

BOARD OF DIRECTORS REPORT

61st ANNUAL GENERAL MEETING

May 21st, 2010

Greetings and Welcome to all members and invited guests of the St. Martin's Credit Union to this year 61st Annual General Meeting. This report covers the period April 1st 2009 to March 31st 2010. This year has been especially challenging and your Board of Directors has had to really persevere and confront these challenges in order to effectively manage the Credit Union and to announce that we have once again registered another successful year. Let us applaud the hard work of the Management, Staff and Members of the Credit Union for their hearty support in making this year a good one.

Currently St. Martin Credit Union assets stand at (\$13,900,000), which is an impressive increase of a million and a half dollars over last year figures. St. Martin Credit Union has experienced a positive asset growth of 11.9%. Once again we attracted over five hundred new members (670) that opened substantial accounts and therefore shares growth was over 14%. There was over one million dollars in savings deposited into St. Martin Credit Union this year as our shares grew from 8.8 million to 9.9 million dollars, and this increase in savings has allowed us to service and provide loan funds for our members. So definitely we need to continue the practice of saving generously. And as I generally remark this is a substantial achievement given the level of competition we face in our local market area especially from the banks, including Heritage Bank which has also opened an office in downtown San Ignacio. The DFC has also been retooled and has commenced lending again but St. Martin is strong enough to compete and be successful. This remarkable growth can be attributed to the faith the members have in their own institution. And to effectively prove the point our Credit Union recorded a net profit of over \$575,000 dollars which is also testimony to the credibility of Credit Unions in the face of competition in the financial markets.

Our success this year however has to be tempered by several factors. There has been a downturn in the economy, there has been many withdrawals from shares, delinquency is on the rise, credit is becoming expensive and despite good performance in asset growth, increase in membership, and net income our ratings by the Central Bank is still low and leaves room for substantial improvements. That is because using the PEARLS system we need to account for loan loss provisioning from our profits and it is recommended that we increase the mandatory shares per person. Our security costs are on the rise and utilities and printing costs are also increasing thereby making the cost of conducting business higher.

Highlights for this year at our Credit Union included major infrastructural developments, significant increases in loan applications, additional staff and increase in net income. The construction of a fire proof vault was completed despite the fact that it required major changes to the building. This investment was necessary to protect our money and also to ensure that information related to mortgage, term deposits and other valuables are adequately secured from robbery, fire and other hazards. We also invested in a heavy duty generator because as a financial institution that is computerized we cannot halt our business transactions every time the power from BEL fails. Given the volume of business that the Credit Union is conducting it was extremely necessary to invest in this type of machinery. Notwithstanding that, we have also completed the housing and purchase of the ATM and we are currently conducting testing. I can safely say that members can now begin to apply for their ATM cards and very soon credit union member's country wide will be able to access their accounts from wherever they are in Belize. We have continued upgrading the upstairs which is part of an overall renovation project and the ambience in this area that Accounts and Loans occupy affords a greater degree of privacy for our members when they visit the Credit Union. In the

upcoming year we plan to renovate the lobby area to increase the waiting area space for our members so that they can be more comfortable when they come to the Credit Union to conduct business. 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 successful year.

With regards to our staff, this year we have increased the number with the addition of one more teller, Mr. Rutilo Galvez, whose responsibility lies primarily with the collection for BEL accounts which has been a successful operation. We are still negotiating with BTL and WASA to be able to provide these other services to you the members. The Board of Directors have also implemented several strategies that allows for more transparency in the accounting, to provide timely information to our regulator the Central Bank of Belize and also to increase our capacities to deal with delinquency, which is on the rise. We have upgraded our computers systems and trained our officers to deal with CUMIS/ EMORTELLE and PEARLS. There have also been numerous training sessions for Joint Officers to partake in financial and management sessions, including loan analyses that has increased their capacities to manage the Credit Union. The negotiation with the Christian Workers Union on the Collective Bargaining agreement for the staff has dragged on and is unsigned for this year. Several sticking points are currently being negotiated with the Christian Workers Union and the Labour Department to resolve these issues. Nevertheless we have given our staff substantial raises, cost of living adjustments, among other benefits such as health and life insurances. Comparison with other financial institutions and Credit Unions demonstrate that St. Martin Credit Union has been generous to its staff and will continue to do so in an effort to engender and motivate a great working partnership.

In the financial world there have been many setbacks and failures and several countries in our region are facing turmoil and having to be bailed out by the World Bank, the IMF, and the EEC. Belize itself is experiencing severe financial problems. Our Prime Minister noted that we are in a recession and more of our funds will be needed to pay for our external debt. This has led to increases in GST, in taxes, and a tightening of credit facilities. On the home front we witness institutions selling out people's homes as they default on payments. The banks and DFC and other lending agencies have weekly advertisements that are selling peoples homes for a pittance of what has been invested in them. Even the Credit Unions have not been immune to the difficulties that our members are faced with in trying to meet the demands for affordable shelter, education and food. But we must continue the struggle, we must assist one another. The Credit Unions are a family and in dire times we must come together, for only so will we survive. 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. One such institution is our sister Credit Union, Mount Carmel located in Benque Viejo Del Carmen. We have been tasked and have signed an agreement with the Central Bank to administrate the credit union. It simply means that we will be running the institution and placing the necessary financial controls to regulate their operations. The Board of Directors and Joint Officers of St. Martin Credit Union will be the effective administrators of Mount Camel Credit Union. The General Manager of St. Martin will implement the required policies to administrate this Credit Union. In order to effectively manage both institutions The Board of Directors is hiring a new Assistant General Manager whose responsibility will be to run the day to day operations in Benque. In our agreement with the Central Bank St. Martin will be paid for its services. It is our intention to return this Credit Union to its prominent place that it once had in its community. Helping to save Mount Carmel strengthens the credit union movement. At the end of the day when the economy is underperforming, when there is great need for assistance, we have to be there for our members, and they in return must believe that their union is strong enough to prevail in the face of adversity and be able to overcome these

