

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

Credit risk, continued

| | 2019 | | | | 2018 | | |
|--------------------------------------|----------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Individual | Collective | Total |
| Loans and advances at amortised cost | | | | | | | |
| Balance at April 1 | 933,583 | 1,460,328 | 21,921,247 | 24,315,158 | 17,413,065 | 5,159,262 | 22,572,327 |
| Impact of IFRS 9 | - | - | (571,877) | (571,877) | - | - | - |
| Balance at April 1 (Adjusted) | 933,583 | 1,460,328 | 21,349,370 | 23,743,281 | 17,413,065 | 5,159,262 | 22,572,327 |
| Transfer to Stage 1 | 227,555 | - | - | 227,555 | | | |
| Transfer to Stage 2 | - | 630,392 | - | 630,392 | | | |
| Transfer to Stage 3 | - | - | 492,862 | 492,862 | | | |
| Net remeasurement of loss allowance | (339,073) | (622,653) | 3,557,125 | 2,595,399 | 8,439,952 | (1,904,583) | 6,535,369 |
| Amounts Charged-off | - | - | (3,017,980) | (3,017,980) | (4,792,538) | | (4,792,538) |
| Balance at March 31 | 822,605 | 1,468,067 | 22,381,377 | 24,671,509 | 21,060,479 | 3,254,679 | 24,315,158 |

Liquidity risk and funding management

Liquidity risk is defined as the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Credit Union might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Credit Union has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Credit Union maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Credit Union also has committed lines of credit that it can access to meet liquidity needs.