



ARIZA CREDIT UNION LIMITED

Financial Statements

For the year ended
December 31, 2025

HLB Grenada

ARIZA CREDIT UNION LIMITED
Financial Statements for the year ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARIZA CREDIT UNION LIMITED

Opinion

We have audited the financial statements of Ariza Credit Union Limited as set out on pages 8 to 59, which comprise the statement of financial position as at December 31st, 2025 and the statements of comprehensive income, changes in members' equity and statement cash flows for the year then ended, and a summary of notes to the financial statements including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2025 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibility for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board of Accountants International Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Grenada, and we have fulfilled our ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.



Key Audit Matters	How our audit addresses the key audit matters
<p>1. Expected Credit Loss</p> <p>IFRS 9, Financial Instruments, requires Ariza Credit Union Limited to evaluate credit losses using an expected credit loss ("ECL") model. This approach requires management to make judgements and assumptions in the determination of the probability of default, loss given default and the application of forward-looking information.</p>	<p>We assessed and tested the design and operating effectiveness of controls over:</p> <ul style="list-style-type: none"> • Management's process for making lending decisions inclusive of the approval, disbursement and monitoring of loans and advances to customers. • Management's process for the determination of expected credit losses. • The completeness and accuracy of data used to determine the allowance for ECL, including transactional data captured at loan origination, internal credit quality assessments, storage of data and computations.
<p>Expected Credit Loss continued</p> <p>IFRS 9 requires Ariza Credit Union Limited to record allowance for ECLs for all loans and advances to customers and other financial assets not measured at fair value through profit or loss.</p> <p>Management is continuously assessing the assumptions used in determining the allowance for ECL process, and estimates are updated to account for current market and economic conditions.</p> <p>The allowance for ECL on loans and advances to customers is considered to be a significant matter as it requires the application of judgement and use of subjective assumptions by management. The identification of impairment and the determination of the recoverable amounts are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty and the timing and amount of expected future cash flows</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Reviewed the provision for loan loss policy and evaluated the modeling methodologies developed by Ariza Credit Union Limited in order to estimate ECLs and assessed their compliance with IFRS 9. • Assessed the adequacy of the provision for loan losses by testing the reasonableness of the methodologies and assumptions applied in determining 12-month and lifetime probability of default, loss given default, exposure at default, loan staging and the key assumptions and methodology for incorporating forward-looking information used in the Ariza Credit Union Limited ECL calculations. • Tested the completeness and accuracy of the data used in the models to the underlying accounting records. • Finally, we assessed the adequacy of the disclosures in the financial statements



<p>2. Fair Value of investments</p> <p>Ariza Credit Union Limited invests in various investment securities (Bonds and shares) measured at fair value. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. The techniques used in valuing these investments include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve.</p>	<p><i>Our procedures included the following:</i></p> <ul style="list-style-type: none"> • We review the reasonableness of the methods and assumptions used in determining the fair value of investment securities. • We review the fair value and recalculate the unrealized gain or (loss) recognized. • We also reviewed management's assessments of whether there are any indicators of impairment including those securities that are not actively traded. • Finally, we assessed the adequacy of the disclosures in the financial statements
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Other Information included in the Annual Report

Management is responsible for any other information that does not form part of these financial statements including their annual report. Our opinion on these statements does not cover other information and therefore we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in so doing, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work that we have performed, we concluded that there is a material misstatement of the other information, then, we are required to communicate the matter to those charged with governance.

Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matter related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or cease operations, or has no realistic alternative but to do so.





Those charged with Governance are responsible for overseeing the Credit Union's financial reporting process.

Auditors' responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a higher level of assurance but is not a guarantee that audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements whether due to fraud or error, designed and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubts on the Credit Union's ability to continue as a going concern.

If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.



Auditors' responsibilities for the Audit of the Financial Statements Continued

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Hyacinth Jeremiah.

St. George's
Grenada
April 13, 2026

A handwritten signature in black ink, appearing to be 'HLB', written over a horizontal line.

HLB Grenada
Certified Chartered Accountants



ASSETS	Notes	2025	2024
Earning Assets			
Members' loans	7	571,680,467	518,001,706
Investment property	8	15,170,939	14,808,292
Investment securities	11	<u>58,627,363</u>	<u>57,172,370</u>
Total earnings assets		<u>645,478,769</u>	<u>589,982,368</u>
Non-Earning Assets			
Property and equipment	12	24,909,188	24,721,573
Other Assets			
Cash and cash equivalents	9	29,734,384	40,860,314
Accounts receivables and prepayments	10	<u>4,257,989</u>	<u>21,857,213</u>
Total non-earnings assets		<u>58,901,561</u>	<u>87,439,100</u>
Total Assets		<u>\$704,380,330</u>	<u>\$677,421,468</u>
EQUITY AND LIABILITIES			
Institutional Capital			
Members qualifying equity	16	12,171,460	11,470,935
Statutory reserve	17	27,681,737	24,439,596
Accumulated surplus		<u>35,385,889</u>	<u>30,668,182</u>
Total institutional capital		<u>75,239,086</u>	<u>66,578,713</u>

ARIZA CREDIT UNION LIMITED
 (Expressed in Eastern Caribbean Dollars)
 Statement of Financial Position as at December 31, 2025 Continued



Members' equity shares	18	18,085,812	16,426,579
Other Funds and Reserves			
Development fund	19 (a)	335,500	325,598
Education fund	19 (b)	2,066,486	1,730,986
Education savings plan fund	19 (c)	1,870,407	2,051,691
Provident fund	19 (d)	916,061	720,929
Disaster relief fund	19 (e)	<u>629,871</u>	<u>-</u>
Total other funds and reserves		5,818,325	4,829,204
Total Equity		<u>99,143,223</u>	<u>87,834,496</u>
Current Liabilities			
Members lifetime savings	13	342,688,616	317,205,594
Other deposits	14	259,339,371	236,822,181
Non-interest-bearing liabilities	15	3,204,215	35,265,066
Special pension liability		-	291,656
Other liabilities	15	<u>4,905</u>	<u>2,475</u>
Total Liabilities		<u>605,237,107</u>	<u>589,586,972</u>
Total Equity and Liabilities		<u>\$704,380,330</u>	<u>\$677,421,468</u>

Chairman 

Director 

The accompanying notes on pages 10 to 54 form an integral part of these financial statements





	Notes	2025	2024
Income from loans			
Interest from member loans		40,254,495	37,020,903
Fees and charges		2,889,515	2,812,426
Loan protection		(1,283,160)	(1,201,160)
Doubtful debts recovered		<u>22,220</u>	<u>19,660</u>
Net loan income		41,883,070	38,651,829
Income from liquid investments			
Interest on investments-dated securities		1,665,180	1,803,061
Interest investments -other		44,574	12,604
Other income		<u>2,372,478</u>	<u>1,947,476</u>
Total Income		<u>45,965,302</u>	<u>42,414,970</u>
Financial Costs			
Investment transaction cost		12,322	19,683
Interest on deposits		12,669,413	11,870,137
Life savings insurance		606,390	577,696
OD interest & bank Charges		<u>539,365</u>	<u>492,965</u>
		<u>13,827,490</u>	<u>12,960,481</u>
Gross Margin		32,137,812	29,454,489

ARIZA CREDIT UNION LIMITED

(Expressed in Eastern Caribbean Dollars)

