

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Introduction, continued

Credit risk

Credit risk is the risk that the Credit Union will incur a loss because its members or counterparties fail to discharge their contractual obligations. The Credit Union manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Credit risk exposures arise principally in lending activities that lead to loans and advances and investment activities that bring debt securities into the Credit Union's asset portfolio. There is also credit risk in off-balance sheet financial instruments such as commitments.

Loans and advances

The Credit Union employs a range of policies and practices to mitigate credit risk relating to loans and advances. The most traditional of these is the taking of security for funds advanced. The principal collateral types for loans and advances within the Credit Union are:

- Mortgages over residential properties
- Charges over financial instruments such as debt securities and equities
- Charges over business assets such as premises
- Hypothecation of deposit balances

It is the Credit Union's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claims. The Credit Union does not occupy repossessed properties for business use.

Financial investments

Assessment of corporate investments (term deposits)

The Credit Union has implemented IFRS 9 effective April 1, 2018 with comparative implications being adjusted through its non-consolidated statement of change in equity. IFRS 9 requires that all financial investments be assessed for impairment based on both past and potential future events. Where the financial asset is deemed impaired, the carrying value of the asset should be written down to reflect the fair market value of the asset.

The Credit Union currently has \$35,825,577 in corporate term deposits. These investments are assessed on an entity level. Currently, these investments are held in the entities which are either regulated by the Central Bank of Barbados or the Financial Services Commission as per section 34 A of the Co-operative Society Act.