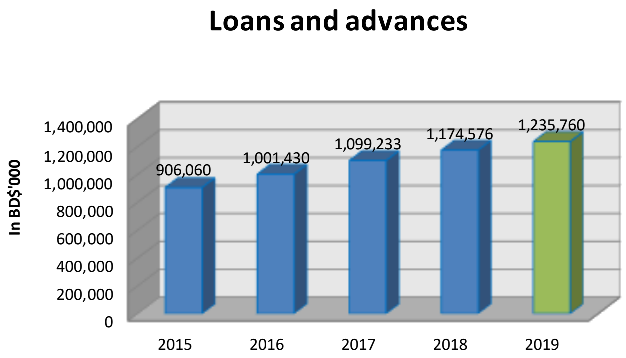
MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

At March 31, 2019, the Group's consolidated net loans and advances stood at $1.2 billion, an increase of $61.2 million or 5.2 percent over prior year.

Loan growth was primarily led by increased consumer loans of $40.7 million while mortgage and business loans grew by $8.3 million and $12.9 million, respectively. Loan growth was below expectations due to the impact of the retrenchment of public sector employees and those members who were experiencing other economic challenges.



The Group remained highly liquid with total cash resources of $216.1 million compared to $112.8 million over prior year. Financial investments and other term deposits decreased by $15 million or 19.2 percent, mainly due to the de-recognition loss of investments in Government Securities and the strategic decision by management not to renew some investments upon maturity.

ASSET QUALITY:

The delinquency ratio increased to 8.7 percent at the end of March 31, 2019 compared to 6.7 percent at the end of March 31, 2018.

While this rate was above prior year, it is a trend which continues to command the highest attention of all stakeholders within the Group. We recognize these are challenging times for our members and customers, nevertheless, we will continue to make proactive changes to how we manage delinquency as a Group.

Thus, going forward, a key focus of management will be to take a hands-on approach to working with members and customers by offering them financial counselling, alternative loan facilities and restructuring plans, to assist them in maintaining a sound credit rating.

LIABILITIES:

The Group's liquidity position continues to be strong and is primarily driven by the continued growth in deposits. At the end of the financial year, the Group's deposits totaled $1.4 billion, an increase of $140.2 million or 11.1 percent compared to an increase of $121.4 million or 10.7 percent in prior year.

The Group's only external borrowing pertains to the subsidiary Capita Financial Services Inc. and at the end of the financial year, this stood at $13.5 million compared to $15.2 million in prior year.

EQUITY:

As at March 31, 2019, the Group's total equity was $151.1 million. This is an increase of $3.6 million or 2.5 percent compared to an increase of $14.9 million or 11.2 percent in the previous year.

The changes can be quantified as follows; the April 1 retro-active adjustment for the impact of IFRS 9 at $3.1 million, the issuance of shares of $1.3 million and the distribution to members, with a Dividend and Interest Rebate of $3.4 paid during the year as compared to $3.2 million in the prior year.

The Group's capital adequacy ratios continue to be above regulatory requirements and continues to be monitored on an on-going basis when assessing capital needs in evaluating changes in strategic focus, risk tolerance levels, business plans and the operating environment that might materially affect capital adequacy.

OUTLOOK – 2019 AND BEYOND

The financial year 2018/19 has been a challenging one for the Group, its members and clients, however, there are positive signs now emanating from the economy which suggests that things are starting to turn around for the country.

While the recent retrenchment exercise in the public sector would have negatively impacted some of our members, there are some positive signs such as the renewed confidence of foreign investors especially in the Tourism and Real Estate sectors.

Additionally, the recent reduction in taxation at the corporate and individual levels, will serve to increase the cash flows of companies and the disposable income of individuals.

This together with the Government's issuance of starter business loans to retrenched workers, the payment of overdue tax returns and the conclusion of the CLICO payout to individuals, all paints a picture of hope for the country.

Our Group remains optimistic that the economy will continue to see real positive changes in 2019/20 and beyond. Expectations are that these changes will improve the circumstances and well-being of our members and customers.

The Group's focus this upcoming year will include: managing loan quality to control delinquency, identifying new lending options and delivery methods to assist our members and customers; diversification of our revenue streams to address falling lending trends and leveraging new technologies to provide our products and services at an improved level of efficiency and effectiveness.