Statement of Comprehensive Income for the year ended December 31, 2025

Continued



Operating Expenses

Personnel		11,022,198	9,759,389
Governance		670,387	984,063
Marketing		1,325,568	1,147,224
Administration		4,660,713	4,272,812
Depreciation	12	<u>1,131,047</u>	<u>1,068,380</u>

Total Operating Expenses

18,809,913 **17,231,868**

Total Operating Surplus

13,327,899 **12,222,621**

Less: Provision for risk assets		(2,000,000)	(3,672,864)
Provision for vacation accrual		<u>(144,553)</u>	<u>(141,110)</u>

Surplus for the year before appropriation

11,183,346 **8,408,647**

Appropriations

Transfer to: Statutory reserve	17	2,795,836	2,102,162
Development fund	19 (a)	335,500	252,259
Education of members fund	19 (b)	335,500	252,259
Education savings plan fund	19 (c)	335,500	252,259
Provident fund	19 (d)	335,500	168,173
Disaster relief fund	19 (e)	<u>223,667</u>	<u>-</u>

Total comprehensive income for the year

\$6,821,843 **\$5,381,535**

The accompanying notes on pages 10 to 54 form an integral part of these financial statements



ARIZA CREDIT UNION

(Expressed in Eastern Caribbean Dollars)

Statement of Changes in Members' Equity for the year ended December 31, 2025



	Qualifying and Equity Shares	Statutory Reserve	Other Funds and Reserves	Accumulated Surplus	Total
Balance at January 1, 2024	24,215,234	22,134,852	4,464,350	27,466,938	78,281,374
Net movement in shares	3,682,280	-	-	-	3,682,280
Entrance fees	-	24,340	-	-	24,340
Net movement on other funds and reserves	-	2,280,404	364,854	(3,027,113)	(381,855)
Dividends paid	-	-	-	(2,180,290)	(2,180,290)
Net surplus for the year	-	-	-	8,408,647	8,408,647
Balance at December 31, 2024	27,897,514	24,439,596	4,829,204	30,668,182	87,834,496
Net movement in shares	2,359,758	-	-	-	2,359,758
Entrance fees	-	24,476	-	-	24,476
Net movement on other funds and reserves	-	3,217,665	989,121	(4,118,647)	88,139
Dividends paid	-	-	-	(2,346,992)	(2,346,992)
Net surplus for the year	-	-	-	11,183,346	11,183,346
Balance at December 31, 2025	<u>\$30,257,272</u>	<u>\$27,681,737</u>	<u>\$5,818,325</u>	<u>\$35,385,889</u>	<u>\$99,143,223</u>

The accompanying notes on pages 10 to 54 form an integral part of these financial statements



	2025	2024
Cash flows from operating activities		
Surplus for the year before appropriation	11,183,346	8,408,647
Adjustments for non-cash transactions:		
Provision for risk assets	2,000,000	3,422,864
Provision for vacation accrual	144,553	141,110
Depreciation	1,131,047	1,068,380
Interest income	(41,919,674)	(38,823,964)
Interest expense	12,669,413	11,870,137
Net movement in reserves	<u>88,140</u>	<u>(381,857)</u>
Operating loss before working capital changes	(14,703,175)	(14,294,683)
Decrease/(Increase) in accounts receivable and prepay- ments	16,051,046	(5,769,802)
Increase in members' loans	(57,103,813)	(51,421,987)
Increase in members' deposits	25,483,022	22,670,097
Increase in other deposits	22,517,190	10,402,993
(Decrease)/Increase in non-interest-bearing liabilities	(32,807,036)	13,864,005
Decrease in pension liability	(291,656)	(1,223,830)
Increase in other liabilities	<u>2,430</u>	<u>(456)</u>
Cash used in operations	(40,851,992)	(25,773,663)
Interest received	43,467,852	38,588,023
Interest paid	<u>(12,067,785)</u>	<u>(12,091,172)</u>
Net cash (used in)/provided by operating activities	<u>(9,451,925)</u>	<u>723,188</u>
Cash flows from investing activities		
Purchase of property and equipment	(2,303,790)	(824,536)
Disposal of property and equipment	198	14,014
Change in investment property	(362,647)	(480,524)
Change in investment securities	<u>954,992</u>	<u>1,498,100</u>
Cash used in investing activities	<u>(1,711,247)</u>	<u>207,054</u>
Cash flows from financing activities		
Entrance fees	24,476	24,340
Dividends paid	(2,346,992)	(2,180,290)
Increase in members' shares	<u>2,359,758</u>	<u>3,682,282</u>
Net cash provided by financing activities	<u>37,242</u>	<u>1,526,332</u>



ARIZA CREDIT UNION LIMITED

(Expressed in Eastern Caribbean Dollars)

Statement of Cash Flows for the year ended December 31, 2025 Continued



Net change in cash and cash equivalents during the year

(11,125,930)

2,456,574

Cash and cash equivalents, beginning of year

40,860,314

38,403,740

Cash and cash equivalents at the end of the year

\$29,734,384

\$40,860,314

Represented by:

Cash on hand

8,158,065

6,179,816

Cash at bank

21,576,319

34,680,498

Net cash and bank balance

\$29,734,384

\$40,860,314

The accompanying notes on pages 10 to 54 form an integral part of these financial statements



1. PRINCIPAL ACTIVITY

The principal activities of Ariza Credit Union Limited ("The Credit Union") centers around its mission of improving the quality of life of its members through sound financial solutions tailored to their needs. Over the past seventy-eight (78) years, the Credit Union has provided all-inclusive financial solutions to members including savings, investment and credit facilities

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as issued by the International Accounting Standards Board (IASB).

These financial statements were approved by the Board of Directors and authorized for issue on March 31st, 2026.

3. BASIS OF PREPARATION

These financial statements are expressed in Eastern Caribbean Currency and have been prepared in accordance with the historical cost convention in compliance with International Financial Reporting Standards, except for the following:

- Financial instruments - fair value through other comprehensive income
- Revalued property - fair value
- Contingent consideration - fair value
- Intangible assets - fair value

4. ESTIMATES CRITICAL TO REPORTED AMOUNTS, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Credit Union's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 6.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Revenue recognition

Revenue arises from the rendering of services. The Credit Union recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for the Credit Union's activities. It is measured at the fair value of consideration received or receivable. Revenue is recognised as follows:





5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

(i) Interest income

Interest income is recognised in the statement of comprehensive income, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability.

The Credit Union's calculation of the effective interest rate includes all material fees received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(ii) Other income

Other income is recognised on the accrual basis except for dividend income which is accounted for on the cash basis.

(b) Foreign currency translation

(a) Functional and presentation currency

These financial statements are presented in Eastern Caribbean Dollars, which is the Credit Union's functional and presentation currency. All financial information presented in Eastern Caribbean Dollars has been rounded to the nearest dollar.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Eastern Caribbean Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Eastern Caribbean Dollars at foreign exchange rates ruling at the dates the values were determined.

(c) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are recognised in the statement of comprehensive income on the straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.



5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

(i) Credit Union as a lessee

The Credit Union applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Credit Union recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Credit Union recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

(ii) Credit Union as a lessor

Leases in which the Credit Union does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(d) Financial instruments

The Credit Union recognises a financial asset or a liability in the statement of financial position when it becomes party to the contractual provision of the instruments.

(i) Initial recognition and measurement of financial instruments

At initial recognition, the Credit Union measures its financial assets and financial liabilities at their fair values plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions.

If the Credit Union determines that the fair value of its financial assets and liabilities at initial recognition differs from the transaction price, the difference is recognised as follows:

- If that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss.





