

## **BOARD OF DIRECTORS REPORT 62<sup>nd</sup> ANNUAL GENERAL MEETING**

Welcome and Greetings to all members and invited guests of the St. Martin's Credit Union to this year 62nd Annual General Meeting. This report covers the period April 1<sup>st</sup> 2010 to March 31<sup>st</sup> 2011. This has been a remarkable and at the same token a very challenging year for the Board of Directors as they sought to manage St. Martins Credit Union. We are pleased to announce that we have once again registered another successful year, and in keeping with tradition 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.

This year St. Martin Credit Union was singled out by the Belize Credit Union League and given the award for the highest growth in membership. Once again we attracted over seven hundred new members that opened large accounts and therefore shares growth was over 13%. Currently St. Martin Credit Union assets stand at over \$14,300,000 dollars which is an impressive increase of a million dollars over last year figures. St. Martin Credit Union has experienced a positive asset growth of over 7%. There was over one and a half million dollars in savings deposited into St. Martin Credit Union this year as our shares grew from 9.8 to 11.1 million dollars and this increase in savings have 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. The DFC has also been retooled and has commenced lending again but St. Martin has been and continues to be 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 \$500,000 dollars which is also testimony to the credibility of Credit Unions in the face of competition in the financial markets and a dismal economy.

But before we congratulate ourselves too much it is necessary to examine several areas in the management of the credit union that can be improved. The downturn in the economy continues hence there has been many withdrawals from shares as our members seek to support themselves, hence, we need to encourage people to keep their shares. 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. Our provision for loan loss from our profits can reduce dividends so the credit union needs to ensure that adequate collateral is in place to safeguard against delinquency. It has also been recommended that we increase the mandatory shares per person. One area that has seen increase in expenses is that of security; costs are on the rise as we have to expend resources on human armored security to make deposits and technological developments to combat theft, burglaries, and even brazen daytime holdups. Needless to say utilities and printing costs are also increasing thereby making the cost of conducting business higher. But efforts are being made to curtail these expenses. Our delinquency rate which had been on the rise is currently being dealt with by the addition of a delinquency officer, Mrs. Maureen Reyes.

Highlights for this year at our Credit Union included the opening of the ATM, some infrastructural developments, significant increases in loan applications, hiring of additional staff and increases in net income. There are now over 300 members with ATM cards and the number continues to grow daily. The fundamental difference between credit union ATM cards and the one offered by the Banks is that you can go to Toledo or Corozal or Belize City and access your funds from any of the credit unions and from Heritage Bank ATM's. In addition the fees generated come back as a source of income to the Credit

Union. We had planned to renovate the lobby and reception 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 but we have delayed that until later this year. 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, there has been some resignations and also increase in staff numbers. New Staff include Derrick Aldana, Edy Reyes, Aura Montes and Lisa O'Brien (Assistant Accountant). Ms. Vanina Matus relocated to the USA and Mr. Rutilio Galvez resigned due to education. 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. We have upgraded our computers systems and trained our officers to deal with CUMIS and PEARLS. There have also been numerous training sessions for Joint Officers conducted by the Belize Credit Union League 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 essentially been concluded and is to be signed. The staff will receive raises 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. It should be noted that 40% of our expenses are in Salaries and Benefits to staff. This year we also signed a new two year contract with our General Manager.

As noted in the introduction the Board of St. Martin's was hampered initially in its work by the departure of two Board members. Dr. Morey after two weeks sent in a letter of resignation citing heavy work load at the Ministry of Health. Shortly after, Mr. Raymond Morris also resigned because of health reasons. We were fortunate that Mr. Rene Torres (a longtime former Board, Supervisory and Credit member) agreed to join us and complete the term for Dr. Morey. Thanks also to Mr. Carlton Mckoy (former Chair of the Supervisory Committee) who also stepped in and has done a wonderful job in ensuring that the staff and Christian Workers Union and the management of St. Martin Credit Union have resolve their issues and can now sign the Bargaining Agreements.

Belize is experiencing financial problems. In this year budget speech our Prime Minster 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. There has also been a sizable reduction in Interest Rates paid on Term Deposits from 9% to 6.5% and this has affected our earnings. On the home front we witness many people going bankrupt and their homes are being sold. 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. Last year we attempted to provide assistance to our sister Credit Union, Mount Carmel located in Benque Viejo Del Carmen. Our efforts were derailed and we decided not to take on the Management of that Credit Union. It was our intention to return this Credit Union to its prominent place that it once had in its community. Helping to save Mount Carmel would have strengthened

the credit union movement. At the end of the day however we have not provided the assistance and today Mt. Carmel finds itself struggling to just survive. 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.

A recent study from the Statistical Department suggests that unemployment is on the rise and in some areas 20-25% of the population is unemployed. This has led to an increasing gap between the wealthy and the poor and also since the unemployment is high among young people it has created problems as more and more youths turn to the drug trade and criminal activities to finance their needs and wants. In addition to the above, studies also suggests that 1 out of 4 Belizeans live under the poverty line. They cannot afford the basket of goods that has been determined that a family needs to sustain itself. 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. Many of our young men do not complete High School much less College. Witness the senseless killing of a security guard at the local gas station on Bullet Tree road. 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. Last year we increased the amount 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 continues to be 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.

Several other areas where the Credit Union is striving to accomplish its goals are completing our Strategic Plans with assistance from the Belize Credit Union League, revamping our Loans Policies to meet new demands from the Central Bank and to protect our institution from fraud and delinquency. There has also been a substantial effort to carry out 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 were the DFC Funds and technical assistance from the IFAD and the European Union Belize Rural Development Project for small and micro enterprise businesses in the Cayo area. The DFC funds were not accessed because the rates were not financial beneficial to St. Martin Credit Union but we continue to dialogue for future access to funds. We are about to sign an agreement with BRDP. The project will provide salary for a field officer and a vehicle to be used to promote the program. The St. Martin Credit Union Foundation Fund has grown as we are now saving money for future infrastructural and capital needs. The plan is that this Foundation can grow to the point where the interest earned can support at least 35% of the Credit Union administrative costs.

Finally, I want to thank my fellow Board members; Mr. Carlton Mckoy who served as our Vice President and his experience that he brings from being a senior officer at the SSB has yielded many positives in the

administration and management of St. Martin Credit Union. Of course his experience in negotiating with the Christian Workers Union at SSB has also aided us in resolving the many issues that we had. 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. Rene Torres who selflessly volunteered to join the Board despite his work as Principal of a school in the Duck Run area 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. Emil Rodriguez who has introduced many new initiatives that lead to transparency and better accountability. He and his team of Mr. Emir Quiroz and Mrs., Debbie Martinez 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. Andy Bahadur and Mrs. Santos Tesecum who have had to work all year as a team deserve a round of applause for their efforts. These two 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 and Mr. Bahadur insistence that due diligence be paid towards delinquency has yielded positive results. 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. I also take this opportunity to thank our General Manager, Mr. Hulse, and his staff for the good work they have accomplished.

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

<b>Dr. John Morris</b>	President
<b>Mr. Carlton Mckoy</b>	Vice President
<b>Mr. Domingo Pacheco</b>	Secretary
<b>Mr. Raymond Tzul</b>	Treasurer
<b>Mr. Rene Torres</b>	Education Director