

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2015

(Expressed in Barbados dollars)

24. Financial Risk Management...(continued)

Credit risk...(continued)

Individually assessed allowances

The Credit Union determines the allowances appropriate for each individually significant loan or advance on an individual basis, including any overdue payments of interest or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Impairment allowances are assessed collectively for losses on loans and advances, held-to-maturity debt investments and loans and receivable investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Credit Union generally bases its analyses on historical experience. However, when there are significant market developments, the Credit Union would include macroeconomic factors within its assessment. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends, and other consumer data. The Credit Union may use the aforementioned factors as appropriate to adjust the impairment allowances.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans' assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration.

Loans with renegotiated terms and the Credit Union's forbearance policy

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Credit Union has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Credit Union has provided initially. The Credit Union implements forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Credit Union's forbearance policy, loan forbearance is granted on a selective basis in situations where the debtor is currently in default on its debt, or where there is a high risk of default, there is evidence that the debtor made all the reasonable efforts to pay under the original contractual terms and it is expected to be able to meet the revised terms.