5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

- In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, the recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

(ii) Classification and subsequent measurement of financial assets

The Credit Union classifies the financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- i. the Credit Union's business model for managing the financial assets; and
- ii. the contractual cash flow characteristics of the financial asset.

Based on these factors, the Credit Union classifies its asset into one of the following measurements:

(iii) Financial assets at amortized cost

A financial asset is measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are classified as non-current assets.

(iv) Classification and subsequent measurement of financial assets (continued)

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset. When calculating the effective interest rate, the estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.



5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

The Credit Union's financial assets measured at amortized cost include loans to members, investments in fixed deposits and treasury bills and cash and cash equivalents.

(v) Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(vi) Financial assets at fair value through other profit or loss (FVTPL)

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The Credit union does not have any assets measured at FVTPL.

(vii) Undrawn loan commitments

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Credit Union is required to provide a loan with pre-specified terms to the member. These contracts are in the scope of the ECL requirements. The nominal contractual value of letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

(viii) Reclassifications

If the business model under which hold the financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Credit Union's financial assets. During the current financial year and previous accounting period there were no changes in the business models under which the Credit Union holds financial assets and therefore no reclassifications were made except for the new classifications under IFRS 9. Changes in contractual cash flows are considered under the accounting policy on *Modification of loans to members* in Note 4.5 (d) and *Derecognition of financial assets* in Note 4.5 (f).





5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

(ix) Impairment of Financial Assets

The Credit Union recognizes a loss allowance for expected credit losses (ECL) on financial assets measured at amortized cost and the exposure arising from loan commitments and financial guarantee contracts. The expected credit losses are assessed on a forward-looking basis. The Credit Union's measurement of ECL reflects:

- i. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- ii. the time value of money; and
- iii. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD — The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD — The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD — The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognized separately. It is usually expressed as a percentage of the EAD.

The financial assets are grouped based on shared credit risk characteristics to determine the average credit losses for each group of assets. The Credit Union considers this approach to be a reasonable estimate of the probability-weighted amount. The lifetime expected credit losses for the nonperforming financial assets are assessed on an individual basis. The Credit Union considers if there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable



5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

and supportable information, including that which is forward-looking. At each reporting date, the Credit Union measures the loss allowance at an amount equal to the lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition.

The Credit Union considers the following factors in assessing changes in credit risk since initial recognition:

- significant changes in internal price indicators of credit risk;
- changes in the rates or terms of an existing instrument that would be significantly different if the instrument was newly issued (eg. more stringent covenants);
- significant increases in credit risk on other financial instruments from the same borrower;
- an actual or forecast significant adverse changes in the business, financial or economic conditions that are expected to significantly affect the borrower's ability to meet its debt obligations (e.g. increase in interest rates and unemployment rates);
- an actual or expected significant change in the financial instrument's external credit rating;
- an actual or expected internal credit rating downgrade for the borrower or decrease in behavioral scoring used to assess credit risk internally;
- an actual or expected significant change in the operating results of the borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of guarantees or credit enhancements reductions in financial support from a parent entity that are expected to reduce the borrower's incentive to make scheduled contractual payments;
- expected breaches of contract that may, for example, lead to covenant waivers or amendments,
- that significantly affect, or are expected to affect, the borrower's ability to meet its debt obligations;
- changes in the Credit Union's credit management approach in relation to the financial instrument (e.g. specific intervention with the borrower, more active or close monitoring of the instrument by the Credit Union);





5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

- significant changes in the expected performance and behaviour of the borrower including changes in the payment status of borrowers in the (e.g. expected increase in delayed contractual payments); and
- past due information, including the rebuttable presumption of more than 30 days past due.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Credit Union under the contract and the cash flows that the Credit Union expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Credit Union if the holder of the commitment draws down the loan and the cash flows that the Credit Union expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Credit Union expects to receive from the holder, the debtor or any other party.

The Credit Union measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.



5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Credit Union assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Credit Union considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.



5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

- the borrower is past due more than 90 days on any material credit obligation to the Credit Union; or
- the borrower is unlikely to pay its credit obligations to the Credit Union in full.

This definition of default is used by the Credit Union for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Credit Union considers both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Credit Union uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired.

Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

(x) Modification of loans to members

When the Credit Union renegotiates or otherwise modifies, the contractual cash flows of its customer loans, the Credit Union assesses whether or not the new terms are substantially different from the original terms of the agreement. The Credit Union derecognizes the original loan if the terms are substantially different and recognizes the new loan at its fair value. The Credit Union also recalculates the new effective interest rate for the loan. The date of the modification is considered to be the date of initial recognition of the new loan when applying the impairment requirements and also assessing whether a significant increase in credit risk has occurred. The Credit Union also considers whether there may be evidence that the modified loan is credit-impaired at initial recognition. In this situation, the loan is recognized as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset as a result of the borrower being unable to make the originally agreed payments. Differences in the carrying amount are recognized as a gain or loss on derecognition in the statement of comprehensive income.

If the new terms are not substantially different the original loan is not derecognized. The Credit Union recalculates the gross carrying amount of the loan and recognizes a modification gain or loss in the statement of comprehensive income. The gross amount of the loan is recalculated as the present value of



5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

the renegotiated contractual cash flows discounted at the loan's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Any costs or fees incurred adjust the carrying amount of the modified loan and are amortized over the remaining term of the modified financial asset.

(xi) Write offs

The Credit Union directly reduces the gross carrying amount of a financial asset when the Credit Union has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. This is the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

The Credit Union may apply enforcement activities to financial assets written off. Recoveries resulting from the Credit Union's enforcement activities will result in impairment gains, which will be presented with the statement of comprehensive income.

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(xii) Derecognition of financial assets

The Credit Union derecognizes financial assets when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to receive the cash flows of the financial asset are retained but the contractual obligation to pay the cash flows to one or more recipients is assumed in an arrangement where:

- i. The Credit Union has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;
- ii. The Credit Union is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and





5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

- iii. The Credit Union has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

(xiii) Forward looking information

In its ECL models, the Credit Union relies on a range of forward-looking information as economic inputs, such as:

- GDP growth
- Central Bank base rates

(xiv) Financial Liabilities

Classification and subsequent measurement of financial liabilities. In both the current and prior period, financial liabilities are classified as, and subsequently measured at amortized cost. Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specific in the contract is discharged, cancelled or expires).

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Credit Union in the management of its short-term commitments.

Cash and cash equivalents are measured at amortized cost.

5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

(f) Property and equipment

(i) Initial measurement

Property and equipment are initially stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributed to the acquisition of items.

(ii) Subsequent measurement

Land and building

After recognition, land and building whose fair value can be measured reliably are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in members' equity under the heading of revaluation reserves. However, the increase is recognised in the statement of comprehensive income to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the statement of comprehensive income. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserves in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in members' equity under the heading of revaluation reserve.

When a building is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

After recognition, an item of furniture, equipment and motor vehicle is carried at its cost less any accumulated depreciation and any accumulated impairment losses.



5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

(iii) Depreciation

Depreciation is calculated on the straight-line method to write down the cost less estimated residual values of the assets. The following depreciation rates are applied:

Freehold Building	40 years
Car Par	40 years
Furniture, Fixtures and Equipment	10 years
Motor vehicles	5 years
Automatic Teller Machine	4 years
Computer Equipment and Software	3 years

Land and work in progress are not depreciated.

The assets' residual values and estimated useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of comprehensive income.

(g) Impairment of non-financial assets

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.



