

REPORT OF  
**THE BOARD OF  
DIRECTORS**



# REPORT OF **THE BOARD OF DIRECTORS**

## **1. INTRODUCTION**

- 1.1 The Board of Directors is pleased to present to the general membership, its Report on the affairs of RHAND Credit Union Co-operative Society Limited for the year ended December 31, 2019.

## **2. COMPOSITION OF THE BOARD OF DIRECTORS**

- 2.1 The following Members were elected to the Board of Directors at the 71st Annual General Meeting held on Saturday, April 27, 2019.

Mr. Reynold Cooper

Mr. Martin Gibbs

Ms. Joycelyn Hunte

Ms. Charlene Davidson

- 2.2 Ms. Simone Huggins was elected as the 1st Substitute Member while Col. Dave Williams was elected as the 2nd Substitute Member.

- 2.3 The full Board comprised the following Members (listed in alphabetical order):

Andrea Borneo-Ragoo

Glenda Bruce

Reynold Cooper

Charlene Davidson

Martin Gibbs

Petal-Dawn Hinkson

Simone Huggins

Joycelyn Hunte

David Maynard

Martin Minguell

Myrtle Pilgrim-Edwards

Michele Rouff

Emmanuel Walker

Dave Williams

- 2.4 The term of office of Directors – Mrs. Michele Rouff, Ms. Glenda Bruce, Mr. Emmanuel Walker and Mrs. Andrea Borneo-Ragoo comes to an end at this 72nd Annual General Meeting.

## **3. EXECUTIVE COMMITTEE**

- 3.1 As mandated by the Byelaws, at the Inaugural Meeting the Members of the Board elected an Executive Committee. The Executive Committee for the 2019/2020 Term comprised the following:



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Martin Minguell - President  
 Emmanuel Walker - Vice President  
 Michele Rouff - Secretary  
 Martin Gibbs - Assistant Secretary  
 Reynold Cooper - Treasurer

2. In order to discharge its responsibility during the period under review, the Executive Committee met weekly and whenever necessary for a total of forty-six (46) meetings.

#### 4. MEETINGS OF THE BOARD OF DIRECTORS

4.1 The Board held twelve (12) Regular and seven (7) Special meetings during the period January 1, 2019 to December 31, 2019. Attendance of Members at Board Meetings is detailed at **Table B1**.

**Table B1: Attendance At Board Meetings**

	REGULAR			SPECIAL			REMARKS
	P	Ex	A	P	Ex	A	
Martin Minguell	12	-	-	7	-	-	
Emmanuel Walker	12	-	-	7	-	-	
Michele Rouff	10	2	-	5	-	-	Out of the Country
Martin Gibbs	12	-	-	7	-	-	
Reynold Cooper	12	-	-	6	-	-	
Glenda Bruce	12	-	-	6	-	-	Out of the Country
Andrea Borneo-Ragoo	11	1	-	6	-	-	
Charlene Davidson	8	3	1	6	-	-	
Petal Dawn Hinkson	7	5	-	5	-	-	
Joycelyn Hunte	9	3	-	5	-	-	
David Maynard	11	1	-	6	-	-	
Myrtle Pilgrim Edwards	8	4	-	5	-	-	
Simone Huggins	8	-	-	4	-	-	Elected as 1st Alternate at 2019 AGM
Dave Williams	3	3	2	2	1	1	Elected as 2nd Alternate at 2019 AGM
Kedron Duke	4	-	-	3	-	-	End of Term in Office as a Director
Kristed Herbert	4	-	-	2	-	-	End of Term in Office as 1st Alternate

#### 5. MEMBERSHIP

5.1 During the year 2019, six hundred and fifteen (615) Adults and twenty-nine (29) Youth Applicants were admitted to Membership. A total of one hundred and three (103) members, excluding the one hundred and ten (110) Members who died (**Appendix 1**), ceased membership in 2019. As at December 31, 2019, the total membership compliment of RHAND Credit Union stood at 20,598.

5.2 The Members of the Board of Directors, Members of the Statutory Committees, Management and Staff of RHAND Credit Union, wish to extend condolences to the family and friends of the above deceased members of the extended RHAND family.



