

Financial Statement of

**BAHAMAS LAW ENFORCEMENT
CO-OPERATIVE CREDIT UNION LIMITED**

For the year ended December 31, 2025

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED
Financial Statements

For the year ended December 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the Members of:

Bahamas Law Enforcement Co-operative Credit Union Limited

Opinion

We have audited the financial statements of the Bahamas Law Enforcement Co-operative Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is information included in the Credit Union's Annual Report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, 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 we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

The Directors 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 misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 the 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, 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 omissions, misrepresentations, 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 disclosures 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 doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures 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 auditors' report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- 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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in cursive script that reads "Eavis Bahamas".

ECOVIS Bahamas
Chartered Accountants
Nassau, The Bahamas

April 15, 2026

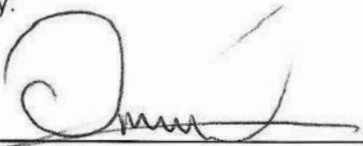
BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED
Statement of Financial Position

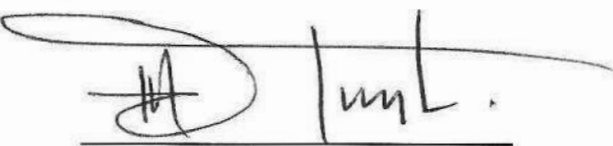
As at December 31, 2025
(Expressed in Bahamian dollars)

	Notes	2025	2024
ASSETS			
Cash and cash equivalents	5(a), 22	\$ 788,229	\$ 1,612,756
Pledged fixed deposits	5(b), 22	1,094,563	1,094,563
Deposits with the League	6, 22	17,547,725	17,055,657
Loans receivable	7, 17, 22	61,165,303	56,528,544
Other assets	8, 22	1,955,590	1,758,831
Financial investments	9, 22, 24	8,117,215	5,465,113
Intangible assets, net	10	41,791	7,494
Property, plant and equipment	11	1,471,008	1,498,289
Right-of-use asset	13.1	93,268	3,313
TOTAL ASSETS		\$ 92,274,692	\$ 85,024,560
LIABILITIES AND MEMBERS' EQUITY			
Liabilities			
Bank overdraft	5(a), 22	\$ -	\$ 563,000
Other liabilities	12, 22	2,063,932	1,614,934
Lease liability	13.2, 22	94,493	3,887
Members' shares and other deposits	14, 17, 22	76,731,060	69,608,360
Borrowings	15, 22	2,320,770	2,556,351
Pension plan liabilities	16, 22	1,226,707	1,065,313
Total liabilities		82,436,962	75,411,845
Members' equity			
Qualifying shares	18(a)	878,250	828,150
Statutory reserve	18(b)	6,956,009	6,856,009
Investment revaluation reserve	18(c)	306,627	294,161
Retained earnings		1,696,844	1,634,395
Total members' equity		9,837,730	9,612,715
TOTAL LIABILITIES AND MEMBERS' EQUITY		\$ 92,274,692	\$ 85,024,560

The accompanying notes form an integral part of these financial statements.

These financial statements were approved on behalf of the Board on April 10, 2026, and signed on its behalf by:


Omar Neely
Chairman


Trumaine Taylor
Treasurer


Germaine Pratt
Assistant Secretary

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Statement of Comprehensive Income

For the year ended December 31, 2025

(Expressed in Bahamian dollars)

	<i>Notes</i>	2025	2024
INTEREST INCOME			
Loans	19	\$ 4,381,130	\$ 4,140,754
Investments	19	470,371	405,227
Total interest income		4,851,501	4,545,981
INTEREST EXPENSE			
Members' shares and other deposits	19	1,939,582	1,550,653
Loan interest expense	15,19	89,910	91,460
Total interest expense		2,029,492	1,642,113
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT AND EXPECTED CREDIT LOSSES AND RECOVERIES OF BAD DEBTS			
		2,822,009	2,903,868
Increase in provision for loan impairment	7(d)	(164,484)	(10,459)
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT AND EXPECTED CREDIT LOSSES AND RECOVERIES OF BAD DEBTS			
		2,657,525	2,893,409
Other income	20	237,569	255,893
NET INTEREST AND OTHER INCOME		2,895,094	3,149,302
OPERATING EXPENSES			
Personnel	17, 21	919,208	847,294
Members' security	21	709,201	663,756
General business	21	516,273	474,544
Organizational	21	251,564	233,858
Occupancy	21	201,784	186,844
Computer costs	21	95,515	70,658
Marketing	21	39,100	41,858
Total operating expenses		2,732,645	2,518,812
PROFIT FOR THE YEAR		162,449	630,490
OTHER COMPREHENSIVE INCOME			
<i>Item that may be reclassified to profit or loss:</i>			
Net change in fair value of financial investments	18(c)	12,466	7,894
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 174,915	\$ 638,384

The accompanying notes form an integral part of these financial statements.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Statement of Changes in Members' Equity

For the year ended December 31, 2025

(Expressed in Bahamian dollars)

	Notes	Qualifying Shares	Statutory Reserve	Investment Revaluation Reserve	Retained Earnings	Total
Balance as at December 31, 2023		\$ 816,600	\$ 6,656,009	\$ 286,267	\$ 1,203,905	\$ 8,962,781
Comprehensive income for the year						
Profit for the year		-	-	-	630,490	630,490
Other comprehensive income	18(c)	-	-	7,894	-	7,894
Total comprehensive income for the year		-	-	7,894	630,490	638,384
Transactions with members						
Shares issued	18(a)	73,650	-	-	-	73,650
Shares redeemed	18(a)	(62,100)	-	-	-	(62,100)
Total transactions with members		11,550	-	-	-	11,550
Transfer between reserves						
Statutory reserves transfer	18(b)	-	200,000	-	(200,000)	-
Balance as at December 31, 2024		828,150	6,856,009	294,161	1,634,395	9,612,715
Comprehensive income for the year						
Profit for the year		-	-	-	162,449	162,449
Other comprehensive income	18(c)	-	-	12,466	-	12,466
Total comprehensive income for the year		-	-	12,466	162,449	174,915
Transactions with members						
Shares issued	18(a)	92,550	-	-	-	92,550
Shares redeemed	18(a)	(42,450)	-	-	-	(42,450)
Total transactions with members		50,100	-	-	-	50,100
Transfer between reserves						
Statutory reserves transfer	18(b)	-	100,000	-	(100,000)	-
Balance as at December 31, 2025		\$ 878,250	\$ 6,956,009	\$ 306,627	\$ 1,696,844	\$ 9,837,730

The accompanying notes form an integral part of these financial statements.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED
Statement of Cash Flows

For the year ended December 31, 2025
(Expressed in Bahamian dollars)

	Notes	2025	2024
Cash flows from operating activities:			
Profit for the year		\$ 162,449	\$ 630,490
<i>Adjustments for:</i>			
Amortization of intangible assets	10	28,806	21,774
Depreciation of property, plant and equipment	11	75,032	72,839
Amortization of right-of-use asset	13.1	19,772	19,880
Increase in provision for credit losses	7(d)	164,484	10,459
		450,543	755,442
Changes in operating assets and liabilities:			
Net increase in loans receivable	7	(4,841,699)	(5,040,838)
Increase in other assets	8	(135,936)	(88,308)
Increase/(decrease) in other liabilities	12	448,998	(151,035)
Increase in members' shares and other deposits	14	7,122,700	5,523,719
Net increase in pension plan liabilities	16	161,394	105,495
Net cash provided by/(used in) operating activities		3,206,000	1,104,475
Cash flows from investing activities:			
Net increase in deposits with the League	6	(492,068)	(599,351)
Net acquisition of financial investments	9	(2,639,636)	(668,200)
Acquisition of intangible assets	10	(63,103)	(13,143)
Acquisition of property, plant and equipment	11	(47,751)	(111,489)
Net cash used in investing activities		(3,242,558)	(1,392,183)
Cash flows from financing activities:			
Lease payments	13.2	(23,906)	(23,381)
Net (payments)/proceeds from borrowings	15	(251,163)	1,002,318
Net increase in qualifying shares	18(a)	50,100	11,550
Net cash (used in)/provided by financing activities		(224,969)	990,487
Net (decrease)/increase in cash and cash equivalents		(261,527)	702,779
Cash and cash equivalents, beginning of year		1,049,756	346,977
CASH AND CASH EQUIVALENTS, END OF YEAR		\$ 788,229	\$ 1,049,756
Supplemental cash flow information:			
Interest received		\$ 4,792,599	\$ 4,505,056
Interest paid		\$ 1,598,503	\$ 1,817,144
Dividend received		\$ 11,849	\$ 18,894

The accompanying notes form an integral part of these financial statements.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

(Expressed in Bahamian dollars)

1. GENERAL

The Bahamas Law Enforcement Co-operative Credit Union Limited (the "Credit Union") was registered on April 16, 1985, under the provisions of the Commonwealth of The Bahamas Co-operative Societies Act, 1974 (as amended) (the "Act"), and subsequently became a registered member of The Bahamas Co-operative League Limited (the "League").