5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

An impairment loss is reversed only to the extent that the asset's or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Provisions

Provision for legal disputes or other claims are recognized when the Credit Union has a present or legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Credit Union to settle the obligation, and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Credit Union can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

(i) Employee benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of comprehensive income when incurred.

(j) Equity, reserves and dividend payments

(i) Permanent shares

Permanent shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability.

(ii) Reserves

Statutory reserves comprise amounts required to be set aside as stipulated by the Co-operative Societies Act (see note 15).

(iii) Accumulated surplus

Accumulated surplus include all current and prior period retained surpluses.





5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

(iv) Dividends

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirements of IFRIC 2, *Members' Shares in Cooperative Entities and Similar Instruments*.

Dividends paid are recognized in equity in the period in which they are approved by the Credit Union's board of directors at the Annual General Meeting.

(k) Operating expenses

Operating expenses are recognized in the statement of comprehensive income upon utilisation of the service or as incurred.

(l) New Accounting Standards and Amendments now effective

Amendments to IAS 21 (Foreign Exchange Rates):

- **Exchangeability:** Clarifies when a currency is exchangeable into another currency and how to estimate a spot rate when exchangeability is lacking.
- **Disclosure:** Additional disclosures are required to assess the impact of using an estimated exchange rate.
- **Effective Date:** For annual periods beginning on or after 1 January 2025

Amendments to IFRS 9 (Financial Instruments) and IFRS 7 (Financial Instruments: Disclosures) Amendments to the Classification and Measurement of Financial Instruments

- **Derecognition Timing:** Clarifies when a financial asset or liability is recognized and derecognized, particularly for electronic payments. It generally happens on the settlement date, but there's an exception when the payment is initiated and irreversible.
- **SPPI Test for Contingent Features:** Introduces an additional test for financial assets with contingent features (like ESG-linked terms) to meet the SPPI (solely payments of principal and interest) criterion for measurement at amortized cost.
- **Non-recourse Features:** Clarifies the characteristics of financial assets with contingent liabilities (CLIs) and non-recourse features, including a "look-through" test.
- **Additional Disclosures:** Requirements for equity instruments measured at fair value through other comprehensive income (FVOCI) and financial assets with certain contingent features.



5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

These amendments aim to improve clarity and consistency in financial reporting and are effective for periods starting 1 January 2025

IFRS 18 Presentation and Disclosure in Financial Statements: IFRS 18 replaces IAS 1 Presentation of Financial Statements. The major changes in the requirements are: A more structured statement of profit or loss.

IFRS 18 introduces newly defined 'operating profit' and 'profit or loss before financing and income tax' subtotals and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities: operating, investing and financing.

Under IFRS 18, companies are no longer permitted to disclose operating expenses only in the notes. A company presents operating expenses in a way that provides the 'most useful structured summary' of its expenses by either:

- nature
- function; or
- using a mixed presentation.

If any operating expenses are presented by function, then new disclosures apply. IFRS 18 also requires some 'non-GAAP' measures to be reported in the financial statements. It introduces a narrow definition for Management-defined Performance Measures ("MPMs"), requiring them to be:

- a sub-total of income and expenses.
- used in public communications outside the financial statements; and
- reflective of management's view of financial performance.

For each MPM presented, companies need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards

(m) New Accounting Standards and Amendments not yet effective

Greater disaggregation of information

To provide investors with better insight into financial performance, the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

Companies are discouraged from labelling items as 'other' and are required to disclose more information if they continue to do so.





5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

Other changes applicable to the primary financial statements

IFRS 18 sets operating profit as a starting point for the indirect method of presenting cash flows from operating activities and eliminates the option for classifying interest and dividend cash flows as operating activities in the cash flow statement (this differs for companies with specified main business activities). It also requires goodwill to be presented as a separate line item on the face of the balance sheet.

Transition

In its annual financial statements prepared for the period in which the new standard is first applied, an entity shall disclose, for the comparative period immediately preceding that period, a reconciliation for each line item in the statement of profit or loss between:

- the restated amounts presented applying IFRS 18;
- the amounts previously presented applying IAS 1.

Effective for annual reporting periods beginning on or after 1 January 2027

IFRS 19 Subsidiaries without Public Accountability Disclosures: IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date:

- it does not have public accountability;
- its parent produces consolidated financial statements under IFRS Accounting Standards available for public use.

A subsidiary applying IFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with IFRS Accounting Standards that IFRS 19 has been adopted.

Effective for annual reporting periods beginning on or after 1 January 2027.

Annual Improvements to IFRS Standards – Volume 11: In this volume of improvements, the IASB makes minor amendments to IFRS 9 Financial Instruments and to a further four accounting standards.

The amendments to IFRS 9 address:

- a conflict between IFRS 9 and IFRS 15 Revenue from Contracts with Customers over the initial measurement of trade receivables; and
- how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9.



5. MATERIAL ACCOUNTING POLICY INFORMATION Continued

The amendments to IFRS 9 require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15. They also clarify that when lease liabilities are derecognised under IFRS 9, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

Effective for annual reporting periods on or after 1 January 2026.

6. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

In the application of the Credit Union's accounting policies, which are described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have the most significant effect on the amounts recognized on the financial statements are described below:

(a) Business model assessment

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Credit Union determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Credit Union monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of the Credit Union's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.





6. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY Continued

(b) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for the financial assets measured at amortized cost, FVTPL and FVTOCI is an area that requires the use of modelling and assumptions about future economic conditions and credit behaviors (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the account requirements for measuring ECL, such as:

- Determining credit for significant increase in credit risk
- Choosing appropriate model and assumptions for the measurement of proportional loss
- Establishing groups of similar financial assets for the purposes of measuring ECL
- Recovery rates on unsecured exposures
- Drawdown of approved facilities
- Determination of macroeconomic drivers (management overlay)
- Determination of life of revolving credit facilities
- Models and assumptions used

(c) Valuation of Stage 3 facilities

The proposed cash flow was discounted using the yield of the facilities. The Credit Union makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.



6. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY Continued

(d) Expected Credit Loss Financial Asset held FVOCI - Equity Investments

The Credit Union determines Fair Value equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Credit Union evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. These factors may give rise to uncertainty regarding the recoverability of the carrying value in the subsequent period and/or the eventual recoverability of the amounts invested in full.

7. MEMBERS' LOANS

	2025	2024
General loans	594,101,848	539,654,234
Members overdraft accounts	<u>625,199</u>	<u>819,102</u>
	594,727,047	540,473,336
Allowance for doubtful Loans	<u>(23,046,580)</u>	<u>(22,471,630)</u>
Total members' loans	<u>\$571,680,467</u>	<u>\$518,001,706</u>
Current	54,447,615	50,052,056
Non-current	<u>517,232,852</u>	<u>467,949,650</u>
	<u>571,680,467</u>	<u>518,001,706</u>
Allowance for doubtful loans		
Balance at beginning of the year	22,471,630	18,798,767
Amount written-off during the year	(1,425,050)	(-)
Provision for loan losses for the year	<u>2,000,0000</u>	<u>3,672,863</u>
Balance at end of the year	<u>\$23,046,580</u>	<u>\$22,471,630</u>

The average interest rate earned on the members' loans during the financial year was 7.39% (2024: 7.21%).





