

# TEXTEL Credit Union

## 49TH AGM



### TREASURER'S REPORT



*My* CREDIT UNION  
*My* ONLY CHOICE

# TREASURER'S REPORT 2022

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## INTRODUCTION

Headline inflation in T&T increased to 8.0% in November 2022, from 4.9% in June. Food inflation accelerated to 13.8% in November, from 7.8% in June (Central Bank of T&T December 2022 economic bulletin). This was driven mainly by trade logistic and shipping issues, together with greatly increased shipping and storage costs and requirements for freight payments in US dollars. According to the Central Bank's January 2023 economic bulletin, Import cover reached US\$6.83Bn at the end of December 2022. Core inflation (excluding food prices) stood at 6.6% in November 2022 and the continued escalation in brazen crime continued to place pressure on law enforcement.

Despite robust economic growth in the United States in the third quarter of 2022, the Dow Jones Industrial Average closed at 33,147.25 points at end of December 2022; a decrease of 3,191.05 points or 8.78% below 2021 (36,338.30).

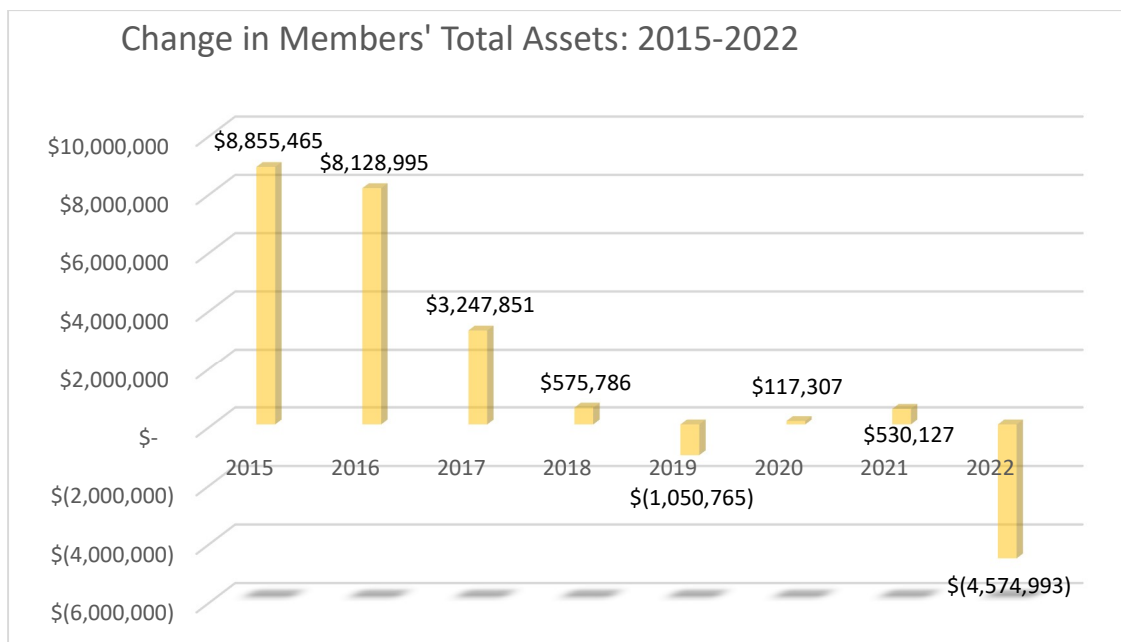
Our Credit Union resumed normal operating days and hours in mid-2022 but continued with safety protocols (maximum of two Members at Service Counters at any one time), in order to protect Members, the Office Team and Suppliers. TSTT effected further staff cuts (500 persons), including some TCU Members with loans. This resulted in a gross reduction in the loan portfolio of \$4.0M. However, improved loan take-up of \$11.9M (470 loans) for the year (2021: \$7.99M; 374 loans) allowed the portfolio to end 2022 at \$32.85M (2021: \$35.84M). Loan interest declined by 3.3% (2022: \$4.09M; 2021: \$4.23M; 2020: \$4.59M). Investment income excluding fair value gains/(losses) also decreased by 47.9%, as compared to 2021 (2022: \$1.881M; 2021: \$3.613M; 2020: \$2.224M).