The Credit Union's registered office is located at #14 Collins Avenue, Nassau, The Bahamas.

Membership is limited to past and present members and their spouses, parents, children and siblings of the Royal Bahamas Police Force, the Royal Bahamas Defense Force, Her Majesty's Prison, the Bahamas Customs Department, the Bahamas Department of Immigration, Road Traffic Department, Police Reserves and Beach Wardens.

The principal objectives of the Credit Union are:

- a) To promote the economic interests of its members in accordance with co-operative principles;
- b) To promote thrift among its members by affording them an opportunity to accumulate their savings; and
- c) To create a source of credit to members for provident and productive purposes.

2. LAWS AND REGULATIONS

During the year ended December 31, 2015, the Bahamas Co-operative Credit Unions Act, 2015 and the Bahamas Co-operative Credit Unions Regulations, 2015 came into effect. The Act transferred the regulation of credit unions in the Bahamas to the Central Bank of the Bahamas.

Where this new regulatory framework affects these financial statements, the effects are disclosed in the financial statements and the relevant notes:

- a) Section 65(1) of the Bahamas Co-operative Credit Unions Act, 2015 states that "*where a co-operative credit union realizes an annual surplus from its transactions, that co-operative credit union shall establish and maintain a statutory reserve fund as may be prescribed by regulations*".
- b) Section 122 of the Bahamas Co-operative Credit Unions Act, 2015 exempts the Credit Union from stamp duty relating to the execution of documents in the Bahamas, including loans granted, which is exempted under the Stamp Act.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material 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.

- a) **Statement of compliance** – The Credit Union's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").
- b) **Basis of preparation** – These financial statements have been prepared under the historical cost convention, except for certain financial assets and investment property that have been measured at fair value.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

(Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

- c) **Adoption of new and revised standards** – Certain new standards, and amendments to existing standards have been issued by the IASB, the effect on the Credit Union's financial statements are set out below:

i) Adoption of new standards effective January 1, 2025

There were no new or amended standards that are effective during the year that are relevant to the Credit Union's financial statements.

ii) New and amendments to existing standards published but not yet effective

The following new standards and amendments to existing standards have been issued but are not yet effective and have not been adopted early. The Credit Union intends to adopt these standards when they become effective:

- Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after 1 January 2026). These amendments:
 - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
 - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
 - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
 - make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).
- IFRS 18 Presentation and Disclosure in Financial Statements (Effective for annual periods beginning on or after July 1, 2027) – This standard will focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:
 - the structure of the statement of profit or loss;
 - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures);
 - and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The Credit Union is currently assessing the impact of this standard.

- d) **Functional and presentation currency** – These financial statements are presented in Bahamian dollars, which is the Credit Union's functional currency.
- e) **Foreign currency translation** – Transactions in foreign currencies are translated at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency at the exchange rate at that date.
- f) **Cash and cash equivalents** – Cash and cash equivalents are carried in the statement of financial position at amortized cost using the effective interest method. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, and deposits and financial securities held with original maturities of 90 days or less, net of bank overdraft.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

(Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

- g) **Fixed deposits** – Fixed deposits represent deposits at banks with original maturities of more than 90 days. These deposits are recognized in the statement of financial position at amortized cost using the effective interest method.
- h) **League deposits** – Deposits with the League represent the proceeds of the statutory reserve fund and the liquidity reserve fund, which are deposited with and administered by the League, as required by the Bahamas Co-operative Credit Unions Act, 2015. The deposits are carried at amortized cost using the effective interest method in the statement of financial position.

Operating liquidity was established as per the Regulator Excel Reporting System (ERS). Monthly report that is required by PEARLs.

- i) **Other assets** – Other assets, which also include accounts receivable, are carried at cost.
- j) **Intangible assets** – Computer software licenses costs that are directly associated with identifiable and unique computer software products used by the Credit Union, and that will generate economic benefits beyond one year, are recognized as intangible assets in the statement of financial position.

Computer software licenses costs are amortized using the straight-line method over a period of one to three years, which are the terms of the licenses.

- k) **Investment property** – Investment properties are properties held to earn rentals or for capital appreciation, or for both, rather than for use in the supply of services or for administrative purposes, and which are not for sale in the ordinary course of business. The Credit Union's investment property represents unoccupied land and is recorded at fair value in the statement of financial position in accordance with IAS 40 - Investment Property. Fair value changes of investment property are recognized in profit or loss.
- l) **Property, plant and equipment** – Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly related to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labor, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Subsequent cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part flow to the Credit Union and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income.

Depreciation is recognized in the statement of comprehensive income on the straight-line basis at rates estimated to write-off the relevant assets over their expected useful lives. Land is not depreciated. The rates used are as follows:

Building and improvements	-	40 years
Furniture and fixtures	-	10 years
Computer system	-	5 years
Motor vehicles	-	4 years
Leasehold improvements	-	4 years

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

(Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

m) **Right-of-use assets** – For any new contracts entered into on or after January 1, 2019, the Credit Union considers whether a contract is or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration”. To apply this definition, the Credit Union assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Credit Union;
- the Credit Union has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; or
- the Credit Union has the right to direct the use of the identified asset throughout the period of use. The Credit Union assesses whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

n) **Leases**

Measurement and recognition of leases as a lessee

At lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Credit Union, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Credit Union depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Credit Union also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Credit Union measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Credit Union’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Credit Union has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets are presented as a separate line item and lease liability have been included in other liabilities.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

(Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

- o) **Members' shares** – Members' shares represent the deposits of the Credit Union's members, to satisfy membership requirements and to facilitate eligibility for loans and other benefits.

Members' shares deposits

Members' shares deposits in excess of the minimum shares required for membership are treated as members' share deposits, representing members' regular savings, which if required by the member, can be used to access loans issued by the Credit Union. Members' shares deposits are classified as liabilities in the statement of financial position and the interest paid on these shares are classified as interest expense, in accordance with IFRS.

Qualifying shares

Qualifying shares are the minimum shares required to become a member of the Credit Union as described in the Credit Union's Byelaws. Each member of the Credit Union is required to hold a minimum of 10 qualifying shares with a par value of \$15 each. These shares entitle each member to one vote at general meetings.

The Board of Directors has the right to purchase the qualifying shares of any member upon application for withdrawal from the Credit Union. These shares will then be issued to new members on joining the Credit Union. To facilitate the redemption of these shares from withdrawing members, the Credit Union established a qualifying share reserve fund, which will hold the shares until re-issue.

