

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Annual Report provides a discussion and analysis of the financial condition and performance of the Barbados Public Workers' Co-operative Credit Union Limited (BPWCCUL) for the financial year ended March 31, 2015 as compared to the financial year ended March 31, 2014.

ECONOMIC REVIEW

The global economy has to some extent come out of the effects of the 2008-2009 recession and growth is being realized worldwide. Barbados has been slow to emerge from the effects of the recession and as a result the economy recorded less than one percent growth in 2014.

With significant investment being made in the areas of tourism and tourism related projects, international business and the financial services sector, the Central Bank is forecasting that the Barbados economy will return to real growth of approximately 2 percent in 2015 and 2.3 percent in 2016.

OVERVIEW

There were many challenges facing the Credit Union movement going into the financial year ending March 2015. The two major challenges included government's planned retrenchment of over three thousand public sector workers, some of whom are members of this Credit Union and the threat of an imposition of a 0.2 percent tax on the assets of Credit Unions. Both of these challenges were realized and they both had varying effects on the income of the Credit Union although proactive decisions were taken to mitigate their impact.

During the year under review, the Credit Union continued to grow in key aspects of its operations. Membership growth averaged 364 per month and recorded net growth of 4,363. Deposits grew by \$53.3 million or 7.4 percent while assets grew by \$53.6 million or 6.1 percent.

The Credit Union has continued its prudent management of delinquent loans during the financial year however, non-performing loans increased by \$4.2 million or 9.1 percent. The delinquency rate increased from 6.6 percent at March 31, 2014 to 6.7 percent at March 31, 2015.

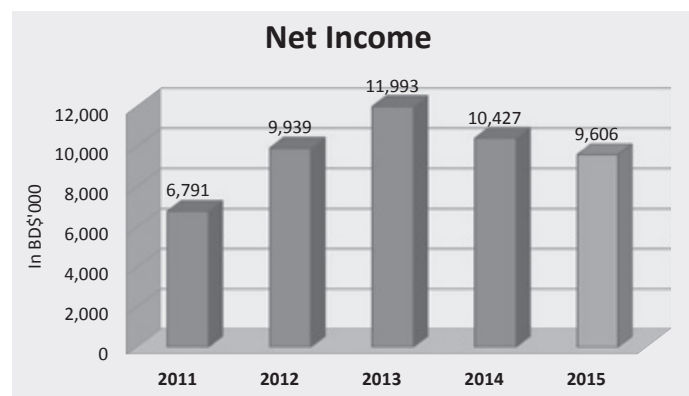
REVIEW OF FINANCIAL PERFORMANCE

TOTAL INCOME AND NET INCOME

Net income before levies was \$11.0 million at March 31, 2015 as compared to \$10.4 million at March 31, 2014. This was an increase of \$530 thousand or 5.1 percent. The asset tax levy, which was not a factor in 2014, reduced the final net income for 2015 to \$9.6 million.

Total revenue grew by \$1.8 million in 2015 moving from \$69.9 million in 2014 to \$71.7 million during the 2015 financial year.

The credit environment remained challenging in 2015. However, the Credit Union achieved significant net loan growth when compared to prior year. Loans grew by \$62.2 million or 9.1 percent in 2015 as compared to prior year when loans grew by \$32.5 million or 4.9 percent.

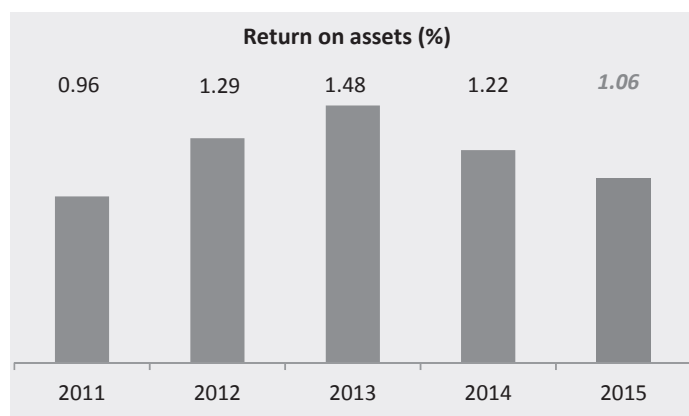


NET INTEREST INCOME

Net interest income grew by \$716 thousand or 1.6 percent in 2015. Total interest income grew by \$1.7 million or 2.5 percent, while total interest expense increased by \$949 thousand or 4.0 percent. Interest income increased by \$1.9 million or 3.0 percent in respect of interest from loans while interest from cash deposits and investment decreased by \$248 thousand or 6.4 percent during 2015.

OTHER INCOME

Other income increased by \$148 thousand or 6.1 percent during the financial year 2015 mainly due to a 42 percent increase in income earned from bad debt recoveries (\$117 thousand).



EFFICIENCY AND EXPENSE MANAGEMENT

The Credit Union's strategy during the 2015 financial year was one which focused heavily on efficiency and expense