problems. The Credit Union must always focus on what is best for our members and work together because our members are most important and it is people who help people.

The rising cost of living, unemployment, the increasing gap between the wealthy and the poor are ills that bedevil our society. A recent study suggests that 1 out of 4 Belizeans live under the poverty line. This has resulted in more dropouts from school, less students completing high school, increase in teenage pregnancies, and increases in alcoholism and drug use among the youths and even more devastating, major increases in violent crimes. Witness the senseless killing of the Chinese woman grocer in Santa Elena, the robbery of the bank at Spanish Lookout where a security guard was senselessly murdered. Even our own Credit Union has been targeted, resulting in major additional security costs. These incidents are not isolated occurrences and many of the perpetrators of these crimes are our local youths. We cannot stand by and allow our society to be overtaken by callous young men who have little disregard for property and life. We need to fight back; it is our collective responsibility to do so. Therefore St. Martin Credit Union continues to build goodwill and credibility within the community by assisting High School children with financial aid and scholarships. We will increase the number of financial aid given to students so that we can make a difference. We will increase our assistance with the Elementary School feed the children program so that our children do not go to school hungry. We gave substantial donations to sports in particular the promotion of a youth basketball tournament held in San Ignacio. In this way we encourage kids to remain off the streets. Other donations to local schools for miscellaneous items such as fans, desk, honor plaques, amongst other items continue to be provided. Our program to assist Sixth Form students at Sacred Heart College with loans is an unqualified success. The Belize Natural Energy Trust Fund has provided additional funds to support this initiative and others and the financial reflows has allowed us to also lend to students for advanced tertiary education, especially those Galen University and the University of Belize, at the Associate and Bachelors level.

I want to take this opportunity to encourage our young people to take advantage of the many opportunities for education that exist today. You do not have to engage in following the criminal mind, you do not have to bow down to peer-pressure. There are opportunities out there you just need to grasp it. Teenagers, I say to you stay in school, get an education, it will pay dividends and most importantly SAVE. Because when it is done at an institution like St. Martin Credit Union, where we encourage young members to save, an education, a home and a family is not only a dream but a reality. Therefore I challenged the young people here tonight to go out and bring a friend to join the Credit Union.

Several other areas where the Credit Union is striving to accomplish its goals are completing our Strategic Plans, improving the Indemnity Plan, and better budgeting and forecasting, compliance with Central Bank requirements and securing other financial grants and loans to on-lend to our members. Two such initiatives are the DFC Funds and technical assistance from the IFAD and the European Union Belize Rural Development Project for small and micro enterprise businesses in this Cayo area. The DFC funds total over 300,000 Belize dollars and will be available as soon as the contracts have been signed. The development of a St. Martin Credit Union Foundation Fund has started and progress has been made towards saving money for future infrastructural and capital needs.

Finally, I want to thank my fellow Board members, Mr. Raymond Morris our dynamic Vice President has introduced many new initiatives especially those that provide training and investments in our staff. His job as liaison officer to the staff is thankless but he perseveres and his negotiation with the CWU has been exemplary. The Treasurer, Mr. Tzul, who will deliver his report later this evening, has also been responsible for ensuring that our budgets and revenue projections are realistic and that we maintain good

business practices and keeping our expenditures reasonable. Mr. Domingo Pacheco, 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 the day to day operations when needed. Our Education Director Mr. Melvin Pinelo has been helpful in implementing the various initiatives that the Credit Union has embarked upon. I also want to express a great many thanks to the Supervisory Committee, especially Mr. Carlton Mckoy who brought a wealth of experience gained at Social Security especially where it concerns financial audits, transparency, and efficient accounting principles. He and his team of Mrs. Estella Medina and Mr. Alfred Serrano have done an admirable job in ensuring that the practices of managing 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. Mr. Stanley Habet, Mrs. Santos Tesecum and Mr. Torres deserve a round of applause for their efforts. These officers have given of their time and energy to ensure that the Credit Union is successful. They also assisted in the upgrading of the loan policies so that we can be consistent in how we service our membership. And with the administration of Mount Carmel their duties will be increased twofold. Tonight we have a few vacancies and 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 except the satisfaction of a job done well.

Before I conclude I would like to take his opportunity to express my sincere condolences to the St. Francis Credit Union from Corozal who lost a pillar of their credit union community, their longtime general manager Mr. Vicente Canul. May his soul rest in peace and may his spirit continue to guide his credit union.

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	President
Mr. Raymond Morris	Vice President
Mr. Domingo Pacheco	Secretary
Mr. Raymond Tzul	Treasurer
Mr. Melvin Pinelo	Education Director