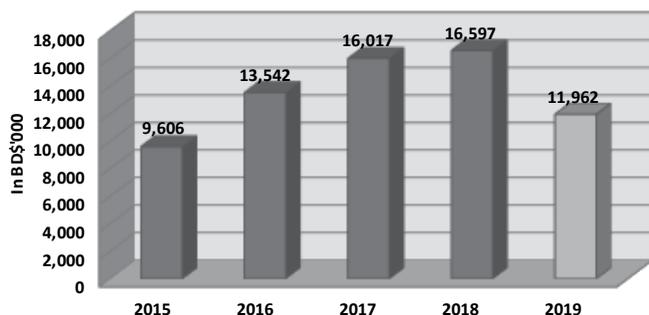


# MANAGEMENT DISCUSSION AND ANALYSIS

decrease of \$1 million or 6.0 percent. Total revenue increased from \$90.9 million in 2018 to \$93.2 million in 2019 reflecting an increase of \$2.3 million or 2.5 percent in revenue.

## Net Income



The net loans to total assets ratio decreased to 73.8 percent in 2019 from 78.3 percent in 2018. As at March 2019, net loans grew by \$39.5 million or 4.1 percent compared to \$57.6 million or 6.4 percent for the year ended March 2018.

## NET INTEREST INCOME

Net interest income grew by \$1.8 million or 2.9 percent in 2019. Total interest income grew by \$2.8 million or 3.2 percent while total interest expense increased by 989 thousand or 3.9 percent. Interest income from loans and advances increased by \$3.4 million or 4.1 percent while interest from cash resources and financial investments decreased by \$636.3 thousand or 20.2 percent during the financial year.

## OTHER INCOME

Other income decreased by \$544.4 thousand or 12.6 percent during the financial year. This decrease was mainly due to a reduction in charged-off recoveries income by \$692.4 thousand or 39.4 percent.

## EFFICIENCY AND EXPENSE MANAGEMENT

The Credit Union's strategy during the financial year was one which focused heavily on value added member services and member satisfaction. The ability to deliver excellent service to our members is measured by an annual satisfaction survey. During the year, the Credit Union attained a score of 98%, signaling our members' satisfaction with the services offered.

## STAFF COST

The financial year 2019 saw a full year's operation for our newest branches, Mile and a Quarter and our Mobile Financial Center. This provided for a full year of salaries and other staff related expenses associated with these branches.

In addition to the above, the Credit Union expanded its staff compliment by a further 35 persons moving from 229 to 264 to better serve its members. This growth in our staff compliment together with Union negotiated salary increases contributed to an increase of approximately \$3.7 million or 22.3 percent over that of the prior year.

## TOTAL OPERATING EXPENSES

Total operating expenses for the year was reported at \$46.3 million, representing an increase of \$3.5 million or 9.2 percent above the prior year. This increase was directly correlated to the aforementioned rise in staff costs. However, on average the other expense items were relatively in line with last year's, due to the prudent management of operating expenditure.

During the year an impairment loss on our subsidiary of \$1.3 million dollars was recognized reducing our investment in subsidiary to \$10.2 million from \$11.5 million in the prior year. This impairment loss was recorded this year due to accounting policy requirements stipulating that the investment in our subsidiary is subsequently measured at cost less impairment.

## NET OPERATING INCOME

Net operating income increased by \$2.7 million or 4.6 percent to end the year at \$61.9 million. Expected credit losses (2018 - impairment expense) were \$3.8 million, decreasing by \$2.8 million or 42.3 percent below last year. This positive result was due to the implementation of the new IFRS 9, Financial Instruments which became effective for financial years beginning on or after January 1, 2018. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

For the Credit Union ECL assessments were carried out for our Loans and advances, Government Securities and Investments (Term deposits) in other corporate entities. Overall, our ECL totaled \$3.8 million for the financial year 2019. An adjustment was made through our Statement of Changes in Equity for April 1 2018 under IFRS 9, in the amount of \$1.7 million. This adjustment and reconciliations were further disclosed in the notes to the Financial Statements.

## ASSETS

At the end of the 2019 financial year, the Credit Union recorded total assets in excess of \$1.4 billion, having increased by \$128.7 million or 10.5 percent. Cash resources increased by \$98.0 million or 72.3 percent. In addition, the carrying value of financial investments decreased by \$6.1 million due to a write down in the face value of investments in Barbados Government securities.

## Total assets

