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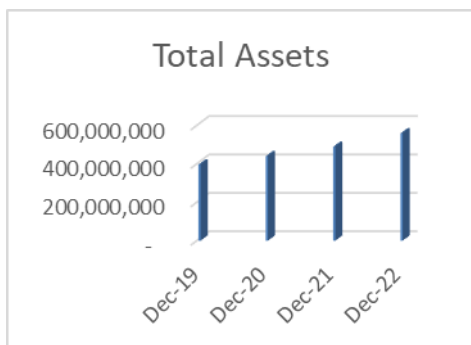
OVERVIEW (CREDIT UNIONS)

Sectoral Overview

For the period ended December 31, 2022, there were eight (8) credit unions registered within the jurisdiction of Antigua and Barbuda. Of these institutions, six (6) were considered to be open bond and two (2) closed bond. Total membership within the sector as at December 31, 2022 amounted to 43,298 up from 41,681 the previous comparable period. For the period under review, the total asset base within the sector amounted to \$558.5M an increase of \$69.8M or 14.3% over the previous

REG #	NAME OF CREDIT UNION
20	Antigua Public Utilities Authority Co-operative Credit
3	The Christian Co-operative Credit Union
6	Community First Co-operative Credit Union
4	Antigua and Barbuda Police Co-operative Credit Union
23	The Antigua and Barbuda Seventh Day Adventist Co-operative Credit Union
9	St John's Co-operative Credit Union
25	People's Co-operative Credit Union
24	Wesleyan Holiness Co-operative Credit Union

year. Of the consolidated outturn for the period under review, two institutions accounted for approximately 95% of the asset base. Based on the Financial Services Regulatory Commission's Risk Based Supervisory Framework, these two credit unions were considered systemically important financial institutions (SIFIs).



Capacity Building

In 2022, the Commission facilitated a training in corporate governance for board members and other volunteers within the sector. This training was spearheaded by the Antigua and Barbuda Co-operative League.



Performance Factors

Protection

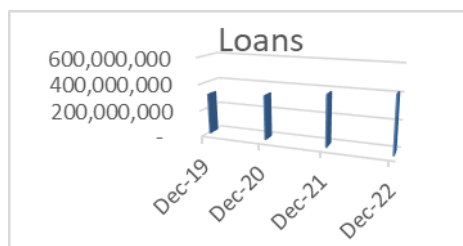
In accordance with legislative requirements, the PEARLS Framework was used to assess the performance of the sector during the review period. In relation to Protection, the P6 (solvency ratio) on a consolidated basis, was above the minimum 111%. Indicatively, on a consolidated basis the minimum standard was met in that there was protection for member savings and shares in the event of liquidation as at December 31, 2022.

Effective Financial Structure

Regarding the Effective Financial Structure, the E1 ratio of net loans to total assets was within the Pearls ratio range of 70-80%. Other Effective Financial Structure ratios which showed compliance with the Pearls standard included both the institutional and net institutional capital to total asset ratio. Outliers though were observed in relation to the savings deposits to total assets as this amounted to 84.3% or 4.3 percentage points above the Pearls E5 ratio maximum. Another outlier was observed in relation to the E7 ratio, Members Shares/Total Asset which was 6.9 percentage points below the Pearls Minimum. This latter development can be considered positive and was indicative of the fact that members' deposits remain the primary funding source for the credit unions' assets.

