

**BOARD OF DIRECTORS REPORT**  
**72<sup>nd</sup> ANNUAL GENERAL MEETING**  
**May 26<sup>th</sup>, 2023**

Welcome and Greetings to all members and invited guests of the St. Martin's Credit Union to this year 72<sup>nd</sup> Annual General Meeting. This report covers the period April 1<sup>st</sup>, 2022, to March 31<sup>st</sup>, 2023.

This year has been challenging for SMCU and its members for several reasons. Global return to normalcy from the COVID pandemic has not been as robust as expected. There are many industries and ongoing projects that are still just getting underway, and this has a tremendous impact on the economy. Tourism, one of the key indicators of an improved economy, is still only at 70%. When we add to this the shortages in products and services affected by the war in Ukraine, that has disrupted production in many countries, thereby increasing prices for goods and services throughout the world, Belize is no exception to the sufferance of these pitfalls. Inflation is here and a quick visit to the grocery store demonstrates this fact as all prices for goods have skyrocketed. Construction costs for homes are going through the roof and fuel is still very high. All these circumstances push people to their limits and tax their resources. Forbearance measures and debt relief provided by our regulators the Central Bank allowed the Credit Union to assist in ensuring that our members remained economically viable and that losses be minimized, but as can be seen over the previous years the loan portfolios are not increasing substantially and members are still struggling to meet their payments. Hence sizable increases in loan provisioning that affect our net income. But SMCU members are resilient and despite the struggles have managed to survive and keep afloat. This is evident in the fact that our delinquency rate has remained stable and has not gone above 5% and in this current financial year it is less than two percent. The fundamental philosophy of saving for a rainy day has paid off for SMCU members. With the prudent management of the Board and other Committees and the Management, we have devised numerous loan strategies and marketing plans and I can say that today we are seeing the window of opportunity, progress and success beckoning in next year as our projections indicates significantly more robust earnings.

In 2020, our growth was a minus 10% and in 2021 minus 38%, as we were impacted by COVID 19 pandemic. But I am happy to say that for 2023 we are at a positive 8%. Our membership shares are at \$25,199,280 compared to 2022, where we were at \$24,061,918. If we go back to 2019, SMCU membership shares were at \$24,454,561. Our total assets today are at \$37,901,003 versus \$35,346,377 from the previous year. We are rebounding slowly but surely, despite the fact that our loans receivables and income generated from that activity are still not at the 2019 benchmarks before the COVID 19 pandemic. Nevertheless, in this year audited financial statements SMCU has a more than adequate liquidity base and our institutional capital is way above the required 10% to safeguard member's funds. 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 safe and pleasant atmosphere to conduct our business. SMCU will be able to declare dividends this year. Therefore, let us applaud the hard work of the Management, Staff, and Members of the Credit Union for their hearty support this year.

Currently, St. Martin Credit Union assets stand at over \$37,901,002 dollars, an increase of over two point five million dollars from last year's figure. This is indicative that the economy once at a standstill is rebounding and that SMCU is recovering, albeit not at the levels we hoped for. 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 interest and only for large sums. This year we will be investing a million dollars in Belize City Municipal Bonds, an investment proposal from the Belize City Council Series V Municipal Bonds, that yields 4.5% and 5.5 %. We certainly need to continue this trend of saving and investment where we can, so that if another pandemic surfaces or the country is affected by natural disasters due to climate change we can survive and provide funds to be lent out to our members in need. Many members are starting to borrow again and are repaying promptly. In the budget for 2023-2024 marketing will play a tremendous role as we seek to increase our membership and attract new

customers by at least 10%. The population statistics show that the Cayo district is the fastest growing and SMCU has to capture a sizable portion of that young adult population to become productive members of SMCU. **Our projections indicate a doubling of our income to 4 million (with a net surplus of 1.5 million) and a ten percent increase in membership.**

