

BOARD OF DIRECTORS REPORT
73rd ANNUAL GENERAL MEETING
May 31st, 2024

Welcome and Greetings to all members and invited guests of the St. Martin's Credit Union to this year 73rd Annual General Meeting. This report covers the period April 1st, 2023, to March 31st, 2024.

I commence this report by emphasizing, "**Credit Unions were created under the rubric of cooperative principles**". Simply stated, Credit Unions and their membership are considered as one big family. We save our funds to lend to one another and expect that we will use these funds prudently and repay them promptly and the dividends at the end of the year we share equitably. Why am I pointing out the obvious? We as members all know this. What we may not know definitively however, is that the Credit Union Act guides Credit Unions, and we are regulated by the Central Bank of Belize to ensure that our standards (local and international) and best practices are in line with the conditions and guidelines for Belize's financial sector. We are, for regulation purposes, treated in many ways like the banking sector. But I strongly reiterate, we are not Banks, even though we carry out many of the same financial activities. However, there is a distinct difference. We must bear in mind that the members we serve, that the majority of our members are from that segment of the population (particularly those living below the poverty line), that are most dispossessed, that function in the more fragile sectors of the economy; they are our poor and marginalized people who cannot access the Banks and other credit facilities. Therefore, I urge the Central Bank and other relevant authorities that consideration must be afforded to Credit Unions when decisions on operational and macro level policies are made to ensure that the poor and marginalized do not suffer from lack of access to funds and capital because we the Credit Unions can no longer provide the support to them due to regressive polices (you cannot throw the baby out with the bathwater).

This year has been challenging for SMCU and its members for several reasons. At the administration level, there have been issues with internal re-organization and continuing efforts to ensure staff training and retention; introduction of new technology and the inherent risks of fraud associated with these new products; burdensome, but to some extent necessary regulatory compliance, strong competition from the banking sector, labor shortages and spiraling costs of goods and services, all contributed to challenges for us in ensuring an efficient and viable financial SMCU institution.

In 2024 our Membership Shares are at \$27,079,623, a 7.46 % increase over last year. Our Total Assets is at \$39,153,354 million, which is a 3.30% increase over the previous year. Our income grew by 4.22 % but our expenses grew by 15.11% thereby reducing our net income significantly. These figures indicate that the Credit Union is growing, however, we would like to see a more robust increase in membership, which this year only grew by 3.45 % (in 2019 we grew by 14.5%). As noted, despite the increase in shares, in assets and in loan receivables, our net income did not grow appreciatively. This was due to the lowering of interest rates (primarily to compete with the banking sector that have been reducing their interest rates), increase costs in administration (there had been a number of vacancies that we have had to fill) in order to provide timely and efficient services to our membership, and the additional costs incurred to provide the necessary platform and protocols for new and emerging technologies associated with electronic banking, wire transfers and new payment platforms initiated by the Government of Belize and the banking sector. The risk factors associated with Internet banking have had to be addressed and these are costly both in time and assets, but necessary if we are to embrace a twenty-first century where cash

is becoming obsolete. Terms such as firewalls, anti-virus, bit defender, Ethical hacking, shield-online threats, block time and many other arcane languages now form a part of SMCU cyber-security concerns. Nevertheless, in this year audited financial statements SMCU has demonstrated that it has more than adequate liquidity base and our institutional capital is way above the required 10% to safeguard members' 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 continue to make the necessary adjustments to make our Credit Union a viable and secure 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.

As I noted earlier SMCU has had to compete in a rapidly evolving financial market as Banks vie for the scarce dollars of the people of Belize. The fundamental philosophy of "saving for a rainy day", which is the hallmark of Credit Unions, has paid off for SMCU members. 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 at 1.39%. 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.

Today, the buzzwords are Climate Change and its accompanying disasters, extreme weather producing drought and fires, hurricanes and floods and global disruptions caused by wars. These all affect our economy. The commercial banks are barely offering 1 or 2 % in interests and only for large sums. This year we invested just under one 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 our 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. For example, this current dry period will no doubt affect our farmers and we need to be there for them. In the budget for 2024-2025 marketing will play a tremendous role as we seek to increase our membership and attract new customers by at least 15%. As I noted earlier the recent 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 marketing teams are embarking on a rigorous advertising campaign to engage the people of Cayo and substantially increase our membership. SMCU's goal is to become the largest financial entity in our district. **We can accomplish this goal if the credit union is well managed, and our members maintain trust in their institution.**

Credit Unions by law must have Policy and Procedures manuals, Accounting manuals, Risk Management Tools, robust IT departments to combat Internet crime and provide Cyber-Security, and SMCU has had to embark on expensive re-tooling of all our systems to meet these requirements, and the costs of these goods and services (in time and funding) also affected our operations, especially in the provisioning for loans (an accounting procedure mandated by the regulator, the Central Bank of Belize and International Financial Reporting Standards of accounting). The Credit Union now employs an Internal Auditor, a Compliance Officer, and two IT specialists, all part of improved administration and governance. This year we have to increase the staffing in these areas as the Credit Union is growing. In today's world where

financial institutions are subject to internet fraud, piracy and hacking of account information and many other serious instance of financial loss (such as unauthorized withdrawals, fleecing of dormant accounts, ATM theft); losses that can impact members confidence as schemes abound that can defraud members of their life savings, Belize is no different, Banks suffer these occurrences, so do Credit Unions, hence there is a substantial increase in scrutiny by our Supervisory Committee, by our Internal Auditor, and by our regulator the Central Bank of Belize.