- p) **Statutory reserve** – This reserve is calculated in accordance with the provisions of the Co-operative Societies Act as set out in Note 2. The proceeds of this reserve are deposited with the League. This reserve is not available for distribution.
- q) **Retained earnings** – Retained earnings represent the undistributed surplus after statutory appropriations and dividends declared that are agreed upon by the members at the annual general meetings.
- r) **Investment revaluation reserve** – Investment revaluation reserve represents the unrealized gains and losses arising from changes in the fair value of available-for-sale financial investments.
- s) **Dividends** – Dividends on qualifying shares are recognized in equity in the period in which they are declared by the Credit Union's Directors. Further, the payment of dividends is subject to the approval of members at the annual general meeting.
- t) **Interest income and expense** – Interest income and expense are recognized on the accrual basis, except for interest on loans placed on a non-accrual basis and fees charged, which are recognized on a cash basis. Loan interest income is not recognized on loans that are past due for periods exceeding 90 days.
- u) **Fees and other income** – Fees and rental income are recognized on the accrual basis. Loan origination fees are recognized over the life of the loan as an adjustment to the effective interest yield on the loans. Performance linked fees or fee components are recognized when the performance criteria is fulfilled.
- v) **Operating expenses** – Operating expenses are recognized on the accrual basis in the statement of comprehensive income.
- w) **Comprehensive income** – Comprehensive income includes all changes in equity during the reporting period from transactions and events other than those arising from investments and from distributions to the members. Other comprehensive income comprises revenues, expenses, gains, and losses that are recognized in comprehensive income but excluded from profit for the year.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

(Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

- x) **Employee retirement benefits costs** – The Credit Union participates in a defined contribution pension plan. Contributions to this plan are recognized in personnel expenses in the statement of comprehensive income when employees have rendered services entitling them to the contributions. The Credit Union manages the funds in the pension plan. The amounts payable to participants at the end of the reporting period are carried as pension plan liabilities in the statement of financial position.
- y) **Related parties** – Related parties represent entities or individuals who can exercise significant influence or control over the operations and policies of the Credit Union. In these financial statements, current and past members of the Board of Directors, committee members (one year past), management, staff and their close relatives are classified as related parties. The Credit Union is a member of the League and has a representative on the Board of Directors. Accordingly, the League is considered a related party in these financial statements.
- z) **League and stabilization dues** – The League has fixed its dues at \$12 annually per member, while stabilization dues are set at \$3 annually per member.
- aa) **Financial instruments** – A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity of another enterprise.

Recognition and initial measurement

The Credit Union recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in net income and comprehensive income when incurred.

Financial liabilities are initially measured at their fair value plus transactions costs that are directly attributable to their issuance.

Classification and subsequent measurement

Subsequent to initial recognition, the Credit Union classifies its financial assets as measured at:

- Amortized cost; and
- Fair value through other comprehensive income (FVTOCI).

Financial assets classified as measured at amortized costs include cash and cash equivalents, deposits and short-term investments, deposits with the League, other assets (except prepaid expenses), debt securities and loans receivable. Equity securities are classified as FVTOCI.

All financial liabilities are classified as subsequently measured at amortized cost.

Financial instruments are classified as follows:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets 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 (SPPI) on the principal amount outstanding.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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(Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

aa) *Financial instruments (Continued)*

Classification and subsequent measurement (Continued)

For financial assets classified as measured at FVOCI or an irrevocable election has been made, changes in fair value are recognized in other comprehensive income. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense are calculated using the effective interest method and is recognized in profit or loss.

The classification of a financial instrument or component as a financial liability or equity instrument determines where gains or losses are recognized. Interest, dividends, gains, and losses relating to financial liabilities are recognized in profit or loss while distributions to members of instruments classified as members' equity are recognized in members' equity.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union's claim to cash flows, and any features that modify consideration for the time value of money.

Derecognition of financial instruments

The Credit Union derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or if it neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred financial asset.

Financial liabilities are derecognized when, and only when, they are extinguished, that is, when the contract has been discharged, cancelled, or expired.

Impairment

The Credit Union recognizes loss allowance for expected credit losses (ECL) on financial assets measured at amortized cost. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions.

For loans receivable, the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assigns an initial risk rating to each loan at the date of disbursement. The risk rating is determined by the credit score assigned and categorized in the recognized credit score bands.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

aa) *Financial instruments (Continued)*

Impairment (Continued)

Loan staging – By way of disclosure, the credit union estimates and reports the ECL on a stage-by-stage basis. Loans are placed in one of the following Stages based on the extent of the change in the risk or whether the loan is in a state of default:

- Stage 1 - Loans are placed in Stage 1 at origination and remain in this stage providing that such loans have not experienced a significant increase in credit risk.
- Stage 2 Loans are transitioned to Stage 2 when there is evidence that such loans have experienced a significant increase in credit risk.
- Stage 3 - Loans are transitioned into Stage 3 if there is evidence that these loans are impaired or are at a default stage. Loans that are past due for a period of 90 days or more are deemed to have defaulted.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants, requests to restructure loan payment schedules, etc. For financial assets assessed as credit impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Delinquent loans

Loans are recorded at their outstanding principal balances less allowance for credit losses. A loan becomes delinquent immediately after one day of payment is missed. Delinquent loans over 90 days are placed in a suspense account after the outstanding loan balance has been applied to the member's share and deposit balances. Calculation of interest on delinquent loans ceases after 180 days. All loans must be secured by a member share, chattel mortgage on automobile loans or approved collateral.

Loans on which principal or interest payments are overdue in excess of thirty (30) days are classified by management as non-performing and monitored closely for impairment.

Financial assets are written-off when the Credit Union has no reasonable expectation of recovering all or any portion of the asset.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and contingent assets and contingent liabilities at the statement of financial position date and the income and expenses for the year then ended. Actual results could differ from those 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.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

Impairment losses on loans and advances to members

The Credit Union reviews its loan portfolios to assess impairment on a monthly basis, and more frequently when the need arises. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Credit Union assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence for an individual financial asset includes significant financial difficulty of the borrower; a breach of contract, such as delinquency in interest or principal payments; and actual or probable bankruptcy or other financial reorganization of the borrower. Loans for which no specific impairment has been identified are grouped with similar loans in a portfolio and the Credit Union makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from that 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 economic conditions that correlate with defaults on financial assets.

Estimation of useful lives of fixed assets, intangible assets, and right-of-use assets

The useful lives of fixed assets and intangible assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Any reduction in the estimated useful lives of fixed assets and intangible assets would increase the Credit Union's recorded operating expenses and decrease the assets.

Net carrying values of fixed assets amounted to \$1,471,008 as at December 31, 2025 (2024: \$1,498,289).

Net carrying values of intangible assets amounted to \$41,791 as at December 31, 2025 (2024 \$7,494).

Net carrying values of right-of-use assets amounted to \$93,268 as at December 31, 2025 (2024: \$3,313).

Legal proceedings and claims

The Credit Union is involved, as a plaintiff, in a number of legal proceedings related to outstanding loans. The Credit Union evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Credit Union to adjust the amount that it provides or accrues for any matter.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

*(Expressed in Bahamian dollars)***5. CASH AND CASH EQUIVALENTS AND FIXED DEPOSIT****a) Cash and cash equivalents**

Cash and cash equivalents consist of the following:

	Interest Rate	2025	2024
<i>Cash balances</i>			
Cash on hand	N/A	\$ 190,786	\$ 264,722
Cash at banks	0%	597,443	355,534
B\$ Treasury bills	0%	-	992,500
Cash and cash equivalents in the statement of financial position		788,229	1,612,756
RBC Royal Bank (Bahamas) Limited (<i>bank overdraft</i>)	6.25%	-	(563,000)
		\$ 788,229	\$ 1,049,756

Details of the Credit Union's credit facilities with one of its bankers, RBC Royal Bank (Bahamas) Limited ("RBC"), are as follows:

1. Credit facilities:
 - An overdraft facility of \$1,000,000 (2024: \$1,000,000) which carries interest at a rate of Nassau Prime plus 2% per annum (effective interest rate 6.25% (2024: 6.25%));
 - A corporate visa credit card facility with a limit of \$24,000 (2024: \$24,000); and
 - Cheque guarantee to Bahamas Customs in the amount of \$75,000.
2. Collateral held by RBC in respect of the credit facilities include:
 - Hypothecation of fixed deposits in the amount of \$1,094,563 (2024: \$1,094,563), see Note 5(b) below; and
 - Hypothecation of the Credit Union's investments in various equity instruments in the amount of \$279,809 (2024: \$264,167). See Note 9(b).

b) Fixed deposits

Fixed deposits consist of the following:

	Interest Rate	2025	2024
RBC Royal Bank (Bahamas) Limited	0.00%	\$ 1,019,525	\$ 1,019,525
RBC Royal Bank (Bahamas) Limited	0.00%	75,038	75,038
		1,094,563	1,094,563
Pledged as security		(1,094,563)	(1,094,563)
		\$ -	\$ -

The fixed deposits mature on an annual basis, and the amount classified as pledged for security is hypothecated to secure the overdraft facility maintained with the Bank (see Note 5(a)).