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## 6. GLOBAL MACROECONOMIC ENVIRONMENT OVERVIEW

- 6.1 Towards the end of 2019, the International Monetary Fund's (IMF) Growth forecast for global growth adjusted down to 3.0 per cent, 0.2 per cent below its mid-year estimate. Political developments in the United Kingdom and United States have added to policy uncertainty in these major countries, including on the trade front. Meanwhile, the US Federal Reserve cut the Federal funds rate by 25 basis points in October 2019, the third reduction in six months, prompting monetary easing in several Latin American countries such as Brazil, Chile, Mexico and Peru. (<https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>)
- 6.2 The IMF echoed sentiments of global growth at an estimated 3.3% in 2020 and 3.4% in 2021 from and to the estimated 2.9% in 2019. Growth will be mainly predicated on relatively healthy emerging market economies maintaining a robust performance despite slow growth in advanced economies. Emerging markets and developing economies are expected to see a 4.4% uptick in 2020, offsetting weaker prospects in the US and European economies, 2.0% and 1.3% respectively, over the same period. The effects of substantial monetary easing across advanced and emerging market economies in 2019 are also expected to have positive economic spill overs in 2020. Investments are expected to experience a recovery alongside next year. (<https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>)
- 6.3 Downside risks remain prominent as rising geopolitical tensions between the United States and Iran intensify. Moreover, social unrest across many countries could impede reform efforts and further deepen economic frictions. Widespread tightening of financial conditions could expose the financial vulnerabilities that have built up over years of low interest rates, resulting in renewed weakness which would spur broader economic slowdown. (<https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>)

The potential impact of these developments on our US Dollar investments will be continuously monitored throughout the course of the year with a view to taking the necessary mitigating strategies accordingly.

## 7. DOMESTIC MACROECONOMIC ENVIRONMENT OVERVIEW

- 7.1 Initial data from the Central Bank of Trinidad and Tobago suggest modest expansions in the distribution and finance sectors in 2019. Meanwhile, Public sector infrastructural investments supported improvements in construction activity as indicated by an uptick in local cement sales. In the twelve months to November 2019, headline inflation slowed to 0.3% with core inflation decelerating to 0.6%. On the labour front, the Ministry of Labour and Small Enterprise Development reported a 27% year-on-year increase in retrenchment over the period January to October 2019. (Monetary Policy Announcement December 27, 2019)
- 7.2 Looking ahead, stronger government spending is expected to spill over into domestic demand and

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accelerate economic activity in 2020 as general election approaches. Furthermore, investment into offshore gas facilities should also support growth. The IMF forecasts that real GDP growth in 2020 should be around 1.5%.

- 7.3 According to Bourse Securities, “the local investment market is expected to improve by 3.0% in 2020 on the heels of a 12.7% advance in 2019. The introduction of several fixed income opportunities on the horizon (NIF II, VAT bonds, Government Housing bonds etc.) is uncertain, but could play some role in influencing the direction of equity markets in 2020”. (Bourse Securities Limited, article titled Will local stocks advance in 2020?)

## **8. DOMESTIC FINANCIAL SYSTEM OVERVIEW**

- 8.1 The Central Bank of Trinidad and Tobago stated that TT short-term rates fell by 24 basis points since August 2019 in the context of the excess liquidity conditions, but equivalent US rates decreased by 40 basis points during the same period. Meanwhile, foreign currency sales to authorised dealers remained consistent year on year as official international reserves stood at US\$6.93 billion at the end of November 2019, US\$640 million lower than at the start of the year. (<https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>)
- 8.2 Private sector borrowing decelerated to 4.3% year-on-year in September 2019, compared with 4.5% in July 2019. While business credit recorded a 5.5% contraction, consumer credit experienced 5.9% growth on the back of debt consolidation and refinancing. Expansion in consumer lending continued to be spurred by intense competition among lending institutions, which encouraged a further decline in the weighted average lending rate of commercial banks. Real estate mortgage loans also improved 10.9%. (<https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>)
- 8.3 The consumer financing market is expected to remain lucrative amidst expected improvements in local economic conditions in 2020. Notwithstanding, institutions like Island Finance, Courts and JMMB Express Finance continue to threaten market share as consumers continue to demand faster and easier access to loans.

RHAND’s loan portfolio continued to be directly and adversely impacted by the aggressive conditions in the financial services sector. However, initiatives implemented in the third quarter yielded positive results in the last quarter, stabilizing the portfolio’s performance. We intend to maintain the year-end momentum with a view to returning growth trends to our primary asset.

