigned to the Board and management. This responsibility is supported by overall Credit Union standards for the management of operational risk in the following areas:

- (i) requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- (ii) requirements for the appropriate segregation of duties, including the independent authorisation of transactions
- (iii) requirements for the reconciliation and monitoring of transactions
- (iv) compliance with regulatory and other legal requirements
- (v) documentation of controls and procedures
- (vi) requirements for the reporting of operational losses and proposed remedial action
- (vii) development of contingency plans
- (viii) training and professional development
- (ix) ethical and business standards
- (x) risk mitigation, including insurance where this is effective

Compliance with Credit Union policies is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Supervisory Committee, senior management and the Board of Directors.

25. Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Market price is used to determine fair value where an active market exists, as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of financial assets and liabilities held and issued by the Credit Union. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the statement of financial position date.

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First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

25. Fair value estimation (cont'd)

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

The following methods and assumptions have been used in determining or estimating the fair value of the Credit Union's financial instruments:

- (i) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- (ii) The fair value of members' deposits is assumed to be the amount payable on demand at the statement of financial position date.
- (iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.
- (iv) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans, the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.
- (v) Financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unquoted equities classified as available-for-sale are measured at historical cost less impairment, as their fair values cannot be reliably determined.
- (vi) Financial investments classified as held-to-maturity are measured at amortised cost with a carrying value of \$187,344,000 (2021 - \$110,000,000) for which the fair value has been estimated at \$187,344,000 (2021 - \$110,000,000).
- (vii) The estimated fair values of the off-statement of financial position financial instruments is assumed to approximate the amount committed at year end.
- (viii) The carrying value of borrowings approximates fair value as the borrowings are carried at amortised cost reflecting its contractual obligations, and the interest rates are reflective of current rates for similar transactions.

First Regional Co-operative Credit Union Limited
Notes to the Financial Statements

Year ended December 31, 2022

25. Fair value estimation (cont'd)

Financial instruments that are measured in the statement of financial position at fair value are grouped based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the Credit Union's financial assets that are measured at fair value:

December 31, 2022				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for-sale financial assets				
Quoted equities	51,393	-	-	51,393
Fixed and other deposits	95	2,475,025	-	2,475,119
Total	51,488	2,475,025	-	2,526,513
December 31, 2021				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for-sale financial assets				
Quoted equities	50,473	-	-	50,473
Fixed and other deposits	532,995	2,163,422	-	2,696,417
Total	583,468	2,163,422	-	2,746,890

There has been no transfer between levels 1 and 2 in the reporting period.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2022

26. Capital management, policies and procedures

The Credit Union's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

- (i) to maintain the members' confidence in the safety and viability of the Credit Union
- (ii) to safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns and benefits for its members;
- (iii) to continuously meet statutory and any other regulatory requirements as required by the Registrar of Co-operative and Friendly Societies, the Bank of Jamaica and the Jamaica Co-operative Credit Union League Limited;
- (iv) to maintain a strong capital base to support planned expansion and the development of new lines of business.

Capital adequacy and the use of regulatory capital are monitored by the Credit Union's management according to the guidelines in its Capital Adequacy Management Policy. The computation is reported to the Board of Directors each month and the Credit Union's capital adequacy ratio currently exceeds the benchmarks set by the regulatory authorities.

The League currently requires member credit unions to maintain a minimum level of the institutional capital at 8% of total assets. The proposed Bank of Jamaica regulations require the League to ensure that member credit unions:

- (i) Hold a minimum level of the regulatory capital of 6% of total assets; and
- (ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

In determining the Credit Union's capital base, the institutional capital of Hospitality Industries Employees Co-operative Credit Union Limited (HICUL) and Round Hill Hotel Staff Co-operative Credit Union Limited (RHCUL) which merged with First Regional Co-operative Credit Union Limited on July 1, 2013 were included. As at the date of the merger, HICUL and RHCUL had institutional capital of \$5,287,000 that comprised the following balances;

	HICUL \$'000s	RHCUL \$'000s	Total \$'000s
Statutory reserve	498	2,871	3,369
Institutional capital reserve	250	1,668	1,918
Total	748	4,539	5,287

All League and Bank of Jamaica regulatory capital requirements were met during the years ended December 31, 2022 and 2021.