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. We at SMCU are the premiere financial institution in the Cayo district that takes care of its members. This year our current membership stands at over 10,000 despite losing members to Covid and to the economic fallout. And this year, our Credit Union recorded a net profit of over \$750,000 dollars. It is not a sizable increase, but a closer inspection of the financials indicates that the income received actually grew. But as noted before the massive inflation affecting Belize and the weakening of our dollar, the lack of foreign exchange, and upward spiral of the costs of goods and services also affected our operations, especially in the provisioning for loans (an accounting procedure mandated by the regulator the Central Bank and International Financial Reporting Standards). The Credit Union now employs Internal Auditors, Compliance Officers, and IT specialists, all part of improved administration and governance. The net result of these increased costs affects our net income, but the fact that we remain stable and earn a profit in these rather hard economic downturns is testimony to the credibility of Credit Unions in the face of disaster and extreme competition in the financial markets and a dismal economy. These events and incidents affect our economy, they affect investor confidence, they usher in loss of employment as companies fold and ultimately, they affect our abilities to provide for our families. But we must continue the struggle and work together.

In today's world where financial institutions collapse and people lose their hard-earned funds, where pyramid schemes defraud members of their life savings, Belize is no different, hence there is a substantial increase in scrutiny by our regulator the Central Bank of Belize. In fact, they are now the administrators for one of the larger Credit Unions in the country as they try to safeguard members funds and the financial viability of that Credit Union. At SMCU we were required to have more than adequate Share Capital, and make provisions for delinquent loans and loan losses, and make substantial studies in risk assessments. Our Internal Auditor, and Compliance Officer, the latter a specific request by the Central Bank, to ensure compliance with anti-money laundering and also adherence to fiscal responsibilities, work closely with the Supervisory Committee and have their own budgets to ensure transparency, accountability, and security of SMCU funds. These officers carry out investigative processes to detect fraud or non-compliance with financial and accounting procedures and report these. The reports from the audit and compliance are submitted to the Central Bank for vetting, and they also carry out examination and assessment of the Credit Union. This is in addition to the External Audit that is presented at the AGM. Hence, the financials that you are presented with are a true picture of SMCU economic transactions and financial viability. We are also fully compliant with the Loan Loss Reserves required by the Central Bank. 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. We also place funds in the St. Martin Credit Union Foundation Fund that continues to grow for future capital expansion. As I have also noted before and in previous AGM's SMCU has outgrown its current space and must construct a new building with modern facilities in the near future.

SMCU this year rolled out its On-Line Banking that has been a success, given that the global economy is going cashless, and the Internet is a phenomenon that governs our lives. There continues to be significant increases in users of the ATM and members with ATM cards and the number continues to grow daily. The fees generated from using the ATM is a source of income to the Credit Union. This increase is attributed to the fact that at St Martin, all your bills can be paid, water, electricity, phone, and cable. And with online banking it is expected that these numbers will only increase. SMCU is modernizing and the **Shared Service Network (SNN) rollout is tentatively scheduled to go live in June 2023.** This will allow us to acquire co-branded Debit and Credit cards that can be used anywhere. These are scheduled to come on stream late this year. The rollout of the SSN will mean that members will now be able to send money from your laptop or phone to any financial institution in Belize from your accounts without coming physically to the Credit Union and without any delays. You will also be able to receive funds directly in your account from any other bank or credit union almost immediately as well. It is important to note that your current credit union account number will change to a sixteen digit

account number that you will use to send and receive funds to your account. The Credit Union staff will be available to assist you with more information and new passbooks with your new account number will be rolled out over the next couple of weeks. Stay informed and get your updated passbooks to ease the transition to our new account number system and ensure your salaries and benefits are directed correctly to your account.

