

CREDIT UNION PRAYER

BY 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; and
Where there is sadness, joy.*

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

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

*Bless, O Lord our deliberations
and grant that whatever
we may say and do
Will have Your
blessing and
Guidance through
Jesus Christ Our Lord,
Amen.*



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Merisa Hydes, 33 years.

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INTRODUCTION

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

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

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



Valerie Powery, 22 years.

THE CREDIT UNION DIFFERENCE

The theme for International Credit Union Day ("ICU Day") was "The Authentic Difference." ICU Day celebrates what makes credit unions truly unique. ICU Day is celebrated annually on the third Thursday of October and took place on 20 October 2016.

"Credit unions differ — in both philosophy and structure — from other financial institutions," said Brian Branch, World Council President and CEO. "In addition to community commitment and positive economic and social change, we put people before profit to provide all members with affordable financial services. This is the authentic difference that makes a real impact in our world."

The Credit Union's difference from other financial institutions is embodied in "People helping people." The Credit Union is governed and operated by members for members. All members are owners/shareholders and share in the distribution of dividends.

The Credit Union provides services to members at very low or no fees, encourages its members to save, and offers loans at rates that enable a return to members through dividends. It is different here at the Credit Union for many reasons:



	CREDIT UNION	BANKS
Fees:	Lowest or no fees	Highest
Dividends:	More than 2% p.a. to all members	Only share holders
Ownership:	All members	Only share holders
Interest Rebate:	Yes	No
Lending Fees:		
• Legal	Zero, inhouse closing	Up to 1% of loan amount
• Commitment	Zero	Up to 1% of loan amount
• Stamp Duty	Zero, Filing Fees	1% - 1.5%
Volunteers:	Yes	No, Directors, Committees highly paid
Decision Making:	Quick	Extended
Access to CUNA:	Yes	No
Death Benefits:	Yes	No
Compliance:	Yes	Yes
CIMA Licensed:	No, Supervised	Yes
Work Permits:	No	Yes
100% Caymanian Staff:	Yes	No
Hire Retirees:	Yes	No
Profit Focused:	For all members	For Shareholders & Executives only

THE YEAR AT A GLANCE

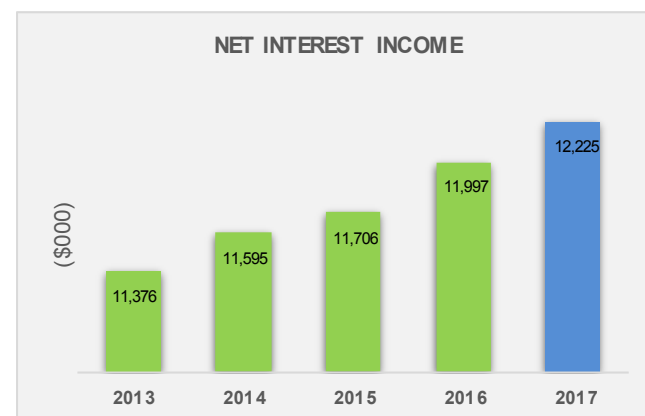
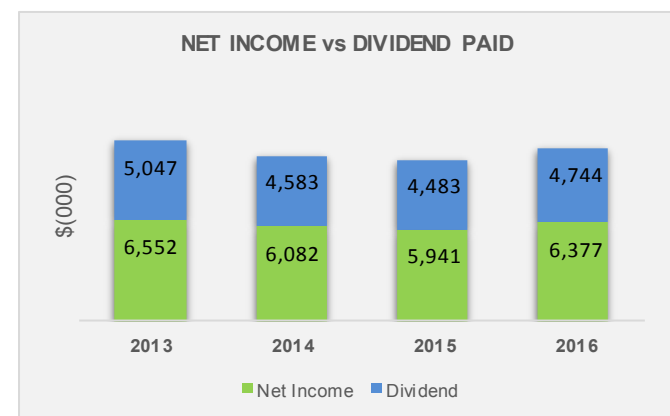
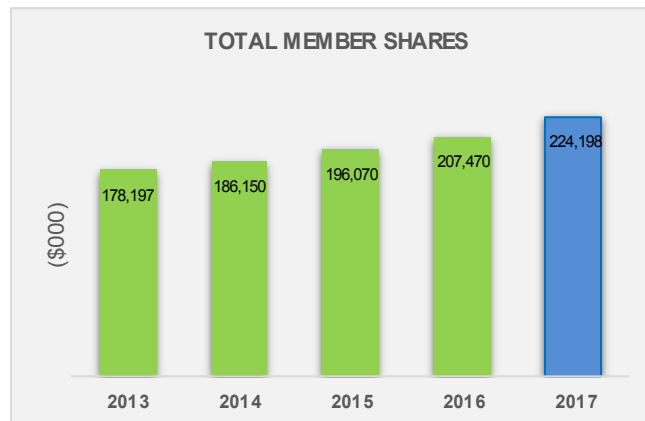
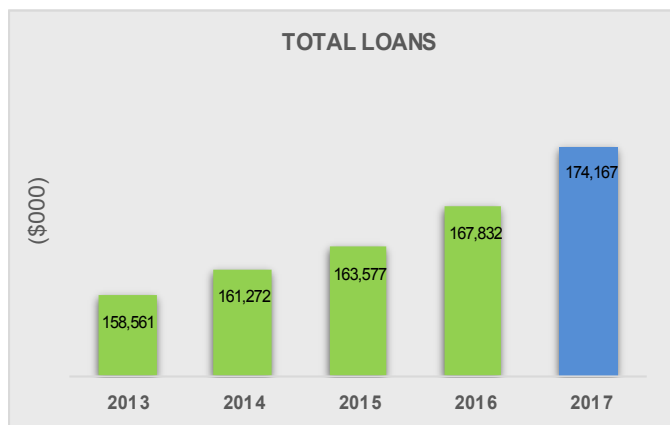
QUICK FACTS

Total Membership	12,201
ATM cards issued	5,225
Net Income/Operating surplus	\$7.97 Million
New Members in 2017	779
Total Assets	\$265.15 Million
Number of Loans by 5,390 members	9,142
Total Loans disbursed	\$47.8 Million
Total Loans, net	\$174.17 Million
Member shares	\$224.20 Million
Dividends paid to Members 2.4%	\$4.74 Million
Interest rebate to members 2%	\$159,903
Donations & Grants	\$162,000
Staff	49
Social media followers	1,329
Online users signed up	1,948



Corinne Glasgow, CEO
2007 - 2017

KEY PERFORMANCE INDICATORS



INDICATORS



Patricia Estwick, CEO

CHAIRMAN'S REPORT



Michael Nixon, 7 Years

Financial and Operating Performance

Another year of solid financial results. Thank you to the Board, Volunteers, Management, employees and members for working together to make it happen.

As of 31 July 2017, the Credit Union had:

- A net income of \$7.97 million
- \$265 million in assets
- Member shares of \$224 million
- A loan portfolio totalling \$174 million
- Paid \$4.74 million, or 2.4% in dividends to members

Leadership

On 1 August 2017, we appointed a new CEO, with Patricia Estwick succeeding Corinne Glasgow. Ms. Corinne retired after more than ten years of exemplary service. She lived and breathed the credit union philosophy and all it stands for "People helping people" all of that time. Ms. Corinne, has been here for our Credit Union when we needed her most. She has grown our institution locally and represented us internationally with competence and dignity. Throughout her tenure as CEO the list of accomplishments are too numerous to mention. The mark she left on this institution is indelible. She navigated one of the most challenging economic downturns ever experienced in the Cayman Islands and she kept a steady hand on the tiller of leadership, therefore maintaining stability at our Credit Union.

On behalf of the Credit Union Board, employees and members, I thank her sincerely.

Selecting a new CEO is one of the most important roles of a Board. We are pleased to have appointed Ms. Estwick to move the Credit Union into the future. Ms. Estwick was the outstanding candidate for the role given her financial services experience, knowledge of the Credit Union, and strategic vision. She leads a strong management team at the Credit Union that we can all feel proud of.

The Board looks forward to the Credit Union beginning its first new chapter of many to come with Ms. Estwick as the new leader.

Corporate Governance

■ Risk Committee

The Board recognizes that risk management is essential to the successful governance of the Credit Union. The Board has approved the creation of a sub committee, the Risk Committee. The Risk Committee consists of one board member, senior managers, representatives from the Credit and Supervisory Committees, and one other member. This Committee will meet at least quarterly, and assess and manage the strategic, financial, regulatory, reputation, and operational risks of the Credit Union.

■ Learning and Development

It is part of the Board's role to stay informed of wider developments and issues in the Credit Union world. This includes attending conferences, training, and workshops.

We are fortunate to belong to the Caribbean Confederation of Credit Unions (CCCU) which has a family of 2,408,090 Members with 298 Credit Unions in 18 Countries. The CCCU provides us with advice, information, training, and the Credit Union board has been an active participant for many years.

Deanna Look Loy was selected by the CCCU to be a member of its Board of Directors to fill a vacancy created by the withdrawal of another director. Ms. Deanna has accepted the appointment and we have offered our full support to her as she takes on this new role which gives us a direct voice in the Regional Credit Union body.

Please join me in congratulating her on this appointment and wishing her every success. I believe that she will serve as an excellent ambassador for our Credit Union and the Cayman Islands in this capacity.

WE ARE VERY PLEASED TO HAVE APPOINTED PATRICIA ESTWICK TO MOVE THE CREDIT UNION INTO THE FUTURE.

REPORT



Burke Connolly, 16 years



Clyte Linwood, 4 months



Robert Scotland, 2 years

In June of 2017, a team of 20 members attended the CCCU Annual conference in Cuba, which included board members, employees, and other volunteers.

Through CCCU we also belong to the worldwide family of credit unions, World Council of Credit Unions (WOCCU), with 68,000 credit unions in 109 countries serving a total of 235,000,000 million members – just like you.

Board members and employees also attended credit union leadership training hosted by Caribbean Development Educator (CaribDe). CaribDe participants improve leadership & communication skills while building knowledge and insight to address the issues affecting the viability and growth of credit unions today. In addition, Directors participated in various training relating to anti-money laundering and cyber security awareness to enhance governance.

■ Meetings

The Credit Union Board meets monthly and is responsible for the overall governance of the Credit Union. There were two additional meetings held for the year. Attendance of meetings by directors were as follows:

DIRECTOR	BOARD MEETINGS ELIGIBLE TO ATTEND	BOARD MEETINGS ATTENDED
Michael Nixon	14	12
James Watler	14	11
Deanna Look Loy	14	13
Zena Merren-Chin	14	11
Christopher Goddard	14	13
Krishan Welcome	14	11
Shakira Gourzong	14	7

Directors tendered apologies for all meetings not attended.

■ Proposed Credit Union Rules change

The trend of members' shareholdings increasing substantially more than members' borrowings continues; this trend impacts our ability to increase the dividend rate going forward and results in the build up of excess funds that are placed in low yielding fixed deposits with other banks.

The Board and Management recognizes that the excess funds not loaned to members is yielding less than .50% overall, and has taken steps to develop an Investment Policy to seek other alternative investments. The primary objective of the Investment Policy will be principal preservation, and secondly, to increase the yield. The implementation of an Investment Policy requires members to amend Article XV, section 70iia of the Credit Union Rules, such that investments in non-credit union institutions are allowed. See resolution on page 56.

Looking Forward

The Board is always striving to strengthen the financial health of the Credit Union. The Board held two strategic planning sessions in September along with Management and developed a strategic purpose, vision, mission, values, and objectives specific to our Credit Union. The Board recognizes that the current environment of the credit union is changing;

- The average age of members is increasing and therefore their focus is on saving and not borrowing (100 Members own \$53M shares or 24% of all shares, but only have 3% of all loans).
- The focus on members saving along with the declining growth in loans has resulted in significant excess cash.
- Early repayment of loans continues to negatively impact loan growth.
- Excess cash not loaned is placed in low yielding fixed deposits.
- Higher interest rates compared to commercial banks deter younger members from borrowing from their Credit Union.
- The lack of updated digital technology in core systems prevents the credit union from offering easier access to our services.

The strategic plan on page 13 addresses these issues through a clear purpose, vision, mission, and objectives. Underlying the strategic plan are core values as identified by the Board and employees of the Credit Union.

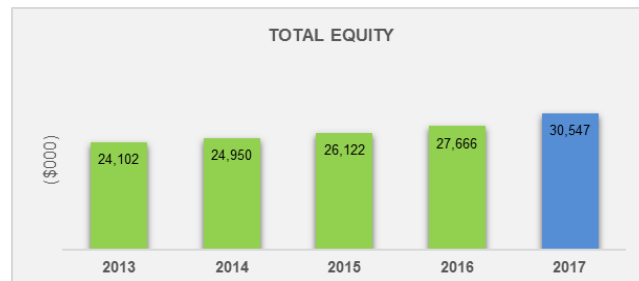
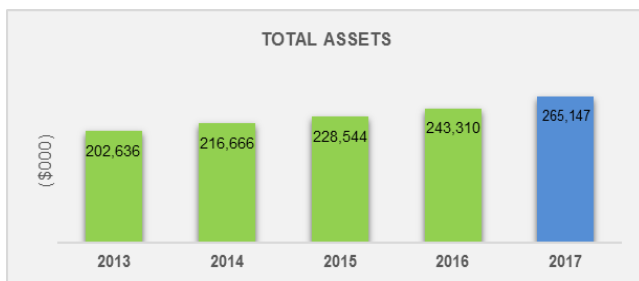
Michael Nixon
Chairman

THESE ARE EXCELLENT RESULTS AND THEY CONFIRM OUR POSITION AS ONE OF THE CARIBBEAN'S BEST PERFORMING CREDIT UNIONS.



Tammy Archer, 9 years.

REPORT



Christopher Goddard, 7 Years

TREASURER'S REPORT

I am pleased to report another solid financial year ending 31 July 2017. The Credit Union is strong and profitable.

Performance Summary

At year end, total assets were \$265.15 million, an increase of 9% over 2016. Our net income for the year was \$7.97 million, an increase of 25% from last year.

Overall, profit increased due to: a reduction in our inherent provision as the delinquency ratio consistently declined over the past five years; and, the refund from Credit Union National Association (CUNA) Mutual Life Insurance of \$625,077 represented the excess of premiums paid after claims made and the administrative fees charged by CUNA.