## **9. REGULATORY DEVELOPMENTS**

- 9.1. In the 2020 Budget Statement presented in October 2019, the Honourable Minister of Finance expressed the need to implement a new independent authority to govern the co-operative sector. Akin to the Central Bank of Trinidad and Tobago, this new entity will act as the regulator of financial co-operatives and report to the Ministry of Finance. The establishment of this new regulator promises to add value in



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areas such as banking or quasi-banking services, encashment of cheques and teller services. However, the potential for the implementation of new operational constraints by the proposed authority looms amidst the ominous effects of the recently adopted IFRS 9 requirements, which weighed on the performance of some credit unions in 2019.

Additionally, credit unions will be expected to make financial contributions, not only to the establishment and sustenance of the new authority, but to a mandatory Deposit Insurance Corporation fund to meet any emerging liabilities of the sector.

- 9.2. RHAND shall continue to be a sector leader in ensuring the necessary financial positioning, controls and governance infrastructure are implemented, in the face of any challenges, with a view to maintaining our reputation as a solid financial institution and a model credit union.

## 10. ASSET BASE GROWTH FOR 2019 AND PROJECTED GROWTH FOR 2020

- 10.1 According to the Ministry of Finance (Review of the Economy 2018 publication), the domestic economy is projected to expand by 1.9% for 2018, following two (2) consecutive years of contraction. The outlook from the IMF and World Bank restricts 2020 growth projections to 1.5%. It is against this backdrop that RHAND Credit Union has been growing at an average rate of 5.30% over the past five (5) years and recorded an increase in its asset base of \$39,272,820 (6.08%) for the year ended December 31, 2019 (**Table B2**).

**Table B2: Total Assets – 2015 - 2019**

Year	Total Assets (\$)	Increase/(Decrease) (\$)	(%)
2015	564,677,191	35,455,448	6.70
2016	590,786,432	26,109,241	4.62
2017	621,309,195	30,522,763	5.17
2018	645,507,360	24,198,165	3.89
2019	684,780,180	39,272,820	6.08

**The projected asset base growth for 2020 is \$42,129,000 (6.15%)**

## 11. LOANS PORTFOLIO

- 11.1 The conditions in the consumer credit environment remained similar to that in 2018 with high liquidity, consistent demand for consumer credit products and a very aggressive competitor behavior. The Credit Union's marketing efforts in 2019 resulted in only an incremental fall of \$884K in the portfolio size compared with a \$9.2M reduction the previous year (**Table B3**). The necessary infrastructure and strategies have been put in place to ensure 2020 sees a return to positive trending in the portfolio's performance.



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**Table B3: Gross Loan Principal Balances Outstanding 2015 – 2019**

Year	Total Balances Outstanding (\$)	Increase/(Decrease) (\$)	(%)
2015	369,747,410	21,927,091	6.30
2016	398,829,324	29,081,914	7.87
2017	409,952,626	11,123,302	2.79
2018	400,666,277	(9,286,349)	(2.27)
2019	399,781,916	(884,361)	(0.22)

## 12. NON-PERFORMING LOANS

12.1 As at December 31, 2019, the delinquency ratio for all loans improved incrementally to 6.99%, compared with a delinquency ratio of 7.11% as at December 31, 2018. Of the five hundred and nine (509) loans in arrears with a value of \$27,926,494, on the books of the Society as at December 31, 2019 (**Table B4**), three hundred and seventy-one (371) of these loans were ninety (90) days or more in arrears and classified as non-performing (WOCCU Standard). Thus, the delinquency ratio according to the WOCCU Standard was 4.99% compared with 5.63% in 2018.

**Table B4: Delinquency Statistics (RHAND and WOCCU Standards)**

Year	Number of Delinquent Loans (\$)	Total of Delinquent Loan Balances (\$)	Delinquency Ratios	
			Total	WOCCU
2015	397	18,141,453	4.91	3.58
2016	462	22,691,139	5.69	4.52
2017	352	25,711,592	6.27	5.34
2018	408	28,476,864	7.11	5.63
2019	509	27,926,494	6.99	4.99

12.2 The Methodology for determining Allowance for Loan Losses was revamped in 2018 to take into consideration the influence of IFRS 9 which dictates that allowances must be made for both delinquent loans and loans with no history of delinquency. As a result of the new Expected Credit Loss (ECL) model an allowance (expense) of \$984,262 was made, which remained within budget.