8. INVESTMENT PROPERTIES

	Land	Building	Total
Balance at January 1, 2024	13,829,533	498,235	14,327,768
Additions during the year	-	480,524	480,524
Sale during the year	-	-	-
Balance at December 31, 2024	\$13,829,533	\$978,759	\$14,808,292
Balance at January 1, 2025	13,829,533	978,759	14,808,292
Additions during the year	-	369,197	369,197
Sale during the year	-	-	-
Reclassification during the year	(1,400)	(5,150)	(6,550)
Balance at December 31, 2025	\$13,828,133	\$1,342,806	\$15,170,939

9. CASH AND CASH EQUIVALENTS

	2025	2024
Cash on hand	8,158,065	6,179,816
Cash in bank	21,576,319	34,680,498
Total cash and cash equivalents	\$29,734,384	\$40,860,314

10. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Due from Grenada Co-operative Bank Limited – ATM	-	13,180,960
Due from Communal Co-operative Credit Union Limited	-	1,621,262
Prepaid expenses	215,355	187,333
Due from Grenville Co-operative Credit Union	-	1,926,531
Due from Nexa Credit Union	-	273,668
Other accounts receivable	790,587	2,962,267
Interest receivable	3,253,429	1,705,252
	4,259,371	21,857,273
Less: Provision for Fraud Loss	(1,382)	(60)
Total accounts receivables and prepayments	\$4,257,989	\$21,857,213



11. INVESTMENT SECURITIES

(a) Financial assets at fair value through other comprehensive income (OCI)

Income (FVTOCI)

Equity financial assets

Grenada Co-operative League Limited

- 11,717 ordinary shares of \$5.00 each

Eastern Caribbean Home Mortgage Bank

- 194 shares of \$100 each

- 625 shares of \$160 each

- 1,560 shares of \$160 each

Corporate Enterprise Finance Facility Limited

- 10,000 shares \$47 each

Grenada Co-operative Bank Limited

47,765 shares of \$9.25 each

(b) Treasury bills

Government of Antigua & Barbuda

Government of St. Lucia

Government of Grenada

Total Financial assets at fair value through OCI

	2025	2024
	76,095	76,095
	19,400	31,040
	100,000	100,000
	249,600	249,600
	680,000	500,000
	<u>441,826</u>	<u>424,153</u>
	1,566,921	1,380,888
	4,967,825	4,905,078
	2,601,186	2,578,238
	<u>4,864,736</u>	<u>4,864,736</u>
	<u>14,000,669</u>	<u>13,728,940</u>





11. INVESTMENT SECURITIES Continued

	2025	2024
Fixed deposits		
Grenada Co-operative League Limited	72,336	71,620
NEXA Credit Union	7,464,644	7,313,447
Communal Co-operative Credit Union Ltd	4,953,490	4,856,363
Grenada Co-operative League Limited	2,734,974	2,770,909
First Citizens Investment Limited	9,236,256	9,075,835
Community First Credit Union Limited	4,709,399	4,594,536
Grenville Co-operative Credit Union Limited	2,810,595	2,723,720
ECHMB	7,395,000	7,287,000
Gateway Credit Union	500,000	-
Bonds		
Government of St. Vincent 7yr Bond	1,300,000	1,300,000
Government of St. Vincent 5yr Treasury Note	<u>3,700,000</u>	<u>3,700,000</u>
Total Financial assets at amortized costs	<u>44,876,694</u>	<u>43,693,430</u>
Total Investment securities	58,877,363	57,422,370
Less: Provision for Expected Credit Loss	<u>(250,000)</u>	<u>(250,000)</u>
	<u>\$58,627,363</u>	<u>\$57,172,370</u>
Current	53,127,363	48,531,681
Non- current	<u>5,500,000</u>	<u>8,640,689</u>
	<u>\$58,627,363</u>	<u>\$57,172,370</u>



12. PROPERTY AND EQUIPMENT

	W.I. P	Freehold Land and Building	Furniture and Equipment	Computer and Equipment	Automatic Teller Machines	Motor Vehicle	Car Park	Leasehold Improve- ments	IDC Develop- ment	Total
Balance as at December 31, 2023										
Cost	620,194	24,569,004	2,979,260	3,684,798	972,090	409,386	758,967	655,769	188,630	34,838,098
Accumulated depreciation	-	3,446,565	1,694,172	3,363,562	827,437	188,147	56,111	94,045	188,630	9,858,669
Net Book Value	\$620,194	\$21,122,439	\$1,285,088	\$321,236	\$144,653	\$221,239	\$702,856	\$561,724	\$-	\$24,979,429
For the year ended December 31, 2024										
Opening book value	620,194	21,122,439	1,285,088	321,236	144,653	221,239	702,856	561,724	-	24,979,429
Additions for the year	318,252	70,667	115,608	75,561	81,794	153,000	-	14,805	-	829,687
Transfers	132,918	-	-	124,603	-	-	-	8,315	-	-
Disposal during the year	14,014	-	-	-	-	-	-	-	-	14,014
Depreciation charge for the year	-	485,646	245,991	151,495	63,209	85,081	18,974	17,984	-	1,068,380
Net Book Value	\$791,514	\$20,707,460	\$1,154,705	\$369,905	\$163,238	\$289,158	\$683,882	\$566,860	\$-	\$24,726,722
Balance as at December 31, 2024										
Cost	791,514	24,639,671	3,094,868	3,834,348	1,053,884	562,386	758,967	678,889	188,630	35,603,157
Accumulated depreciation	-	3,932,211	1,940,163	3,464,443	890,646	273,228	75,085	112,029	188,630	10,876,435
Net Book Value	\$791,514	\$20,707,460	\$1,154,705	\$369,905	\$163,238	\$289,158	\$683,882	\$566,860	\$-	\$24,726,722
For the year ended December 31, 2025										
Opening book value	791,514	20,707,460	1,154,705	369,905	163,238	289,158	683,882	566,860	-	24,726,722
Additions for the year	1,536,929	28,710	157,885	531,558	-	-	19,935	28,773	-	2,303,790
Transfers	990,079	-	-	-	-	-	-	-	-	990,079
Disposal during the year	-	-	198	-	-	-	-	-	-	198
Depreciation charge for the year	-	487,497	247,962	215,282	56,895	89,477	19,223	14,711	-	1,131,047
Net Book Value	\$1,338,364	\$20,248,673	\$1,064,430	\$686,181	\$106,343	\$199,681	\$684,594	\$580,922	\$-	\$24,909,188
Balance as at December 31, 2025										
Cost	1,338,364	24,668,381	3,250,254	4,365,906	754,627	447,386	778,902	707,662	188,630	36,500,112
Accumulated depreciation	-	4,419,708	2,185,824	3,679,725	648,284	247,705	94,308	126,740	188,630	11,590,924
Net Book Value	\$1,338,364	\$20,248,673	\$1,064,430	\$686,181	\$106,343	\$199,681	\$684,594	\$580,922	\$-	\$24,909,188





13. MEMBERS' LIFETIME SAVINGS

These deposits are members' long-term savings at the Credit Union. This is the first form of security held against member's loans. Interest is payable on these deposits at the rate of 2.75% per annum.

	2025	2024
Members' Lifetime Savings	<u>\$342,688,616</u>	<u>\$317,205,594</u>

14. OTHER DEPOSITS

Term Deposits	99,838,570	89,170,529
Triple A Deposits	1,883,937	-
Transaction Savings	94,580,692	86,931,341
Education Savings Plan	18,383,045	17,715,205
Retirement Savings	19,515,575	17,438,569
Internal Holding	14,107,730	14,795,521
Insurance and Group Life Savings Plan	4,117,459	2,764,661
Loan Payment Savings	2,140,147	2,919,420
Excel Savings	333,978	341,349
Estate Management	503,606	979,620
Business Savings	3,148,279	2,250,800
Micro-finance Savings	9,260	9,219
Standing Order	46,038	35,281
Golden Nest	277,740	936,538
Trust Account	453,131	533,945
Other Deposits	184	183
	<u>\$259,339,371</u>	<u>\$236,822,181</u>

These deposits have various maturity profiles with interest rates varying from 0% to 4.25% (2024: 0% to 3.5%.)



