

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

26. Financial Risk Management, continued

26.2 Credit risk, continued

Financial investments, continued

Assessment of Sovereign debt securities, continued

The above assumptions were the best case scenario for the Group's securities that are backed by the most reasonable and supportable data available at the time of the assessment.

Key data sources as outlined in the expected credit loss assessment methodology were obtained from Moody's, a global credit rating agency that provided published statistics and data on corporate and sovereign bonds and investments. Also used were the yield curves from the Central Bank of Barbados (CBB) and the Institute of Accountants of Barbados (ICAB).

The expected credit losses computed were \$697,784 as at March 31, 2019.

Cash and balances with Central Bank

The credit quality of financial institutions holding the Group's cash resources is assessed according to the level of their credit worthiness and by comparison to other financial institutions. The Group places its cash resources with reputable financial institutions.

Exposure to credit risk before collateral held or other credit enhancements

The Group limits its exposure to credit risk by investing only in entities that have high credit ratings and Government of Barbados securities. Government securities are invested over a longer period than term deposits with other financial institutions which typically mature within one year. The Group has invested in FVOCI and FVTPL equity instruments as well, which gives it an opportunity to monitor the performance of these companies over time and make economic decisions where warranted. The Group has documented investment policies in place, which guide the management of credit risk on investments.

Maximum exposure

Credit risk exposures relating to on-balance sheet assets are as follows:

	<u>2019</u>	<u>2018</u>
Loans and advances to customers:		
Consumer	\$ 723,519,055	682,800,383
Mortgages	470,001,201	457,870,265
Business	33,728,599	26,188,431
Financial investments:		
Amortized costs (2018 – Held to maturity)	22,529,971	25,993,354
Loans and receivables	-	3,958,401
Cash resources	252,492,100	156,888,167

Credit risk exposures relating to off-balance sheet items are as follows:

Loan commitments	<u>74,558,750</u>	<u>66,981,873</u>
Total maximum exposure	\$ <u>1,576,829,676</u>	<u>1,420,680,874</u>