## PERFORMANCE HIGHLIGHTS

- Decrease in **Total Assets** of \$4.575M or 3.4% (2022: \$130.772M; 2021: \$135.347M);
- Decrease in **Investments** of \$3.772M or 4.9% (2022: \$73.196M; 2021: \$76.968M);
- Decrease in **Comprehensive Income** of \$7.930M or 82.4% (2022: \$1.698M; 2021: \$9.628M);
- Decrease in **Expenses** of \$0.783M or 18.4% (2022: \$3.463M; 2021: \$4.246M);
- Decrease in **Net Surplus** of \$7.148M or 132.8% (2022: -\$1.765M; 2021: \$5.382M);
- Decrease in **Total Member Loans** of \$2.986M or 8.3% (2022: \$32.852M; 2021: \$35.838M);
- Increase in **Members' Shares** of \$2.107M or 2.3% (2022: \$94.634M; 2021: \$92.527M).

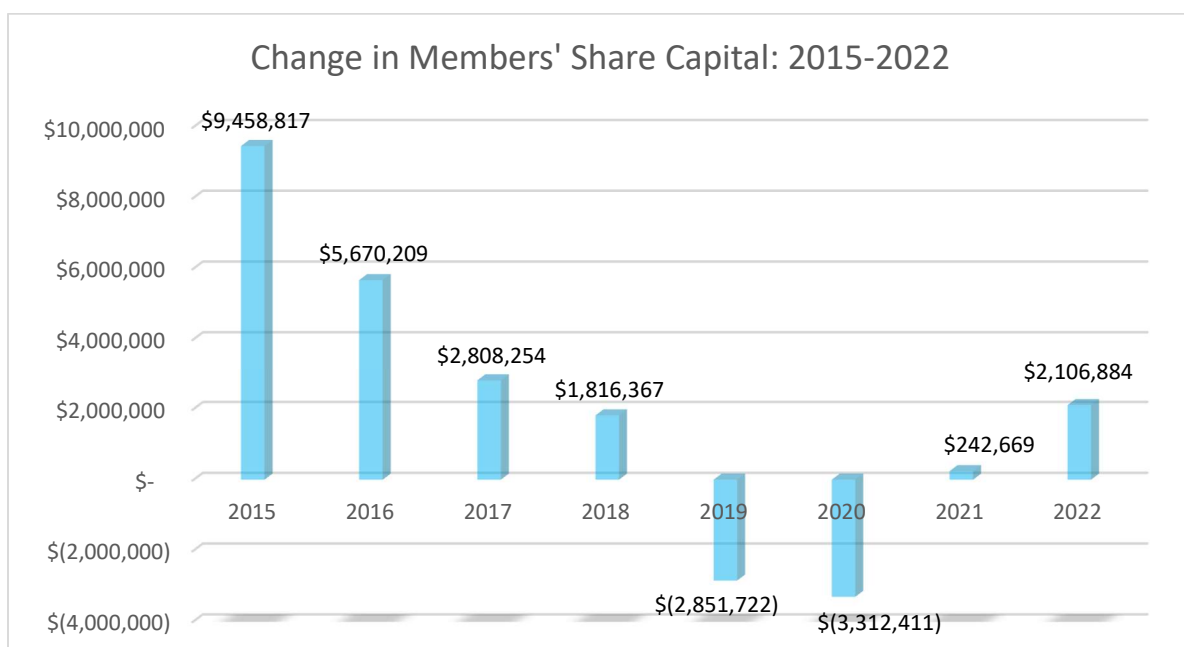
## MOVEMENT IN TOTAL ASSETS

Total Assets decreased by \$4.575M or 3.4% to \$130.772M (2021: \$135.347M; 2020: \$134.817M). This movement derived from the following: A decrease in the Members' Loan portfolio of \$3.0M or 8.3% and a decrease in total investments (excluding cash) of \$3.8M or 4.9%, which were offset by an increase in cash of \$6.7M (2022: 16.6M; 2021: 9.9M), together with a reduction in receivables of \$4.303M, giving a net negative movement of \$4.4M to explain the overall decrease in total assets. NOTES: The increase in cash was principally driven by loan repayments from retrenched loan bearing TSTT Members between July and September 2022.



## MOVEMENT IN MEMBERS' SHARES

Members' Shares increased by \$2.107M or 2.3%, to \$94.634M during the period under review (2021: \$92.527M; 2020: \$92.285M). Despite being impacted by requests to net off loans to shareholding as a result of Staff cuts at TSTT, as well competition and the withdrawal of shares to meet expenses, many Members continued to choose the Society for their longer term investment goals by purchasing shares.