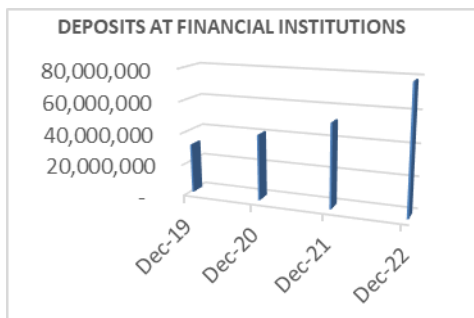
Asset Quality

Lending was the significant activity with-



in the sector for the period under review. Indicative of this development the sector remained susceptible to credit

risk. This risk factor though appeared to be satisfactorily managed at the consolidated bases. As at December 31, 2022, loans and advances amounted to \$422.1M or 75.5% of the total asset base. The majority of the credit was granted to private households and these credits were concentrated in the categories house and land purchases and other personal loans. Credit for distributive/wholesale retail trade was the second largest economic sector to which loans were granted. Deposits at



other financial institutions which accounted for 14.1% of the total assets was the second largest asset component followed by investments which accounted for 7.8%. On a consolidated basis, the level of delinquent loans to the gross loans portfolio was slightly above the 5.0% maximum.

Rate of Return

Performance indicators showed that for the period ended December 31, 2022,

the sector recorded an unaudited surplus of \$8.3M up from \$6.0M the previous year. This development was indicative in part of a lower level of provisioning expense for doubtful debt in 2022.

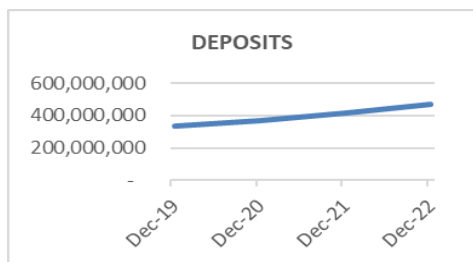
Of the rate of return ratios, R1- Loan Income to Loan Portfolio of 8.0% was consistent with what obtained in the market. Further the Operating Expense to Total Assets ratio (R10) of

3.2% was below the limit of 5.0% or less. In relation to gross income, the operating expense represented 49.8% or 5.2 percentage points below the tolerable limit of 55%. The Return on Assets (R13) and the Return on Equity (R14) ratios were 1.5% and 12.3% respectively.

Liquidity

Over the review period, the sector maintained satisfactory levels of liquidity. No immediate liquidity stress points were observed as at December

Shares was 25.5% or 10 percentage points above the Pearls recommended total. Further, the L2 ratio which measures Liquid Reserves/ Total Deposits & Withdrawable Shares was 22.9% or 12.9% above the recommended level. The Non-earning liquid Assets/Total Assets ratio (L3) of 1.2% was 20 basis points above the maximum level of 1.0%.



31, 2022. Of note for instance, the L1 ratio Liquid Assets -Short term Payables/ Total Deposits & Withdrawable

Risk factors

Credit risk remain the primary risk factor affecting the sector as lending is the significant activity. Though the level of delinquency was above the prudential standard, indications are that on a consolidated basis, there is a primary framework to monitor and manage this particular risk factor. On a consolidated basis, credit risk was assessed as having a moderate inherent risk level.

Market risk was assessed as low as at the period under review. Of note foreign exchange risk was low given the

primary currency exposure both for the assets and the liabilities. Notwithstanding the holding of government issued treasury bills and bonds both government and corporate, price risk was assessed as low. Interest rate risk was also assessed as low given the pricing structure for the assets and liabilities of the credit unions which is within the institutions control. Further, rates within the domestic financial market are not volatile and there is a large degree of convergence in pricing structure for both loans (except in the case of money services business) and deposits across all financial institutions.

Way Forward

The credit union sector will continue to play a critical role fostering financial inclusion within the jurisdiction of Antigua and Barbuda. Further growth is envisaged in relation to increased membership as well as financial activities within the sector. This growth will be driven in part by the ongoing post covid-19 recovery

of the macroeconomy of Antigua and Barbuda.

Internally work is expected to continue on the review of the primary legislation and regulations governing the sector.

