

BOARD OF DIRECTORS REPORT

68th ANNUAL GENERAL MEETING

May 26, 2017

Welcome and greetings to all members and invited guests of the St. Martin's Credit Union to this year 68th Annual General Meeting. This report covers the period April 1st 2016 to March 31st 2017. Financial institutions in the 21st century are faced with a series of challenges and in Belize it is no different. Credit Unions, which fall under the regulation of the Central Bank of Belize have come under stringent scrutiny and must comply with the law to numerous regulations. Today, we are operating in a new environment and as such, the BOD and Management has had to assess, plan and implement a series of strategies designed to fulfil our commitments as a financial institution and also meet the demands and needs of our membership. Despite the challenges encountered in trying to maintain a balance between regulation and membership satisfaction, we are pleased to announce that we have weathered the storm and can declare a measure of success this year.

The Board of Directors and Management of St. Martins Credit Union have toiled diligently and endlessly to achieve this success in an economic climate that can be described as spiraling downwards. This success is attributable to a number of adjustments, both infrastructural and financial that the Credit Union has embarked on. We carried out a number of training and workshops designed to upgrade our human capacities, and retooled our financial projections and operating procedures to maximize our investments. Our marketing scheme was upgraded and has yielded tremendous benefits such as attracting new members and more loans for the Credit Union. Therefore, under the prudent guidance of the Management and Staff, and Members of St. Martin Credit Union, and your Board of Directors, we have made substantial progress and done the necessary adjustments to make our Credit Union a viable financial entity, and at the same time created a more aesthetic and pleasing atmosphere to conduct our business. Therefore, let us applaud the hard work of the Management, Staff, and Members of the Credit Union for their hearty support this year in achieving this success.

Currently, St. Martin Credit Union assets stand at over \$25,500,000 dollars, an increase of over 2.3 million dollars from last year figures. St. Martin Credit Union has experienced an asset growth of over 10 %. There was over 1.2 million dollars in savings deposited into St. Martin Credit Union as our shares grew from 18.9 million to over 20.2 million dollars (a 6.7% increase), and this increase in savings have allowed us to service and provide loan funds for our members without seeking external funding. These increases indicate the strength of our Credit Union and the FAITH our members have in us managing their funds despite the fact that interest rates on deposits are extremely low. The commercial banks are barely offering 1 or 2% in saving interest and only for large sums they may increase it to 3%. We certainly need to continue this trend of saving generously as it provides for funds to be lent out and also increases our liquidity. Any increase however, means that we need to pay out more in dividends and this affects the percentage amount of dividends we can give to our members. St. Martin has been and continues to be strong enough to compete and be successful, and this success can be attributed to the fact that the Credit Union is well managed, and the TRUST the members have in their own institution. This year our current membership stands at 8,656 members, a decrease of -0.91% from last year. This was primarily due to the fact that we had to close off accounts that did not meet the minimum mandatory of \$50. Our Credit Union recorded a net profit of \$1,197,045 dollars. It is an adequate increase, given the current market climate, but the fact that we remain stable and earn a profit is testimony to the credibility of Credit Unions in the face of competition in the financial markets and a dismal economy that the Statistical Institute shows as underperforming and barely registering any growth over 1% GDP.

As I noted earlier, there have been a number of requests and legal provisions that the Central Bank has asked Credit Unions to do, especially our Net Institutional Capital which has to be at least 10% of total assets. We are required to setting aside amounts annually from net profit to improve institutional capital before paying dividends and this year was no different. Over the last three years we have been working diligently towards this figure and I am pleased to announce that as at 31 March 2017 our Net Institutional Capital stood at 11.1%. We will continue sustaining this percentage and improving on it so that we can reach at least 15%. I would like to point out that the Central Bank has decided to close down and liquidated a number of credit unions primarily because they were failing, have failed, or could not embrace the challenges posed by doing business in the 21st century such as maintaining adequate liquidity ratios, institutional capital, loan loss reserves, DE-risking, and AML (Anti-Money Laundering) compliance; the rationale of course is that these are measures to safeguard member's funds, but they bring additional work and expense to accommodate the required reporting measures. I must note that the AML requirements and the banking problems relative to foreign exchange also impact the business climate, increasing the costs of doing business and creates difficulties in the saving and lending institutions, thus not allowing for a favorable business environment. But St. Martin Credit Union has risen to the challenges posed by such onerous business environment. We are also fully compliant with the Loan Loss Reserves and the Liquidity requirements and have worked in earnest to meet and maintain AML compliance. These legal requirements are so that the Credit Union can ensure that adequate collateral is in place to safeguard against delinquency, and also in the event of future problems, the Credit Union has funds to continue operating viably.

In last year's report we noted that Mr. Raymond Tzul had taken taking over the helm as General Manager at SMCU. I am pleased to report that in the two years Mr. Tzul has done extremely well, and his innovative and goal oriented approach has yielded positive results for the St. Martin Credit Union. Our Management team is complemented by Mr. Emory Young, our Senior Operations Officer who brought with him a wealth of banking experience and has worked alongside the General Manager over the past year. I can safely say and with a measure of pride that we made the right choice in hiring him. This year our able and long-standing Accountant Mrs. Nelida Sabido is retiring and the Credit Union will undoubtedly miss her dedication and commitment. We have begun the process of finding a replacement however the decision was made to hire a Finance Officer rather than an Accountant. I noted earlier, that financial institutions must modernize or they will certainly collapse; not only in the application of technology (computers and accompanying software), but also in ensuring that our staff possess the requisite knowledge so that they can efficiently carry out their duties. We continue to consistently engage and train our staff members to ensure we have efficient and effective staff and management for the St. Martin Credit Union to better address its member's needs.

Over this year we have been able to consistently generate better income for the credit union and manage our expenses more efficiently. Our loan programs including rural finance continues to perform well and we have been able to grow our loan portfolio by over 16% this year. I am also pleased to say that management and staff have had a good working relationship this year, and the many activities including the annual retreat has resulted in the staff being more efficient, responsible, and proactive and taking ownership of the Credit Union and SMCU continues to meet its obligations to its staff. The Belize Rural Finance Program concluded early this year but the SMCU has committed to ensuring that the benefits reaped from this program including rolling out of financial services to rural members continue. This program has been a veritable success and we need to applaud Ms. Sheryl Tzul, our Micro Finance Field Officer who has done a very good job in maintaining member confidence and trust in the credit union in the various villages we serve.

There continues to be significant increases in users of our ATM service and with our strategic agreement with Heritage Bank and other Credit Unions under the Network One brand, our members now have access to over 20 ATMs countrywide and a wide number of merchants where they can use their cards for payment. All fees generated from using this network returns to the credit union as a source of income. Members continue to be able to pay all their light, water, telephone and cable bills under our Bill Payment Service and also have access to our Zitro Western Union Money Transfer Service. Our Western Union service has

increased the financial capacities of the Credit Union, but with the increased documentation for money laundering and the cost of service, we are currently assessing the continued viability of this service. The substantial increases in loan applications, loan approvals and loan disbursements, training sessions for both Staff and Joint Officers has also led to a high degree of professionalism, better customer care, efficiency, and ultimately a fairly successful year. We have also been able to maintain our delinquency rate at or below 3.5% which is below the maximum standard of 5%. It is therefore important to note the diligent work that the loans department, Recovery Officer and management have done in this regard. Internet banking is the wave of the future and since many of our customers are equipped with the latest phone applications to access funds or pay bills online. We are currently establishing the necessary framework to offer this to our members.

One of the more important goals of our Strategic Plan is to increase our membership and to provide more diversified financial services. One of the strategies is to expand our operations. Our membership is growing, there are many demands for financial services, and at SMCU we need to begin to consider the opening of other branches, in Santa Elena, Benque, and Belmopan and Spanish Lookout area. The study we commissioned on the viability of opening a SMCU Branch in the town of Benque Viejo Del Carmen is completed and the results were positive; the report shows that we have over 700 members in the area that comprises Benque Viejo, Succotz, Arenal and Calla Creek, and the positive feedback to the opening of a Branch is exciting. We have submitted our proposals, studies and operational plans to the Central Bank for approval, and I am pleased to announce that they have given us permission to open a branch of SMCU in Benque Viejo Del Carmen. It is expected that by August 2017 we will have a branch office operating in that municipality.

The Credit Union movement must always focus on what is best for its members and work together because our members are most important and it is people who help people. St. Martin Credit Union Credit Union has always been a people's movement and will continue to do so. We continue to preserve in building goodwill and credibility within the community by assisting high school children with financial aid and scholarships. We continue to contribute to sports, NGO's that work with young children, youth, women and of course our schools. I firmly believe that all local agencies financial or otherwise need to work together and have a plan of action to combat the increasing number of problems our young people are experiencing today. SMCU has been diligently working to address these problems. Programs such as our Youth Month, primary school quiz contest, and Mad City Money (high school) are not only for attracting new members to St. Martin but to also build a cohesive family. The Credit Union is our family. I would like to thank the Staff of St. Martin Credit Union especially those who have assisted in the outreach programs and who have given of their time to ensure that the credit union is well marketed.

Finally, I want to thank my fellow board members. Mr. Rene Torres, our able Vice President has worked hard to serve his Credit Union. With his tremendous experience and patience as a teacher, he has helped us with our negotiations with the Christian Workers Union, and his job as liaison officer is thankless, but he perseveres and his negotiation with the CWU has been exemplary. He also continues to serve on the Board of the Credit Union League on our behalf. The Treasurer, Mrs. Debbie Martinez, who will deliver her report later this evening, has also been responsible for ensuring that our budget and revenue projections are realistic and that we maintain good business practices, and keeping our expenditures reasonable. In addition, she has assisted Mr. Torres in our negotiations with Christian Workers Union. Mr. Carlton Mckoy our Secretary has been very instrumental in assisting us and attending several meetings when no other Board member could attend, and also helping out on reviewing many of the new policies and making recommendations. His experience as a senior manager at Social Security Board has been very useful to us. Our Education Director Mr. Doroteo Balan, whose past experiences as Chairman of the credit committee, has been helpful in implementing the various initiatives that the Credit Union has embarked upon and has been instrumental in ensuring best practices at St. Martin Credit Union.

I also want to express a great many thanks to the Supervisory Committee, especially Ms. Irma Sanchez (Chairperson), Ms. Laura Sierra and, Mrs. Karen Arnold. These three women must be applauded for their due diligence in ensuring that the practices at St. Martin's Credit Union are transparent and allow for better accountability. Their diligence has ensured that the membership of St. Martin Credit Union can with certainty have great faith in their institution. They must be commended for doing wonderful job.

The Credit Committee who is charged with ensuring that loans are given within the prescribed policies have done a remarkable job this year and I would like to express a sincere gratitude to them for carrying out their duties effectively and prudently. Mrs. Santos Tesecum (Chairperson) Mr. Manuel Medina and Mr. Andy Bahadur who have had to work all year as a team deserve a round of applause for their efforts. These three officers have given of their time and energy to ensure that the Credit Union is successful, despite the fact that they are employed in demanding careers, they find time to give to the Credit Union. They also assisted in the updating of our loan policy and have worked with our loan officers, delinquency officer, and the management that due diligence be paid towards reducing delinquency so as to yielded positive results.

Tonight we have four vacancies on the Board of Directors. I urged all who accept to volunteer as officers to do so with the idea that service to the Credit Union is one of dedication, hard work and sacrifice with no returns other than the satisfaction of a job done well. I also take this opportunity to give thanks to our General Manager, Mr. Raymond Tzul for his patience, hard work and dedication that he has brought to the leadership of the St. Martin Credit Union. Finally, where would the Credit Union be without our members, who with patience and loyalty allow the staff and management to carry out their function. The membership commitment to saving has also yielded positive growth and therefore special thanks are due for your contributions. May God bless us all!!!

The Board of Directors

Dr. John Morris

Mr. Rene Torres

Mr. Carlton Mckoy

Mrs. Debbie Martinez

Mr. Doroteo Balan

President

Vice President

Secretary

Treasurer

Education Director