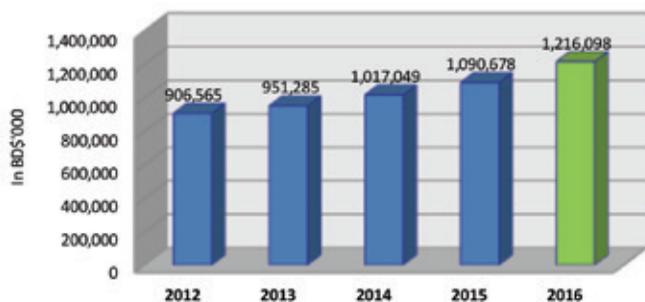


# MANAGEMENT DISCUSSION AND ANALYSIS

## Total assets



These initiatives enabled and sustained the trend of increase loan demand which was realized across the Group.

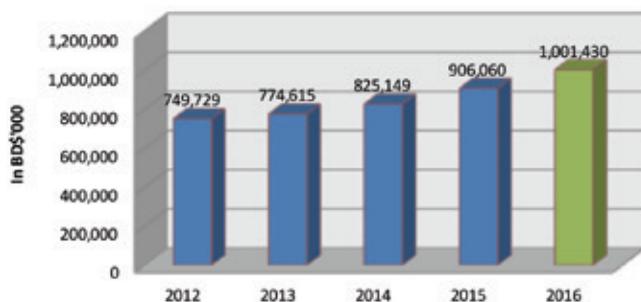
The Group remained highly liquid with total cash resources totaling \$128.3 million. Financial investments increased by \$4.0 million or 13.1 percent due principally to additional purchases of government securities during the financial year.

## Asset Quality

The delinquency ratio decreased slightly from 6.7 percent in 2015 to 6.3 percent at March 31, 2016. This is highly commendable given the current environment and is attributable to close monitoring of delinquent accounts, creating payment solutions for members who are experiencing challenges and strict adherence to credit control and underwriting requirements.

The Group also maintained a consistent approach to the provisioning process. This was based on thorough reviews of individual's credit risk and analysis of collective portfolio risk characteristics.

## Loans and advances



A key focus of management in recent months has entailed working proactively with members and customers to offer financial counseling and alternative loan arrangements and restructuring plans to assist them in maintaining a sound credit rating and risk profile.

## Liabilities

The Group's strong liquidity position continued to be driven by the growth in deposit liabilities. At the financial year end, the Group's deposits totaled \$1.0 billion, an increase of \$121.9 million or 13.3 percent higher than at the previous year-end.

During the year under review, the Credit Union repaid one of its high interest rate loan facilities so as to reduce its debt service costs and improve the overall net interest margin yield.

The Credit Union's total loan repayment amounted to \$11.2 million which was largely responsible for the reduction in loans payable from \$52.0 million at March 31, 2015 to \$41.0 million at March 31, 2016.

## Equity

As at March 31, 2016, the Group's total equity was \$117.3 million, an increase of \$11.8 million or 11.2 percent over the previous year. The increase was primarily due to profits of \$13.2 million and growth in Credit Union share capital of \$643.6 thousand, net of dividend distributions of \$2.0 million paid to Credit Union members during the year.

The Group's capital adequacy ratios were above minimum capital requirements and these were being continuously monitored on an on-going basis when assessing capital needs and evaluating changes in strategic focus, risk tolerance levels, business plans and the operating environment that might materially affect capital adequacy.

## OUTLOOK – 2016 and Beyond

In the financial sector, it is envisaged that the interest rates on savings and deposits will continue to decline. However, the Group will continue to prudently manage its operating cost so that our members and customers continue to enjoy competitive interest rates on savings and deposits.

As we look towards the future, our aim is to provide innovative products and services, while focusing on optimal customer satisfaction across the Group. We firmly believe that this thrust will enable us to retain our loyalty base, while all the same time attracting new members and customers to sustain our continued growth.