There was no change to the Credit Union's approach to capital management during the year.

The Credit Union complied with all externally imposed capital requirements to which they were subjected.

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ANNOTTO BAY



Alecia Kennedy-Laidley



Annitia Seymour-Strachan



Eugenie Thomas-Gray

STAFF



Patrick Cawley
CREDIT MANAGER



Daniel Elvey
IT MANAGER



Romaine Riley
INTERNAL AUDITOR

BROWN'S TOWN



Kerry-Ann Carter



Nicole Mcknight-Smith



Rosemarie Lyons



Seveene Thame
HR & ADMIN MANAGER



Jodi-Ann Pryce
LEGAL OFFICER



Carlene Shirley-Johnson
OPERATIONS MANAGER



Lori-lee Walters

CLAREMONT



Jadian Rose



Jennifer Campbell



Kareen Boreland

HIGHGATE



Bridget Anderson



Sheka Strachan

DISCOVERY BAY



Georgiana Pinnock



Renee Graham

KINGSTON



Annette Bryan



Karl Mcgrath



Kerry-Ann Julius-Logan

STAFF

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Tadjice Thompson-Simpson



Takiece Brown



Wayne Williams



Tasheika Martin



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Teresa Thompson

ST ANN'S BAY



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Cereta Gregg



Dorecha Brown



Jahane Brown



Jerimene Black



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Kirk Brown



Krishawn Williams



Lurline Johnson-Chang

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Shanelle Morris



Shavel Cole



Sheree Dennis

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AGATHA MOODIE
ALVA MILLER
ANNE WATSON
ANN-MARIE JOHNS-SHEA
ANTHONY LAWRENCE
ARTHUR CLEMETSON
BENTLEY WATSON
BERCHEL SCOTT
BEVERLY BARTLEY-LOFTERS
BEVERLY FAIRWEATHER
BRIAN REYNOLDS
CARLTON CARTER
CAROL ROBERTS
CAROLINE WISDOM
CAROLYN WHITE
CAROLYN WHYTE
CATHERINE SCOTT
CHEROL COX

CHEVONNE WILSON
CLARIS NEITA
CLAUDETTE GRANT
CLEMENT MEDWINTER
CLIFTON GREY
CLOURIS JOSEPHS
COURTNEY BENNETT
DALTON MILLER
DAPHNE GREEN
DAPHNE GREEN-OLIVER
DAVID MARSH
DEVON BROWN
DOREL GAYLE
DOROTHY WILLIAMS
ENETT WILLIAMS
ERROL PAISLEY
ETHEL ELLIS
ETHLYN BENNETT
EULALEE BUTLER

EUPHEMIA BINNS
EUSTACE EMANUEL CLARKE
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GRACE HAMILTON-HEDGE
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JANETTE ROBERTS
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JEMMELINE MCBEAN
JENNIFER HENRY
JOY MORRISON
JULIET WALKER
JULIETH E SMALL
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KENNETH ANDERSON
KENNETH ANDERSON
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MOREEN JOHNSON-BRYAN
MURIEL MURRAY
MYRETH SPENCE
NEWVIN JOHNSON

NIGEL GAYLE
NORMA WHYTE-JOHNSON
NORMAN BUDAH
NOVELET MCDONALD
ORVILLE GORDON
OTHNIEL MCKENZIE
OWEN RATTIGAN
PATRICIA PORTER-BROWN
PATRICK LAWRENCE
PATSY MCINTOSH
PAUL JACKSON
PAULETTE BROWN
PERSIS RICHARDS
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RANDO TRACEY
RAVAHL HARRIS
RAYMOND GIBBS
REVELINA TAIT
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ROSA MARSH
ROSE HOWLETT-MINTO
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Prayer of St. Francis of Assisi

Lord, make me an instrument of your peace,
Where there is hatred, let me sow love;
Where there is injury, pardon;
Where there is doubt, faith;
Where there is despair, hope;
Where there is darkness, light;
Where there is sadness, joy.

O Divine Master, grant that I may not so much
seek to be consoled as to console;
To be understood as to understand;
To be loved as to love.

For it is in giving that we receive;
It is in pardoning that we are pardoned;
And it is in dying that we are born to eternal life.