15. NON-INTEREST-BEARING LIABILITIES

	2025	2024
IDC Payables	42,011	18,797,197
Interest Payable	919,186	1,520,818
Sundry Creditors and Accruals	1,624,984	1,621,481
Other Accounts Payable	<u>622,939</u>	<u>13,325,571</u>
	<u>\$3,209,120</u>	<u>\$35,265,066</u>

16. MEMBERS' QUALIFYING EQUITY

These shares are of a nominal value of \$20.00 when fully paid up. Each member is required to own twenty-five (25) shares of \$20.00 each.

17. STATUTORY RESERVE

Balance at January 1 2025	24,439,596	22,134,852
Receipts from loans written-off	235,797	178,242
Entrance fees	24,476	24,340
Revaluation of shares	186,032	-
Allocation for the year - 25% of surplus	<u>2,795,836</u>	<u>2,102,162</u>
Balance at December 31 2025	<u>\$27,681,737</u>	<u>\$24,439,596</u>

In accordance with Section 125 (4) of the Co-operative Societies Act No.8 of 2011, at least 20% of the surplus for the year shall be transferred to the Reserve Fund.





18. MEMBER'S EQUITY SHARES

This amount represents additional share investment in the Credit Union apart from qualifying shares.

19. OTHER FUNDS AND RESERVES

(a) Development fund

	2025	2024
Balance at January 1	325,597	511,350
Allocation for the year	335,500	252,260
Remittance to Grenada Co-operative League Limited	(252,259)	(372,689)
Board approved transfer towards Beryl relief	(100,000)	-
CCCU Pledge Contribution	<u>26,662</u>	<u>(65,323)</u>
Balance at December 31 2025	<u>\$335,500</u>	<u>\$325,598</u>

The above fund is payable to the Grenada Co-operative League Limited and is made in accordance with Section 126 of the Cooperative Societies Act No. 8 of 2011.

(b) Education fund

Balance at January 1	1,730,986	1,478,726
Allocation for the year	335,500	252,260
Disbursements during the year	<u>-</u>	<u>-</u>
Balance at December 31 2025	<u>\$2,066,486</u>	<u>\$1,730,986</u>

This fund is dedicated for the provision of educational initiatives for members of the Credit Union.

(c) Education savings plan fund

Balance at January 1	2,051,691	1,793,444
Allocation for the year	335,500	252,259
Disbursements during the year	(530,000)	-
Interest allocated for the year	<u>13,216</u>	<u>5,988</u>
Balance at December 31	<u>\$1,870,407</u>	<u>\$2,051,691</u>

This fund was set up to provide scholarships to members.



19. OTHER FUNDS AND RESERVES (continued)

(d) Provident fund

	2025	2024
Balance at January 1	720,929	680,830
Allocation for the year	335,500	168,173
Disbursements during the year	<u>(140,368)</u>	<u>(128,074)</u>
Balance at December 31	<u>\$916,061</u>	<u>\$720,929</u>

This fund was set up to assist members who are not in a position to access loan facilities.

(e) Disaster Relief Fund

Balance at January 1	-	-
Board Approved Contribution toward Beryl Relief	630,000	
Allocation for the year	223,667	-
Carriacou Beryl Relief Fund	<u>(223,796)</u>	-
Balance at December 31	<u>\$629,871</u>	<u>\$-</u>

20. INCOME TAX

Under the income tax laws of Grenada, the Credit Union is classified as a non-profit organization and is therefore exempted from the payment of income tax.

21. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties

A related party is a person or entity that is related to the Credit Union:

- a. A person or a close member of that person's family is related to the Credit Union if that person:
 - i. has control or joint control over the Credit Union;
 - ii. has significant influence over the Credit Union; or
 - iii. is a member of the key management personnel of the Credit Union, or of a parent of the Credit Union.
- b. An entity is related to the Credit Union if any of the following conditions applies:
 - i. The entity and the Credit Union are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).





21. RELATED PARTY BALANCES AND TRANSACTIONS Continued

- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the Credit Union or an entity related to the Credit Union.
- vi. The entity is controlled or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party balances

	Total loans		Total deposits	
	2025	2024	2025	2024
Board of directors	3,423,239	1,440,236	1,132,284	533,365
Credit committee	831,070	736,675	183,683	244,577
Supervisory committee	579,615	207,866	157,668	459,379
Key management personnel	6,398,462	5,068,649	1,263,909	1,352,534
Total related party balances	\$11,232,386	\$7,453,426	\$2,737,544	\$2,589,855

Related party transactions

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions except for certain loans made available to officers.

	2025	2024
Interest income on loans	440,430	331,713
Interest expense on deposits	49,340	35,924

Interest rates on related party deposits range from 0% to 4.00% (2024: 0% to 3.94%). Interest rates on related party loans range from 3% to 12% (2023: 3% to 12%).



21. RELATED PARTY BALANCES AND TRANSACTIONS Continued

Remuneration of key management personnel

During the year, salaries and related benefits paid to key members of management were as follows:

Salaries and Allowances	<u>\$941,278</u>	<u>\$820,290</u>
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22. DIVIDENDS

During the year, the Credit Union paid \$2,346,992 as dividends (2024: \$2,180,290) to its members as follows:

	2025	2024
Dividends paid	1,240,855	1,179,386
Rebates paid	<u>1,106,137</u>	<u>1,000,904</u>
	<u>\$2,346,992</u>	<u>\$2,180,290</u>

23. FINANCIAL INSTRUMENT RISK

Risk management objectives and policies

The Credit Union has exposure to the following risks arising from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Credit Union’s exposure to each of the above risks, the Credit Union’s objectives, policies and processes for measuring and managing risk, and the Credit Union’s management of capital.

The Board of Directors has overall responsibility for the determination of the Credit Union’s risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union’s finance function.

The Board of Directors receives monthly reports from the Credit Union’s Management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.





23. FINANCIAL INSTRUMENT RISK Continued

The Credit Union's risk management processes are essentially those mandated by the Board of Directors and are structured to facilitate identification of risks in its various business activities and to formulate risk management strategies, policies and procedures.

Risks are maintained within established limits. The Credit Union's risk management policies entail diversification of risk in its portfolios, the establishment of risk rating indicators for individual members and lines of credit and continuous review of risk profiles for its members and portfolios. Risk limits are also set in relation to groups of borrowers and industry and geographical segments. The policies also include review, analysis and valuation of all risk-taking activities.

Credit Risk analysis

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations. The Credit Union is exposed to this risk for various financial instruments, for example, granting loans to members, placing deposits and investing in bonds.

i. Loans to members

The Credit Union's exposure to credit risk is influenced mainly by the individual characteristics of each member. The demographics of the Credit Union's member base, including the default risk of the country in which members operate, has less of an influence on credit risk.

ii. Cash and cash equivalents

Cash and cash equivalents are held with established and reputable financial institutions, which represent minimum risk of default.

iii. Maximum exposure to credit risk

The maximum on-balance sheet and off-balance sheet exposure to credit risk at the reporting date.



