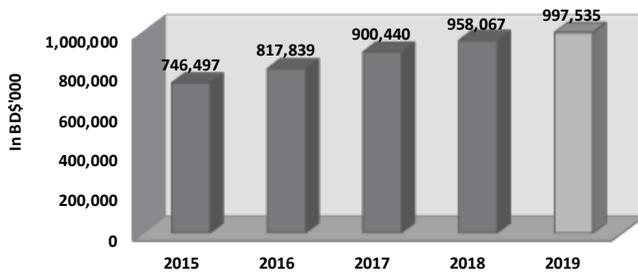


# MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Net loans and advances to members were \$997.5 million, inclusive of an expected credit loss allowance of \$24.7 million, as compared to \$958.1 million inclusive of an impairment allowance of \$24.3 million at the end of the 2018 financial year. As it was in prior years, consumer loans were the main driver of loan growth.

**Loans and advances**



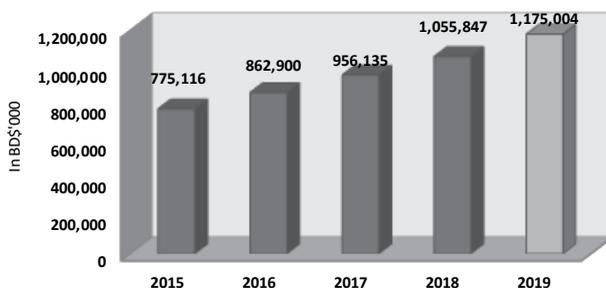
## ASSET QUALITY

The Credit Union's delinquency ratio moved from 7.4 percent at March 31, 2018 to 8.6 percent at March 31, 2019. Non-performing loans increased by \$15.9 million or 22.1 percent during the 2019 financial year as compared to an increase of \$13.7 million in the prior year. The Financial Relief Center was established during the year with specially dedicated staff to offer assistance to members experiencing financial difficulty as a result of the Government's Restructuring Programme. This center also provides refinancing payment solutions and financial advice to any member requiring these personalized services.

## LIABILITIES

Deposits at March 2019 totaled approximately \$1.2 billion which was \$119.2 million or 11.3 percent higher than the previous yearend.

**Deposits**



The Credit Union's operations continued to be funded solely by member deposits. The average deposit cost moved from 2.5 percent in 2018 to 2.4 percent in 2019. The organization continues to pay higher than market deposit rates to ensure that our members are rewarded for their continued loyalty. Other liabilities increased by \$702.8 thousand or 7.0 percent over that of the prior year.

## EQUITY

Total equity comprising of share capital, retained earnings, statutory and other reserves is the backbone of financial stability and allows for future growth and development.

As at March 31, 2019, equity totaled \$154.2 million, up from \$147.9 million as at March 2018. The increase of \$6.3 million is primarily attributed to net income for the year of was \$12.0 million and the growth in share capital of \$694.8 thousand. The distribution to members was approximately \$3.4 million.

## THE WAY FORWARD

Barbados' economic circumstances are expected to continue along a similar path of the past fiscal period. As a result, we expect to see little improvement in interest margins on a full year basis. The adoption of IFRS9 brings a unique set of challenges as it relates to treatment of potential credit losses and this too will require increased attention.

These combined with enhanced regulatory oversight and changes, and increased level of competition from traditional and non-traditional sources will require greater attention to be paid to both our loans and deposits portfolios. Disciplined expense management, productivity improvements and investment in our employees, products, channels and infrastructure to keep pace with evolving expectations will engage our attention going forward.

Our key priorities for the upcoming year include continued member and customer acquisition, deepening of existing relationships, enhancing member and employee experience at all points of contact, prudent management of risk, compliance with regulatory requirements and creation of greater market awareness of our subsidiaries CAPITA Financial Services Inc., CAPITA Insurance Brokers Inc. and our philanthropic arm, Legacy Foundation.

Next year marks our 50th year and Golden Jubilee as an organization and we reflect with pride on where we have come from while looking forward with great anticipation for the journey ahead into this significant milestone. While the uncertainty of various environmental factors will no doubt continue to impact our performance, we are assured that our strong, diversified and member/customer-focused business model will continue to deliver solid results that will allow us to continue to help our members and the communities we serve.