Over the past fiscal year there were several matters that were carried out including a new lending strategy that saw a reduction in interest rates, improved marketing, and new loan products. For this year, our strategy is to increase our interest income for 2023-2024 by 25%. We intend to generate 1.5 million dollars in net income. A key feature of our strategy is our new Housing Loans that have a rate of 6.99 %. We are currently working on two projects. The first is the completion of an HR manual to help bolster staff productivity and motivation, and to ensure that our hiring processes adequately match our needs. Coupled with the HR manual will be a revised operations manual to assist with training and compliance to improve overall efficiency. The second is development of a three-year Strategic Plan that will chart the future direction of SMCU over the next couple of years bridging the demands of a financial institution and the needs of a people's movement. Discussions are already underway, and this plan is to be completed by August of this year. Other exciting projects are the completion of the plans to construct a building on an empty lot in Santa Elena along the highway. It will house a collection branch for SMCU and also have four additional units for rental. We are in the process of estimating the cost of the building and then putting it out to bid. We are also looking at restarting our Rural Finance Program to rebuild our presence in rural communities but especially, to promote a more robust agricultural loan program. Belize is embarking on export markets to Guatemala and Mexico, and we want our farmers to benefit from these initiatives. This program has been very successful and has helped many of our farmers and low-income families in Cayo. Agricultural production is necessary. Belizeans must produce to feed themselves too and SMCU can continue to play a critical role in this initiative. This is the fourth year of operations of our Benque Branch, and it reports positive net cash flow. The plans for the future are to boost membership growth to capture all the surrounding villages; hence face-to face marketing will be conducted.

St. Martin Credit Union Credit Union has always been a people's movement and will continue to do so. We persevere in building goodwill and credibility within the community by assisting high school children with financial aid and scholarships. We only gave to high school students however this year we will also be offering aid for tertiary education. Over the last two years we have given assistance to those needy and those who had been afflicted by COVID 19 by giving grocery baskets. SMCU provided assistance to victims of Hurricane Lisa that devastated Belize through the Belize Credit Union League who assisted in the devastation in Belize City. We need to do more with our youths to curb the increasing gang violence and armed robbery perpetrated by our young adults. The Credit Union is our family and these teens are our children. We need to work to make our communities safe. 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. Ms. Seidy Garcia, our able Vice President, has worked hard to serve her Credit Union, checking diligently the financial returns and our operations activities. Ms. Seidy also serves on the Board of the Credit Union League on our behalf. The Treasurer, Mr. Carlton Mckoy, has also been exemplary and responsible for ensuring that our budgets and revenue projections are realistic and that we maintain good business practices, and keep our expenditure reasonable. He has worked closely with the Accounts department to ensure sustainable accounting and sound financial practices. In addition, Mr. Elmer Juarez, our Secretary, has been very instrumental in assisting us and attending several meetings and also helping out on reviewing many of the new policies and making recommendations. Our Education Director and Staff Liaison Officer, Mrs. Nelida Sabido, whose past experience as Accountant at SMCU has greatly aided us. In fact, she has stepped in to assist in our reconciliation efforts and she is working diligently to get our HR Manual completed, and in addition has worked with staff to improve their conditions of work.

I also want to express a great many thanks to the Supervisory Committee, especially Ms. Laura Sierra, Mrs. Karen Perez and Mrs. Irma Sanchez. These officers have worked with the Internal Auditor and Compliance Officer in preparing Risk Assessment and the Yearly Internal Audit Plan ensuring that the practices at St.

Martin's are transparent and allow for better accountability and compliance with the Central Bank of Belize. These are extensive tasks that require a lot of attention to detail and time, and we must applaud the officers for their due diligence. The Supervisory Committee has done an admirable job in ensuring that the management of the Credit Union remain transparent, honest and viable. Their diligence has ensured that the membership of St. Martin Credit Union can with certainty have great faith in their institution.

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, Mr. Fabio and Mr. Manuel Medina, 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. They also assisted in the updating of our loan policy and lending strategies and have 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 take this opportunity to give a heartfelt thanks to our General Manager, Mr. Raymond Tzul and his management team of Mr. Leon Palacio and Ms. Juanita Gamez for their hard work and dedication to St. Martin Credit Union in these uncertain times. I know that we have demanded a lot from them and require adherence to greater standards without the expected remuneration. They have labored under unfavorable conditions and battled the storm and have come through. On behalf of the Board and the other Committees sincere gratitude is expressed and let's give them a round of applause.

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 during these perilous times? The membership's commitment to saving and paying their loans despite the hardships encountered 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	President
Ms. Seidy Garcia	Vice President
Mr. Carlton Mckoy	Treasurer
Mr. Elmer Juarez	Secretary
Ms. Nelida Sabido	Education Director/Staff Liaison Officer