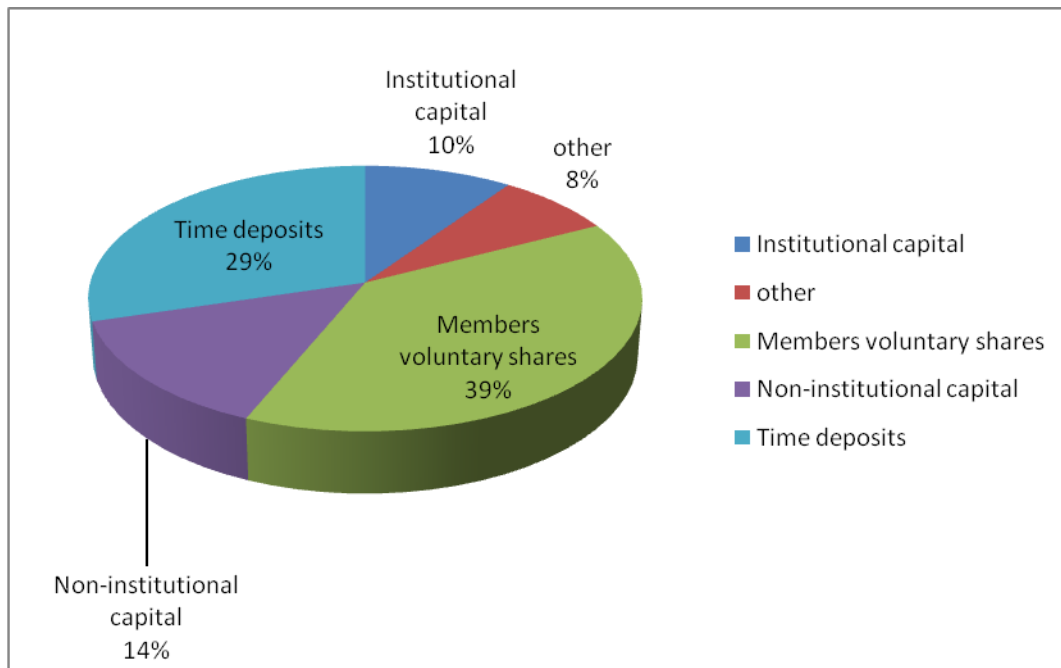


Treasurer's report for year ended 2013

We will recall our last report reflected some aspects of the challenges of the economy as bad debt provisions outstripped much of the surplus from our operations and we in fact reported a loss for the first time.

The year ending 2013 reflected the challenges inherent in the economy. Assets grew by 2.6% from \$1.45B to \$1.48B. This growth was driven by savings growth of 2.8%. This is explained by the difficulties members have in building savings and the tendency for many to seek out more risky instruments than the Credit Union is able to offer. Several members have expressed the interest in foreign instruments, bonds and stocks, currently outside of the realm of our offerings. At the same time many of our members do avail themselves of the attractive rates of return offered by the Credit Union, ranging from 2.25% to 6%.

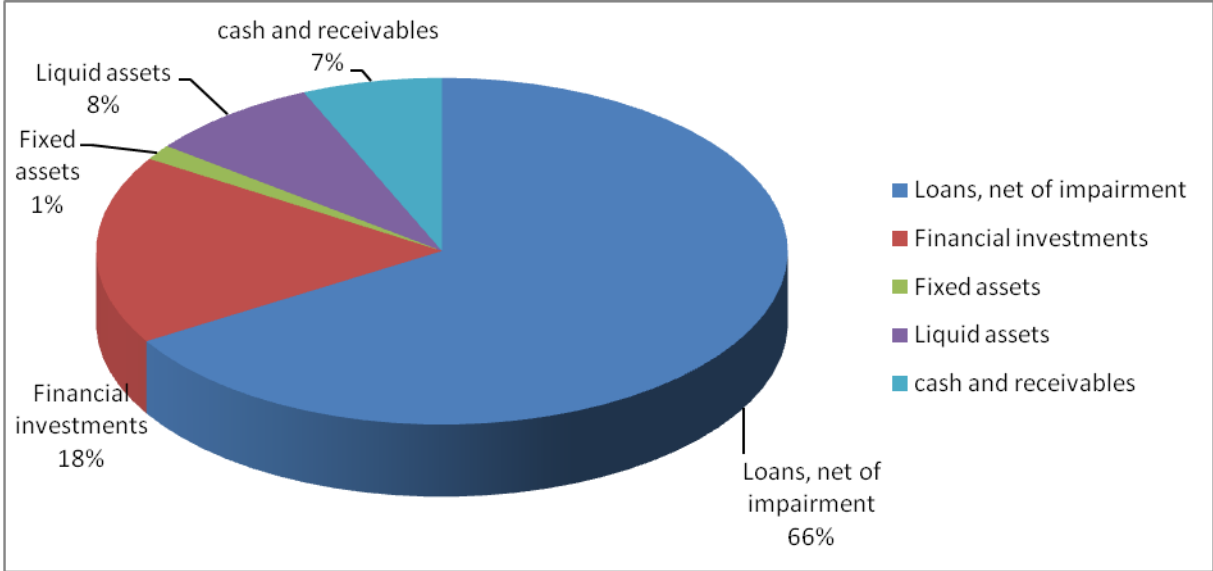
Savings is an important part of the Credit Union's mix of funds for lending. The chart below shows that the source of IECCU's assets and hence loanable funds is largely comprised of members' savings, some 69% of the total. It is important that members take advantage of the safety and returns provided by the Credit Unions so that the repository of funds for lending can be maintained and improved somewhere around the inflation rate of 9.7%.