## MOVEMENT IN INCOME

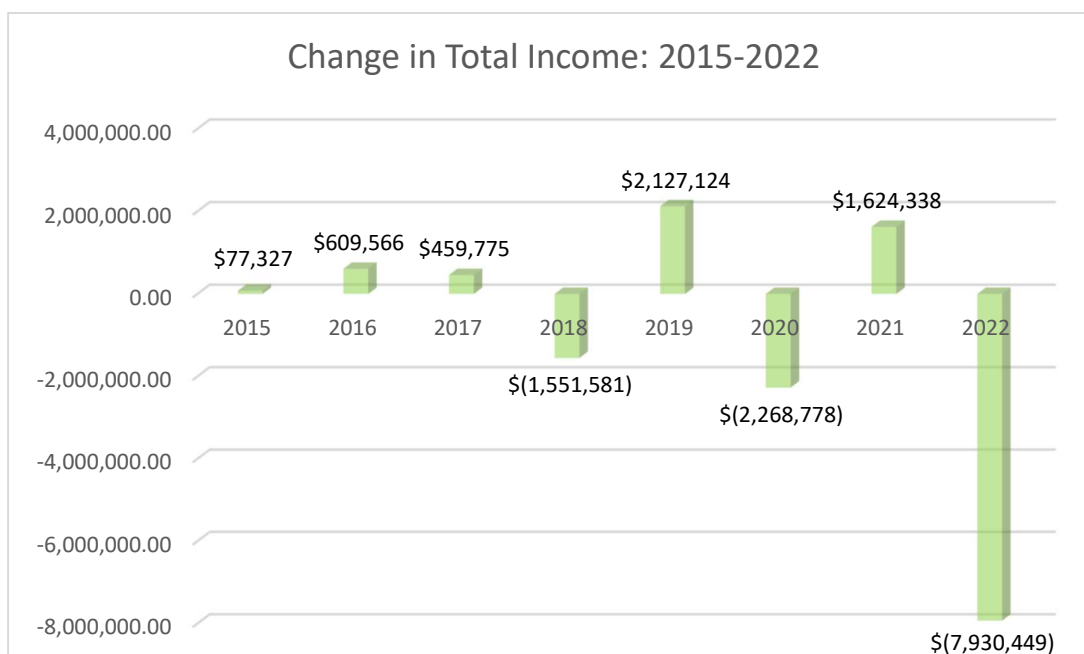
In 2022, Member Loan Interest income contributed 66% (\$4.1M) thanks to increased loan take up of \$11.9M, whilst Investment and other Income contributed 34% (\$2.1M) to total income of \$6.2M. In 2021, Member Loan Interest income contributed 43.9% (\$4.2M) to total income whilst Investment and other Income contributed 56.1% (2020: Loan Interest: 57.4%; Investment & Other Income: 42.6%).

Total Income before fair value movement decreased by \$1.701M in 2022 (2021: increased by \$1.624M or 20.3% over 2020; 2020: decreased by \$2.269M or 22.1% vs. 2019). Despite an almost 50% increase in loans granted in 2022 (\$11.9M vs. 2021: \$8.0M; 2020: \$7.2M), the Credit Union saw a significant net reduction in the loan portfolio (\$3.0M) on account of the last retrenchment exercise at TSTT in mid 2022, which contributed almost \$4.0M to the overall reduction.

A reduction in member loan interest income of \$0.1M (2022: \$4.1M; 2021: \$4.2M; 2020: \$4.6M) was positively offset by decent returns on fixed income, short term holdings and bad debt recoveries of \$2.1M. The managed portfolio realized a significant reduction in asset values of \$2.2M over 2021 (2022: \$16.3M; 2021: \$18.5M; 2020: \$14.4M; 2019: \$13.3M).