How serious are these issues? The Central Bank is fact the administrator for one of the larger Credit Unions in the country (they recently won a Supreme court case that challenged their authority) 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 Capital, and make provisions for delinquency and loan loss reserves, 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 budget to ensure transparency, accountability and security of the SMCU funds. Despite inherent difficulties and not enough capital resources 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 departments are submitted to the Central Bank for vetting, and they also carry out a frequent examination and assessment of the Credit Union. This is in addition to the External Audit that is presented at the Annual General Meeting. Hence, the financials that you are presented with are a true picture of SMCU's 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.

This is the second year that SMCU 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. Fees generated from using the ATM are 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. But so does the instances of fraudulent activities and we must forever be alerted to combating these occurrences, especially the hacking of accounts and so SMCU continues to invest in improving its technological hardware and software and a robust IT department. SMCU is modernizing and the Shared Service Network (SNN) rollout has taken place. Unfortunately, there are issues and details that plague this rollout. The General Manager in a special presentation will provide an update. In fact, these problems have delayed our acquisition of Debit and Credit cards that can be used anywhere. These are scheduled to come on stream later this year.

In this new fiscal year there are several areas that we need to improve on and that we are actively pursuing to effectively accomplish. These initiatives are the result of soon to be finalized Three Year Strategic Plan 2024-2026 with its concurrent goals and objectives. The first is an emphasis on our Human Resources capacities, i.e., our staff; the hiring of an Assistant General Manager (let me introduce Mr. Bernabel Franklin) and the soon to be completed Human Resources Manual, that has been submitted to the Central Bank for vetting. The completion of our HR manual is to help bolster staff productivity and motivation,

and to ensure that our hiring processes adequately match our needs. Secondly, aggressive marketing, new lending protocols and new loan products will be conducted. The strategy has as its goal a 15% increase in Interest Income for 2024-2025. We intend to generate 1.5 million dollars in net income. Coupled with this is a revised loan policy that will ease restrictions on lending and also make it more customer service friendly. Therefore, new online applications, new loan products, and better interest rates should generate a more robust and active SMCU.

Given the above, SMCU must streamline its operations, and coupled with the new HR Officer, we will have revised operational manuals to assist with training and compliance with efficiency, hence the addition of the Assistant General Manager, under whose portfolio these duties fall. The Strategic Plan charts the future direction of SMCU bridging the demands of a financial institution and the needs of a people movement. Within our loan programs is a revamped Rural Finance Program to boost loans to rural communities and for agricultural. Belize is embarking on export markets to Guatemala and Mexico, and we want our farmers to benefit from these initiatives. This program, pre-COVID was very successful and helped many of our farmers and low-income families in rural Cayo. Agricultural production is necessary. Belizeans must produce to feed themselves too and SMCU can continue to play a critical role in this initiative. Our Benque Branch has been targeted to play a significant role in these activities. This is Benque Branch fifth full year of operations, and it continues to report positive net cash flow; and our audited statements show a positive net cash flow of \$1.16 million. The plans for the future are to boost member growth to capture all the surrounding villages; hence face-to face marketing is ongoing.

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. This year we gave aid also for tertiary level education, to attend the University of Belize and Sacred Heart Junior College. Our School Bag Giveaway was a success as over 300 kids received school bags with supplies. Our Christmas Toy Giveaway was highly embraced by our members as we brought joy to our members children. 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 safer. 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, who has worked hard to serve her Credit Union, checking diligently the financial returns and our operations activities. Ms. Garcia also serves on the Board of the Belize 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 expenditures reasonable. He has worked closely with the Finance Officer 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. Special thanks go out to our Education Director and Staff Liaison Officer Mrs. Nelida Sabido whose past experiences as Accountant of SMCU have greatly aided us. In fact, she has stepped in to assist in providing support to the Accounts department, working diligently to get our HR Manual completed, and in addition has worked with staff to improve their conditions of work. She has been working part-time with the General Manager since early this year to provide urgently needed assistance.

I also want to express a great many thanks to the Supervisory Committee, especially Ms. Laura Sierra, Mrs. Karen Arnold 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 and require a lot of attention to detail and time and we must applaud the officers for their due diligence. The Supervisory Committee have done an admirable job in ensuring that the management of the Credit Union remains 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 are charged with ensuring that loans are given within the prescribed policies, have done a remarkable job this year and I would like to express sincere gratitude to them for carrying out their duties effectively and prudently. Mrs. Santos Tesecum, Mr. Manuel Medina and Mr. Fabio Carballo, 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. I want to single out Mrs. Santos Tesecum who has also assisted in the upgrading of the loan policies, and other operational manuals required by the Regulator. 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 take this opportunity to give a heartfelt thanks to our General Manager, Mr. Raymond Tzul and his management team for their hard work and dedication to St. Martin Credit Union. 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. We are certain that with the addition of the new Assistant General Manager we will be fully compliant with our regulator and also achieve many of the objectives and goals set out in our new Strategic Plan. 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