APPENDIX A ASSET ITEMS (\$M)

ASSET ITEMS	DEC-19	DEC-20	DEC-21	DEC-22
Cash on hand	7.2	8.9	7.7	6.5
Deposits at other Financial Institutions	31.1	41.3	52.4	78.7
Loans	311.8	339.2	385.2	422.1
Investments	39.6	38.0	37.8	43.5
Fixed Assets	16.4	16.6	7.6	24.5
Other Assets	2.4	3.3	4.2	4.0
Provision for Loan Loss	12.6	7.6	16.1	20.9
TOTAL ASSETS	396.0	439.8	488.6	558.5

APPENDIX B SELECTED LIABILITIES AND CAPITAL ITEMS (\$M)

CAPITAL & LIABILITIES	DEC-19	DEC-20	DEC-21	DEC-22
Deposits	333.3	368.0	414.5	470.7
Borrowings	3.9	3.8	3.7	8.8
Capital and Reserves	55.4	64.5	66.5	75.0
TOTAL CAPITAL & LIABILITIES	396.0	439.8	488.6	558.5

Did you know.....



The risk profile of a credit union or its level of systemic importance impact the frequency of onsite visits by the Commission.



APPENDIX C

SELECTED INCOME AND EXPENSE ITEMS (\$M)

INTEREST INCOME AND EXPENSE	DEC-19	DEC-20	DEC-21	DEC-22
Interest Income	28.0	25.5	33.0	32.8
Interest on Loans	27.2	24.6	31.7	31.4
Interest on Investments	0.8	0.9	1.3	1.3
Interest Expense	6.1	6.8	7.1	8.1
Interest paid on Deposits	5.8	6.5	6.9	7.9
Interest paid on Borrowings Regionally	0.2	0.2	0.2	0.2
Net Interest Income	21.9	18.8	25.9	24.7
Non-Interest Income	3.0	2.5	2.8	3.0
Fee and Commission Income	2.1	1.9	2.3	2.2
Dividend Income	0.0	0.1	0.1	0.0
Other Income	0.9	0.6	0.5	0.8
Non-Interest Expenses	15.5	14.5	16.5	17.8
Salaries and Benefits	6.9	7.2	7.9	8.3
Occupancy & Maintenance Expenses	2.4	2.3	2.7	2.8
Provision for Losses	0.0	0.1	6.3	1.5
NET SURPLUS/(DEFICIT)	9.4	6.7	6.0	8.3

APPENDIX D

SELECTED PEARLS RATIOS

SELECTED PEARLS RATIOS		GOAL	DEC-22
P	Protection		
E	Effective Financial Structure		
1	Net Loans/Total Assets	70-80%	71.9%
2	Liquid Investments/Total Assets	16%	20.7%
3	Financial Investments /Total Assets	Max 2%	1.2%
5	Savings Deposits/Total Assets	70-80%	84.3%
7	Member Shares /Total Assets	10-20%	3.1%
8	Institutional Capital /Total Assets	Min 10%	10.3%
9	Net Institutional Capital /Total Assets	Min 10%	14.1%
A	Asset Quality		
2	Non-Earning Assets/ Total Assets	<=5%	8.2%
R	Rates of Return (Annualized)		
1	Loan Income/Loan Portfolio	Market Rate	7.6%
3	Financial Investment Income/ Financial Investments	Market Rate	20.3%
5	Interest paid on Deposits/Total Deposits	Market Rate	1.7%
10	Operating Expense/Total Assets	<5%	3.2%
12	Operating Expenses/Gross Income	<55%	49.8%
13	Return on Assets	Enough for E9	1.5%
14	Return on Equity	Market Rate	12.3%
L	Liquidity		
1	Liquid Assets -Short term Payables/ Total Deposits & Withdrawable Shares	15%	25.5%
2	Liquid Reserves/ Total Deposits & Withdrawable Shares	10%	22.9%
3	Non-earning liquid Assets/Total Assets	1%	1.2%

Our Vision



The financial services Regulatory commission is committed to the effective regulation and supervision of Antigua and Barbuda's financial services sector, by upholding internationally recognized standards of compliance, thereby positioning the jurisdiction as the preeminent financial centre in the financial services arena.



Mission Statement

To develop Antigua and Barbuda as an effectively regulated, well managed major financial services jurisdiction.

