

BOARD OF DIRECTORS REPORT

70th ANNUAL GENERAL MEETING

May 24, 2019

Welcome and Greetings to all members and invited guests of the SMCU's 70th Annual General Meeting. This report covers the period April 1st, 2018 to March 31st, 2019. The Board of Directors, Management and Staff of St. Martin's Credit Union worked extremely hard and selflessly to achieve a measure of success in a Belizean economic climate that has been sluggish and declining, barely averaging one percent GDP. This success is attributable to a number of adjustments, both infrastructural and financial that the Credit Union has embarked on. Today, we are operating in a new environment and as such, the BOD and Management has had to assess, plan and budget to implement a series of strategies designed to fulfill our commitments as a financial institution, and also to the growing 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 degree of success this year.

In order to accomplish this success, we activated our Finance and Audit Committee as well as our Admin and Human Resources Committee and 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. The Finance and Audit Committee redesigned our budget to increase accountability and demand performance targets. Our marketing schemes were upgraded, and this has yielded tremendous benefits such as attracting new members and new loans for the Credit Union. Therefore, under the prudent guidance of the Management and Staff, and Members of St. Martin's 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. Therefore, let us applaud the hard work of the Management, Staff, and Members of the Credit Union for their hearty support this year and achieving success.

Currently, the Credit Union's asset stand at over \$33,000,000 dollars, an increase of over four point five million dollars from last year's figure. St. Martin's Credit Union has experienced an asset growth of over 16%. There was over three million dollars in savings deposited into St. Martin's Credit Union as our shares grew from 21.7 million to 24.9 million dollars (a 15% 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 TRUST 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, do they increase to 2%. We certainly need to continue this trend of saving generously as it provides for funds to be lent out and also increases our liquidity. This sizable increase, however, means that we need to pay out more in dividends and this could adversely affect the percentage number of dividends we can give to our members. There is a need to invest the monies properly or to increase our loan portfolio more significantly. St. Martin's 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 FAITH the members have in their own institution.

This year our membership stands at over 10,700 members, a 14.4% increase from last year and our Credit Union recorded a net profit of over \$1.4 million dollars. It is a good 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 stiff competition and a dismal economy that the Statistical Institute shows as underperforming and barely registering any growth over 1.5% GDP.

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 ONEROUS regulations. We were required to hire an INTERNAL AUDITOR and a COMPLIANCE OFFICER. Last year our Finance Officer Ms. Anne Marie Thompson left to pursue a legal career, but we were fortunate to hire Mr. Leon Palacio, a former Central Bank examiner who has helped us tremendously to generate reports and answer queries from the Central Bank of Belize. With these new hires, I am pleased to say that we have a vibrant core of young professionals to chart the way forward and execute the plans for the development and success of SMCU into the future and beyond. To date SMCU have met all the other requirements, such as our Net Institutional Capital, which has to more than 10% (SMCU is at 11.7%), liquidity requirements and loan loss provisioning among others. We have begun to diversify our investments and our delinquency rate is well below prudential mark of 5%. 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. One of the reasons for better performances this year also has to do with curbing of delinquency, which is at 1.53%, one of the lowest in the financial sector and for this we should be extremely proud. The efforts at curbing delinquency have yielded positive results and the level of write offs has declined considerably. I take this opportunity to congratulate the Loans Department and the Recovery Officer as well as all other parties involved for their diligent work.

This year, a successful strategy that was implemented which generated income was the introduction of pre-approved loans for Christmas and Easter, an enhanced marketing campaign for student and educational loans as well as Christmas and Easter loan campaign. We are currently reviewing SMCU Credit Policies to take on more risk and lend larger sums given our high liquidity. We will also be rolling out our very successful Christmas Plus loan which was initially piloted and tested during the past two Christmas season. This loan allows members to borrow loans within shares at a rate below the regular 1% and member will now be able to access this facility throughout the year. We will be launching a special mortgage program with reduced rate that will be offered for housing loans over 50,000 dollars; rolling out of our EduSave account for minors and the full implementation of our Payday Plus facility for salaried employees. With a fully staffed Management team, the CU has been successfully building a better working relationship with staff and Officers as well as our members. We continue to provide relevant and timely training to our staff to ensure capacity building so that we can better address its member's needs.

