

# MANAGEMENT DISCUSSION AND ANALYSIS

management while at the same time adding valued customer service. However, growth necessitated an increase in operating expenses thus operating expenses (inclusive of tax on assets of \$1.4 million) increased by \$2.4 million or 7.6 percent above prior year.

## OPERATING LEASES

Rent expenses increased during the year ending March 31, 2015 moving from \$286 thousand in 2014 to \$753 thousand in 2015. This increase was directly attributed to expansion of the Credit Union's branch operations at the Six Roads location, installation of two additional offsite ATMs and rental of office space for staff at the Co-operators General Insurance's building on Collymore Rock.

## STAFF COST

During the year, the Credit Union increased its staff complement to strengthen its member services, financial reporting and risk management functions as well as providing human resources for its branch expansions.

In addition, incremental salary increases as well as higher pension plan expenses also contributed to the increase in staff costs. As a result, staff cost increased by \$607 thousand or 5 percent over prior year.

## TOTAL OPERATING EXPENSES

Total operating expenses for the year under review amounted to \$33.7 million, an increase of \$2.4 million or 7.6 percent above prior year. This included an amount of \$1.4 million which represented the 0.2 percent Asset Tax expense levied by government on the assets of the Credit Union during the financial year.

The effect of this levy largely resulted in the reported net income being under that which was realized in the last financial year.

## NET OPERATING INCOME

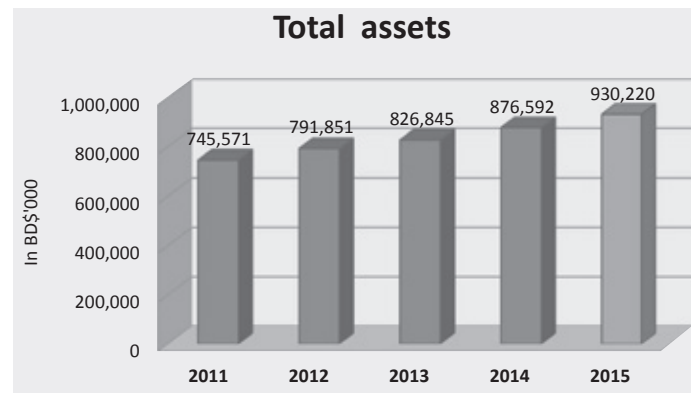
Net operating income inclusive of loan impairment expenses increased by \$863 thousand or 1.9 percent, to end the year at \$47.0 million. Loan impairment expense was \$3.7 million, a decline of \$697 thousand or 15.8 percent below prior year. This reduction was mainly due to a change in the ratio of non-performing unsecured loans to non-performing loans with security.

## ASSETS

At year-end the Credit Union's asset base amounted to \$930.2 million, an increase of \$53.6 million or 6.1 percent. During the financial year ending March 31, 2015 cash resources decreased by \$15.5 million or 14.1 percent. This was mainly due to early

repayment of external debt so as to reduce interest expense. In addition, financial investments classified as Held-to-maturity increased by \$5.4 million or 26.7 percent.

At the end of the financial year, the net loans and advances to members rose to \$746.5 million, inclusive of impairment provision of \$21.9 million, as compared to \$684.3 million and \$21.3 million respectively at the end of the previous year. As it was in the prior year, consumer loans was the major contributor to loan growth in the reporting period.



## ASSET QUALITY

Amid a climate of uncertainty and high job losses, the Credit Union recorded an increase of 0.1 percent in its delinquency ratio which ended the year at 6.7 percent compared to prior year which was 6.6 percent. However, non-performing loans increased by \$4.2 million in comparison to the decrease of \$4.6 million in the prior year.

The Credit Union will continue to work diligently with defaulters to offer them alternatives and restructuring plans to enable them to restore their loans to a state of normalcy.

In addition, support systems have been set up to help those members who recently lost their jobs due to the retrenchment exercise in the public sector. This has led to the restructuring of loans to meet the needs of affected members who reached out to the Credit Union for support.