IECCU Assets by source

It would be remiss not to highlight the Credit Union's capital and reserves of \$373M or 25% of assets, of which institutional capital is a healthy 10%. This has arisen from the years of prudence exercised by IECCU, well needed now in challenging times.

On the asset side, the use of deposits is demonstrated by the large sector representing loans. At 66% we recognize that although we are compliant with the PEARLS standard of 60%, we are short of the our target of 70%. Whilst we have been doing our best to obtain the highest and safest returns on our earning assets, and minimizing non-earning to 8% of the total portfolio, we must do more to earn from our loans which is our main investment.



IECCU assets by use

Our greatest concern arises from delinquency. We have worked tirelessly to reduce the delinquency ratio from the 13.5% that was reported last year. While our efforts were rewarded with a 3.5% decline to 10%, more must be done. We can report that we have increased the use of debt collection services by contracting International Asset Management Ltd. and Jamaica Collections and Recovery Services Ltd. We urge members whose circumstances have caused them to be contacted by either of these entities to work with them to bring the arrears to nil.

For the year ended 2012, we reported a deficit of \$9.4M. Through the reduction in the provision for bad debts, we were able to improve our fortunes and can report a surplus of \$17.4M for the year 2013. We cannot however, be comforted by this position. We are working hard to recover loans that are outstanding for several months. We urge you to discuss your situation with us so that we can assist as best as possible.

Your Credit Union has grappled with deciding what role non-interest income should play in increasing our options for additional income. The media is replete with discussion about fees, some explaining why they do, others pointing out where they don't charge fees. In most cases financial institutions are selective about how fees are charged, and are usually unable to avoid them altogether. Of the gross margin of \$121.7M only \$6M was earned as fee income, a mere 5%. We will continue to monitor our

position and assess where service charges may be warranted. As usual, our members' welfare is paramount in our consideration.

Operating expenses declined moderately in 2013, largely because of challenges in filling certain vacancies. We recognize the importance of investing in employees. We should see an increase in some operating costs in 2014 as we strengthen key areas in member services, marketing, and systems processing. At the same time we have introduced the use of certain technologies to assist in serving members whilst controlling operating costs. Internet banking, debit card processing improvements, mobile phone technologies were already mentioned. Other ways of communicating with members and delivering information through electronic means are being developed.

The PEARLS ratios continues to be the financial measuring tool that the Jamaica Co-operative Credit Union League. The Credit Union's performance against the PEARLS Standard is set out below:

KEY RATIOS As At December 31, 2013			
<u>Protection</u>	STANDARD	2013	2012
Adequacy of A.L.L For Delinq. > 12 Mths.	100%	100%	100%
Net Capital /Asset	>8%	9.75%	10.04%
<u>Effective financial structure</u>			
Net Loans / Total Assets	60-80%	66.61%	70.68%
Total Savings / Total Assets	70-80%	69%	68.08%
<u>Asset quality</u>			
Delinquent Loans / Gross Loans	<5%	10.00%	13.52%
Total Non-Earning Assets / Total Assets	<7%	8%	6.76%
<u>Rate of return & cost</u>			
Cost Of Funds / Average Member Savings	>8%	4.38%	4.00%
Operating Expenses / Average Assets	<8%	8.80%	7.62%
Net Income / Average Assets	>2.3%	1.1%	-0.63%
<u>Liquidity</u>			
Liquid investments/ members savings	20-30%	30.00%	27.18%
<u>Signs of growth</u>			

Growth In Total Assets	>8%	2.1%	5.61%
Growth In Membership	>5%	6.52%	20.99%

INSURANCE

For the year, the Credit Union maintained fidelity, contents, cash on premises, building and Life Saving and Loan Protection coverage. These are important to ensure that assets are fully protected. We were able to minimize capital expenditure to software upgrade and equipment replacement. In future we will be looking at investment aimed at cost minimization.

CONCLUSION

We recognize the challenges we face as individuals and organizations are stern. However they are not beyond our collective ability to surpass. IECCU's objectives are not unlike those of each individual member. We must maximize earnings and minimize costs. However we have to manage the added challenge of knowing our members and assisting them in the best ways possible.

But it is also important that members return to embracing the Credit Union ethic and spirit of each helping the other. Whilst many of us can face the risk of delinquency, it is always best to demonstrate our intentions by dialogue, effort and fair engagement of the problem. Some persons feel that once the collateral is sold, the balance remaining is not their responsibility. Some persons expect that delinquency should be accepted as the norm in Jamaica and institutions should understand that. These attitudes should be put to rest.

Our achievements relied upon our dedicated management and staff and the numerous volunteers. On behalf of the members of the Board of IECCU, I salute you all. To my fellow Board members, I say well done, but let us do better in 2014.

I must also say thanks to our auditors Mair Russell Grant Thornton, the Registrar of Cooperative Societies, CMFG Life Insurance, and the Jamaica Co-operative Credit Union League for their professional assistance and guidance provided throughout the year.

The resolve of the IECCU remains that of serving our members in such a way that we help you to achieve the best goals for yourselves and your family.



Mr. Derrick Logan

Treasurer