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

(Expressed in Bahamian dollars)

6. DEPOSITS WITH THE LEAGUE

Movement in deposits with the League is as follows:

	Interest Rate	2025	2024
Statutory reserve deposits (i)			
	1.44%		
<i>Balance, beginning of year</i>		\$ 8,585,073	\$ 8,104,613
Additional deposits during the year		720,000	360,000
Interest earned during the year		128,969	120,460
<i>Balance, end of year</i>		9,434,042	8,585,073
Liquidity reserve deposits (ii)			
	1.44%		
<i>Balance, beginning of year</i>		7,397,464	6,993,610
Additional deposits during the year		600,000	300,000
Interest earned during the year		110,996	103,854
<i>Balance, end of year</i>		8,108,460	7,397,464
Other deposits			
Pension fund account (Note 17)	1.00%	-	1,067,949
Dormant accounts	1.00%	5,223	5,171
		5,223	1,073,120
TOTAL DEPOSITS WITH THE LEAGUE		17,547,725	17,055,657
Pledged as collateral for borrowings (Note 16)		(5,000,000)	(5,000,000)
		\$ 12,547,725	\$ 12,055,657

i) **Statutory Reserves** – There is a surplus in the required statutory reserves to be held with the League as follows:

	2025	2024
Statutory deposits with the League	\$ 9,434,042	\$ 8,585,073
Requirement (10% of total assets)	9,227,469	8,502,456
<i>Surplus in statutory reserve deposits</i>	\$ 206,573	\$ 82,617

ii) The Act stipulates that not less than 10% of the Credit Union’s members’ deposits are kept in a “liquidity reserve fund”. The funds are managed by the League. At the end of the reporting period, the liquidity reserve fund was in surplus as follows:

	2025	2024
Liquidity reserve deposits with the League	\$ 8,108,460	\$ 7,397,464
Requirement (10% of members' deposits)	7,673,106	6,960,836
<i>Surplus in liquidity reserve deposits</i>	\$ 435,354	\$ 436,628

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

*(Expressed in Bahamian dollars)***7. LOANS RECEIVABLE**

- a) The movement in loans receivable, net during the year is as follows:

	2025	2024
<i>Balance, beginning of year</i>	\$ 57,258,455	\$ 52,210,613
Add: loans disbursed during the year	20,696,698	26,195,828
Less: repayments and transfers	(15,878,509)	(21,147,986)
	62,076,644	57,258,455
Accrued interest	223,192	240,764
	62,299,836	57,499,219
Less: allowance for impairment and expected credit losses	(1,134,533)	(970,675)
<i>Balance, end of year</i>	\$ 61,165,303	\$ 56,528,544

- b) The categories and maximum exposure to credit risk for loans are as follows:

	Interest Rate	2025	2024
Loans secured by members' shares	9.0%-10.5%	\$ 26,265,911	\$ 25,859,518
Consolidated	4.25%-14.00%	17,496,065	18,062,721
Property	7%-8%	16,396,510	11,940,491
Motor vehicle	8.5%-9.5%	432,016	214,919
Debt relief	12%-15%	1,458,536	1,151,398
Educational	7.5%-8.5%	27,606	29,408
		\$ 62,076,644	\$ 57,258,455

Loans are granted to members based on a threshold of twice the member's share deposits. However, in instances of emergency and debt consolidation, the Board may extend loans up to five times the member's shares.

Consolidated loans are secured by real estate or cash. Property and motor vehicle loans are secured by the assets acquired. Educational loans are limited to a maximum of \$5,000 and are payable within 12 months of the issue date.

Members' loan balances are insured in the event of death or disability. The insurance coverage is limited to a maximum of \$100,000 of each member's net loan balance and is provided by the Bahamas Co-operative League Insurance Brokerage Limited (BCLIBL). Members whose loans exceed \$100,000 are required to provide personal life insurance.

- c) Concentration of loans:

At the statement of financial position date, one (1) member (2024: one (1)) was indebted to the Credit Union by an amount exceeding 5% of the Credit Union's equity.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

(Expressed in Bahamian dollars)

7. LOANS RECEIVABLE (Continued)

d) The movement in the provision for loan impairment during the year is as follows:

	2025	2024
Balance, beginning of year	\$ 970,675	\$ 954,725
Net increase provision during the year	167,225	15,950
Loans written-off	(3,367)	-
Balance, end of year	\$ 1,134,533	\$ 970,675
Increase during the year	\$ 167,225	\$ 15,950
Recoveries of bad debts	(2,741)	(5,491)
Increase in credit losses reported in profit or loss	\$ 164,484	\$ 10,459

At December 31, 2025, doubtful loans on which interest accrual is suspended totaled \$1,072,200 (2024: \$1,070,239).

e) Reconciliation of Regulatory loss provision and IFRS Expected Credit Losses provision:

	2025	2024
IFRS expected credit losses (Note g)	\$ 1,134,533	\$ 970,675
Regulatory loan loss provision (Note f)	899,909	843,922
Difference	\$ 234,624	\$ 126,753

f) Delinquent loans:

The loan loss provision derived below as at the reporting date is consistent with the loan loss provisioning in Regulations Section 7:

As at December 31, 2025						
Months in Arrears	Number of Accounts in Arrears	Total Delinquent Loans	Value of Security	Exposure	Provision Rate	Loan Loss Provision
Within 1 month	18	\$ 823,795	\$ 660,616	\$ 163,179	0%	\$ -
2 to 3 months	6	71,502	23,321	48,181	35%	16,863
4 to 6 months	14	383,993	208,501	175,492	35%	61,422
7 to 12 months	18	363,463	148,090	215,373	35%	75,381
Over 1 year	79	811,178	64,935	746,243	100%	746,243
	135	\$ 2,453,931	\$ 1,105,463	\$ 1,348,468		\$ 899,909

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

(Expressed in Bahamian dollars)

7. LOANS RECEIVABLE (Continued)

f) Delinquent loans (Continued)

As at December 31, 2024						
Months in Arrears	Number of Accounts in Arrears	Total Delinquent Loans	Value of Security	Exposure	Provision Rate	Loan Loss Provision
Within 1 month	10	\$ 892,721	\$ 865,791	\$ 26,930	0%	\$ -
2 to 3 months	15	401,057	254,852	146,205	35%	51,172
4 to 6 months	9	95,472	21,784	73,688	35%	25,791
7 to 12 months	7	96,880	42,825	54,055	35%	18,919
Over 1 year	93	877,887	129,847	748,040	100%	748,040
	134	\$2,364,017	\$1,315,099	\$1,048,918		\$ 843,922

g) Impairment under IFRS – Expected Credit Losses (ECL):

The movement in the ECL determined under IFRS is as follows:

As at December 31, 2025				
	12-Month ECL	Lifetime Non-credit Impaired	Lifetime Credit Impaired	Total
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	\$ 138,695	\$ 16,344	\$ 815,636	\$ 970,675
Net provision during the year	(13,003)	(5,553)	182,414	163,858
Balance, end of year	\$ 125,692	\$ 10,791	\$ 998,050	\$ 1,134,533

As at December 31, 2024				
	12-Month ECL	Lifetime Non-credit Impaired	Lifetime Credit Impaired	Total
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	\$ 135,536	\$ 12,445	\$ 806,744	\$ 954,725
Net provision during the year	3,159	3,899	8,892	15,950
Balance, end of year	\$ 138,695	\$ 16,344	\$ 815,636	\$ 970,675

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

*(Expressed in Bahamian dollars)***8. OTHER ASSETS**

Other assets are comprised of the following:

	2025	2024
Members' salary deductions receivable	\$ 1,588,250	\$ 1,552,561
Rent and other receivables	248,350	155,795
Investment interest receivable	71,809	10,986
Prepaid expenses	38,615	33,449
Security deposits	8,206	5,680
Dividend income receivable	360	360
	\$ 1,955,590	\$ 1,758,831

9. FINANCIAL INVESTMENTS

Financial investments are comprised of the following:

	2025	2024
<u>Debt Securities</u>		
The Bahamas Government Registered Stocks (a)	\$ -	\$ 5,039,100
Treasury bills	6,481,710	-
Treasury bills - Pension Fund	1,195,826	-
Total held-to-maturity	7,677,536	5,039,100
<u>Equity instruments</u>		
<i>At fair value (b):</i>		
Quoted equities:		
Fidelity Bank (Bahamas) Limited	162,400	170,000
Freeport Oil Holdings Company Limited	82,200	76,800
Commonwealth Bank Limited	57,510	68,445
Bank of The Bahamas Limited	71,666	50,852
ICD Utilities Limited	22,003	16,726
Bahamas Waste Limited	10,500	10,990
Total at fair value	406,279	393,813
<i>At cost (c):</i>		
The Bahamas Co-operative League shares: 6,680 shares (2024: 6,440)	33,400	32,200
	\$ 8,117,215	\$ 5,465,113

a) The debt securities for the year ended December 31, 2025, have original maturities of 1 year.

b) Investments with a carrying value of \$279,809 (2024: \$264,167) are assigned to the Bank as collateral for the overdraft facility disclosed in Note 5(a).

c) Shares held in the League are a requirement for the Credit Union's membership in the League.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

*(Expressed in Bahamian dollars)***10. INTANGIBLE ASSETS, NET**

The movement in intangible assets, net is as follows:

	2025	2024
<u>Cost</u>		
<i>Balance at January 1</i>	\$ 83,260	\$ 70,117
Additions	63,103	13,143
Disposals	(82,502)	-
<i>Balance at December 31</i>	63,861	83,260
<u>Accumulated amortization</u>		
<i>Balance at January 1</i>	75,766	53,992
Amortization for the year	28,806	21,774
Disposals	(82,502)	-
<i>Balance at December 31</i>	22,070	75,766
<i>Net book value</i>	\$ 41,791	\$ 7,494

The Credit Union's intangible assets consist of software licenses with finite lives. These are amortized over a period of one to three years, which is the period of the licenses. The amortization expense is included in computer costs in the statement of comprehensive income.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

*(Expressed in Bahamian dollars)***11. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are comprised of the following:

	Land	Building & Improvements	Furniture & Fixtures	Computer System	Motor Vehicles	Leasehold Improvements	Total
<u>Cost</u>							
Balance as at December 31, 2023	\$ 624,009	\$ 1,581,791	\$ 326,958	\$ 517,122	\$ 76,142	\$ 17,433	\$3,143,455
Additions	-	46,195	63,138	2,156	-	-	111,489
Disposal	-	-	-	-	(31,995)	-	(31,995)
Balance as at December 31, 2024	624,009	1,627,986	390,096	519,278	44,147	17,433	3,222,949
Additions	-	-	17,636	30,115	-	-	47,751
Balance as at December 31, 2025	624,009	1,627,986	407,732	549,393	44,147	17,433	3,270,700
<u>Accumulated depreciation</u>							
Balance as at December 31, 2023	-	856,522	251,306	502,178	56,867	16,943	1,683,816
Additions	-	45,375	10,802	8,260	7,912	490	72,839
Disposal	-	-	-	-	(31,995)	-	(31,995)
Balance as at December 31, 2024	-	901,897	262,108	510,438	32,784	17,433	1,724,660
Additions	-	45,664	13,362	10,325	5,681	-	75,032
Balance as at December 31, 2025	-	947,561	275,470	520,763	38,465	17,433	1,799,692
<u>Carrying value</u>							
As at December 31, 2025	\$ 624,009	\$ 680,425	\$ 132,262	\$ 28,630	\$ 5,682	\$ -	\$ 1,471,008
As at December 31, 2024	\$ 624,009	\$ 726,089	\$ 127,988	\$ 8,840	\$ 11,363	\$ -	\$ 1,498,289

12. OTHER LIABILITIES

Other liabilities are comprised of the following:

	2025	2024
Interest payable on members' deposits	\$ 1,816,871	\$ 1,460,210
Accrued expenses	112,985	45,590
Affiliation and stabilization fees	87,825	70,221
Other liabilities	19,028	19,742
Tenant's deposits	22,000	14,000
Dormant reserve fund	5,223	5,171
	\$2,063,932	\$ 1,614,934

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

*(Expressed in Bahamian dollars)***13. LEASES**

The Credit Union's sub-office in Freeport, Grand Bahama, operates from leased premises. On April 1, 2025, the Credit Union renewed its lease agreement to rent office space for a further period of 5 years, from April 1, 2025 to March 31, 2030. The monthly lease payments for the first year were \$2,007, and \$2,067, \$2,129, \$2,193 and \$2,259 for the remaining 4 years, respectively.

Details of the amounts recognized in the statement of financial position and the statement of comprehensive income for the Credit Union's right-of-use asset and the corresponding lease liability are set out below:

13.1. Right-of-use asset:

	2025	2024
Balance, beginning of year	\$ 3,313	\$ 23,193
Additions	109,727	-
Amortization expense recognized in profit or loss	(19,772)	(19,880)
Balance, end of year	\$ 93,268	\$ 3,313

13.2. Lease liability:

	2025	2024
Balance, beginning of year	\$ 3,887	\$ 26,377
Additions	109,727	-
Interest expense recognized in profit or loss	4,785	891
Lease payments during the year	(23,906)	(23,381)
Balance, end of year	\$ 94,493	\$ 3,887

Maturity Analysis:

The future minimum lease payments under this lease at the reporting period are as follows:

No later than 1 year	\$ 19,266	\$ 3,887
Later than 1 year and not later than 5 years	77,175	-
	\$ 96,441	\$ 3,887

13.3. Amounts recognized in profit or loss:

	2025	2024
Amortization of right-of-use asset	\$ 19,772	\$ 19,880
Interest on lease liability	4,785	891
	\$ 24,557	\$ 20,771

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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*(Expressed in Bahamian dollars)***14. MEMBERS' SHARES AND OTHER DEPOSITS**

Members' shares and other deposits are comprised of the following:

	2025		2024	
	Interest Rate (%)	Amount	Interest Rate (%)	Amount
<i>Members' shares</i>	3		4	
<i>Balance, beginning of year</i>		\$ 58,260,367		\$ 54,502,121
Add: savings and interest		32,083,712		28,009,358
Less: withdrawals and transfers		(26,709,350)		(24,251,112)
<i>Balance, end of year</i>		63,634,729		58,260,367
<i>Other deposits</i>				
Term deposits	1.0 - 1.5	3,511,886	1.0 - 1.5	2,717,816
Other deposits accounts	0.5	7,228,058	0.5	6,600,506
Junior savings accounts	2.5	1,387,326	2.5	1,174,479
Christmas Club savings accounts	4	50,574	4	49,187
Total other deposits		12,177,844		10,541,988
Total members' shares and other deposits		75,812,573		68,802,355
Non-members' deposits		918,487		806,005
		\$ 76,731,060		\$ 69,608,360

15. BORROWINGS

Borrowings are comprised of the following:

	Interest Rate	2025	2024
<i>Balance, beginning of year</i>	4.00%	\$ 2,556,351	\$ 1,533,500
Drawdown during the year		3,250,000	2,750,000
Payments during the year		(3,501,163)	(1,747,682)
Interest capitalized		15,582	20,533
<i>Balance, end of year</i>		\$ 2,320,770	\$ 2,556,351
Interest accrued during year		\$ 89,910	\$ 91,460

On November 8, 2022, the Credit Union obtained a loan facility of \$5,000,000 from the Bahamas Co-operative League Limited, for a period of five (5) years. The purpose of the loan is to assist with existing member pay-outs of loans to various financial institutions. The facility is collateralized by deposits held at the League in Note 6.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

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*(Expressed in Bahamian dollars)***16. PENSION PLAN LIABILITIES**

Pensions are the only post-employment benefits to which the Credit Union is committed. The Credit Union operates a defined Contribution Pension Plan (the "Plan") for its employees who have satisfied certain minimum service requirements. The Plan is financed by equal contributions of the Credit Union and employees of a minimum of 5% and a maximum of 10% of the employee's gross salary.

The vesting period is 10 years, either from the commencement of the Plan (which applies to employees who were employed before the date of commencement of the plan), or from the date of the successful completion of the employee's probationary period. An employee ceases to be a member of the Plan upon the withdrawal or termination of his/her services from the Credit Union. All rights and entitlements will be transferred to the employee on that date. If the employee withdraws or is terminated before the vesting period, the employee is only entitled to his/her contribution plus interest.