The Board will continue with the following strategies to improve performance:

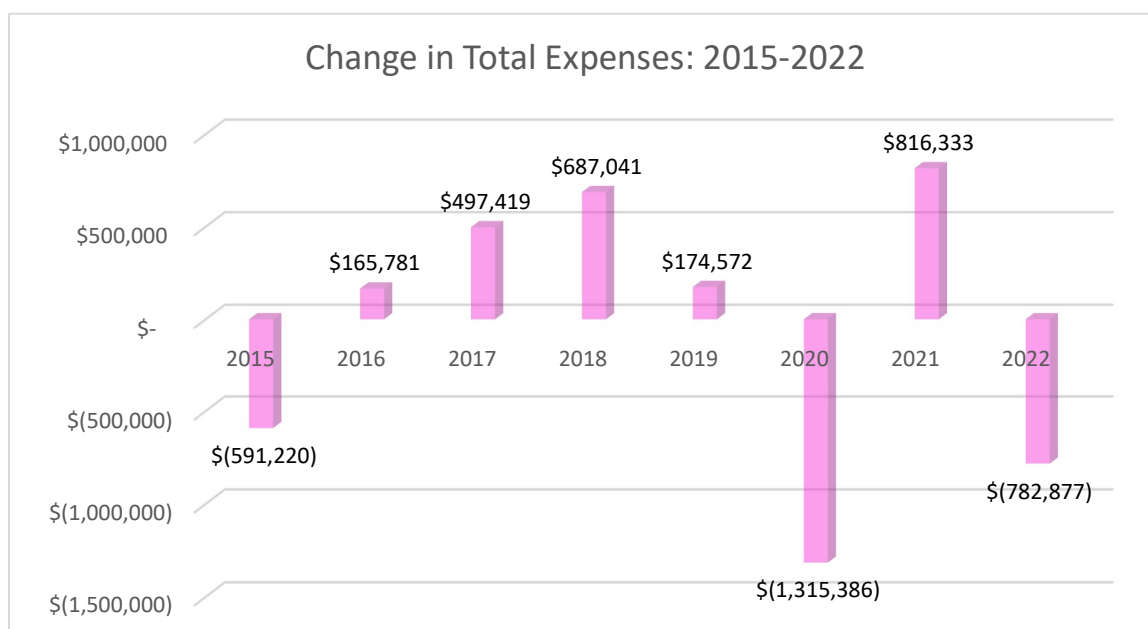
- Placing increased focus on online services, education and ease of access for members. Despite the advertising via whatsapp, the website and efforts to drive the online banking initiative in 2022, there were 470 Members enrolled for online access and there is less than 30% utilization of the service at the end of March 2023.
- Rebranding and repositioning the Society in order to stimulate member loan take up through effective marketing of our products and services and supporting our Credit Committee to provide quality loans to our Members.
- Continuing to seek quality investments to optimize the use of cash resources.



## MOVEMENT IN EXPENSES

Expenses stood at \$3.463M in 2022 (2021: \$4.246M; 2020: \$3.429M; 2019: \$4.745M; 2018: \$4.570M). This figure represents a significant decrease of \$0.783M or 18.4% over 2021, mainly resulting from the following:

- A significant reduction in the IFRS9 provision for loan losses of \$0.18M (\$2022: \$0.152M; 2021: \$0.329M), together with a write-back on the IFRS9 provision for Investment losses of \$0.15M for 2022 (vs. \$0 for 2021) and;
- A one-time receivable adjustment of \$0.56M in 2021 (TEXMED: \$0.32M and CUNA FIP: \$0.24M) representing monthly member premiums which were paid in arrears, on account of operational inefficiencies which have since been rectified. This was already highlighted in the 2021 Treasurer's Report.