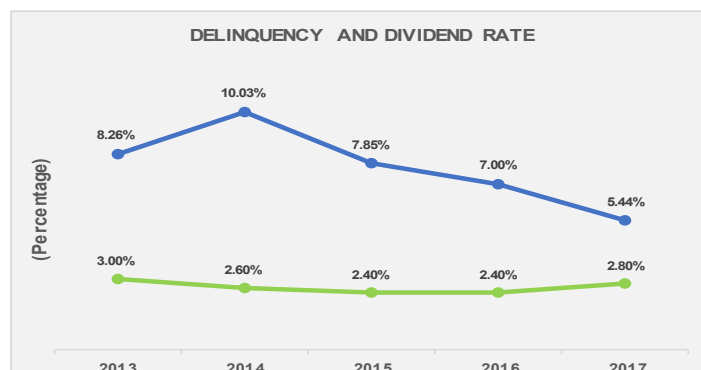
Total expenses were controlled and increased by 3% over the previous year, however, our efficiency ratio (total expenses divided by total income) remains low at 41% compared to 49% last year; the optimum efficiency ratio is 50%.

Members' shares grew by 8% to \$224.20 million. Dividends paid to members increased 6% over the previous year.

The financial industry was subject to rapid change, with retail mortgage lending becoming increasingly competitive. Even with the Cayman Islands Prime Lending Rate increasing for commercial banks, the transfer of loans by members to retail banks by prepayment amounted to \$8.9 million versus \$9.4 million in the previous year.

Despite prepayment of loans through banks, total loans increased by 4%, with personal loans growing by 9% while mortgages decreased by .06%.

Over the past four years we achieved a 40% decline in the delinquency ratio, an excellent result for the team. The delinquency ratio has declined to 5.44% as of 31 July 2017 from 7% last year.



The graphs above show that as the Delinquency Rate declines, the Dividend Rate increases.

We continue to build and retain our statutory reserves at 20% of annual net income in accordance with our Rules.

These are excellent results and they confirm our position as one of the Caribbean's best performing credit unions.

We will continue to promote the Credit Union philosophy of "People helping people" which I believe is as important today as when the Credit Union movement was established.

I take this opportunity to thank the Directors, the Supervisory and Credit Committees, Management, employees, and members for all their hard work this year. We have a dedicated team who continue to work enthusiastically for the benefit of members and to ensure the Credit Union's continued success.

Christopher Goddard
Treasurer

SUPERVISORY COMMITTEE REPORT

Introduction

The 2016/2017 financial year has been another successful year for our Credit Union. As we anticipate an uptick in the local economy we proceed with cautious optimism, and strive to position our Credit Union to benefit from new opportunities.

The success of our Credit Union is due to the commitment of our members; volunteers; employees; management; and the leadership and guidance of the Board of Directors.

Membership and Attendance

Following our election on 30 November 2016, the Committee held a number of meetings to review the work of Credit Union.

In addition, representatives from the Supervisory Committee attended most Board of Directors' meetings and a number of meetings of the Credit Committee. Below is the attendance and activity record of the Committee.

Supervisory Committee Meetings Held 1 August 2016 to 31 July 2017			
Members	Position	Meetings Attended	Comments
André Scott	Chairman	2	Attended Board & Credit Committee Meetings
Vaughn McLean	Deputy Chairman	3	Attended Board & Credit Committee Meetings
Jennifer Smith	Secretary	4	Attended Board Meetings & CCCU Convention
Jenesha Simpson	Member	3	Attended Board & Credit Committee Meetings
Joseph Solomon	Member	3	Attended Board & Credit Committee Meetings

Volunteers tendered apologies for all meetings not attended.

Activities

Under Section 54 of the Credit Union Rules, the Supervisory Committee is charged with the responsibility for auditing the books of the Credit Union and dealing with complaints from members.

The Credit Union continues to grow in size and complexity; therefore the Supervisory Committee continued to focus its attention on reviewing a number of internal audits conducted by the Internal Audit Manager. We are happy to report that no material breaches in our policies and procedures were found.

The presence of an independent, competent Internal Audit Manager significantly strengthens and enhances the ability of the Supervisory Committee to conduct thorough, timely and accurate ongoing audits, and due diligence assessments on various operations and internal control mechanisms within the Credit Union.

We can report the following matters were addressed:

- Completion of two major internal audits - Security and Operations and Loans
- Completion of three special investigations
- Continued management of complaints process

Thank you for the opportunity given to us to serve on the Supervisory Committee.

Andre Scott
Chairman



Picture above from L to R back: Jennifer Smith, Secretary; Jenesha Simpson, Member.

Picture from L to R front: André Scott, Chairman; Joseph Solomon, Member; Vaughn McLean, Vice Chairman.



Yulanda Williams, 9 years.

CREDIT COMMITTEE REPORT

Overview Perspective of the Credit Committee:

The Credit Committee held 44 meetings during the financial year 1 August 2016 to 31 July 2017 and granted 455 loans totalling \$21,399,042.

The gross Loan Portfolio ended at \$176,019,894.39 million up from the previous year of \$170,087,065.43 million.

The table below gives the categories of Out of Share Loans granted in the year ended 31 July 2017 and the prior year.

Motor Vehicle Purchase/Repair again had the largest number of loans granted with 190 total loans totaling \$5.2 million and representing 24% of all loans granted.

Property related loans (Land & Building Purchase, Construction, and Property/Home Repairs) totalled \$9.4 million and represents 44% of all loans granted.

OUT OF SHARE LOANS				
Type of Loans	1 August 2016 – 31 July 2017		1 August 2015 – 31 July 2016	
	Qty.	\$ Amount	Qty.	\$ Amount
Boat Purchase / Repair	1	35,400.00	3	58,014.39
Business Investment	10	299,501.21	9	454,733.76
Education	7	118,262.00	13	300,307.09
Medical Expenses	1	4,230.34	6	66,530.36
Construction	33	1,588,559.38	24	1,232,067.64
Property / Home Repairs	39	2,448,737.91	23	663,242.47
Land & Building Purchase	51	5,373,476.57	55	5,208,811.19
Domestic / Misc. *	27	393,337.77	27	399,398.35
Debt Consolidation / Refinance	81	5,356,189.93	98	4,480,095.99
MV Purchase / Repair	190	5,208,694.34	179	4,853,169.74
Vacation/Travel	10	\$51,998.00	4	18,471.00
Furniture/Appliances	0	-	2	42,200.00
Loan Refinancing	5	520,654.77	8	90,190.58
Grand Total	455	21,399,042.22	451	17,867,232.58

*Domestic / Misc. includes Domestic and Insurance. Furniture/Appliances and Vacation/Travel have been removed and separate categories created for them.

Members	Position	# of Mtgs Attended
Matthew Tibbetts	Chairman	33
Linda McLean	Deputy Chairman	32
Jane Ebanks	Secretary	27
Jenny Powery	Member	32
George Fullerton	Member	38
Beverley McField-Walters	Member	34
Brad Conolly	Member	24

Volunteers tendered apologies for all meetings not attended.

The Credit Committee continues to serve the membership by approving loans that meet the criteria set out in the Credit Policy. We urge members to maintain their loan repayment schedules as this is the best way to keep delinquency to a minimum.



Brad Connolly Member
Ida Ebanks Secretary
George Fullerton Member
Beverley McField-Walters, Member



Jenny Powery Member
Linda McLean Deputy Chairperson
Matthew Tibbetts Chairman

Committee Attendance and Activities

Aside from approving loans, the Credit Committee is also involved in other areas of the life of the Credit Union. Members attended joint training sessions with the Board, Supervisory Committee, management & employees; and also attended CCCU Convention that was held in Varadero, Cuba in July 2017. The Chairman also attended the Board of Directors' meetings on a regular basis.

Conclusion

Despite the fact that we continue to be faced with challenges and uncertainty, our Credit Union continues to rise to the test and has performed exceptionally well. The continued stability of the Credit Union is dependent on all of us being faithful to the mission of 'Members Helping Members'.

Special thanks are extended to the members of the Credit Committee who serve our members diligently by attending weekly meetings.

Thank you for the opportunity afforded us to serve on the Credit Committee and we look forward to continued service to members in meeting your credit needs. May God continue to bless and prosper this fine institution!

Matthew Tibbetts
Chairman



Ingrid Simms, 21 Years.

REPORT

BOARD OF DIRECTORS



Michael Nixon,
7 years



James Watler,
8 years

■ MICHAEL NIXON - CHAIRMAN

Mr. Nixon is the Senior Assistant Financial Secretary in the Ministry of Finance and Economic Development. A career civil servant with over 23 years of experience in various aspects of public sector financial management, he has a Bachelor of Business Administration degree from the University of Miami.

Mr. Nixon currently has management responsibility within the Ministry for: the preparation of the Government's Annual Budget; Economics and Statistics Office; Corporate Unit; and the Risk Management Unit. In addition, he serves as the Ministry of Finance representative on the Board of Directors of the Port Authority of the Cayman Islands and Cayman Turtle Farm (1983) Limited.

Mr. Nixon has been a member of the Credit Union since 1996 and has served previously as Member and Chairman of the Credit and Supervisory Committees.

■ JAMES WATLER - 1st VICE CHAIRMAN

Mr. James Watler has a Masters of Education Degree from the University of Bristol which qualifies him as a Counselor/Therapist. A Post Graduate Certificate at the University of London School of Education and received a Certificate in 'Leading Change and Management in the Cayman Islands.' Mr. Walter is the Author of a book entitled: 'The Islands Time Forgot, Stories of the Cayman Islands' published in 2000 at University of London School of Education.

Mr. Watler has been a member of the Credit Union's Board of Directors for the past 7 years and holds the post of 1st Vice Chairperson. Mr. Watler also served on the Credit Committee for 15 years and held the position of Chairperson for that committee. Mr. Watler is a current Director on the Public Service Pension Board and past President of Cayman Islands Civil Service Association (CICSA). He has been a Civil Servant for over 40 years and held several positions in the Education Department; he is currently the Senior Manager, Communications and Customer Service.



Christopher Goddard,
7 years



Deanna Look-Loy,
10 years

■ CHRISTOPHER GODDARD - TREASURER

Mr. Goddard has a Bachelor's Degree in Economics and Finance and is qualified as Member of the Society of Trust & Estate Practitioners (STEP). He is a former employee of the Cayman Islands Monetary Authority.

He has been a member of the Credit Union for over 15 years and has served the Credit Union in a number of capacities:

He is a past member of and Chairman of the Credit Committee; former Manager of the Loans Department when the incumbent was on maternity leave in 2008; trainer for the annual Anti-Money Laundering training for the Credit Union staff; and has been instrumental in the review of various Credit Union policy documents in the past few years.

Mr. Goddard also attended the Caribbean Confederation of Credit Union Regional Director's Conference in Cuba in 2017 and has participated in other training initiatives for Credit Union volunteers.

He is a successful young Caymanian businessman, Owner/Director of Winner's Circle a retail sporting goods store. He also serves on a number of Government committees.

He has been a member of the Board of Directors from 2010 and served as the Treasurer since 2013.

■ DEANNA LOOK-LOY - DIRECTOR

Ms. Deanna Look Loy held several positions on the Board including Chairperson. She was recently appointed to the Regional Caribbean of Confederation of Credit Union Board of Directors in August 2017.

Ms. Look Loy is a retired Civil Servant of over 33 years of service. Before her retirement, she was the Director of Children & Family Services (Formerly Department of Social Services of the Cayman Island Government). She has a Bachelor of Arts from the University of West Indies, Diploma in Education, Post Graduate Certificate in Personnel Management, and Masters of Science in Human Resource Management.

She is a qualified Spanish teacher and taught the subject at schools in Jamaica, Grand Cayman and Trinidad. She has spent much of her spare time volunteering for a number of clubs in the Cayman Islands which include The Catholic Women's League, The Business and Professional Women's Club. The Cayman Garden Club, Big Brothers Big Sisters of the Cayman Islands, and the Rotary Club of Grand Cayman. She currently serves on the Civil Service Appeals Commission and the Guardian Ad Litem Panel of the Cayman Islands Judiciary. She is a past Chairperson of the Board and now serve as an ordinary member. She is currently a retired Civil Servant but is still very much involved in the community as well as being a small farmer and avid gardener.



Zena Merren-Chin,
9 years



Krishan Welcome,
3 years

■ ZENA MERREN-CHIN - SECRETARY

Clerk of the Legislative Assembly
Cayman Islands Legislative Assembly

Ms. Merren-Chin has a Bachelors of Science in Law Enforcement and Police Science and Bachelors of Law (LLB). She also attended Liverpool University in 1995 then went on to Belfast University in 1996 where she completed the Professional Practice Course (PPC).

Ms. Merren-Chin was employed with the Police Service during 1986-1990 then went on to employment as the Deputy Clerk of Courts during 1997-1998. She then ventured on to Appleby as an Attorney at Law during 1998-2009. She is currently the Clerk of the Legislative Assembly from 2009 to present.

Ms. Merren-Chin is on the Board as a Director for the Cayman Islands Crisis Centre and has been a member of the Credit Union since 1987.

■ KRISHAN WELCOME - 2ND VICE CHAIRMAN

Ms. Krishan Welcome is an attorney currently practicing in the Cayman Islands. She obtained a Bachelor of Laws Degree in Law and Politics from University of Birmingham, England and a Master of Laws Degree in International Commercial law from the University of Nottingham.

In addition, Krishan is a qualified primary school teacher and holds a Masters of Arts in Teaching from Brown University.

Ms. Welcome is called to the bar in England and Wales (not practicing), the Cayman Islands, and the British Virgin Islands.

She has been a member of the Credit Union for almost 14 years, serving on the Board of Directors for 3 years and currently holds the post of 2nd Vice Chair.



Shakira Gourzong,
2 years

■ SHAKIRA GOURZONG - DIRECTOR

Ms Gourzong is a Senior Client Relationship Officer at Intertrust Corporate Services (Cayman) Limited. Shakira earned a Bachelor of Science degree in Business Administration with a concentration in Economics from UCCI in 2006. She is also a founding member of the UCCI Alumni Board and was in the first group to complete the CeMBA at UCCI in 2008.