23. FINANCIAL INSTRUMENT RISK Continued

	2025	2024
On balance sheet		
Cash and cash equivalents	29,734,384	40,860,314
Accounts receivables (excluding Prepayment and deferred expenses)	4,257,989	18,707,613
Members' loans	571,680,467	518,001,706
Investment securities	<u>58,627,363</u>	<u>57,172,370</u>
	<u>\$664,300,203</u>	<u>\$634,742,003</u>
Off-balance sheet		
Loan commitments and other credit related facilities	<u>\$11,434,612</u>	<u>\$11,673,490</u>
 (a) The tables below set out information about the credit quality of members' loans and the allowance for impairment:		
Neither past due nor impaired	535,836,660	484,820,085
Past due but not impaired	11,307,861	23,491,660
Impaired	<u>47,582,526</u>	<u>32,161,591</u>
	594,727,047	540,473,336
Allowance for impairment loss	<u>(23,046,580)</u>	<u>(22,471,630)</u>
	<u>\$571,680,467</u>	<u>\$518,001,706</u>

Loan to Members

(a) Expected credit loss on loans to members

The Expected Credit Loss (ECL) represents the amount the Credit Union is likely to lose in the event of a default. The Credit Union is required to categorize the loans in their respective stages as outlined in the IFRS 9 Standard.

Expected credit loss (ECL) on loans to members are analyzed below:





23. FINANCIAL INSTRUMENT RISK Continued

	Gross Amount	ECL	2025 Net Amount
Stage 1	535,836,660	729,868	535,106,792
Stage 2	11,307,861	440,272	10,867,589
Stage 3	<u>47,582,526</u>	<u>21,876,440</u>	<u>25,706,086</u>
As at December 31, 2025	<u>\$594,727,047</u>	<u>\$23,046,580</u>	<u>\$571,680,467</u>

	Gross Amount	ECL	2024 Net Amount
Stage 1	484,820,085	1,064,010	483,756,075
Stage 2	23,491,660	1,373,615	22,118,045
Stage 3	<u>32,161,591</u>	<u>20,034,005</u>	<u>12,127,586</u>
As at December 31, 2024	<u>\$540,473,336</u>	<u>\$22,471,630</u>	<u>\$518,001,706</u>

(b) Expected credit loss on loans to members (continued)

Credit risk analysis

Stage 1 loans

Loans placed in this stage include loans past due between for 0 to 30 days and loans for which there is no evidence of a significant increase in credit risk since the origination date.

Stage 2 loans

Loans placed in this stage include loans past due between for 31 to 60 days and loans that experienced a significant increase in credit risk even if past due days threshold is not met.

Stage 3 loans

Loans placed in this stage are loans that are past due 60 days and over and loans that show evidence of impairment even if the 60 days threshold is not met.

One of the crucial requirements of IFRS 9 is for the Credit Union to determine whether there is a significant increase in credit risk (SIICR) from the date of loan origination to the current or the reporting date. In the event of a SIICR, the loan must be placed in Stage 2 and will require a lifetime provision. The loan should remain in this Stage until there is evidence that the event(s) that resulted in the increase in the credit risks have been satisfactorily cured. It is only then that these loans should be transitioned back to Stage 1. SIICR is determined by observing to the extent to which adverse changes in one or more of the credit risk drivers could increase the likelihood of the default since the origin of the loan.



23. FINANCIAL INSTRUMENT RISK Continued

A change in members' employment arrangement, payment method, industry or personal conditions could be deemed significant enough to trigger a migration of loans to Stage 2 even if the past due days quantitative SIICR threshold is not met.

(c) Loans to members re-negotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferred payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans.

As part of its loan policy and especially in light of Covid-19, the Credit Union undertook a review of its loan portfolio determining high risk sectors and the Expected Credit Loss (ECL) for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology and definition remained consistent with prior periods.

(d) Bonds and equity investments

There is no formal rating of the credit quality of bonds, treasury bills and equity investments. A number of qualitative and quantitative factors are considered in assessing the risk associated with each investment; however, there is no hierarchy of ranking. There are no external ratings of the securities. None of the securities are pledged as collateral.

(e) Repossessed collateral

The Credit Union had no repossessed collateral in its statement of financial position as of December 31, 2024 (2023: nil).

Liquidity risk analysis

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Credit Union's liquidity risk is subject to risk management controls and is managed within the framework of regulatory requirements, policies and limits approved by the Board. The Board receives reports on liquidity risk exposures and performance against approved limits. Management provides the Board with information on liquidity risk for Board oversight purposes through its monthly meetings. The key elements of the Credit Union's liquidity risk management framework include:





23. FINANCIAL INSTRUMENT RISK Continued

Liquidity risk analysis (continued)

- liquidity risk measurement and management limits, including limits on maximum net cash outflow over a specified short-term horizon;
- holdings of liquid assets to support its operations, which can generally be converted to cash within a reasonable time;
- liquidity stress testing PEARLS-specific ratios; and
- liquidity contingency planning.

Non-derivative financial liabilities and assets held for managing liquidity risk.

The table below presents the cash flows payable by the Credit Union under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual and undiscounted cash flows.

As of December 31, 2025

	On demand	Up to 1 year	1 to 5 years	Over 5 years	Total
Liabilities					
Members' lifetime savings	229,413,995	5,622,084	43,732,615	63,919,921	342,688,616
Other deposits	259,339,371	-	-	-	259,339,371
Non-interest-bearing liabilities	3,204,215	-	-	-	3,204,215
Pension Liability	-	-	-	-	-
Other liabilities	4,905	-	-	-	4,905
	<u>\$491,962,486</u>	<u>\$5,622,084</u>	<u>\$43,732,615</u>	<u>\$63,919,921</u>	<u>\$605,237,107</u>



23. FINANCIAL INSTRUMENT RISK Continued

Liquidity risk analysis (continued)

As of December 31, 2024

	On demand	Up to 1 year	1 to 5 years	Over 5 years	Total
Liabilities					
Members' lifetime savings	210,610,990	23,663,890	46,004,917	36,925,797	317,205,594
Other deposits	236,822,181	-	-	-	236,822,181
Non-interest-bearing liabilities	35,265,066	-	-	-	35,265,066
Pension Liability	-	-	-	291,656	291,656
Other liabilities	2,475	-	-	-	2,475
	<u>\$482,700,712</u>	<u>\$23,663,890</u>	<u>\$46,004,917</u>	<u>\$37,217,453</u>	<u>\$589,586,972</u>

Assets held for managing liquidity risk

The Credit Union holds a diversified portfolio of cash and high-quality highly liquid securities to support payment obligations and contingent funding in a stressed market environment. The Credit Union's assets held for managing liquidity risk comprise:

- Un-restricted cash in bank
- Certificates of deposit
- Loans and receivables investment securities
- Unimpaired loans

Market risk analysis

The Credit Union is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Credit Union does not face any such risk since its transactions are substantially in Eastern Caribbean Dollars, which is its functional currency. The United States Dollar, in which the Credit Union also transacts business, is fixed in relation to the Eastern Caribbean Dollar.





23. FINANCIAL INSTRUMENT RISK Continued

Market risk analysis (continued)

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Credit Union has no exposure to such risk since its existing investments are not listed in any stock exchange or market.

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period.

The Credit Union actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from the Credit Union's funding and investment activities is managed in accordance with Board-approved policies.

The table below summarizes the Credit Union's exposure to interest rate risks. Included in the table are the Credit Union's assets and liabilities at carrying amounts categorized by the earlier of contractual repricing and maturity dates.



