

# 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)*

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## 26. Financial Risk Management, continued

### 26.2 Credit risk, continued

#### **Expected Credit Loss Allowance Model**

Refer to accounting policies 2 (p) (i).

#### **Loans with renegotiated terms and the Group's forbearance policy**

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Group'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.

The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants. All loans are subject to the forbearance policy.

Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. The Group's Credit Committee regularly reviews reports on forbearance activities.

#### **Write-off policy**

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when it is determined that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

#### **Commitments and guarantees**

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the consolidated statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.