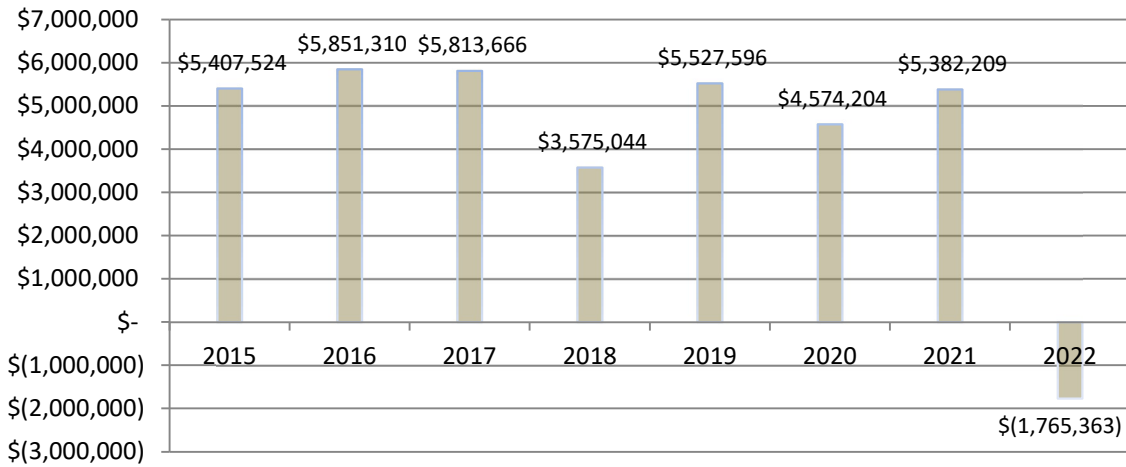


## MOVEMENT IN NET SURPLUS

At the end of 2022, the Society realized a net surplus before fair value adjustments of \$2.761M (2021: \$3.680M; 2020: \$3.472M; 2019: \$3.574M). This derived from a combination of careful expense management, as well as an almost 50% increase in loans granted over 2021 (2022: \$11.9M; 2021: \$8.0M), despite a net reduction in the overall portfolio of \$4.0M on account of a second retrenchment exercise at TSTT (first: 2018). Despite good performance on the Society's fixed Income Investments of \$1.9M this year, reduced capital values of US Equities and the Society's UTC First Scheme Investment contributed negative \$3.2M and negative \$1.3M respectively in unrealized diminution of fair values (total: neg\$4.5M) to give an overall comprehensive (unrealized) loss of \$1.765M for 2022.

Following the pandemic and despite reduced economic activity, the Board will resume its initiatives to grow membership in 2023, whilst continuing to refine policies and controls to manage expenditure and bad debt, whilst seeking safe and profitable returns on investments, including Member loans.

### Change in Net Surplus: 2015-2022



### PEARLS ANALYSIS

	Prudential	Years	
DETAILS	Standard	DEC 2022	DEC 2021
		\$	\$
FINANCIAL RATIOS			
PROTECTION			
Solvency (Net Value of Assets/Total Shares & Deposits)	>110%	115.8%	120.9%
Members Loan / Members Shares	80 - 90%	34.7%	38.7%
EFFECTIVE FINANCIAL STRUCTURE			
Members Loan / Total Asset	70 - 80 %	25.1%	26.5%
Liquid Investments/Total Assets	Max 20%	20.5%	21.4%
Savings Deposits/Total Assets	70-80%	14.0%	14.3%
Member Share Capital/Total Assets	10-20%	72.4%	68.4%
ASSET QUALITY			
Total Loan Delinquency > 1yr/Gross Loan Portfolio (net of provision > 1 year)	<=5%	0.4%	0.9%
Non-Earning Assets/Total Assets	<=5%	5.8%	5.8%
Loan interest /Avg. Members Loan *	12%	11.9%	11.3%

Total Operating Expense/Avg. Total Assets	5%	2.6%	3.1%
<b>CAPITAL ADEQUACY RATIO</b>			
<b>Capital ratio</b>			
(Surplus/Equity + Funds) / Total Assets	8 - 10%	13.5%	17.2%
<b>Net Return on Total Asset</b>			
Loan Income only /Avg. Total Asset	> 3%	3.1%	3.1%

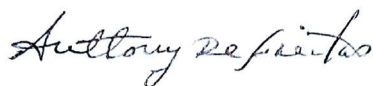
## CONCLUSION

Issues of foreign exchange supply, under-employment, uncontrolled criminality and increasing inflation continued to challenge the local economy in 2022. Credit Unions, which now manage in excess of TT\$16Bn continue to be threatened by other financial institutions. Additionally, many younger members do not see the value in a Credit Union, nor in saving for the future on account of reduced economic activity at the consumer level and employment opportunities. We, as owners of the Society must re-engage and empower our future with a Credit Union. The value proposition of the Credit Union is significant and the cost of doing business, plus the benefits such as free insurance on loans up to \$200,000 and CUNA's Advanced Protector enhanced Insurance cover up to \$1.0M should make the Society a more attractive alternative to serve our financial needs.

After statutory transfers, the Board of Directors recommends a dividend of 3.0% for the year 2022 (distribution: full dividend to deposit account for payment in cash as required), with a 5.0% rebate of interest paid on loans in 2022.

I thank Almighty God, as well as Management, all Staff and Officers for their support during the past year.

Thanks to you - our valued Members, for the confidence you continue to place in the Management, Staff and Officers of the Society and I thank God for a great year in 2023. Best wishes and may Almighty God bless us all.



Anthony De Freitas  
Treasurer