The assets of the Plan, during the year, are invested in the Credit Union, as per the investment agreement, with interest accruing annually, at a rate to be determined at the Credit Union's annual general meetings. Quarterly statements are to be provided to the employees, and no fees will be charged for the administration of the Plan.

The total assets of the Plan are deposited at the League and earn interest at 1% per annum, as well.

The movement in the pension plan liabilities is as follows:

	2025	2024
<i>Balance, beginning of year</i>	\$ 1,065,313	\$ 959,818
Contributions	130,513	95,864
Withdrawals	-	(17,222)
	1,195,826	1,038,460
Interest earned	30,881	26,853
<i>Balance, end of year</i>	\$ 1,226,707	\$ 1,065,313

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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*(Expressed in Bahamian dollars)***17. RELATED PARTIES BALANCES**

Balances with the related parties are as follows:

	2025	2024
<u><i>Directors and Committee members</i></u>		
Loans, including interest (a)	\$3,121,135	\$2,383,104
Shares and savings (b)	\$ 716,959	\$ 531,056
<u><i>Staff</i></u>		
Loans, including interest (a)	\$1,435,817	\$1,091,730
Shares and savings (b)	\$ 467,584	\$ 348,821
<u><i>Statement of comprehensive income components (c)</i></u>		
Salaries and bonuses	\$ 680,069	\$ 643,367
Medical and pension	\$ 154,372	\$ 122,522
Board and committee meetings	\$ 64,770	\$ 80,371
Honoraria	\$ 43,800	\$ 39,800
Annual general meeting	\$ 38,673	\$ 38,213
Travel and conferences	\$ 69,086	\$ 62,523
Staff training	\$ 11,619	\$ 16,366

- a) Loans are granted to related parties based on a threshold of three times the members' deposits. Related parties also obtain some loans at preferential rates.
- b) Shares and savings accounts are maintained under the same terms and conditions as the accounts of other members and are included in members' shares and other deposits in the statement of financial position.
- c) Operating expenses incurred for key management personnel.

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*(Expressed in Bahamian dollars)***18. QUALIFYING SHARES AND OTHER RESERVES****a) Qualifying shares**

The movement in qualifying shares during the year is comprised of the following:

	2025	2024
<i>Balance, beginning of year</i>	\$ 828,150	\$ 816,600
Shares issued	92,550	73,650
Shares redeemed	(42,450)	(62,100)
<i>Balance, end of year</i>	\$ 878,250	\$ 828,150

At December 31, 2025, the Credit Union had 5,855 (2024: 5,521) members.

b) Statutory reserve

The movement in the statutory reserve is comprised of the following:

	2025	2024
<i>Balance, beginning of year</i>	\$ 6,856,009	\$ 6,656,009
Additional transfer from retained earnings	100,000	200,000
<i>Balance, end of year</i>	6,956,009	6,856,009
Requirement (10% of total assets)	9,227,469	8,502,456
<i>Deficiency in statutory reserve</i>	\$ (2,271,460)	\$ (1,646,447)

The Credit Union has not met its statutory requirement in the current year ended December 31, 2025, as its statutory reserve in equity is 7.54% (2024: 8.06%) of total assets.

c) Investment revaluation reserve

The movement in the investment revaluation reserve is as follows:

	2025	2024
<i>Balance, beginning of year</i>	\$ 294,161	\$ 286,267
Change in fair value	12,466	7,894
<i>Balance, end of year</i>	\$ 306,627	\$ 294,161

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*(Expressed in Bahamian dollars)***19. NET INTEREST INCOME BEFORE PROVISION FOR LOAN IMPAIRMENT**

Net interest income before provision for loan impairment is as follows:

	2025	2024
<u>Net interest income from members</u>		
Interest income on loans to members	\$4,381,130	\$4,140,754
Interest expense on members' shares and deposits	(1,939,582)	(1,550,653)
	<u>2,441,548</u>	<u>2,590,101</u>
<u>Investment interest income</u>		
Statutory reserve and other deposits with the League	242,574	236,371
Government debt securities	227,797	168,856
	<u>470,371</u>	<u>405,227</u>
<u>Interest expense on borrowings</u> (Note 15)	<u>(89,910)</u>	<u>(91,460)</u>
	<u>\$2,822,009</u>	<u>\$2,903,868</u>

20. OTHER INCOME

Other income is comprised of the following:

	2025	2024
LP/LS Insurance rebate and recovery	\$ 136,129	\$ 63,865
Rental income (i)	24,000	112,000
Other income	23,968	27,726
Credit card membership fees	16,370	17,431
Online transfer fees	15,194	14,537
Dividends from equity investments	11,849	10,445
Credit references	5,787	5,083
Entrance fees	4,272	4,806
	<u>\$ 237,569</u>	<u>\$ 255,893</u>

- i) The Credit Union's property situated in Collins Avenue (formerly known as The Insurance Management building) is leased out as an operating lease to Kelso Medical Laboratory and Ian Cargill & Co. Rental income totaled \$24,000 per annum (2024: \$112,000) excluding VAT.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

*(Expressed in Bahamian dollars)***21. OPERATING EXPENSES**

Operating expenses are comprised of the following:

	2025	2024
<u><i>Personnel</i></u>		
Salaries	\$ 680,069	\$ 643,367
Medical and pension	154,372	122,522
Employee training and development	42,214	36,945
National insurance	30,934	28,094
Employee benefits	11,619	16,366
	<u>919,208</u>	<u>847,294</u>
<u><i>Members' security</i></u>		
Loans and savings insurance premium	640,148	600,497
Deposit insurance	69,053	63,259
	<u>709,201</u>	<u>663,756</u>
<u><i>General business</i></u>		
Professional and legal fees	109,425	78,935
Disallowed VAT	91,739	93,812
Business license	61,400	60,749
Other expenses	52,650	69,204
Stationery and office supplies	50,964	53,770
Telephone and internet charges	45,422	40,422
Bank charges and overdraft interest	29,863	33,387
Freeport supervision	22,239	300
Security services	15,750	6,850
Depreciation - furniture and fixtures	13,362	10,802
Motor vehicle maintenance and insurance	9,048	6,452
Equipment maintenance	7,970	10,591
Depreciation - motor vehicle	5,681	7,912
Courier and postage	760	868
Depreciation - leasehold improvements	-	490
	<u>516,273</u>	<u>474,544</u>

(Continued)

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

*(Expressed in Bahamian dollars)***21. OPERATING EXPENSES** *(Continued)*

	2025	2024
<u><i>Organizational</i></u>		
Board and committee meetings	\$ 69,086	\$ 62,523
Travel and conferences	64,770	80,371
Honoraria	43,800	39,800
Annual general meeting	38,673	38,213
Anniversary celebration	14,438	4,626
League dues	12,594	-
Insurance - officers liabilities	8,203	8,325
	<u>251,564</u>	<u>233,858</u>
<u><i>Occupancy</i></u>		
General maintenance	54,350	57,532
Depreciation - building	45,664	45,375
Utilities	43,354	29,225
Insurance	26,017	25,999
Depreciation - right-of-use asset	19,772	19,880
Property tax	7,842	7,942
Interest expense - lease liability	4,785	891
	<u>201,784</u>	<u>186,844</u>
<u><i>Computer costs</i></u>		
Computer maintenance	56,385	40,624
Software license amortization (Note 10)	28,805	21,774
Depreciation - Computer system	10,325	8,260
	<u>95,515</u>	<u>70,658</u>
<u><i>Marketing</i></u>		
Advertising and promotions	21,351	27,096
Donations and gifts	13,062	14,483
Membership drive	4,687	279
	<u>39,100</u>	<u>41,858</u>
	<u>\$2,732,645</u>	<u>\$2,518,812</u>

(Concluded)

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

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(Expressed in Bahamian dollars)

22. FINANCIAL RISK MANAGEMENT

By its nature, the Credit Union's activities are principally related to the use of financial instruments. This will involve analysis, evaluation, and management of some degree of risk or combination of risks. The Credit Union's aims are, therefore, to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Credit Union's financial performance.