## 13. SHARE CAPITAL PORTFOLIO

13.1 The total share capital of the Credit Union stood at \$411,696,995 as at December 31, 2019, representing an increase of \$16,317,348 (4.13%), over the previous year. (**Table B5**).



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**Table B5: Share Capital 2015 – 2019**

Year	Total Share Capital (\$)	Increase/(Decrease) (\$)	(%)
2015	353,483,959	29,253,056	9.02
2016	371,303,066	17,819,107	5.04
2017	383,553,933	12,250,867	3.30
2018	395,379,647	11,825,714	3.08
2019	411,696,995	16,317,348	4.13

## 14. EARNINGS PERFORMANCE AND OPERATING EFFICIENCY PROFILE

14.1 For the financial year ended December 31, 2019, RHAND Credit Union realized an operating surplus of \$22,636,156 (**Table B6**), which represents a Net Profit Margin of 43.19% for the financial year, compared with a Net Profit Margin of 41.07% for the year 2018 financial year.

**Table B6: Operating Surplus And Net Profit Margin 2015 – 2019**

Income/Expenses Captions	2015 (\$)	2016 (\$)	2017 (\$)	2018 (\$)	2019 (\$)
Interest on Loans	36,384,961	38,483,380	41,504,714	43,432,734	41,177,963
Investment Income	2,746,092	3,586,648	4,798,086	5,903,511	9,221,595
Other Income	1,357,626	1,551,483	1,429,183	2,127,062	2,014,575
Total Income	40,488,679	43,621,511	47,731,983	51,463,307	52,414,133
Total Expenses	28,721,817	27,070,065	27,004,710	30,329,483	29,924,609
Operating Surplus	11,766,862	16,551,446	20,727,273	21,133,824	22,489,524
Net Profit Margin	29.06%	37.94%	43.42%	41.07%	42.91%
Expenses to Income Ratio	70.94%	62.06%	56.58%	58.93%	57.09%

**Table B7: Comprehensive Income And Return On Assets 2015 - 2019**

Income /Assets/Return Captions	2015 (\$)	2016 (\$)	2017 (\$)	2018 (\$)	2019 (\$)
Operating Surplus	11,766,862	16,551,446	20,727,273	21,133,824	22,489,524
Unrealized/Actuarial Gain (Loss)	(3,119,583)	(796,237)	3,078,101	(4,416,137)	7,293,325
Comprehensive Income	8,647,279	15,755,209	23,805,374	16,717,687	29,782,849
Average Assets	546,949,467	577,731,819	606,047,814	633,408,278	665,143,770
Return On Assets	1.58%	2.73%	3.93%	2.64%	4.44%



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- 14.2 The more significant cost variances incurred for the year 2019 under the expense items of Personnel Costs and Loan Protection expenses which totaled \$14,361,766 compared with \$13,676,176 for 2018. **Table B8** details these and other major cost items.

The restructuring programme did result in the rationalizing of some positions and the introduction of new positions which came with an expecting increase in personnel expenses. The returns of the additional cost expected over the short to medium term are through efficiency and revenue generation improvements.

Loan loss expense, though experiencing a significant change, was expected and within budget.

**Table B8: Expenses Highlighting Major Cost Items 2015 – 2019**

Expenses Captions	2015 (\$)	2016 (\$)	2017 (\$)	2018 (\$)	2019 (\$)
Personnel Costs	12,021,494	12,399,092	11,463,827	11,475,555	12,464,320
Interest on Savings and Time Deposits	2,316,242	2,312,649	2,255,688	2,225,231	2,107,835
Credit life and savings insurance expenses	854,762	811,226	915,057	987,889	746,257
Loan protection expense	2,110,565	895,625	1,092,306	2,200,621	1,800,946
Education Committee expenses	1,305,645	1,125,294	987,081	1,048,243	1,005,005
Legal and Professional Services	1,085,821	1,125,317	887,905	1,277,005	122,755
Loan loss expense/Expected Credit Loss	919,012	916,600	1,000,000	346,116	1,225,595
Depreciation expense	1,133,615	1,032,472	996,817	1,111,845	967,061
Stationery, supplies and postage expenses	443,266	592,572	803,441	1,232,248	769,922
Other expenses	6,531,395	5,859,218	6,602,588	8,424,730	8,714,913
<b>Total Expenses</b>	<b>28,721,817</b>	<b>27,070,065</b>	<b>27,004,710</b>	<b>30,329,483</b>	<b>29,924,609</b>

## 15. EFFICIENCY, PROFITABILITY AND FINANCIAL STRENGTH AND SOUNDNESS REVIEW

- 15.1 As a guide for assessing the strength of the Credit Union's balance sheet, the safety and soundness of the Credit Union's financial structure and the efficiency and profitability of the Credit Union's operations, the following ratios are presented in **Table B9**.



