

# MANAGEMENT DISCUSSION AND ANALYSIS

source markets, has been revised downwards by the IMF from 3.7 percent to 3.5 percent.

3. Liquidity in the banking system is expected to remain high and the excess cash will continue to keep interest rates very low. The weighted average deposit rate of 0.2 percent was virtually unchanged since 2017 and is expected to continue, while the weighted average loan rate was 6.8 percent, approximately twenty basis points higher than last year.
4. Over the past decade, the average rate of growth was negative 0.7 percent. Revitalizing growth is therefore critical but the forecast for 2019 is for growth to be flat. The release's expectation is that, the road ahead remains challenging, but that the commitment of the Government and all Barbadians to continue the critical structural reforms, will position the economy to overcome these hurdles and strengthen economic sustainability.

Potential impact of Current Economic Conditions on the Group:

1. Economic slowdown could impact realization of set financial goals and could also over-extend the support structures such as Social Outreach, Education and Grants. The Credit Union will need to find a balance between growth, surplus and member assistance and financial relief (rate reductions, interest forgiveness etc.)
2. The retrenchment programme in the Public Sector was expected to continue until the end of the first quarter of the financial year 2020. Many of our members and potential members and customers work in this sector. This could potentially affect member's ability to qualify for loans and/or service existing loans thus negatively impacting the delinquency levels, loan recovery and planned loan growth.
3. Due to cash flow constraints brought about through lower disposable income or heightened price levels, members who are employed will find that their borrowing capacity will be under strain. For some time now, the Group has been considering the introduction of risk-based lending as a mitigating factor to deal with the heightened credit risk. However, this will have to be balanced with the Credit Union's mantra of assisting our members where possible.

## CONSOLIDATED FINANCIAL STATEMENT HIGHLIGHTS

### REVENUES:

For the financial year ended March 31, 2019 the Group earned total interest revenue of \$104.6 million, up from \$101.1 million the previous year. This represented an increase of \$3.6 million or 3.5 percent over the prior year. Increases in non-accrual loans due to the growth in delinquency has negatively impacted this result.

Income generated from non-interest sources decreased by \$239.4 thousand or 3.9 percent from the results of prior year.

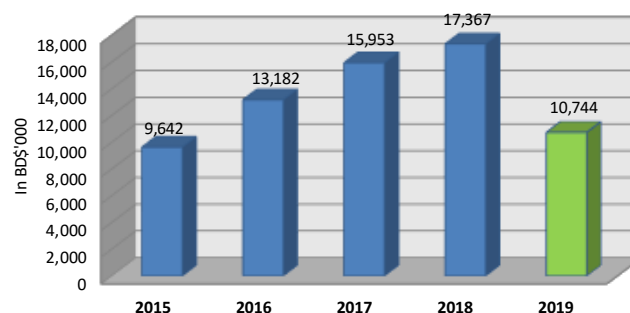
### NET INTEREST INCOME:

Net interest income moved from \$68.9 million in 2018 to \$71.2 million at March 31, 2019. This represents an increase of \$2.3 million or 3.3 percent.

### NET INCOME:

The Group earned a consolidated net income before levies and taxes of \$11.5 million for the year ended March 31, 2019 compared to \$18.3 million for the previous year. This represented a decrease of approximately \$6.8 million or 37.1 percent below the prior year. As previously stated, the impairment of goodwill of \$2.9 million together with the loss on Government securities of \$4.0 million contributed to this decrease.

Net Income



### OPERATING EXPENSES:

Total operating expenses inclusive of taxes increased from \$50.7 million in 2018 to \$59.3 million in 2019. This was principally driven by loss on Government security, increases in repairs and maintenance, staff costs, membership security, staff and members' training, rent and utilities.

During the year, staff cost increased by \$3.9 million mainly due to the following; union negotiated salary increases, the addition of 41 new employees across the Group, a full years' salary for the two newest branches at Mile & A Quarter and the Mobile Financial Center.

### ASSETS:

Total assets of the Group stood at \$1.6 billion at March 31, 2019. This represented an increase of \$146.4 million or 10.1 percent over the previous year.

Total assets