The Board of Directors (the "Board") is ultimately responsible for the establishment and oversight of the Credit Union's risk management framework. The Credit Union's risk management policies are designed to identify and analyze the risk faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits by means of regularly generated reports. Risk management procedures are closely integrated into all key business processes. The Credit Union regularly reviews its risk management policies, procedures, and systems to reflect recommendations and best practice, as well as changes in markets and products.

The Board, through the following committees, is responsible for monitoring compliance with the Credit Union's risk management policies and procedures:

i) Supervisory Committee

The Supervisory Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. This Committee undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

ii) Credit Committee

The Credit Committee oversees the approval and disbursement of credit facilities to members. It is also primarily responsible for monitoring the quality of the loan portfolio.

The Credit Union accepts deposits from members at agreed rates of interest and seeks to earn above average interest margins primarily by lending these funds to members at higher rates, while maintaining sufficient liquidity to meet its obligations.

These activities expose the Credit Union to a variety of financial risks, the most important risks are:

22.1. Credit Risk

22.2. Liquidity Risk

22.3. Market Risk (including currency risk, interest rate risk and other price risk)

22.1. Credit risk

Credit risk is the risk that borrowers or other counterparties will cause a financial loss for the Credit Union by failing to discharge their contractual obligations when they become due, and that any collateral provided does not cover the Credit Union's claims. Credit risk is the most important risk for the Credit Union's business. As a consequence of the Credit Union's mandate and resulting financial structure, credit risk arises principally from lending to members.

For loans, credit decisions are primarily made by the Board, with some delegation of credit approval authority to the Loans Committee, the Credit Union's Manager and Assistant Manager. There is a documented credit policy in place, which forms the basis for lending operations. The policy aims at maintaining a high-quality loan portfolio, as well as enhancing the Credit Union's mission and strategy. The policy sets the basic criteria for acceptable risk and identifies risk areas that require special attention.

The Credit Committee reviews the approved loans to ensure that they are in accordance with the lending policy of the Credit Union.

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Notes to the Financial Statements

December 31, 2025

(Expressed in Bahamian dollars)

22. FINANCIAL RISK MANAGEMENT (Continued)

22.1. Credit risk (Continued)

Credit risk management

The Credit Union manages credit risk by placing limits on the amount of risk accepted in relation to any one borrower, or group of borrowers. Such risks are monitored on a revolving basis and subject to annual or more frequent reviews.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral, including personal guarantees.

The principal collateral types for loans are:

- Members' shares and other deposits held at the Credit Union (except qualifying shares); and
- Charges over assets, such as automobiles and mortgages.

Management monitors the fair value of collateral held during its review of the adequacy of the provision for credit losses.

Loans are separated into two internal classes: performing and non-performing.

Impairment and provisioning policies

The Credit Union assesses at each statement of financial position date whether there is evidence of impairment in accordance with general principles and methodology set out in IAS 39 and the relevant implementation guidance. These procedures include the following steps:

- Identification of events that provide objective evidence that a loan is impaired
- Establishment of criteria for assessment on an individual or collective basis
- Establishment of groups of assets with similar characteristics
- Establishing methodology to determine cash flows from impaired loans
- Determining interest income recognition
- Recoveries

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than thirty (30) days based on the established PEARLS grid recommended by the League or based on any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The Credit Union addresses impairment assessment in two areas; individually assessed allowances and collectively assessed allowances. The assessment applied to individually significant accounts normally encompasses collateral held and the anticipated receipts for that individual account. Collectively assessed allowances are determined through the application of PEARLS' prescribed percentages to the aging profiles of the loan portfolio.

The internal rating system described above focuses more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the end of the reporting periods, based on objective evidence of impairment.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IFRS 9, based on the following criteria set out by the Credit Union:

- Delinquency in contractual payments of principal or interest;
- Breach of loan covenants or conditions;
- Deterioration in the value of collateral; and
- Downgrading to twelve (12) months and over delinquency grade level.

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*(Expressed in Bahamian dollars)***22. FINANCIAL RISK MANAGEMENT (Continued)****22.1. Credit risk (Continued)**Maximum exposure to credit risk

For cash at banks, the League and other financial institutions, security deposits and other amounts receivable, the maximum exposure to credit risk is as follows:

	2025	2024
Cash and cash equivalents	\$ 597,443	\$ 1,348,034
Fixed deposits	1,094,563	1,094,563
Deposits with the League	17,547,725	17,055,657
Loans receivable	61,165,303	56,528,544
Other assets	1,916,975	1,725,382
Financial investments	7,677,536	5,039,100
	\$ 89,999,545	\$ 82,791,280

For loans receivable, the maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

i) Off-balance sheet:

For financial assets not carried on the statement of financial position, the table below represents a worst-case scenario of credit risk exposure to the Credit Union at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

	2025	2024
<i>Items not on the statement of financial position:</i>		
Loan commitments	\$ 2,090,408	\$ 2,724,681

ii) On-balance sheet:

The maximum exposure to credit risk for loans receivable before collateral held or other credit enhancements is the net loans receivable which is carried in the statement of financial position and analyzed as follows:

	2025	2024
Neither past due nor impaired	\$ 59,845,905	\$ 55,135,202
Past due but not impaired	1,554,022	1,486,130
Impaired	899,909	877,887
Gross loans receivable	62,299,836	57,499,219
Less: allowance for impairment	(1,134,533)	(970,675)
Net loans receivable	\$ 61,165,303	\$ 56,528,544

The impairment provision for loans represents individually impaired loans. There are no financial assets other than loans that are past due.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2025

(Expressed in Bahamian dollars)

22. FINANCIAL RISK MANAGEMENT (Continued)

22.1. Credit risk (Continued)

Renegotiated loans

Restructuring activities include extended payment arrangements and modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indications that payments are likely to continue. These policies are continuously reviewed.

22.2. Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations and commitments associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Credit Union is exposed to daily calls on its available cash resources from general savings deposits, loans drawdowns, withdrawal of shares and operating commitments. The Credit Union does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Liquidity risk management process

The liquidity risk management process is monitored by the Manager and includes:

- Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of the Credit Union's source of funds which includes cash and bank balances, items in the course of collection and investment maturities in order to determine their ability to meet its commitments;
- Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruptions to cash flow;
- Maintaining committed lines of credit with its Banker and the League;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to liabilities; and
- Matching and mismatching of the maturities and interest rates of financial assets and financial liabilities. An unmatched position potentially enhances profitability but can increase liquidity risk.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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*(Expressed in Bahamian dollars)***22. FINANCIAL RISK MANAGEMENT (Continued)****22.2. Liquidity risk (Continued)**Financial liabilities cash flows

The following table analyses the Credit Union's undiscounted financial liabilities into relevant maturity groupings based on the contractual maturity date remaining at the reporting date.

	As at December 31, 2025				
	Within 3 Months	3 to 12 Months	Over 1 Year	No specific Maturity	Total
Assets					
Cash and cash equivalents	\$ 597,443	\$ -	\$ -	\$ -	\$ 597,443
Fixed deposits	1,019,525	75,038	-	-	1,094,563
Deposits with the League	-	-	-	17,547,725	17,547,725
Loans receivable	669,101	394,092	60,102,110	-	61,165,303
Other assets	1,588,250	320,519	-	8,206	1,916,975
Financial investments	-	7,677,536	-	439,679	8,117,215
	\$ 3,874,319	\$ 8,467,185	\$ 60,102,110	\$ 17,995,610	\$ 90,439,224
Liabilities					
Other liabilities	\$ 222,810	\$ -	\$ -	\$ 1,841,122	\$ 2,063,932
Lease liability	4,569	14,697	77,175	-	96,441
Members' shares and other deposits	647,272	2,332,772	-	73,751,016	76,731,060
Borrowings	729,218	1,591,552	-	-	2,320,770
Pension plan liabilities	-	-	-	1,226,707	1,226,707
	\$ 1,603,869	\$ 3,939,021	\$ 77,175	\$ 76,818,845	\$ 82,438,910
Net	\$ 2,270,450	\$ 4,528,164	\$ 60,024,935	\$ (58,823,235)	\$ 8,000,314

	As at December 31, 2024				
	Within 3 Months	3 to 12 Months	Over 1 Year	No specific Maturity	Total
Total assets	\$ 5,150,547	\$ 5,531,374	\$ 55,346,193	\$ 17,487,350	\$ 83,515,464
Total liabilities	\$ 2,125,798	\$ 2,324,584	\$ 1,693,540	\$ 69,267,923	\$ 75,411,845
Net	\$ 3,024,749	\$ 3,206,790	\$ 53,652,653	\$ (51,780,573)	\$ 8,103,619

Assets available to meet the liabilities and to cover outstanding loan commitments include cash balances, unrestricted deposits, and items in the course of collection.