Our membership continues to grow especially more so with the opening of our branch in Benque Viejo del Carmen in June 2018. Financing for the construction and outfitting of the Branch was received from the Development Finance Corporation and construction was done by Mr. Walberto Deras and overseen by Architect Mr. Abel Flores. The total cost for the purchase of land, construction and fitting of building came in at a little over five hundred thousand dollars. The branch is centrally located and has been a tremendous

success with the community welcoming us and taking advantage of the products and services we provide. This is evident in the number of accounts and loans that are processed on a daily basis at the branch. I take this opportunity to applaud the efforts of the staff there and also of the residents of Benque Viejo Del Carmen and surrounding villages for their support in making this SMCU Branch viable. To all I say welcome to the SMCU family.

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. We are looking at purchasing a new core banking system that will enable many of the functions currently utilized by banks and will automate many of our manual processes which will result in better service to you our members. We are also working with the Belize Credit Union League and our fellow credit unions to connect to the National Payment System which will allow our members to electronically send and receive funds to/from any bank or credit union in the country. It will also allow us to clear cheques within one to two days as the banks do and will also result in the establishment of Shared Agents where members can carry out small transactions. This venture will revolutionize the way we do business and will allow for many other services to be rolled out including instant transfer of funds among others. We are working closely with the Central Bank of Belize and if all goes as planned, we are scheduled to be interconnected with other Credit Unions and the banks in January 2020.

Given all the above we need to recognize that SMCU has outgrown its present location. Discussions are underway for the relocating and subsequent construction of a modern new building to house SMCU, either at the current location or on a new parcel of land. It is envisioned that it will be a four to five story building of steel and glass that could also accommodate other tenants as well as the Credit Union's office with the cost of the building being absorbed via rental spaces.

Finally, I want to thank my fellow Board members Mr. Rene Torres, our able Vice President, Staff Liaison Officer and SMCU representative on the Belize Credit Union League board; Mr. Carlton Mckoy, our Treasurer who is responsible to oversee our budget, revenue projections and that we maintain good business practices; Mr. Doroteo Balan, our Education Director and our newest Board member, Mr. Elmer Juarez, who is currently learning the policies and structure of the credit union, continues to provide positive assistance in many areas.

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. The Supervisory have done an admirable job in ensuring that the practices of managing the Credit Union remain transparent, honest and viable, and with the hiring of the Internal Auditor, they will be better able to ensure that the necessary audits and checks are carried out. 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 provide important support in guiding and updating our credit policy and have worked with the Loan Officers, Recovery Officer, and the Management and their due diligence towards delinquency has yielded positive results.

Tonight, we have three vacancies on the Credit Committee and two on the Supervisory. 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. Also, many thanks must be given to Mr. Emory Young, our Senior Operations Officer, for his dedication and energy in ensuring the Credit Union improves daily. Their tasks and workload have increased with the opening of the SMCU Branch in Benque, and with the growing demands to improve the efficiency and to generate growth for the Credit Union, but I have no doubt that they will rise to the challenge and make this a huge success for SMCU. Finally, where would the Credit Union be without our members, who with patience and loyalty allowed the staff and management to carry out their functions? The membership commitment to saving has also yielded positive growth and therefore special thanks are due for their contributions.

May God bless us all!!!

The Board of Directors

Dr. John Morris	<i>President</i>
Mr. Rene Torres	<i>Vice President</i>
Mr. Carlton Mckoy	<i>Treasurer</i>
Mr. Doroteo Balan	<i>Education Director</i>
Mr. Elmer Juarez	<i>Secretary</i>