

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, 2017 as compared to the prior financial year, ended March 31, 2016.

ECONOMIC REVIEW

At the end of 2016, the Barbadian economy estimated growth of 1.6 percent, mainly due to the competitive tourism sector, which was reinforced by direct investments. The financial system in Barbados remained resilient and maintained excess liquidity, despite the challenging local and international economic environment, in spite of several downgrades by international ratings agencies during the year. The outlook for growth in 2017-2018 is encouraging. According to the Press Release for December 2016 from the Central Bank of Barbados, a growth rate of about 2.0 percent is forecasted for the next five years.

The Credit Union Sector continues to gain market share at 8 percent of the total sector compared to 7 percent five years ago as highlighted in the Financial Stability 2016 Report from the Central Bank of Barbados. Total consolidated assets of the Credit Union Sector were reported at \$2.0 billion dollars in September 2016, representing an 8 percent increase.

The largest contributor to growth in the Credit Union Sector was the aggregate loan portfolio at \$90.4 million, followed by investments at \$29.4 million and cash at \$10.2 million. As at September 2016, total loans represented approximately 75 percent of total assets, down from 77 percent for the same period of the prior year. Consumer loans accounted for the majority of the loans to members at 51 percent, real estate loans at 29 percent and transport loans at 19 percent.

The report also showed that during the year under review, regular deposits increased by 8.8 percent, while term deposits grew by 16.4 percent. The net loans-to-deposit ratio was on a downward trend, falling to 88.3 percent of total deposits from 90.9 percent. The downward trend was as a result of the increase in deposit growth in the Credit Union Sector due to declining interest rates at commercial banks during the year under review.

The Financial Stability Report also indicated that the Sector was adequately capitalized, where the capital to assets ratio increased by 0.25 of a percentage point to reach 11.8 percent at the end of September 2016 over the 11.4 percent average over the last five years.

The quality of the loan portfolio for the Sector improved during the period under review as the absolute value of non-performing loans fell modestly while gross loans increased. Non-performing loans relative to the total loan portfolio fell from 8.9 percent at the end of September 2015 to 7.6 percent at September 2016.

OVERVIEW

During the year under review, the Credit Union continued to grow in key aspects of its operations. Membership averaged 538 per month and recorded net growth of 5,637. Deposits grew by \$93.2 million or 10.8 percent while assets grew by \$91.3 million or 9.0 percent.

The key area of risk faced by the Credit Union Sector relates mostly to concentration and credit quality, however, we maintained our delinquency ratio at 6.3 percent consistent with the previous year. This was achieved by prudent and continuous management of our loan portfolio.

We continue to offer payment solutions to our members through various debt management and consolidation strategies to improve their financial and economic well-being.

Non-performing loans during the year ended March 31, 2017 increased by \$5.4 million or 10.3 percent. However, the delinquency rate remained at 6.3 percent at March 31, 2017 consistent with 6.3 percent at March 31, 2016, since the loans portfolio grew more than the relative increase in Non-performing loans. We will continue to work with our members who are experiencing financial challenges by offering solutions geared at returning their accounts to a state of normalcy.

Deposit interest rates in the market continued to trend downward and reached an average of 0.1 percent at March 2017. However, we are proud to maintain some of the most competitive rates on deposits. This resulted in deposit growth for the year of \$93.2 million with an average rate of return of 2.83 percent.

REVIEW OF FINANCIAL PERFORMANCE

TOTAL INCOME AND NET INCOME

Net income was reported at \$16.0 million compared to \$13.5 million in the prior year, an increase of \$2.5 million or 18.3 percent. Total revenue grew by \$5.4 million or 6.8 percent moving from \$79.9 million in 2016 to \$85.3 million during the financial year ended March 31, 2017.