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**Table B9: PEARLS and EFFICIENCY RATIOS**

	RHAND Value		Standard	COMMENT
	2018	2019	of Excellence	
<b>1) Net Institutional Capital Ratio</b>				
$\frac{\text{Fund * + Undivided Balances + Earnings}}{\text{Total Assets}} = \frac{\$ 83,210,151}{\$ 684,780,180}$	11.31%	12.15%	Minimum of 8.00%	RHAND value more favourable than standard
*Reserve, Education & Building Funds				
<b>2) Liquidity Adequacy Ratio</b>				
$\frac{\text{Cash and Cash Equivalents + Inv. Securities < 2 yrs}}{\text{Total Assets}} = \frac{\$ 114,634,064}{\$ 684,780,180}$	16.11%	16.74%	Maximum of 20.00%	RHAND value more favourable than standard
<b>3) Asset Quality Ratio</b>				
$\frac{\text{Total Delinquent Loans}}{\text{Gross Loans}} = \frac{\$ 27,926,494}{\$ 399,781,916}$	7.11%	6.99%	Maximum of 5.00%	RHAND value less favourable than standard
<b>4) Total Operating Expenses To Average Asset Ratio</b>				
$\frac{\text{Total Operating Expenses}}{\text{Average Assets}} = \frac{\$ 29,924,609}{\$ 665,143,770}$	4.79%	4.50%	Maximum of 5.00%	RHAND value more favourable than standard
<b>5) Efficiency Ratio</b>				
$\frac{\text{Non-Interest Expenses - IFRS9 Expenses}}{\text{Total Income - Interest Expenses}} = \frac{\$ 27,816,774 - \$ 1,225,595}{\$ 52,414,133 - \$ 2,107,835}$	53.07%	52.86%	Maximum of 55.00%	RHAND value more favourable than standard
<b>6) Return On Average Members' Equity</b>				
$\frac{\text{Comprehensive Income}}{\text{Ave. Institutional Capital + Ave. Share Savings}} = \frac{\$ 29,782,849}{\$ 97,424,842 + \$ 404,038,321}$	3.52%	5.94%	Maximum of 5.00%	RHAND value more favourable than standard

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## **16. WORK ACTIVITIES IN WHICH THE BOARD OF DIRECTORS WAS ENGAGED**

### **16.1 POLICY FORMULATION**

The Board continued its work of policy review and formulation of new policies for the effective governance of the Credit Union. Five (5) new policies were developed and approved:

- (i) Dividend Policy
- (ii) Policy on Loans to Employees
- (iii) Computer Replacement
- (iv) Internet Use
- (v) Password Policy

The three (3) ICT-related policies form part of a broader ICT Management Framework.

Additionally, the Donations Policy, Honoraria and Treasury Management Policy were reviewed and updated.

### **16.2 OTHER SIGNIFICANT ACCOMPLISHMENTS**

- 1. Adoption of IFRS 9 Accounting Standard with a passing grade by the External Auditors.
- 2. Acquisition of property for our new Tobago branch home.
- 3. Completion of all major facets of our operation restructuring project.
- 4. Acquiring approval of updated Bye-Laws.

## **17. RECOGNITION AND BEST WISHES**

17.1 The Board of Directors wishes to recognize all the individuals who contributed to the many successes achieved by RHAND Credit Union in the Year 2019 – members of the Joint Management Team (Board of Directors and Statutory Committees), members of Staff and most importantly you, our members. A special thank you to our five (5) retired employees who each served the membership for over twenty (20) years with distinction – Joseph Badal, Mervyn Sambrano, Theresa Noel-James, Jenifer Roberts-St. Cyr and Stephen Pantin.

**Best wishes and God's blessings to everyone for the New Term 2020-2021.**

Martin Minguell  
**President – Board of Directors**

Michele Rouff  
**Secretary – Board of Directors**