23. FINANCIAL INSTRUMENT RISK Continued

Market risk analysis (continued)

(iii) Interest rate risk (continued)

As Of December 31, 2025	Interest rate	On demand	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and cash equivalents		29,734,384	-	-	-	-	29,734,384
Accounts receivable (excluding prepayments and deferred expenses)		-	-	-	-	3,252,047	3,252,047
Members' loans	3% – 14%	625,199	36,442,633	71,583,349	486,075,866	-	594,727,047
Investment securities	2% – 5.75%	22,745,438	29,065,003	4,200,000	1,300,000	1,566,921	58,877,363
Total financial assets		<u>53,105,021</u>	<u>65,507,636</u>	<u>75,783,349</u>	<u>487,375,867</u>	<u>4,818,968</u>	<u>686,590,841</u>
Liabilities							
Members' lifetime savings	2.75%	229,413,995	5,622,084	43,732,615	63,919,921	-	342,688,616
Other deposits	0% – 3%	259,339,371	-	-	-	-	259,339,371
Non-interest-bearing liabilities		3,204,215	-	-	-	-	3,204,215
Pension Liabilities		-	-	-	-	-	-
Other liabilities		4,905	-	-	-	-	4,905
Total financial liabilities		<u>491,962,486</u>	<u>5,622,084</u>	<u>43,732,615</u>	<u>63,919,921</u>	<u>-</u>	<u>605,237,107</u>
Total interest repricing gap		<u>(438,857,465)</u>	<u>59,885,552</u>	<u>32,050,734</u>	<u>423,455,946</u>	<u>4,818,968</u>	<u>81,353,734</u>





23. FINANCIAL INSTRUMENT RISK Continued

Market risk analysis (continued)

(iii) Interest rate risk (continued)

AS OF DECEMBER 31 2024	Interest rate	On demand	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and cash equivalents		40,860,314	-	-	-	-	40,860,314
Accounts receivables (excluding prepayments and deferred expenses)		-	-	-	-	18,707,613	18,707,613
Members' loans	3% – 14%	819,102	40,319,912	78,385,852	420,948,469	-	540,473,335
Investment securities	2% – 5.75%	22,258,975	21,265,070	10,967,437	1,300,000	1,380,888	57,172,370
Total financial assets		<u>63,938,391</u>	<u>61,584,982</u>	<u>89,353,289</u>	<u>422,248,469</u>	<u>20,088,501</u>	<u>657,213,632</u>
Liabilities							
Members' lifetime savings	2.75%	210,610,990	23,663,890	46,004,917	36,925,797	-	317,205,594
Other deposits	0% – 3%	236,822,181	-	-	-	-	236,822,181
Non-interest bearing liabilities		-	-	-	-	35,265,066	35,265,066
Pension Liabilities		-	-	-	-	291,656	291,656
Other liabilities		-	-	-	-	2,475	2,475
Total financial liabilities		<u>447,433,171</u>	<u>23,663,890</u>	<u>46,004,917</u>	<u>36,925,797</u>	<u>35,559,197</u>	<u>589,586,972</u>
Total interest repricing gap		<u>(383,494,780)</u>	<u>37,921,092</u>	<u>43,348,372</u>	<u>385,322,672</u>	<u>(15,470,696)</u>	<u>67,626,660</u>



23. FINANCIAL INSTRUMENT RISK Continued

Market risk analysis (continued)

(iii) Interest rate risk (continued)

Fair value interest rate sensitivity analysis

The Credit Union does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the statement of comprehensive income.

Cash flow interest rate sensitivity analysis

The Credit Union is not exposed to any cash flow interest rate risk as it has no variable rate financial instruments.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for development and implementation of controls to address operational risk is assigned to management within the Credit Union. This responsibility is supported by the development of overall Credit Union standards for the management of operational risk by establishing requirements for:

- appropriate segregation of duties, including the independent authorization of transactions.
- the reconciliation and monitoring of transactions.
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- the reporting of operational losses and proposed remedial action;





23. FINANCIAL INSTRUMENT RISK Continued

Operational risk (continued)

- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the Credit Union's standards is supported by a program of periodic reviews undertaken by the Supervisory Committee. The results of the Supervisory Committee reviews are discussed with management, with summaries to the Board of Directors.

24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of the Credit Union's financial assets and liabilities not presented on the statement of financial position at their fair values.

	Carrying Value		Fair Value	
	2025	2024	2025	2024
Financial assets				
Cash and cash equivalents	29,734,384	40,860,314	29,734,384	40,860,314
<i>Investment securities:</i>				
– Financial assets at amortized costs	57,310,441	56,041,482	57,310,441	56,041,482
Members' loans	571,680,467	518,001,706	571,680,467	518,001,706
Accounts receivable (excluding prepayments and deferred expenses)	<u>4,042,634</u>	<u>18,707,613</u>	<u>4,042,634</u>	<u>18,707,613</u>
	<u>\$662,767,926</u>	<u>\$633,611,115</u>	<u>\$662,767,926</u>	<u>\$633,611,115</u>
Financial liabilities				
Members' deposits	342,688,616	317,205,594	342,688,616	317,205,594
Other deposits	259,339,371	236,822,181	259,339,371	236,822,181
Non-interest-bearing liabilities	3,204,215	35,265,066	3,204,215	35,265,066
Pension liability	-	291,656	-	291,656
Other liabilities	<u>4,905</u>	<u>2,475</u>	<u>4,905</u>	<u>2,475</u>
	<u>\$605,237,107</u>	<u>\$589,586,972</u>	<u>\$605,237,107</u>	<u>\$589,586,972</u>



24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES Continued

(i) Loans and advances

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Investment securities

The fair value of investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated for debt investment securities based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining maturity.

(iii) Members' deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at December 31, 2025 and December 31, 2024.





24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES Continued

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into Level 3 of the fair value hierarchy.

	Level 3	Total
December 31, 2025		
Financial assets		
Investment securities:		
- Financial assets at fair value through other comprehensive income (FVTOCI)	<u>\$1,566,921</u>	<u>\$1,566,921</u>

	Level 3	Total
December 31 2024		
Financial assets		
Investment securities:		
- Financial assets at fair value through other comprehensive income (FVTOCI)	<u>\$1,380,888</u>	<u>\$1,380,888</u>

Measurement of fair value of financial instruments

The Credit Union's finance team performs valuations of financial items for financial reporting purposes. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Executive Officer and to the Board of Directors. The valuation techniques used for instruments categorised in Level 3 are described below:



24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES Continued

Financial assets at FVTOCI

The fair value is generally on broker/dealer price quotations. Where this information is not available, fair value is based on cost less any impairment recognized.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

25. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Credit Union has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This capital management process aims to achieve three major objectives:

- Exceed regulatory thresholds;
- Meet longer-term internal capital targets; and
- Provide the Credit Union’s members with a source of finance.





Capital is managed in accordance with the Board-approved Capital Management Policy which is based on regulatory requirements of the Co-operative Societies Act and the PEARLS regulations. Management and the Board of Directors developed the capital strategy and oversee the capital management processes of the Credit Union. The Credit Union’s management and Supervisory Committee are key in implementing the Credit Union’s capital strategy and managing capital. Capital is managed using both regulatory capital measures and internal metrics.

The three primary regulatory capital ratios used to assess capital adequacy are as follows:

	Regulatory requirement	2025	2024
1. Net Loans/Total Assets	70% to 80%	81%	76%
2. Institutional Capital/Total Assets	7% minimum	10.68%	9.68%
3. Total Delinquency/Total Loans	5% maximum	5.20%	5.39%





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