

BOARD OF DIRECTORS REPORT



OVERVIEW

The Barbados Public Workers' Co-operative Credit Union Limited has been characterized always by its tenacity, progressive ambitious outlook, and its ready response to opportunities which are for the benefit of its members. The financial year April 01, 2018 – March 31, 2019 proved to be one of the more challenging years in recent times. Against a tapestry of events including national elections and a new Government, enhanced sector and corporate regulations, regulatory policy changes, changes in financial accounting standards, particularly the introduction of IFRS 9, an economic slowdown and lifestyle changes for our members, the Credit Union was happy to be able to continue to support you the membership during this difficult period.

PERFORMANCE

At the end of the 2018 - 2019 financial year, the Credit Union recorded total assets of \$1.4 billion which represents an increase of \$128.7 million or 10.5 percent over last year's performance. Cash resources totaled \$233.6 million, an increase of \$98.0 million or 72.3 percent, while financial investments reclassified as equity investments-amortized cost totaled \$19.7 million, decreased by \$6.4 million or 24.7 percent.

While the loan portfolio increased during the year under review, due to the financial challenges with the economy, this year we saw a decline in net loan growth. The impact of the well-known austerity programme and the resulting changes in the economy would be attributing factors that have given rise to a situation where members are preferring to hold strain during this period of financial uncertainty and seeking out smaller value loans on average. It should be noted however, that we saw the deposit portfolio out performing its budgeted targets and totaling \$1.2 billion at the yearend. Your confidence in the Credit Union to provide a sound financial option for investing was the direct result of this significant growth.

We take this opportunity to note that this year saw the introduction of a fee structure by the regulators, a significant change, which will impact the Credit Union through the direct imposition of fees based on asset size.

The performance of our subsidiary, CAPITA Financial Services Inc. (CAPITA) remained steady, and as at year-end its assets totaled \$281.0 million, an increase of \$19.9 million or 7.6 percent.

The consolidated assets of the Group at March 31, 2019 reflected growth of \$146.4 million finishing at a total of \$1.6 billion. As we reflect on the financial year just ended, we commend the effects of the respective boards, management and staff who in spite of a difficult financial year across the sector, were able to ensure that members' loyalty, support and confidence were sustained. To achieve this level of growth in difficult financial circumstances is commendable and signals the confidence, loyalty and support in which members and customers continue to place in the respective boards, management and staff of the Group.

OPERATIONS

We are pleased to report that all of our branches, including the Mobile Financial Centre registered creditable performances notwithstanding the prevailing economic challenges. The overall branch performance reported total deposits of \$119.8m compared to target of \$105.2m, while actual loan growth recorded at the end of the financial year was \$39.1m, which was 35% under budget.

This result in the overall loan growth, was commensurate with the drastic measures undertaken in the market, where many members were affected by the government's restructuring program and resulted in members being cautionary in borrowing. We also note with great regret that our members continue to experience the harsh reality of a weakened economy through decreases in disposable income, layoffs and changes to job status. These factors impacted members' ability to service outstanding debt and resulted in an increase in our delinquency at the end of the financial year. We have however been able to bring this rate to 8.6% with the assistance of the hard work and dedication of our teams and the determination of our members to honor their obligations.

We understand, that when financial challenges are experienced, priorities may change, but assure you that we stand committed as a Board of Directors to help during your time of financial difficulty. The Financial Recovery Centre was conceptualized and introduced to focus on offering members financial counselling and restructuring loans of those in financial difficulty; those affected by the government restructuring programme, as well as those who may have been otherwise financially challenged. Since its commencement in October 2018, a total of four hundred and seventy-seven (477) members reached out to the Credit Union for assistance and to date many have been assisted. We continue to place priority on getting our members back on solid financial footing wherever possible, and will ensure this remains the case while the country transitions through these difficult times.

We commenced the first phase of the online loan application, with the implementation of the Enhanced Loan Application, effective January 2019. While there were teething problems, as would be the case with any new technology, loan staff are now able to process loan applications online with improved turnaround times. Our long-term objective is to be able to provide full on-line processing for members to allow for greater convenience and flexibility in your schedule.