She also completed and received the Society of Trust and Estate Practitioners (STEP) Diploma in September 2010 and earned a Master of Business Administration from ICCI in February 2014.

She has been a member of the Credit Union for over 11 years and previously served on the Credit Committee from 30 November 2010 to 31 July 2012 when she resigned due to scheduling conflicts with classes while pursuing her Master's degree.

CHAIRMEN OF COMMITTEES



Matthew Tibbetts,
3 years

■ MATTHEW TIBBETTS - CHAIRMAN CREDIT COMMITTEE

Mr. Tibbetts is Accountant General with the Treasury Department and has worked in various roles throughout the public service. Initially joining Government's Internal Audit Unit in 2001, Mr. Tibbetts went on to work in a number of Ministries, Portfolios, and a Statutory Authority in the role of Chief Financial Officer before joining the Treasury Department in September 2015.

He holds two Bachelor of Science degrees in Accounting and in Marketing from the University of South Florida where he graduated in 2001.

Mr. Tibbetts has a total of sixteen years of public sector experience and is a Certified Public Accountant (CPA). At the Credit Union Mr. Tibbetts has served as Chairman of the Supervisory Committee for 1 year and Chairman of the Credit Committee for 3 years.



Andre Scott,
2 years

■ ANDRE SCOTT - CHAIRMAN SUPERVISORY COMMITTEE

Mr. Scott recently joined the Civil Service in the Treasury Department as the Manager EPS (Entire Public Sector) Reporting; previously he held the position of Senior Financial Analyst at CIBC FirstCaribbean International Bank. He is a CPA with over 10 years post-qualification experience and has held various roles within the financial services sector. He was formerly the financial controller of the Cayman Brac Power and Light Co. Ltd.

He is a 2002 graduate of the University of South Florida and has a Bachelor of Science degree in Accounting. He served as the Chairman of the Sister Islands Affordable Housing Development Corporation from 2005 to 2009, and is a past member of the Cayman Islands Red Cross.

He has been a member of the Credit Union for more than 12 years.

CREDIT UNION'S STRATEGIC PLAN

PURPOSE

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

VISION

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

MISSION

To offer excellent service to our members enabling them to achieve their financial goals while positively impacting the wider community.

VALUES

Professional, Respectful, Integrity, Helpful, and Committed.

OBJECTIVES

- Improve member financial education and appreciation
- Motivate our employees
- Strengthen risk management
- Improve technology
- Emphasize community involvement
- Deepen member relations and cross sell
- Increase market penetration and retention
- Maintain financial health

CREDIT UNION TEAM



Patricia Estwick



Tammy Archer



Merisa Hydes



Tiffany Ebanks



Sonya Bendo



Erlington Dilbert



Sidney Ebanks



Robert Scotland



Darley Powery



Burke Connolly



Dwight Jefferson



Kevin Connolly



Clyte Linwood



Brigette Christian



Celia Seymour



Lilly Bodden



Yulanda Williams



Toni Prendergast



Janneth Needham



Anita Twinn



Nancy Whittaker



Thelma Badal



Karen Smith



Deloris Wood



Megan Anderson



Dorothy Jackson



Nigel Ebanks



Christopher Ebanks



Sheena Whittaker



Bridgette Powery



Yenise Henkis



Adrian Rowe



Jason Hydes



Patricia Dixon



Carla Martin



Faylene Ebanks-Suckoo



Valerie Powery



Nicholas Ebanks



Wendy Ebanks



Shirley Chambers



Tinicia Tibbetts



Ingrid Simms



Tasha McKenzie



Yolanda Ebanks



Michael Goucol



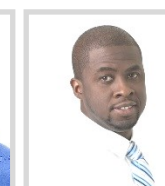
Natasha Jervis



Jeniece Powell



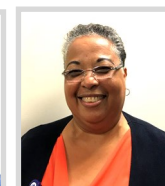
Nicholas Roberts



Autrey Rolle



Karlene Minzett



Angelita Small

ABOUT US

OUR TEAM MEMBERS

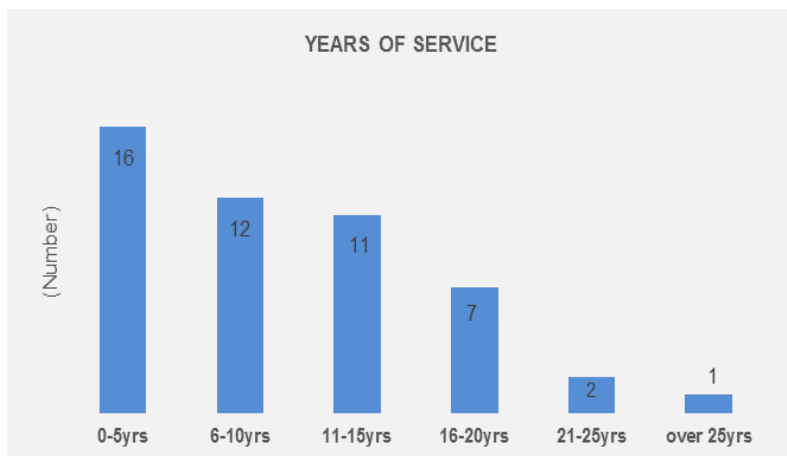
The Credit Union employed 49 team members as of 31 July 2017. Our team is committed to continuous improvement to meet and exceed the expectations of our members within the rules, policies, and procedures of the Credit Union.

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

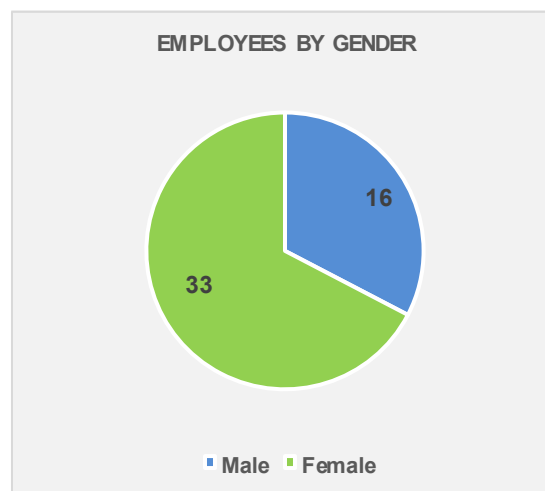
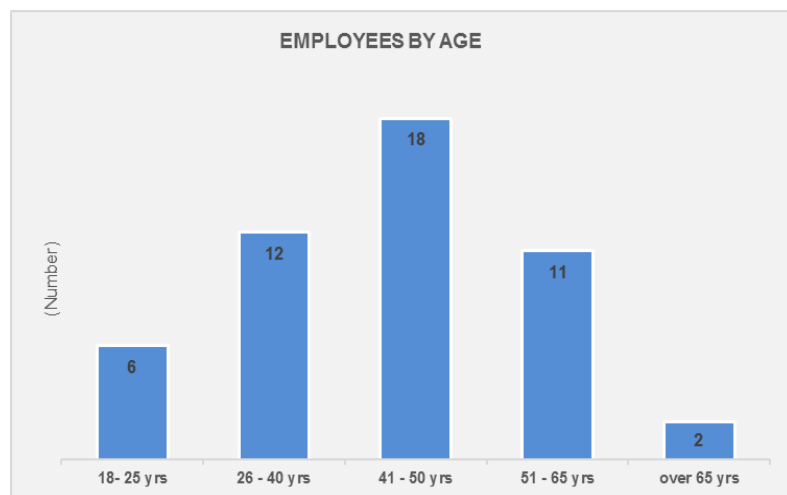
The chart below shows 10 out of 49 employees have maintained their working relationship for more than 15 years:



Faylene Ebanks-Suckoo, 10 years.



- No Work permit fees; 100% of employees are Caymanian.
- We continue to value employees who have passed the retirement age based on their performance.
- 14 team members with associates degrees or higher, including 6 with bachelor degrees, 3 MBAs, 2 CPAs, and 1 Lawyer.



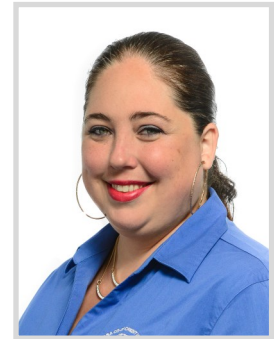
TRAINING AND DEVELOPMENT

The Credit Union has a responsibility to train and develop its employees as well as its directors and volunteers so that they are equipped to carry out their respective duties. Annual training for employees, directors and volunteers during 2016/2017 included:

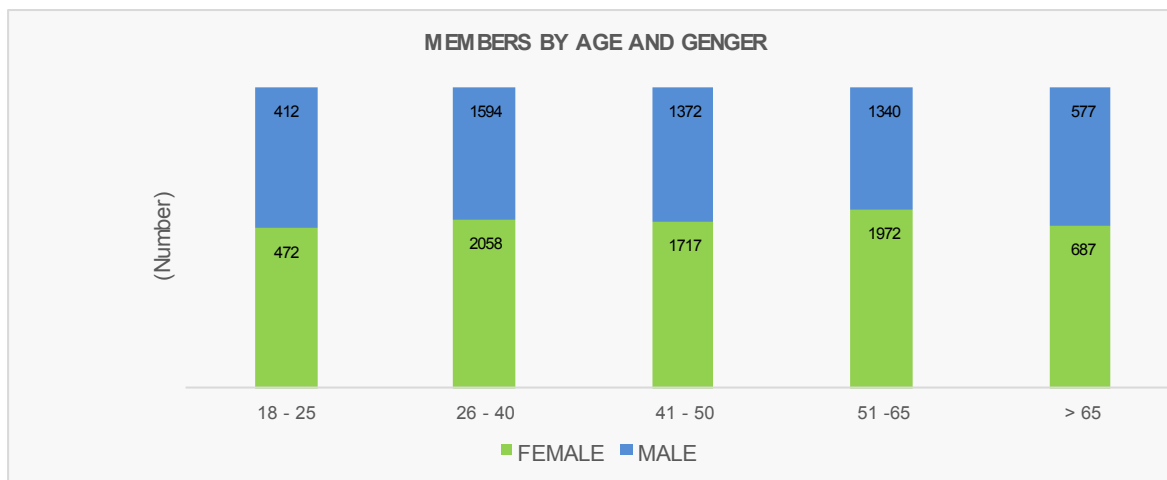
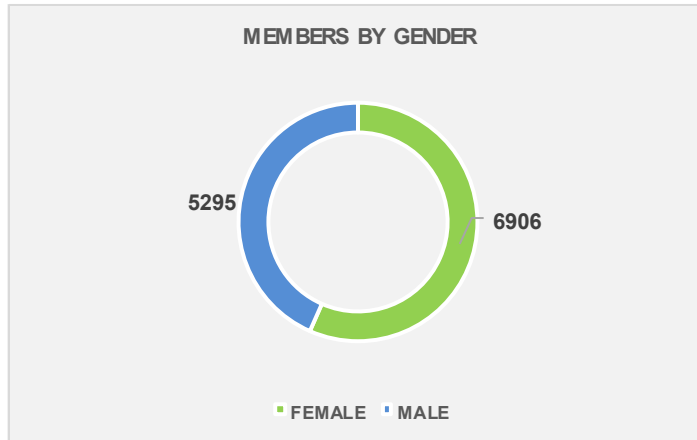
- CaribDE, 2 employees and 1 director attended in 2016/2017
- Effective Managers Workshop, all manager and assistant managers participated.
- CCCU Annual Conference in Cuba, 9 employees, 4 directors and 3 volunteers attended.
- Cyber Fraud Awareness training, all employees participated along with 4 directors.
- Anti Money Laundering training, all employees participated.
- Employees continue to utilize CUNA Professional Development online training programmes which offers approx. 300 courses relevant to the Credit Union.
- The annual Compliance Conference was attended by employees from Internal Audit and Member Services.
- The CEO Conference was attended by 2 senior managers.
- The Cayman Islands Government Professional Development Week, attended by 4 managers.

OUR MEMBERS

We welcomed 779 new members to our Credit Union family, ending the year with 12,201 member-owners. Our members are the heart beat of the Credit Union. The Board and Management are proud to be able to continue to serve our members.

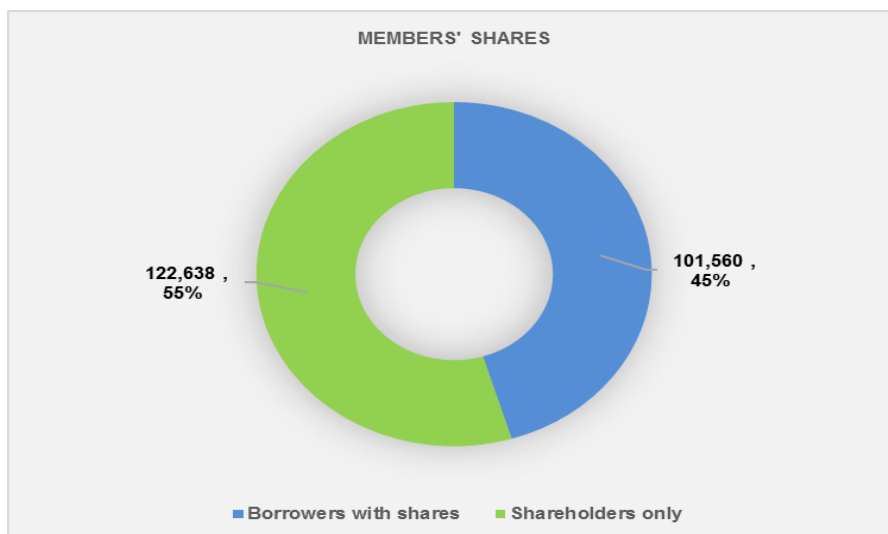


Nancy Whittaker,
16 years



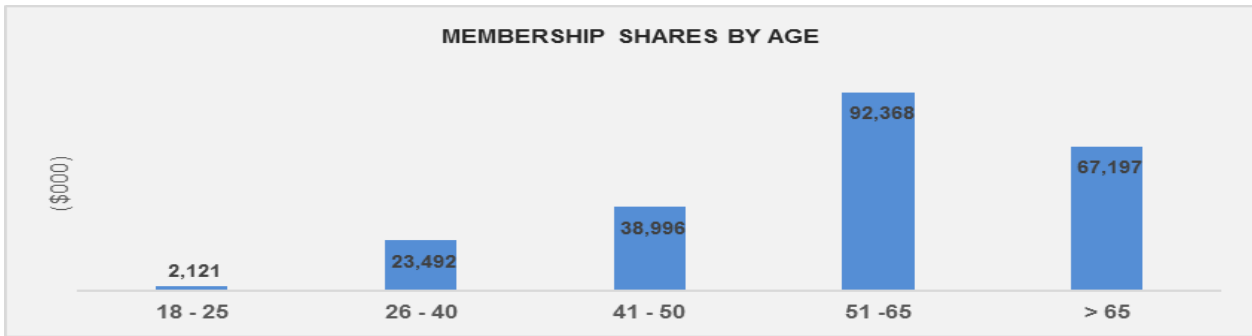
Female members represent 57% while males make up 43% of all members.

Members with shares only and Members with loans and shares:



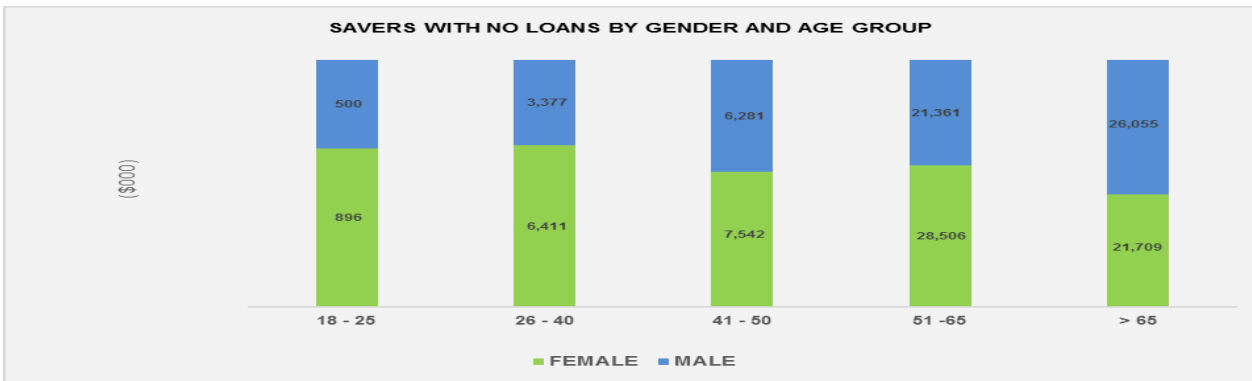
More than half of shares are owned by members with no loans!

Total Membership shares of \$224 million by age group:

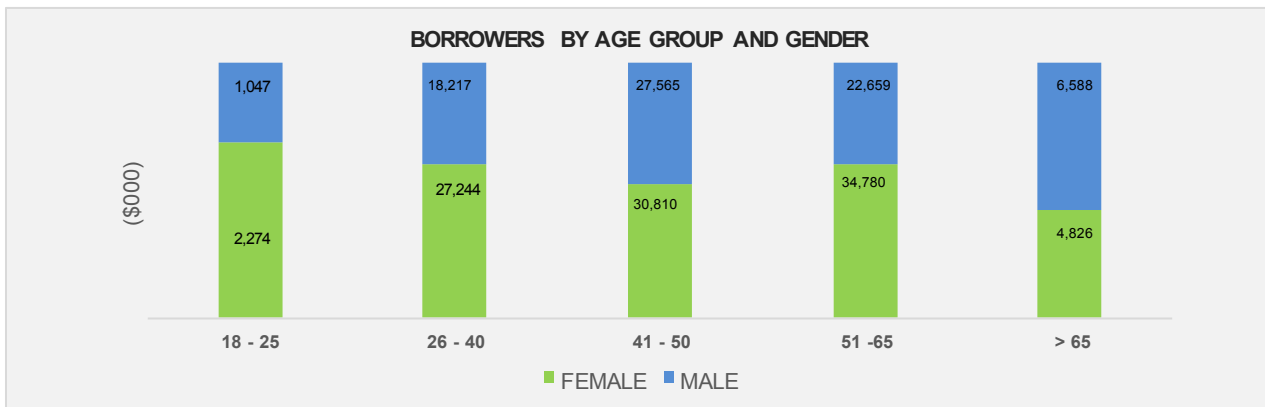


71% of member shares are held by members in the age groups between 51-65 and over 65 years of age.

Members with shares only of \$123 million (no loans):

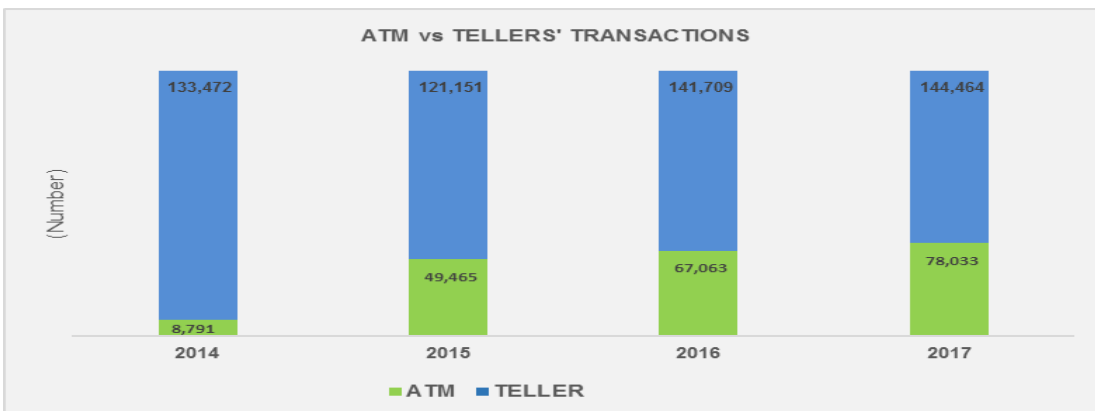


Gross Total Loans of \$176 million by age group and gender:



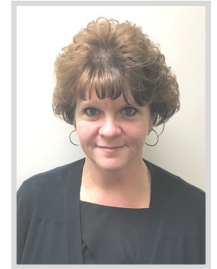
The majority of borrowers are females between the ages of 41 and 65 years.

Transactions at the ATM began in 2014 and have steadily increased:



5,225 ATM cards were issued as of 31 July 2017.

FOR A CREDIT UNION, COMMUNITY SUPPORT IS MORE THAN JUST MARKETING: IT'S AT THE CORE OF WHY WE EXIST.



Sonya Bendo, 15 years

COMMUNITY & SPONSORSHIP

Community support is at the very heart of what Credit Unions do. Your Credit Union supports the community in various ways but in particular through educational grants, celebrating with our members on International Credit Union Day ("ICU Day"), sponsorship of various charitable events and school programmes. In 2016/2017, a total of \$162,000 was given in sponsorships and grants.

\$151,521 in educational grants for local and overseas training was provided to 105 student-members to assist with expenses in pursuit of their educational goals. The Credit Union takes pride in providing this financial assistance and wishes the recipients every success in their future endeavours.

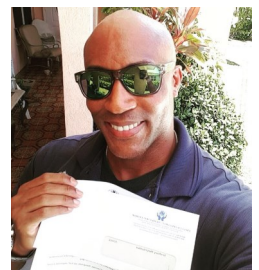
ICU Day was celebrated on Thursday, 20 October 2016 with an annual fair at the Credit Union's headquarter and Brac branch which was enjoyed by all.

Other sponsorships amounted to \$12,000 to various schools, charities and programmes.



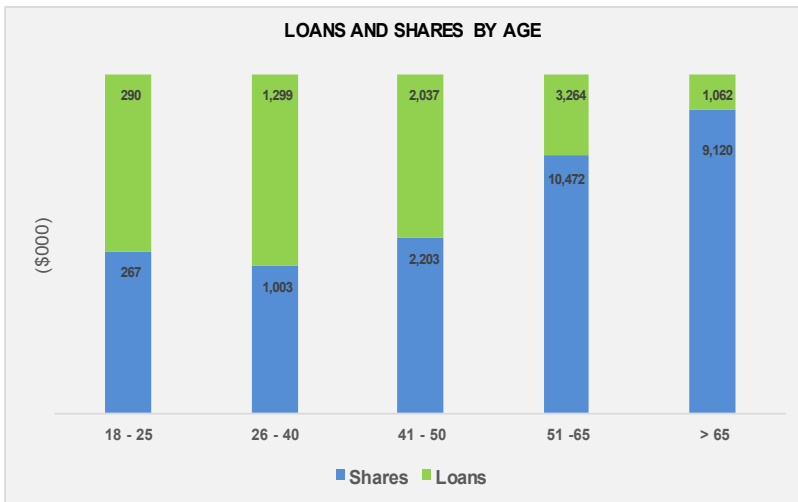
DONATIONS

- Triple C School
- John Gray High School
- University College of the Cayman Islands
- Cayman Islands Agriculture Society
- Sister Islands Agriculture Society
- Cayman Islands Cadet Corps
- Lions Club of Cayman Brac
- Brain Tumor Foundation
- RCIPS Welfare Committee
- Cayman Islands Red Cross
- Cayman Brac Rotary Club
- Children and Family Services - Child Month
- Mustang Track Club
- Light of the World After School Programme
- Health Services Authority Grand Cayman & Cayman Brac
- Member whose home was destroyed by fire
- Clifton Hunter High School
- Children's Festival of The Arts



CAYMAN BRAC BRANCH

In October 2001 the Credit Union opened its first full-service office in Cayman Brac. The Brac Branch is managed by E. Junior Dilbert and Sidney Ebanks. The support for the Brac members continues to be very encouraging, and membership is increasing. Membership has grown by 53% in the past 16 years. The Branch office business hours are Monday to Friday, 9am – 4 pm.



CAYMAN BRAC BRANCH



Erlington Dilbert Jr, 16 years



Sidney Ebanks, 11 years



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

FINANCIAL STATEMENTS

JULY 31, 2017



Independent auditor's report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of The Cayman Islands Civil Service Association (CICSA) Co-operative Credit Union Limited (the Credit Union) as at July 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Credit Union's financial statements comprise:

- the statement of financial position as at July 31, 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in reserves for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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.

PricewaterhouseCoopers, 18 Forum Lane, Camana Bay, P.O. Box 258, Grand Cayman, KY1- 1104, Cayman Islands,
T: +1 (345) 949 7000, F: +1 (345) 949 7352, www.pwc.com/ky

Unless otherwise stated "PwC" refers to PricewaterhouseCoopers, a Cayman Islands partnership which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

Other Matter

This report, including the opinion, has been prepared for and only for the Credit Union in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

October 19, 2017

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

STATEMENT OF FINANCIAL POSITION

(Expressed in Cayman Islands dollars)

	<u>2017</u>	<u>July 31,</u> <u>2016</u>
ASSETS		
Cash on hand and at bank (Note 3)	10,570,976	15,564,888
Fixed deposits (Note 3)	69,624,276	49,397,283
Securities at fair value through profit or loss (Note 4)	2,379,736	1,988,881
Mortgage and personal loans including interest receivable, net of loan loss provision (Note 5)	174,166,523	167,831,631
Receivable and other assets	256,596	77,569
Fixed assets (Note 6)	6,314,928	6,590,484
Investment property (Note 7)	<u>1,833,496</u>	<u>1,858,978</u>
Total assets	<u>\$ 265,146,531</u>	<u>\$ 243,309,714</u>
LIABILITIES AND RESERVES		
Liabilities		
Members' deposits (Note 8)	9,699,332	7,706,109
Members' shares (Note 9)	224,198,362	207,470,296
Accounts payable and accrued expenses	<u>701,360</u>	<u>467,580</u>
Total liabilities	<u>234,599,054</u>	<u>215,643,985</u>
Reserves		
Statutory Reserve (Note 10)	21,941,633	20,338,067
Mortgage Fund (Note 11)	1,598,374	1,598,374
Development Fund (Note 12)	627,904	627,904
Undistributed Surplus	<u>6,379,566</u>	<u>5,101,384</u>
Total reserves	<u>30,547,477</u>	<u>27,665,729</u>
Total liabilities and reserves	<u>\$ 265,146,531</u>	<u>\$ 243,309,714</u>

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

Michael Nixon & Christopher Goddard
.....) Directors
19 October 2017
.....) Date

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

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

STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Cayman Islands dollars)

	<u>2017</u>	Year ended <u>July 31,</u> <u>2016</u>
Interest income		
Interest on loans (Note 24)	11,647,758	11,523,449
Service fees – cash advances (Note 16)	388,897	361,704
Bank deposit interest	<u>227,626</u>	<u>142,234</u>
Total interest income	12,264,281	12,027,387
Interest expense		
Interest expense on member deposits	(39,403)	(30,833)
Net interest income	12,224,878	11,996,554
Decrease/(increase) in provision for loan losses and interest receivables (Note 5)	<u>82,749</u>	<u>(632,155)</u>
Net interest income after provision for loan losses	<u>12,307,627</u>	<u>11,364,399</u>
Non-interest income		
CUNA Mutual Insurance premium refund (Note 17)	625,077	-
Dividend income	117,486	89,987
Recovery of loans previously written off	46,113	33,123
Other	<u>206,525</u>	<u>203,071</u>
Total non-interest income	<u>995,201</u>	<u>326,181</u>
Other non-operating income		
Change in unrealized gain of securities (Note 4)	<u>293,370</u>	<u>156,655</u>
Non-interest expenses		
Salaries and other personnel costs (Notes 18 and 19)	3,373,900	3,267,078
CUNA Mutual Insurance premiums (Note 17)	594,271	559,629
General and administrative	630,494	576,202
Depreciation (Note 6)	454,820	518,280
Premises costs (Note 20)	209,818	191,956
Impairment of investment property (Note 7)	11,000	-
Audit fees	110,000	111,219
CCCU & WOCCU convention	16,635	14,170
Annual general meeting	28,831	35,873
Computer expenses	164,031	172,087
Bank charges	13,531	12,295
International Credit Union Day	<u>14,412</u>	<u>11,719</u>
Total non-interest expenses	<u>5,621,743</u>	<u>5,470,508</u>
Net income for the year	<u>\$ 7,974,455</u>	<u>\$ 6,376,727</u>

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

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

STATEMENT OF CHANGES IN RESERVES

(Expressed in Cayman Islands dollars)

	<u>Statutory Reserve</u>	<u>Mortgage Fund</u>	<u>Development Fund</u>	<u>Undistributed Surplus</u>	<u>Total Reserves</u>
Balance at July 31, 2015	19,054,732	1,598,374	627,904	4,841,097	26,122,107
Net income for the year	-	-	-	6,376,727	6,376,727
Transfer to Statutory Reserve (Note 10)	1,275,345	-	-	(1,275,345)	-
Scholarship Grants (Note 13)	-	-	-	(150,000)	(150,000)
Training (Note 13)	-	-	-	(43,420)	(43,420)
Honoraria – Treasurer (Note 19)	-	-	-	(4,000)	(4,000)
Dividends 2015 (Note 14)	-	-	-	(4,483,332)	(4,483,332)
Loan Interest Rebate 2015 (Note 15)	-	-	-	(160,343)	(160,343)
Entrance fees (Note 10)	<u>7,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,990</u>
Balance at July 31, 2016	\$ 20,338,067	\$ 1,598,374	\$ 627,904	\$ 5,101,384	\$ 27,665,729
Net income for the year	-	-	-	7,974,455	7,974,455
Transfer to Statutory Reserve (Note 10)	1,594,891	-	-	(1,594,891)	-
Scholarship Grants (Note 13)	-	-	-	(150,000)	(150,000)
Training (Note 13)	-	-	-	(43,541)	(43,541)
Honoraria – Treasurer (Note 19)	-	-	-	(4,000)	(4,000)
Dividends 2016 (Note 14)	-	-	-	(4,743,938)	(4,743,938)
Loan Interest Rebate 2016 (Note 15)	-	-	-	(159,903)	(159,903)
Entrance fees (Note 10)	<u>8,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,675</u>
Balance at July 31, 2017	<u>\$ 21,941,633</u>	<u>\$ 1,598,374</u>	<u>\$ 627,904</u>	<u>\$ 6,379,566</u>	<u>\$ 30,547,477</u>

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

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

STATEMENT OF CASH FLOWS

(Expressed in Cayman Islands dollars)

	Year ended July 31,	
	2017	2016
Cash flows from operating activities		
Dividends received	20,000	-
Interest received	12,007,303	11,582,912
Interest paid	(39,098)	(29,419)
Loan originations, net of principal collected on loans to members	(6,384,063)	(4,851,494)
Recoveries on loans previously written off	46,113	33,123
Net increase in members' shares	11,824,225	6,756,472
Net increase in members' deposits	1,993,224	1,737,961
Cash payments for non-interest expenses	(5,119,990)	(5,019,871)
Fees, premium refunds and charges received	661,249	243,165
Service fees - cash advances	388,897	361,704
Fixed deposit placements, original terms greater than 3 months	(<u>20,178,366</u>)	(<u>10,099,624</u>)
Net cash flows provided by operations	<u>(4,780,506)</u>	<u>714,929</u>
Cash flows from investing activities		
Purchase of fixed assets	(179,262)	(70,122)
Purchase of investment property (Note 7)	-	800
Disposal of Land (Note 7)	<u>14,482</u>	<u>-</u>
Net cash flows (used in) investing activities	<u>(164,780)</u>	<u>(70,922)</u>
Net (decrease)/increase in cash and cash equivalents	(4,945,286)	644,007
Cash and cash equivalents, beginning of year	<u>32,496,992</u>	<u>31,852,985</u>
Cash and cash equivalents, end of year	<u>\$ 27,551,706</u>	<u>\$ 32,496,992</u>
Cash and cash equivalents include:		
Cash on hand and at bank (Note 3)	10,570,976	15,564,888
Fixed deposits (Note 3)	<u>16,980,730</u>	<u>16,932,104</u>
	<u>\$ 27,551,706</u>	<u>\$ 32,496,992</u>
Non-cash transactions:		
Investment of dividend income (Note 4)	\$ (97,486)	\$ 89,987
Increase in fair value of securities (Note 4)	\$ (293,370)	\$ (156,655)

Dividends on members shares of \$4,743,938 (2016: \$4,483,332) (Note 14) are credited directly to members' shares accounts.

Loan interest rebate on members shares of \$159,903 (2016: \$160,343) (Note 15) are credited directly to members' shares.

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

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

1. Incorporation and activities

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

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

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

The number of persons employed by the Credit Union as of July 31, 2017 is 48 (2016: 47).

2. Accounting policies

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

Basis of preparation: These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention modified by the revaluation of investments to fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Credit Union's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in this note.

New standards, amendments and interpretations issued, but not effective, for the financial year beginning August 1, 2016 and not early adopted

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. The standard is effective for accounting periods beginning on or after January 1, 2018 and early adoption is permitted.

IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. Management is in the process of performing the initial assessment on how the Credit Union's business model will impact the classification and measurement of these financial assets under IFRS 9. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The new standard is not expected to impact the Credit Union's financial liabilities.

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

2. Accounting policies (continued)

Basis of Preparation (continued)

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date.

In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. The Credit Union has yet to assess the full impact of the impairment requirements of IFRS 9.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Credit Union is assessing the impact of IFRS 15.

IFRS 16, 'Leases' was issued in January 2016 and effective for annual periods on or after January 1, 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Credit Union is currently assessing the impact of the new standard on its financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

2. Accounting policies (continued)

Functional and presentation currency

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

Mortgage and personal loans and provision for loan impairment

All loans are originated by the Credit Union and are initially recognised at fair value, which is the cash consideration to originate the loan, and then subsequently measured at amortised cost using the effective interest rate method less, where applicable, a provision for loan losses. Interest on loans is recognised over the term of the loan and is calculated using the effective yield method, interest ceases to be recognised on loans that are over 60 days in arrears.

In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the Statement of Comprehensive Income as an ‘Increase in provision for loan losses and interest receivable’.

The Credit Union assesses at each reporting date whether there is objective evidence that a loan is impaired. A loan is impaired and impairment loss is recognised only if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset (a ‘loss event’), and that loss event (or events) has an impact on the estimated future cash flows from the loan that can be reliably measured.

The criteria that the Credit Union uses to determine whether there is objective evidence of an impairment loss include, *inter alia*, the following:

- a) significant financial difficulty of the member;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) the Credit Union, for economic or legal reasons relating to the member’s financial difficulty, granting to the member a concession that the Credit Union would not otherwise consider;
- d) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, although the decrease cannot yet be identified within the individually assessed loans assets in the portfolio, including:
 - (i) adverse changes in the payment status of members in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by management to be a period from 60 days in arrears. The Credit Union first assesses whether objective evidence of impairment exists individually for each loan which is individually significant, and individually or collectively for loans that are not individually significant. If the Credit Union determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in the remainder of the loan portfolio and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the loan’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan’s original effective interest rate. The carrying amount of the loan asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income.

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

2. Accounting policies (continued)

Mortgage and personal loans and provision for loan impairment (continued)

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows in the loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Credit Union and historical loss experience for loans with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for loans assessed collectively for impairment should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Credit Union and their magnitude).

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the member's financial status, or increase in collateral value), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

Other Provision

Provisions for legal claims costs 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 the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Repossessed Collateral

In certain circumstances, property is repossessed (with the intent to sell) following court proceedings on loans that were in default. Repossessed properties are measured at the lower of the carrying amount and the fair value less costs to sell and reported as a separate line item in the Statement of Financial Position. Subsequent decreases in the property's fair value and operating expenses of the property are recognised through charges to non-interest expense.

Investment in securities

All investments in securities are initially recognised at fair value and are classified as securities at fair value through the profit and loss. Such investments are subsequently re-measured at fair value with gains and losses arising in the

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

2. Accounting policies (continued)

Investment in securities (continued)

year included in the Statement of Comprehensive Income. Securities which are listed are fair valued by reference to the price as quoted on the principal exchange on which they are traded. The Credit Union has elected to recognize the gains and losses through the Statement of Comprehensive Income as they arise. Dividends are recognised on the ex-dividend date.

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

Investment Property

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

Foreign exchange

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

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

Fixed assets

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

Building	2.5% (40 years)
Computer equipment	25% (4 years)
Furniture & fittings	12.5% (8 years) to 20% (5 years)
Motor vehicles	20% (5 years)

Freehold land is not depreciated.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately

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

JULY 31, 2017

2. Accounting policies (continued)

Fixed assets (continued)

to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Interest income and expense

Interest income and expense are recognized on a time-proportion basis using the effective interest method.

Service fees

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

Dividends on members' shares

Dividends on members' shares are discretionary. Dividends, if any, are proposed by the Board of Directors and are subject to ratification by the members at their AGM at which time an accrual is recognized. The obligation to pay the dividend arises on ratification by the members and accordingly no provision for dividends in respect of the results for the year ended July 31, 2017 has been made in these financial statements.

Employee benefit plans

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

Cash and cash equivalents

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

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Members' Shares

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

Critical Accounting Estimates and Judgments

The Credit Union makes estimates and assumptions that affect the reported amounts of assets within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

JULY 31, 2017

2. Accounting policies (continued)

Critical Accounting Estimates and Judgments (continued)

Impairment losses on loans and advances

The Credit Union reviews its loan portfolio to assess impairment at least on a quarterly basis or when an indicator of impairment is present. In determining whether an impairment loss should be recorded in the statement of comprehensive income on these loans, the Credit Union makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the discounted collateral and estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or local economic conditions that correlate with defaults on assets in the Credit Union.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. If the fair value of collateral held in respect of loans classified as past due by 60 days (2016: 60 days) and not specifically provided for were to decrease by 5% an additional impairment provision of approximately \$20,325 (2016: \$22,213) would have been recorded at July 31, 2017.

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

3. Cash on hand and at bank and fixed deposits

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

	<u>2017</u>	<u>July 31,</u> <u>2016</u>
Cash on hand	1,358,723	927,926
Cash at bank	<u>9,212,253</u>	<u>14,636,962</u>
	<u>\$ 10,570,976</u>	<u>\$15,564,888</u>

The composition of fixed deposits is as follows:

	<u>2017</u>	<u>July 31,</u> <u>2016</u>
Fixed deposits		
Original terms to maturity of 3 months or less	16,980,730	16,932,104
Original terms to maturity of greater than 3 months	<u>52,643,546</u>	<u>32,465,179</u>
	<u>\$ 69,624,276</u>	<u>\$ 49,397,283</u>

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

4. Securities at fair value through the profit or loss

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

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

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

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

Level 3: Inputs that are unobservable.

The investment in securities as at July 31, 2017 and 2016 are as follows:

	Year Ended July 31, \$
2017	
<i>Level 2</i>	
Caribbean Utilities Company, Ltd.	1,953,736
Cayman National Corporation, Ltd.	<u>426,000</u>
Total	\$ <u>2,379,736</u>
2016	
<i>Level 2</i>	
Caribbean Utilities Company, Ltd.	1,701,881
Cayman National Corporation, Ltd.	<u>287,000</u>
Total	\$ <u>1,988,881</u>

There were no transfers between levels during the year.

On an annual basis the investment in the Caribbean Utilities Company Ltd declares and pays dividends. Credit Union's dividends are automatically reinvested. In 2017 the reinvestment of dividend income was \$97,486 (2016: \$89,987).

	Year ended July 31,	
	<u>2017</u>	<u>2016</u>
Opening balance at August 1	1,988,881	1,742,239
Additions	97,486	89,987
Change in unrealized gain	<u>293,370</u>	<u>156,655</u>
Closing balance at July 31	\$ <u>2,379,737</u>	\$ <u>1,988,881</u>

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

5. Mortgages and personal loans

The composition of loans to members is as follows:

	<u>2017</u>	<u>July 31,</u> <u>2016</u>
Mortgage loans	104,885,054	104,952,058
Personal loans	<u>71,154,035</u>	<u>65,145,966</u>
	176,039,089	170,098,024
Loan interest receivable	<u>847,235</u>	<u>979,154</u>
	176,886,324	171,077,178
Less: Provision for loan losses		
-Specific provision	(1,872,153)	(1,657,854)
-Inherent risk provision	<u>(847,648)</u>	<u>(1,587,693)</u>
	<u>(2,719,801)</u>	<u>(3,245,547)</u>
Total	\$ <u>174,166,523</u>	\$ <u>167,831,631</u>

Term and interest rates

Generally the maximum repayment period of mortgage loans is 25 years (2016: 25 years) and personal loans is less than 10 years (2016: 10 years) and all assets held as security for such loans are located in the Cayman Islands. Loans attract interest at rates which are fixed at the time of credit origination. For the year ended July 31, 2017, the effective yield on the loan portfolio is 6.84% (2016: 6.87%).

Loans to related parties

All loans to directors, employees and committee members are subject to the same terms and conditions and rates as those applicable to other members of the Credit Union.

Included in mortgage and personal loans are loans of \$7,858,120 (2016: \$3,837,458) to directors, employees and committee members of the Credit Union (Note 19), of which the scheduled repayments on none of the loans (2016: two loans totalling \$50,702) were past due at July 31, 2017 (2016: three days past due).

An analysis of the loan portfolio (excluding interest receivable) at year end, summarized by degree of credit status is as follows:

As at July 31, 2017:

	<u>Mortgage</u> <u>loans</u>	<u>Personal</u> <u>loans</u>	<u>Total</u>
Neither past due nor impaired	86,763,321	66,895,281	153,658,602
Past due but not impaired			
Up to 30 days	9,773,220	3,053,990	12,827,210
31 to 60 days	1,570,453	459,356	2,029,809
61 to 89 days	434,438	18,824	453,262
90 to 180 days	139,207	7,576	146,783
181 to 365 days	36,030	1,012	37,042
366 + day	<u>1,878,118</u>	<u>16,454</u>	<u>1,894,572</u>
	13,831,466	3,557,212	17,388,678

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

5. Mortgages and personal loans (continued)

Impaired			
Up to 30 days	40,486	111,270	151,755
31 to 60 days	-	14,427	14,427
61 to 89 days	765,167	231,110	996,277
90 to 180 days	81,101	105,565	186,666
181 to 365 days	62,236	121,280	183,516
366 + days	<u>3,341,277</u>	<u>117,890</u>	<u>3,459,167</u>
	4,290,267	701,542	4,991,809
Gross	104,885,054	71,154,035	176,039,089
Less: allowance for impairment	<u>(1,860,988)</u>	<u>(858,813)</u>	<u>(2,719,801)</u>
Net	\$ <u>103,024,066</u>	\$ <u>70,295,222</u>	\$ <u>173,319,288</u>
As at July 31, 2016:			
	<u>Mortgage</u>	<u>Personal</u>	<u>Total</u>
	<u>loans</u>	<u>loans</u>	
Neither past due nor impaired	80,989,550	60,182,251	141,171,801
Past due but not impaired			
Up to 30 days	12,953,599	4,146,278	17,099,877
31 to 60 days	1,851,042	291,042	2,142,084
61 to 89 days	1,028,036	9,864	1,037,900
90 to 180 days	503,695	8,350	512,045
181 to 365 days	192,543	18,226	210,769
366 + days	<u>2,726,445</u>	<u>2,222</u>	<u>2,728,667</u>
	19,255,360	4,475,982	23,731,342
Impaired			
Up to 30 days	-	42,481	42,481
31 to 60 days	-	1,873	1,873
61 to 89 days	411,566	111,581	523,147
90 to 180 days	-	127,078	127,078
181 to 365 days	129,730	117,394	247,124
366 + days	<u>4,165,852</u>	<u>87,326</u>	<u>4,253,178</u>
	4,707,148	487,733	5,194,881
Gross	104,952,058	65,145,966	170,098,024
Less: allowance for impairment	<u>(2,369,165)</u>	<u>(876,382)</u>	<u>(3,245,547)</u>
Net	\$ <u>102,582,893</u>	\$ <u>64,269,584</u>	\$ <u>166,852,477</u>

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

5. Mortgages and personal loans (continued)

A summary of the activity in the provision for loan losses is as follows:

As at July 31, 2017:

	<u>Mortgage loans</u>	<u>Personal loans</u>	<u>Total</u>
Balance, beginning of year	2,369,165	876,382	3,245,547
Provision charged to income	(341,610)	258,861	(82,749)
Loans credited/written off	<u>(166,567)</u>	<u>(276,430)</u>	<u>(442,997)</u>
Balance, end of year	<u>\$ 1,860,988</u>	<u>\$ 858,813</u>	<u>\$ 2,719,801</u>

As at July 31, 2016:

	<u>Mortgage loans</u>	<u>Personal loans</u>	<u>Total</u>
Balance, beginning of year	2,354,110	949,930	3,304,040
Provision charged to income	423,783	208,372	632,155
Loans credited/written off	<u>(408,728)</u>	<u>(281,920)</u>	<u>(690,648)</u>
Balance, end of year	<u>\$ 2,369,165</u>	<u>\$ 876,382</u>	<u>\$ 3,245,547</u>

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

	<u>July 31,</u>	
	<u>2017</u>	<u>2016</u>
Personal loans		
Out-of-share loans	19,393,058	24,454,046
Within-share loans	35,643,028	28,754,024
Unsecured:		
Overdrafts and cash advances	16,117,949	11,937,896
Staff loans	<u>-</u>	<u>-</u>
Total personal loans	<u>\$ 71,154,035</u>	<u>\$ 65,145,966</u>
Mortgage loans		
Out-of-share loans:		
less than 10 year loans	14,554,546	14,193,654
10 to 15 year loans	55,480,827	59,714,430
15 to 25 year loans	<u>34,849,681</u>	<u>31,043,974</u>
Total mortgage loans	<u>104,885,054</u>	<u>104,952,058</u>
	<u>\$ 176,039,089</u>	<u>\$ 170,098,024</u>

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

5. Mortgages and personal loans (continued)

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

	<u>2017</u>	<u>July 31,</u> <u>2016</u>
Mortgage loans	2,932,253	3,422,707
Personal loans	<u>187,403</u>	<u>114,320</u>
	<u>\$ 3,119,656</u>	<u>\$ 3,537,297</u>

Loans written off

During the year ended July 31, 2017, the Board approved to write off \$442,997 (2016: \$690,648) of loans which related to loans due from 106 (2016: 119) members. These loans were written off after careful consideration by the Board of Directors because they had been delinquent for a significant period of time, and all efforts to secure repayment were exhausted and proved unsuccessful. The members involved have been recorded in the Register of Loans Written Off, and these members may not avail of future lending facilities of the Credit Union, until such time as their previously outstanding indebtedness is repaid.

Loans renegotiated that would otherwise be past due or impaired

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

Limitations on lending to one borrower and significant loans

The Credit Union does not have any 'loan-to-one' borrower limitation, nor is there any legal/regulatory imposed lending limit calculation. As at July 31, 2017, the largest loan issued to a member is \$878,298 (2016: \$745,878). The proportion of loans in excess of \$300,000 as at July 31, 2017 is \$13.5m in 32 loans (2016: \$13.1m in 32 loans).

Restatement of comparatives

The following restatement was made in the financial statements for the year ending July 31, 2017. This reclassification is a restatement due to a prior period error. In the current year it was determined that these properties were not legally repossessed and the correct classification is as mortgage loans. However, the change had no effect on the total comprehensive income for the year ended July 31, 2016 and no effect on total assets, total liabilities and total equity at July 31, 2016.

	<u>Restated</u> <u>July 31, 2016</u>	<u>Previously</u> <u>reported</u> <u>July 31, 2016</u>
ASSETS		
Mortgage and personal loans including interest receivable, net of loan loss provision	167,831,631	163,210,629
Repossessed collateral	-	4,621,002

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

6. Fixed assets

As at July 31, 2017:

	<u>Freehold Land</u>	<u>Building</u>	<u>Assets under Construction</u>	<u>Computer Equipment</u>	<u>Furniture & Fittings</u>	<u>Motor Vehicles</u>	<u>Total</u>
Cost							
Balance July 31, 2016	227,775	7,180,062	8,324	1,339,537	1,058,209	49,105	9,863,012
Additions	-	-	-	63,460	115,803	-	179,263
Transfers	-	-	(8,324)	-	8,324	-	-
Disposals	-	-	-	-	-	-	-
Balance July 31, 2017	<u>227,775</u>	<u>7,180,062</u>	<u>-</u>	<u>1,402,997</u>	<u>1,182,336</u>	<u>49,105</u>	<u>10,042,275</u>
Depreciation							
Balance July 31, 2016	-	1,308,027	-	1,085,166	843,191	36,144	3,272,528
Charge for the year	-	184,698	-	141,589	122,553	5,979	454,819
Disposals	-	-	-	-	-	-	-
Balance July 31, 2017	<u>-</u>	<u>1,492,725</u>	<u>-</u>	<u>1,226,755</u>	<u>965,744</u>	<u>42,123</u>	<u>3,727,347</u>
Net book value July 31, 2017	<u>\$ 227,775</u>	<u>\$ 5,687,337</u>	<u>\$ -</u>	<u>\$ 176,242</u>	<u>\$ 216,592</u>	<u>\$ 6,982</u>	<u>\$ 6,314,928</u>
Net book value July 31, 2016	<u>\$ 227,775</u>	<u>\$ 5,872,035</u>	<u>\$ 8,324</u>	<u>\$ 254,371</u>	<u>\$ 215,018</u>	<u>\$ 12,961</u>	<u>\$ 6,590,484</u>
As at July 31, 2016:							
	<u>Freehold Land</u>	<u>Building</u>	<u>Assets under Construction</u>	<u>Computer Equipment</u>	<u>Furniture & Fittings</u>	<u>Motor Vehicles</u>	<u>Total</u>
Cost							
Balance July 31, 2015	226,175	7,178,942	11,459	1,304,774	1,022,435	49,105	9,792,890
Additions	1,600	1,120	8,324	29,915	29,163	-	70,122
Transfers	-	-	(11,459)	4,848	6,611	-	-
Disposals	-	-	-	-	-	-	-
Balance July 31, 2016	<u>227,775</u>	<u>7,180,062</u>	<u>8,324</u>	<u>1,339,537</u>	<u>1,058,209</u>	<u>49,105</u>	<u>9,863,012</u>
Depreciation							
Balance July 31, 2015	-	1,123,329	-	891,483	709,592	29,844	2,754,248
Charge for the year	-	184,698	-	193,683	133,599	6,300	518,280
Disposals	-	-	-	-	-	-	-
Balance July 31, 2016	<u>-</u>	<u>1,308,027</u>	<u>-</u>	<u>1,085,166</u>	<u>843,191</u>	<u>36,144</u>	<u>3,272,528</u>
Net book value July 31, 2016	<u>\$ 227,775</u>	<u>\$ 5,872,035</u>	<u>\$ 8,324</u>	<u>\$ 254,371</u>	<u>\$ 215,018</u>	<u>\$ 12,961</u>	<u>\$ 6,590,484</u>
Net book value July 31, 2015	<u>\$ 226,175</u>	<u>\$ 6,055,613</u>	<u>\$ 11,459</u>	<u>\$ 413,291</u>	<u>\$ 312,843</u>	<u>\$ 19,261</u>	<u>\$ 7,038,642</u>

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
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7. Investment property

During the year ended December 31, 1999, at two separate Special General Meetings the membership approved both an amendment of the Credit Union Rules (the "Rules") to allow for the investment of funds in real estate and the purchase of two parcels (at a cost of \$1,175,870) of land adjoining the Credit Union's current premises at 58 Huldah Ave. As of July 13, 2017 this property was valued at \$3,115,000. The Cayman Islands Government completed a road widening project on Smith Road in 2017 and this resulted in the Credit Union having to sell a small portion of this property. The Credit Union received \$24,289 for the property recorded at cost of \$4,196 (net of impairment) which resulted in a gain of \$20,093.

During the year ended July 31, 2005, the Credit Union purchased land in Cayman Brac at a cost of \$126,308. This land was valued based on market data, by an independent appraiser with a relevant and recognized professional qualification as of July 13, 2017 at \$228,000.

During the year ended July 31, 2010, the Credit Union purchased additional land on Smith Road, Grand Cayman, at a total cost (including acquisition costs) of \$455,297. A building that was situated on the property was demolished during the year ended July 31, 2012 leading to the fall in value of the property and as a result an impairment loss of \$215,297 was recognized in the Statement of Comprehensive Income for the year ended July 31, 2012. As of July 13, 2017 this property was valued at \$229,000, as a result an impairment loss of \$11,000 has been recognized in the Statement of Comprehensive Income for the year. The Cayman Islands Government completed a road widening project on Smith Road in 2017 and this resulted in the Credit Union having to sell a small portion of this property. The Credit Union received \$10,542 for the property recorded at cost of \$10,286 (net of impairment) which resulted in a gain of \$255.

During the year ended July 31, 2014 the Credit Union purchased land on Huldah Avenue for \$376,401. This land was valued based on market data, by an independent appraiser with a relevant and recognized professional qualification as of May 3, 2015 at \$316,000, as a result an impairment loss of \$60,401 has been recognized in the Statement of Comprehensive Income for the year 2015. This land had a market value as of July 13, 2017 of \$316,000.

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

As at July 31, 2017:

	<u>Investment Property</u>
Balance, beginning of year	1,858,978
Impairment charge	(11,000)
Additions/ (Disposals)	<u>(14,482)</u>
Balance, end of year	\$ <u>1,833,496</u>

As at July 31, 2016:

	<u>Investment Property</u>
Balance, beginning of year	1,858,178
Impairment charge	-
Additions/ (Disposals)	<u>800</u>
Balance, end of year	\$ <u>1,858,978</u>

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8. Members' deposits

Members' deposits comprise the following:

	<u>2017</u>	<u>July 31,</u> <u>2016</u>
Regular savings	9,150,521	7,379,003
Term deposits	<u>548,811</u>	<u>327,106</u>
	<u>\$ 9,699,332</u>	<u>\$ 7,706,109</u>

Included in members' deposits are deposits of \$157,811 (2016: \$94,546) placed by directors, employees and committee members of the Credit Union (Note 19).

9. Members' shares

The members' equity in the Credit Union is unlimited and is divided into shares of a par value of \$2 each. The liability of each member, in case of liquidation, is limited to the value of the shares held by the member at the par value. Per Article III of the Rules, the maximum amount of shares which may be held by any one member shall not exceed 20% of total members' shares. Unless provided as collateral for loans, money paid in on shares, or instalments of shares, may be withdrawn in whole or in part on any day when the Credit Union is open for business. However, the Board of Directors have the right to require a member to give up to six months notice of intention to withdraw.

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

Included in members shares are shares of \$3,057,280 (2016: \$2,712,171) placed by directors, employees and committee members of the Credit Union (Note 19).

10. Statutory Reserve

The Law and Article XIII of the Rules require that 20% of the net surplus (before dividends on member shares) (Note 20) of each financial year be set aside to the Statutory Reserve. During the year ended July 31, 2017, Credit Union transferred 20% (2016: 20%) or \$1,594,891 (2016: \$1,275,345) of the Statutory Reserve from the Undistributed Surplus.

Article XIII of the Rules also requires that all entrance fees (\$10 per member) and transfer fees be credited to this reserve. During the year ended July 31, 2017 the total entrance fees credited to this reserve was \$8,675 (2016: \$7,990).

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

11. Mortgage Fund

The Credit Union established this fund in 1993 by appropriation from the Undistributed Surplus to enable the Credit Union to set aside funds to provide longer-term mortgage loans to members.

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JULY 31, 2017

12. Development Fund

The Credit Union established this fund in 1992 by appropriation from Undistributed Surplus for future development of the Credit Union.

13. Scholarship/Training Fund

On November 30, 2016 at the AGM in respect of the year ended July 31, 2016, the members resolved to transfer an amount of \$150,000 (2016: \$150,000) to the Scholarship fund and \$43,541 (2016: \$43,420) to training of the volunteers and staff. This was satisfied by way of appropriation of funds from the Undistributed Surplus in accordance with Article XIII of the Rules (Note 21).

14. Dividends paid/payable

On November 30, 2016 at the AGM in respect of the year ended July 31, 2016, the members resolved to pay a dividend of 2.4% or \$4,743,938 (2015: 2.4% or \$4,483,332) This was satisfied by way of appropriation of funds from the Undistributed Surplus and was recorded in the financial statements for the year ended July 31, 2017.

15. Loan Interest Rebate/payable

On November 30, 2016 at the AGM in respect of the year ended July 31, 2016, the members resolved to pay for the first time a loan interest rebate of 2% or \$159,903 (2015: 2% or \$160,343). This was satisfied by way of appropriation of funds from the Undistributed Surplus and was recorded in the financial statements for the year ended July 31, 2017.

16. Services fees – cash advances

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

The Credit Union does not charge any interest on cash advances, but levies a service fee of 10% of the total value of the sum advanced. During the year ended July 31, 2017 the cash advance fees earned was \$388,897 (2016: \$361,704) and is included within interest income – service fees cash advances, in the Statement of Comprehensive Income.

17. CUNA Mutual Insurance premiums & refund

The Credit Union pays for life insurance coverage at a rate of US\$0.37 per US\$1,000 per month on member savings (shares and deposits) (“Life Savings”), up to a maximum of US\$20,000 held in members savings per member, and loans (“Loan Protection”) up to a maximum of US\$40,000 in loans per member, through the Credit Union National Association Mutual Insurance Society (“CUNA”), based in the United States of America. Subject to qualifying criteria and terms and conditions, the maximum value of the insurance on member’s savings is US\$20,000 or equivalent, and the maximum value of the insurance on loans is US\$40,000 or equivalent. During the year, the Credit Union paid \$594,271 (2016: \$559,629) in insurance premiums. In addition, the Credit Union received an ‘experience refund’ from CUNA of \$625,077 (2016: \$0). This refund is recognized as income in the Statement of Comprehensive Income only upon receipt.

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JULY 31, 2017

18. Pension plan

The Credit Union and its employees make contributions (7% and 3% respectively) to a defined contribution pension plan regulated in the Cayman Islands. During the year, the Credit Union made \$178,899 (2016: \$171,767) in pension contributions and this amount is included in salaries and other personnel costs in the Statement of Comprehensive Income.

19. Related party transactions and balances

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

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

	Year ended	
	<u>July 31,</u>	
	<u>2017</u>	<u>2016</u>
Salaries and other short-term benefits	145,289	144,963
Defined contributions pension costs	<u>9,920</u>	<u>9,920</u>
	<u>\$ 155,209</u>	<u>\$ 154,883</u>

All of the members of the Board of Directors and Committees are voluntary and do not receive any remuneration or benefits for services rendered except as described below.

An honorarium of \$2,500 (2016: \$2,500) was paid to the Treasurer of the Grand Cayman office, and an honorarium of \$1,500 (2016: \$1,500) was paid to the Assistant Treasurer of the Cayman Brac office. The granting of these honoraria is subject to the ratification of the members at the AGM and is shown as an appropriation from the Undistributed Surplus in accordance with Article XIII of the Rules (Note 21).

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

20. Commitments

As at July 31, 2017 the Credit Committee had approved a number of commitments for undrawn loans to a value of \$1,483,052 (2016: \$961,015).

The Credit Union leased premises for its storage. The lease term was five years with three years remaining at July 31, 2017. The Credit Union currently pays \$2,100 (2016: \$2,100) per month. The Credit Union continued to occupy this leased premises through the date of approval of these financial statements. During the year ended July 31, 2017 the Credit Union incurred rental expense for this property of \$24,200 (2016: \$25,200), which is included within premises costs in the Statement of Comprehensive Income.

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

JULY 31, 2017

21. Capital management

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

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

- i. at least 20% of net income shall be carried to the Reserve Fund in accordance with Article XIV (Note 10);
- ii. the remainder shall be utilized as the AGM may decide in any one or more of the following ways:
 - a. to pay to members a dividend not exceeding what is prescribed by Law (at present six percent per annum) on fully paid shares provided that fully paid shares for any one month may include payment received within the first 7 days of that month;
 - b. to pay a bonus to members in proportion to the amount of interest on loans paid by them to the Credit Union; provided that the dividend and bonus due to any member shall be placed to the credit of his share capital account in any case in which there is any unpaid balance due and owing on the shares for which such member has subscribed, until such balance is paid off;
 - c. to promote co-operative education among members; and for any social, charitable or cultural purposes, subject to Section 36 of the Law;
 - d. to create any Special Reserve;
 - e. to pay Honoraria.
 - f. to create and maintain a Share Transfer Fund to be used as prescribed in Rule 15 and the By-Laws.

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

Management consider that the Credit Union has complied with these requirements during the years ended July 31, 2017 and 2016.

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

22. Financial risk management

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

Introduction and overview

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

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

22. Financial risk management (continued)

Introduction and overview (continued)

The Supervisory Committee is responsible for the monitoring of any deviations from the Rules, established policies and procedures. The activities of the Supervisory Committee include the inspections of securities, cash and accounts of the Credit Union, examination of the affairs of the Credit Union and investigating any complaints made by members affecting the proper running of the Credit Union. In the process of its examinations and audits, the Committee can examine all applications for loans made during the period under examination and satisfy itself that the loans have been issued in accordance with the established policies and procedures. The Supervisory Committee is required to send a report of its activities to the Board quarterly.

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

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

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

Credit risk

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

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

Cash at bank and fixed deposits

The Credit Union seeks to mitigate its credit risk by placing its cash at banks and fixed deposits with reputable financial institutions. At July 31, 2017 and July 31, 2016 all of the cash at bank and fixed deposits are placed with two unrated financial institution who holds Class A banking licenses, being Cayman National Bank and Butterfield Bank (Cayman) Limited which in the opinion of management are stable financial institutions and in addition are regulated by the Cayman Islands Monetary Authority. The Credit Union manages the exposure by placing its funds on deposit across the two different financial institutions.

Loans to Members

All of the Credit Union's business activity is with its members, who are employees or former employees, or relations thereof, of the Government of the Cayman Islands and Statutory Authorities/Boards or Utility Companies operating

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

22. Financial risk management (continued)

Credit risk (continued)

Loans to Members (continued)

in the Cayman Islands, which gives rise to a concentration of risk in respect of geographical area, as both members and assets pledged as security are based exclusively in the Cayman Islands.

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

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

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

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

- Loan be made to members only, for provident and productive purposes only;
- New members may only borrow outside of savings after a period of three months have passed;
- Satisfactory proof of employment or income to support members repayment capacity;
- Limit of debt service ratio to generally 50% of members income for regular out of share loan products and 40-45% for 25 year loan product;
- Completion of the required loan application forms and approval by Manager of Loans and Credit Committee;
- Loans to officers, members of the Board or Committees require approval by the Board of Directors and Supervisory Committee in conjunction with the Credit Committee;
- Certain repayment requirements on pre-existing loans prior to approval for additional loans;
- Loans are not granted to delinquent members, or only to former delinquent members after a period of 6 - 12 months during which time their accounts must have been maintained satisfactorily;
- Completion of satisfactory credit checks at all local financial institutions for any amount at Credit Union's discretion;
- Significant loans in excess of \$350,000 (2016: \$350,000) require the formal approval of the Board of Directors, in addition to that of the Credit Committee;
- The period of the loan shall generally not exceed 25 years (2016: 25 years);
- Minimum member share-to-loan ratios for out of share loans that range from 1:10 to 1:20 (2016: 1:10 to 1:20) exclusive of other collateral obtained; and
- The extension of credit is generally limited to 80% of the value of the collateral obtained (in the case of land and structure) or 100% in the case of raw land, in addition to the other conditions of lending as discussed above.

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22. Financial risk management (continued)

Credit risk (continued)

Collateral required for loans

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

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

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

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

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

These loans are only granted to members subject to the satisfaction of strict lending criteria including assessment of borrower's past credit history, ability to repay, confirmation of employment status. The maximum value of the unsecured element on any one loan is limited to \$5,500.

In addition to the "Character Loans", the Credit Union also offer overdrafts and cash advances to members which are also unsecured. Cash advances are issued for a period of 1 month. In February 2016, the repayment term for overdraft loans were extended, by Board approval, to 36 months. These lending products are only offered to members after careful consideration of the members' repayment ability and assessment of credit status.

Management of credit risk, post credit origination

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

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

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JULY 31, 2017

22. Financial risk management (continued)

Credit risk (continued)

Management of credit risk, post credit origination (continued)

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

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

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

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

22. Financial risk management (continued)

Credit risk (continued)

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

Market risk

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

Currency risk

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

Equity price risk

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

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

	<u>2017</u>	<u>2016</u>
+ 10%	237,974	198,888
- 10%	(237,974)	(198,888)

Interest rate risk

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

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

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

22. Financial risk management (continued)

Interest rate risk (continued)

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

	<u>2017</u>	<u>2016</u>
Interest earned on loans:		
+ 0.05%	85,524	81,323
- 0.05%	(85,524)	(81,323)

Note if interest rates change the interest rates are fixed therefore the Credit Union has the ability to changes these rates at their own discretion.

Interest earned on fixed deposits:		
+ 0.10%	52,644	32,465
- 0.10%	(52,644)	(32,465)
Interest paid on member deposits:		
+ 0.50%	(48,497)	(38,531)
- 0.50%	48,497	38,531

The tables below summarize the Credit Union's exposure to interest rate risk, as of July 31, 2017 and 2016. Included in the tables are the financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity date.

<u>July 31, 2017</u>	<u>Under six months</u>	<u>Six months to one year</u>	<u>One year to five years</u>	<u>Five years to ten years</u>	<u>Over ten years</u>	<u>Non-interest bearing</u>	<u>Total</u>
Assets:							
Cash on hand and at bank	354,150	-	-	-	-	10,216,826	10,570,976
Fixed deposits	69,624,276	-	-	-	-	-	69,624,276
Securities at fair value through P&L	-	-	-	-	-	2,379,736	2,379,736
Mortgages and personal loans	<u>11,831,401</u>	<u>10,248,393</u>	<u>62,960,144</u>	<u>47,385,657</u>	<u>44,460,729</u>	<u>-</u>	<u>176,886,324</u>
	<u>\$ 81,809,827</u>	<u>\$ 10,248,393</u>	<u>\$ 62,960,144</u>	<u>\$ 47,385,657</u>	<u>\$ 44,460,729</u>	<u>\$ 12,596,562</u>	<u>\$259,461,312</u>

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

22. Financial risk management (continued)

Interest rate risk (continued)

<u>July 31, 2017</u>	<u>Under six months</u>	<u>Six months to one year</u>	<u>One year to five years</u>	<u>Five years to ten years</u>	<u>Over ten years</u>	<u>Non-interest bearing</u>	<u>Total</u>
Liabilities:							
Accrued expenses	-	-	-	-	-	701,360	701,360
Members shares	-	-	-	-	-	224,198,362	224,198,362
Members' deposits							
- Regular savings	9,150,521	-	-	-	-	-	9,150,521
- Term deposits	<u>513,748</u>	<u>35,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>548,811</u>
	<u>\$ 9,664,269</u>	<u>\$ 35,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,899,722</u>	<u>\$ 234,599,054</u>

<u>July 31, 2016</u>	<u>Under six months</u>	<u>Six months to one year</u>	<u>One year to five years</u>	<u>Five years to ten years</u>	<u>Over ten years</u>	<u>Non-interest bearing</u>	<u>Total</u>
Assets:							
Cash on hand and at bank	353,518	-	-	-	-	15,211,370	15,564,888
Fixed deposits	49,397,283	-	-	-	-	-	49,397,283
Securities at fair value through P&L	-	-	-	-	-	1,988,881	1,988,881
Mortgages and personal loans	<u>11,578,355</u>	<u>9,227,304</u>	<u>58,459,776</u>	<u>46,940,979</u>	<u>44,870,764</u>	<u>-</u>	<u>171,077,178</u>
	<u>\$ 61,329,156</u>	<u>\$ 9,227,304</u>	<u>\$ 58,459,776</u>	<u>\$ 46,940,979</u>	<u>\$ 44,870,764</u>	<u>\$ 17,200,251</u>	<u>\$ 238,028,230</u>

<u>July 31, 2016</u>	<u>Under six months</u>	<u>Six months to one year</u>	<u>One year to five years</u>	<u>Five years to ten years</u>	<u>Over ten years</u>	<u>Non-interest bearing</u>	<u>Total</u>
Liabilities:							
Accrued expenses	-	-	-	-	-	467,580	467,580
Members shares	-	-	-	-	-	207,470,296	207,470,296
Members' deposits							
- Regular savings	7,379,003	-	-	-	-	-	7,379,003
- Term deposits	<u>301,366</u>	<u>25,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>327,106</u>
	<u>\$ 7,680,369</u>	<u>\$ 25,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,937,876</u>	<u>\$ 215,643,985</u>

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

22. Financial risk management (continued)

Liquidity risk

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

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

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

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

On a monthly basis, the Chief Financial Officer prepares a liquidity report, which compares total loans to total deposits (including shares) placed by members, cash on hand and cash at bank, including the funds placed on term deposits with other financial institutions. This report is shared with the Chief Executive Officer and to the Board of Directors. Furthermore, on a daily basis, management regularly reviews the total funds drawn down under loans, including loan commitments compared to available funds to ensure that sufficient liquid resources are available. An important element of the credit policies is a review of funds available to ensure that loan applications are not approved without first considering the level of liquid resources available prior to entering into that commitment with the member. The report also includes a summary of those members with significant amounts placed on deposit (balances in excess of \$100,000). As at July 31, 2017, approximately 10 percent (2016: 10 percent) of the member shares are held by 25 (2016: 26) members.

Of these 25 members, only a small portion of the funds on deposit (in the form of members' shares) approx.1.3 percent (2016: 1.69 percent) of total loans) serve as collateral against those members' loans. This represents a significant concentration of liquidity risk arising from monies from these members.

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

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

The loan portfolio comprises loans, issued at varying terms from one month to twenty five years (2016: one month to twenty five years). As outlined above, all loans generally require a minimum level of members shares (loan to share ratio). For all members with loans, access to members' shares is generally restricted where the loan balance exceeds the members share balance. The members' shares available for withdrawal are limited to the amount of shares in excess of that members' loan. Notwithstanding this, there are a significant number of members with no loans, which represents the most significant risk from a liquidity perspective. In the normal course of business,

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

22. Financial risk management (continued)

Liquidity risk (continued)

these funds are available on demand. However, as described in Note 9 the Board of Directors have the right to require members to provide up to six months notice prior to withdrawal of those funds.

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

<u>July 31, 2017</u>	<u>Under six months</u>	<u>Six months to one year</u>	<u>One year to five years</u>	<u>Five years to ten years</u>	<u>Over ten years</u>	<u>No fixed maturity</u>	<u>Total</u>
Cash inflows:							
Cash at bank	10,570,976	-	-	-	-	-	10,570,976
Fixed deposits	69,624,276	-	-	-	-	-	69,624,276
Investment in securities	-	-	-	-	-	2,379,736	2,379,736
Mortgage and personal loans	<u>17,708,110</u>	<u>15,801,720</u>	<u>94,658,541</u>	<u>68,886,805</u>	<u>59,524,599</u>	<u>-</u>	<u>256,579,775</u>
	<u>\$ 97,903,362</u>	<u>\$ 15,801,720</u>	<u>\$ 94,658,541</u>	<u>\$ 68,886,805</u>	<u>\$ 59,524,599</u>	<u>\$ 2,379,736</u>	<u>\$ 339,154,763</u>
Cash outflows:							
Accounts payable and accrued expenses	701,360	-	-	-	-	-	701,360
Members' shares	162,072,464	3,040,584	19,692,489	16,922,082	22,470,743	-	224,198,362
Members' deposits							
- Regular savings	9,150,521	-	-	-	-	-	9,150,521
- Term deposits	<u>516,780</u>	<u>35,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>552,741</u>
	<u>\$ 172,441,125</u>	<u>\$ 3,076,524</u>	<u>\$ 19,692,489</u>	<u>\$ 16,922,082</u>	<u>\$ 22,470,743</u>	<u>\$ -</u>	<u>\$ 234,602,963</u>
Off-balance sheet							
Cash outflows:							
Loan commitments	1,483,052						1,483,052
Net Exposure	<u>\$ (75,234,108)</u>	<u>\$ 12,647,840</u>	<u>\$ 74,961,969</u>	<u>\$ 51,964,723</u>	<u>\$ 37,053,856</u>	<u>\$ 2,379,736</u>	<u>\$ 103,068,748</u>
<u>July 31, 2016</u>	<u>Under six months</u>	<u>Six months to one year</u>	<u>One year to five years</u>	<u>Five years to ten years</u>	<u>Over ten years</u>	<u>No fixed maturity</u>	<u>Total</u>
Cash inflows:							
Cash at bank	15,564,888	-	-	-	-	-	15,564,888
Fixed deposits	49,397,283	-	-	-	-	-	49,397,283
Investment in securities	-	-	-	-	-	1,988,881	1,988,881
Mortgage and personal loans	<u>17,566,462</u>	<u>14,631,923</u>	<u>90,379,438</u>	<u>69,194,652</u>	<u>60,433,259</u>	<u>-</u>	<u>252,205,734</u>
	<u>\$ 82,528,633</u>	<u>\$ 14,631,923</u>	<u>\$ 90,379,438</u>	<u>\$ 69,194,652</u>	<u>\$ 60,433,259</u>	<u>\$ 1,988,881</u>	<u>\$ 319,156,786</u>

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

JULY 31, 2017

22. Financial risk management (continued)

Liquidity risk (continued)

Cash outflows:

Accounts payable and accrued expenses	467,580	-	-	-	-	-	467,580
Members' shares	147,430,269	2,871,757	18,356,103	16,314,176	22,497,991	-	207,470,296
Members' deposits							
- Regular savings	7,379,003	-	-	-	-	-	7,379,003
- Term deposits	<u>304,601</u>	<u>25,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,585</u>
	<u>\$155,581,453</u>	<u>\$ 2,897,741</u>	<u>\$ 18,356,103</u>	<u>\$ 16,314,176</u>	<u>\$ 22,497,991</u>	<u>\$-</u>	<u>\$ 215,647,464</u>

Off-balance sheet

Cash outflows:

Loan commitments	961,015						961,015
------------------	---------	--	--	--	--	--	---------

Net Exposure \$ (74,013,835) \$ 11,734,182 \$ 72,023,335 \$ 52,880,476 \$ 37,935,268 \$ 1,988,881 \$ 102,548,307

23. Financial instruments and other – fair values

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

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

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

As noted in Note 9 members shares are non-interest bearing, however, they may attract dividends. The directors consider that the carrying value of members' shares approximate their fair value due to the inherent characteristics of the instruments for the years ending July 31, 2017 and 2016. As outlined above, members shares are non-interest bearing, may attract a dividend and an element of those members shares act as collateral against members' loans. Members' savings accounts are available on demand. Members' term deposits are at rates that re-price on each roll over date.

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

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

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2017

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

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

24. Interest Income

Interest income comprises of the following:

	Year ended	
	<u>July 31,</u>	
	<u>2017</u>	<u>2016</u>
Mortgage loans	6,629,569	7,328,170
Personal loans	<u>5,018,189</u>	<u>4,195,279</u>
Total interest on loans	<u>\$ 11,647,758</u>	<u>\$ 11,523,449</u>

25. Contingent Liabilities

The Credit Union is intermittently involved in a number of claims or potential claims arising from its operations. Where appropriate, management establishes provisions after taking into consideration the advice of attorneys and other specialists. It is management's policy to rigorously assert its position in such cases. Management has assessed that there is no requirement for a provision for year ending July 31, 2017 and July 31, 2016.

26. Taxation

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

27. Subsequent Events

During October 2017, the Board of Directors recommended a dividend payment of 2.8% which is subject to approval at the Annual General Meeting in November 2017.

RESOLUTIONS TO THE 42ND AGM

RESOLUTION NO. 1

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

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

WHEREAS the Undistributed Surplus of the Credit Union as ascertained by the Audit at 31 July 2017 is **CI\$7,974,455**; and

WHEREAS the payment of the Statutory Reserve shall be **CI\$1,594,891** representing 20% of the Undistributed Surplus; and

WHEREAS the Undistributed Surplus, before Dividends, and after Statutory Reserve of the Credit Union as ascertained by the Audit at 31 July 2017 is **CI\$6,379,566**;

BE IT RESOLVED that this Annual General Meeting approve the following distribution of **CI\$6,379,566**, after payment to the Statutory Reserve of 20% of the Undistributed Surplus.

(a)	Payment of Dividend	2.8%	\$5,915,639
(b)	Payment of Honoraria – Treasurer & Assistant Treasurers		
	Grand Cayman		\$ 2,500
	Cayman Brac		\$ 1,500
(c)	Educational Grants to members for July 2018		\$ 200,000
(d)	Remaining balance to training of members, volunteers and staff		\$ 259,927

Proposed by: The Board of Directors

RESOLUTION NO. 2

As a requirement of the Co-operatives Societies Law © and Article XVI of the Rules of the Credit Union, **BE IT RESOLVED** that this Annual General Meeting of CICSA Co-operative Credit Union Limited, approve the maximum liability of **CI\$5,000,000.00** for the financial year 1 August 2017 to 31 July 2018.

Proposed by: The Board of Directors

RESOLUTION NO. 3

It is hereby resolved that in accordance with the provisions of Article XXII, Rule 81 of the Credit Union Rules (2012 Revision) (the "**Rules**"), Article XV, Rule 70. ii (including for the avoidance of doubt sub-Rules 70. ii. a, b, c and d) of the Rules be and is hereby amended by deleting it in its entirety and replacing it with the following:

"Funds not used in loans to members may be invested in accordance with the Investment Policy of the Credit Union as approved by the Board of Directors from time to time (the "**Investment Policy**").

The Board of Directors shall notify the members of any change to the Investment Policy within 30 days of a decision and make a statement regarding the change at the first General Meeting following any such change."

Proposed by: The Board of Directors

NOMINATING COMMITTEE REPORT

Acting in accordance with the provision of Credit Union Rule 65 (i), the Board of Directors appointed the undersigned members to nominate qualified persons for each vacant post for the purpose of elections at this Annual General Meeting.

BOARD OF DIRECTORS

The following Directors are retiring:

1. **Zena Merren-Chin**
2. **Krishan Welcome**
3. **Shakira Gourzong**

We are pleased to nominate the following members in good standing to serve a two-year term in compliance with Rule 31 (ii):

1. **Zena Merren-Chin**
2. **Krishan Welcome**
3. **Shakira Gourzong**

The remaining Directors continuing to serve the second year of a two-year term are:

1. Michael Nixon
2. James Watler
3. Christopher Goddard
4. Deanna Look Loy

CREDIT COMMITTEE

The following persons are retiring:

1. **Gilbert George Fullerton**
2. **Ida Jane Ebanks**
3. **Brad Conolly**

We are pleased to nominate the following persons to serve in compliance with Rule 44 (ii):

1. **Gilbert George Fullerton**
2. **Ida Jane Ebanks**
3. **Lori Moncrieffe***

The remaining members continuing to serve the second year of a two-year term are:

1. Linda McLean
2. Jenny Powery
3. Beverley McField-Walters
4. Matthew Tibbetts

SUPERVISORY COMMITTEE

The Committee is elected annually; therefore, all members are retiring as follows:

1. **Joseph Solomon**
2. **Jenesha Simpson**
3. **Jennifer Smith**
4. **Vaughn McLean**
5. **Andre Scott**

We are pleased to nominate the following persons to serve for one year in compliance with Rule 52 (ii):

1. **Andre Scott**
2. **Jenesha Simpson**
3. **Jennifer Smith**
4. **Vaughn McLean**
5. **Ravi Persad***
6. **Kim France***

All nominees have agreed to serve if elected.

Chris Goddard
Chairperson

Pat Bell
Member

J Carlon Powery
Member

* At the Special General Meeting held on 9 June 2009, the Board of Directors accepted a recommendation from the floor to include a written biographical sketch on new members being nominated to serve. The biographical sketches on the new nominees are on page 58.



Ravi Persad

Ravi Persad - Supervisory Committee

Mr. Persad is the Manager for Internal Audit & Risk Management at Caribbean Utilities Co Ltd, having joined the company in 2010. Prior to this, he was an Audit Manager in the Office of the Auditor General where he served from 1997 as his first stint in the Cayman Islands, coming from Trinidad. He also became a member of the Credit Union that year. During his time in Trinidad he spent five years with Ernst & Young and subsequently with various leading companies as Financial Controller, Chief Accountant and Senior Internal Auditor.

He possesses 28 years of professional internal and external audit, accounting, finance and management experience in the private and public sectors.

He acquired his BSc (Hons.) in Management Studies from the University of the West Indies in 1989 and completed the Association of Chartered Certified Accountants (ACCA) qualifications in 1995 before moving to the Cayman Islands. During his time at CUC, he completed the Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE) and Certified Information Systems Auditor (CISA) certifications.



Kim France

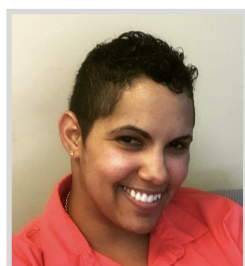
Kim France - Supervisory Committee

Ms. France is the Sanctions Coordinator since February 2017, when the post was established within the Financial Reporting Authority (FRA). Prior to joining the FRA, she was the Chief Financial Officer of the Portfolio of Legal Affairs / Judicial Administration / Office of the Director of Public Prosecutions / Office of the Complaints Commissioner for 5 years and Information Commissioner for 4 years.

Prior to her time with the Cayman Islands Government, she worked with Financial Integrated Services (money service provider, accounting & insurance services) for almost 9 years as the Head of Accounting. She has 25 years of post-professional accounting qualification with 20 years at the managerial level.

Prior to coming to Cayman in 2003, she served the Kingstown Co-operative Credit Union in St. Vincent on the Credit Committee and briefly as a board member.

She has a Master of Science in International Business, a Bachelor of Laws (Hons.), and Diploma in Business Administration (Accounts) (Hons.). She has been a Fellow of the Association of Chartered Certified Accountants (ACCA) since 2001 and was an Associate of the ACCA from 1996 to 2001.



Lori Moncrieffe

Lori Moncrieffe

Lori Moncrieffe is a Caymanian who brings over 10-years Banking and Credit Risk experience through her numerous roles held with one of the largest Banks in the Caribbean, CIBC First Caribbean International Bank.

During her tenure with the Bank, she served in numerous roles within the Wealth Management, International Corporate and Domestic Corporate (most recently) departments. During her career, she has effectively managed the second largest Loan Portfolio within Domestic Corporate (range US\$150-US\$200M) and a Deposit Portfolio within International and Domestic Corporate (US\$75-\$100M).

In the current role as a Credit Manager, her area of focus is Credit Risk where she effectively and efficiently provides strong risk conscious loan structuring assessment for loans ranging from US\$5-20M.

Education

During her academic career, Lori has obtained scholarship awards during her pursuit of her degrees:

In 2007 she was the first recipient of the FirstCaribbean International Bank Scholarship Award in pursuit of her Bachelor Degree. She holds a Bachelor of Science in Finance from the University of Tampa (2009) and is a member of the International Honor Society - Beta Gamma Sigma (2009).

In 2011 she was a recipient of a scholarship award from the Department of Tourism to complete her Master Degree. She holds a Master of Science in Finance and Accounting from the University of Wales (2015).

Affiliations

Active Board Member of the Cayman Islands Little League Association
League Coordinator for the Cayman Islands Adult Co-ed Softball League
Member of the International Honor Society - Beta Gamma Sigma (since 2009)
Member of FirstCaribbean International Bank (Cayman) Limited Scholarship Committee.



Credit Union's are the only financial institutions rooted in people-first principles.

- 1 DEMOCRATIC CONTROL
- 2 OPEN MEMBERSHIP
- 3 NONDISCRIMINATION
- 4 SERVICE TO MEMBERS
- 5 DISTRIBUTION TO MEMBERS
- 6 BUILDING FINANCIAL STABILITY
- 7 CO-OP COOPERATION
- 8 SOCIAL RESPONSIBILITY
- 9 ONGOING EDUCATION

#CUDIFFERENCE

#ICUDAY

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