

MANAGEMENT DISCUSSION AND ANALYSIS

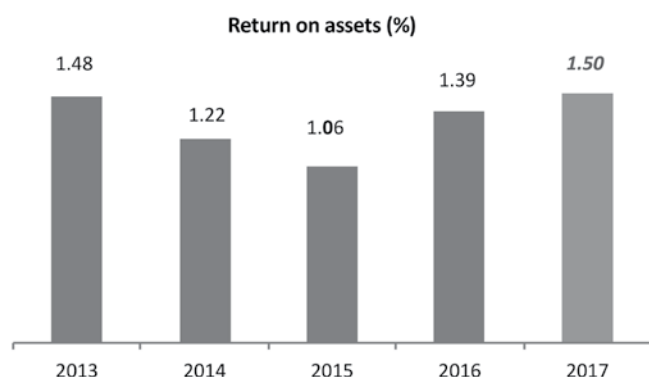
Although loan to asset growth in the sector fell slightly in 2016 to 75 percent from 77 percent, the Credit Union achieved significant net loan growth when compared to prior years. As at March 31, 2017, net loans grew by \$82.6 million or 10.1 percent compared to \$71.3 million for the year ended March 2016.

NET INTEREST INCOME

Net interest income grew by \$4.7 million or 9.4 percent in 2017. Total interest income grew by \$5.0 million or 6.5 percent while total interest expense increased by \$255.7 thousand or 1.0 percent. Interest income increased by \$5.0 million or 6.5 percent with respect to interest from loans while interest from cash deposits and investments decreased by \$51.4 thousand or 1.5 percent during the financial year ended March 31, 2017.

OTHER INCOME

Other income increased by \$416.5 thousand or 11.7 percent during the financial year mainly due to an increase of \$375.6 thousand or 32.2 percent in the fee income.



EFFICIENCY AND EXPENSE MANAGEMENT

The Credit Union's strategy during the financial year focused heavily on adding valued member services which resulted in operating expenses increasing by \$2.7 million or 16 percent compared to prior year.

OPERATING LEASES

Rental expenses increased from \$870.7 thousand in 2016 to \$961.0 thousand in 2017. This increase was directly attributed to the expansion of the Credit Union's branch operations at the Six Roads location, installation of additional offsite ATMs and rental of office space for staff located at the Co-Operators General Insurance's building at Collymore Rock.

STAFF COST

During the year under review the Credit Union increased its staff complement to strengthen its member services, internal

audit and risk management functions, as well as providing adequate frontline and support personnel.

Additionally, completed union negotiated salary increases contributed to the increased staff costs. As a consequence of the above, staff costs increased by \$960.0 thousand or 6.5 percent over the prior year.

TOTAL EXPENSES

Total expenses for the year amounted to \$38.5 million, which represented an increase of \$3.8 million or 10.9 percent above the prior year. The 0.2 percent Asset Tax expense levied by government on the assets of Credit Unions ended March 31, 2016, therefore there was no expense during the year.

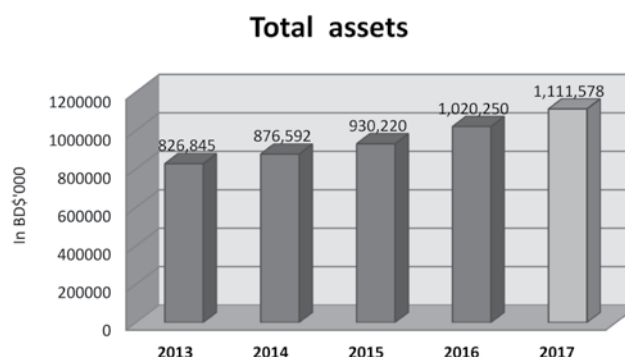
NET OPERATING INCOME

Operating income net of loan impairment expenses for 2017 increased by \$4.3 million or 8.6 percent to end the year at \$54.5 million. Loan impairment expense was \$4.6 million, an increase of \$856.0 thousand or 22.6 percent over last year.

ASSETS

At the end of the 2017 financial year, the Credit Union's total assets amounted to more than \$1.1 billion, an increase of \$91.3 million or 9.0 percent.

Cash resources decreased by \$8.1 million or 8.0 percent. In addition, financial investments classified as Held-to-maturity decreased by \$538.0 thousand or 1.9 percent.



Net loans and advances to members were \$900.4 million, inclusive of an impairment provision of \$22.6 million, as compared to \$817.8 million and \$20.5 million respectively at the end of the 2016 financial year. As it was in prior years, consumer loans were the major engine of loan growth.

ASSET QUALITY

Amid a climate of economic uncertainty, the Credit Union maintained its delinquency ratio which ended the 2017 year at 6.3 percent, consistent with the prior year.