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(Expressed in Bahamian dollars)

22. FINANCIAL RISK MANAGEMENT (Continued)

22.3. Market risk

The Credit Union takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risks arise from open positions in foreign currencies (currency risk), interest rates (interest rate risk), and equity products (other price risk), all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Currency risk

Currency risk or foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Credit Union has minimum exposure to currency risk, as all its assets and liabilities are stated in Bahamian dollars, which is the Credit Union's functional and presentational currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, and arises mainly from interest bearing deposits, loans receivable, bank overdraft and members' shares and deposits.

Floating rate instruments expose the Credit Union to cash flow interest rate risk, whereas fixed interest rate instruments expose the Credit Union to fair value interest rate risk. The Credit Union takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

The Credit Union's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments as determined by the League. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken.

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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*(Expressed in Bahamian dollars)***22. FINANCIAL RISK MANAGEMENT (Continued)****22.3. Market risk (Continued)**

The table below summarizes the Credit Union's exposure to interest rate risk. They include the Credit Union's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

As at December 31, 2025					
	Within 1 Year	1 to 7 Years	Over 7 Years	Non-Interest Bearing	Total
Assets:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 597,443	\$ 597,443
Fixed deposits	-	-	-	1,094,563	1,094,563
Deposits with the League	-	-	17,547,725	-	17,547,725
Loans receivable	223,736	8,286,203	52,592,005	63,359	61,165,303
Other assets	-	-	-	1,916,975	1,916,975
Financial investments	7,677,536	-	-	439,679	8,117,215
Total assets	\$ 7,901,272	\$ 8,286,203	\$ 70,139,730	\$ 4,112,019	\$ 90,439,224
Liabilities:					
Other liabilities	-	-	-	2,063,932	2,063,932
Lease liability	19,266	77,175	-	-	96,441
Members' shares and other deposits	2,980,044	11,075,122	62,675,894	-	76,731,060
Borrowings	2,320,770	-	-	-	2,320,770
Pension plan liabilities	-	-	1,226,707	-	1,226,707
Total liabilities	\$ 5,320,080	\$ 11,152,297	\$ 63,902,601	\$ 2,063,932	\$ 82,438,910
Total interest repricing gap	\$ 2,581,192	\$ (2,866,094)	\$ 6,237,129	\$ 2,048,087	\$ 8,000,314
Cumulative gap	\$ 2,581,192	\$ (284,902)	\$ 5,952,227	\$ 8,000,314	
As at December 31, 2024					
	Within 1 Year	1 to 7 Years	Over 7 Years	Non-Interest Bearing	Total
Total assets	\$ 6,228,900	\$ 7,320,751	\$ 65,811,547	\$ 4,154,266	\$ 83,515,464
Total liabilities	\$ 4,320,571	\$ 10,944,757	\$ 58,531,583	\$ 1,614,934	\$ 75,411,845
Total interest repricing gap	\$ 1,908,329	\$ (3,624,006)	\$ 7,279,964	\$ 2,539,332	\$ 8,103,619
Cumulative gap	\$ 1,908,329	\$ (1,715,677)	\$ 5,564,287	\$ 8,103,619	

BAHAMAS LAW ENFORCEMENT CO-OPERATIVE CREDIT UNION LIMITED

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(Expressed in Bahamian dollars)

22. FINANCIAL RISK MANAGEMENT (Continued)

22.3. Market risk (Continued)

Other price risk

Other price risk is the risk that the fair 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 is exposed to other price risk on its available-for-sale financial instruments (equity price risk), held as a part of its investment portfolio. Equity price risk arises out of price fluctuations in equity prices. The risk arises out of holding positions in either individual stocks (idiosyncratic risk) or in the market as a whole (system risk). The goal is to earn dividend income and realize gains sufficient to offset the interest foregone in holding such long-term positions.

The Board sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio, which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the noninterest-bearing characteristics of these instruments, the Credit Union limits the amount invested in them.

Sensitivity Analysis – The Credit Union’s equity investments are traded on the Bahamas International Stock Exchange (BISX). A 5% increase or decrease in quoted bid prices at the statement of financial position date would have increased/decreased total comprehensive income by \$20,314 (2024: \$19,691).

23. CONTINGENCIES

- a) *Credit card operations* – The Credit Union is party to an agreement with Fidelity Bank (Bahamas) Limited (“Fidelity”) relating to the Credit Union’s issuance of credit cards to its members. In that agreement, the Credit Union indemnifies Fidelity against credit card losses by paying out accounts that are delinquent for 90 days and over. In such instances, the Credit Union can convert the balance outstanding to a loan and pursue collection of the account.

The total balance owing on credit cards at December 31, 2025, was \$611,381 (2024: \$699,266).

- b) *Litigation* – The Credit Union is involved in several actions that it has brought against members who are in default of their loan commitments. These matters are in active litigation as disclosed to us by the Credit Union’s attorneys.

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(Expressed in Bahamian dollars)

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Most of the Credit Union's financial instruments lack an available trading market. Therefore, these instruments have been fair valued using other valuation techniques and may not necessarily be indicative of the amounts realizable on the settlement of the instruments.

a) Financial instruments not measured at fair value:

- i) The fair value of liquid assets maturing within one year is assumed to approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- ii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.
- iii) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans, the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognized separately by deducting the amount of the provisions for credit losses from both book and fair values.
- iv) The fair value of members' shares and deposits, with no specific maturity, is assumed to be the amount payable on demand at the statement of financial position date.
- v) The fair values of all other financial instruments not mentioned above are assumed to approximate their carrying values.

b) Financial instruments measured at fair value:

Quoted equity securities classified as available-for-sale are measured by reference to quoted market prices on the Bahamas International Stock Exchange (BISX).

c) Fair value hierarchy:

The following table provides an analysis of financial instruments held at the reporting period that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level consists of listed equity securities traded on the Bahamas International Stock Exchange (BISX).
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The Credit Union has no financial instruments categorized at this level.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. The Credit Union has no financial instruments categorized at this level.

The following table analyzes within the fair value hierarchy, the Credit Union's financial assets measured at fair value through profit or loss as at the statement of financial position date:

	2025	2024
<u>Level 1</u>		
Quoted equities	\$ 406,279	\$ 393,813

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*(Expressed in Bahamian dollars)***25. CAPITAL RISK MANAGEMENT**

The Credit Union's objectives when managing capital are as follows:

- To comply with the capital requirements set by the Regulator, the Central Bank of the Bahamas;
- To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns for its members and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Credit Union's Board reviews the capital structure on a monthly basis. As part of the review, the Board considers the provision of the Bahamas Co-operative Credit Unions Act, 2015, Section 65, which states that:

'Every society shall ensure that –

- Not less than 10% of its members' deposits are kept in a liquidity reserve fund; and*
- Statutory reserves, retained earnings and equity shares are at no stage less than 10% of its total assets, except during the phase-in period as permitted by regulations.'*

The table below summarizes the composition of the Credit Union's regulatory capital and the ratios at the reporting date:

	2025	2024
Provision (a)		
Liquidity reserve deposits	\$ 8,108,460	\$ 7,397,464
Members' deposits	\$ 77,957,767	\$ 70,673,673
Actual ratio	10%	10%
Required ratio	10%	10%
Excess over regulation	0%	0%
Provision (b)		
Regulatory reserves	\$ 9,531,103	\$ 9,318,554
Total assets	\$ 92,274,692	\$ 85,024,560
Actual ratio	10%	11%
Required ratio	10%	10%
Excess over regulation	0%	1%

As at December 31, 2025, the Credit Union met both provisions of its regulatory capital requirements (2024: both provisions).

26. EVENTS AFTER THE REPORTING PERIOD

The are no material events of significance impacting the Credit Union since December 31, 2025, and up to April 10, 2026, that require disclosure in these financial statements: