

# **BOARD OF DIRECTORS REPORT**

## **63rd ANNUAL GENERAL MEETING**

Welcome and greetings to all members and invited guests of the St. Martin's Credit Union to this year's 63rd Annual General Meeting. This report covers the period April 1<sup>st</sup> 2011 to March 31<sup>st</sup> 2012. This has been an extremely challenging year for the Board of Directors as they sought to manage St. Martins Credit Union. To say that we have once again registered another successful year would be misleading. This year we have managed to survive and yes we have earned sufficient income to declare dividends but it was not an easy task and for this 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 \$15,000,000 dollars (which in any ordinary year would be impressive), an increase of a million dollars over last year figures. St. Martin Credit Union has experienced an asset growth of over 6.4%. There was over one million dollars in savings deposited into St. Martin Credit Union as our shares grew from 10.9 million to 12.14 million (approximately a 10% increase) dollars and this increase in savings have allowed us to service and provide loan funds for our members. But these increases were due to the fact that the liquidity in the Banks is high. Banks are not taking any money and are giving very little in return for savings, so members are depositing their moneys with us. I agree that definitely we need to continue the practice of saving generously as it provides for funds to be lent out but this increase in liquidity however makes the competition to lend out funds much more difficult. Just take a look at all the advertisements and gimmicks being carried out by financial institutions today as they seek to attract customers. Therefore at St. Martin's Credit Union we have to work harder and spend more to attract new clients and even to maintain our own members in the face of relentless competition. St. Martin has been and continues to be strong enough to compete and be successful and this success can be attributed to the faith the members have in their own institution. Once again we attracted over seven hundred new members. This year our Credit Union recorded a net profit of over \$550,000 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 our expenses were also up and it has taken more efforts to make the same dollar as last year.

I will not dwell too much on the vagaries of the Belize economy. But I will mention the following. We have been buffeted by the twin evils of globalization and increasing national debt and these have really affected the Belizean economy. Belize is no doubt experiencing financial problems and show very little growth in GDP. The returns posted in the newspapers show Banks piling up financial losses. There has also been a sizable reduction in interest rates paid on term deposits from 9% to 7% and now down to 5% and in some cases depositors are paid only about 2%. At St Martin we have had to reduce our rates too for member term deposits. This affected our earnings significantly and we have to seek other avenues to diversify. 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 ability to provide for our families. But we must continue the struggle and work together.

There have been a number of requests and legal provisions that the Central Bank has asked Credit Unions to do. Credit is becoming expensive and despite adequate performance in asset growth, increase in membership, and net income, our ratings by the Central Bank are still low and leave room for substantial improvements. Our provision for Loan Loss and for Share Capital from our profits has reduced what we can give as dividends. 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.

Highlights for this year at our Credit Union included the launching of the BRDP program, infrastructural developments and significant increases in users of the ATM. There are now over 1000 members with ATM cards and the number continues to grow daily. The fees generated from using the ATM returns 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 fairly successful year.

With regards to our staff, there have been some changes. The Central Bank has asked us to put in place a succession plan for the Credit Union. We therefore hired an Assistant General Manager, Mr. Raymond Tzul, (who is no stranger and for five years was the Treasurer of the Credit Union). This year Mr. Ronald Hulse graciously agreed to remain at least for one more year to help us in our transition. In addition, the Board of Directors have also implemented several strategies that allows for more transparency in the credit union's accounting and in providing of information in a timely manner 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 EMORTELLE (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 staff is ongoing as there is an urgent need to ensure that it reflects the current financial and economic situation the credit union finds itself. The staff has received raises among other benefits such as health and life insurances. In comparison with other financial institutions and Credit Unions, 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 45% of our expenses are in Salaries and Benefits to staff. We must also point out however that the Credit Union needs to balance increases in benefits and salaries to the staff with prevailing economic conditions and for the Credit Union to be sustainable over the next five years it needs to address these issues. We cannot and I reiterate just grant pay raises if the Credit Union is not performing and increasing its net income.

Several other areas where the Credit Union is striving to accomplish its goals are completing our Model Credit Union Policy, New Loan Policy document, Business Plan, and Strategic Plans. With assistance from the Belize Credit Union League, we are 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. One such initiative is Rural Finance Programme hosted by the BCUL, a joint effort of GOB, IFAD and CABEL which seeks to contribute to the reduction in poverty levels in rural communities and target poor small farmers, non-farming micro entrepreneurs and poor sectors of the rural population) including women and youths in the Cayo area. This program was launched earlier this year and we signed an agreement with the Belize Credit Union League. The project has provided salary for a field officer and a vehicle to be used to promote the program. The new officer is Ms. Sheril Tzul who is eminently qualified, and has done a good job so far. The

St. Martin Credit Union Foundation Fund also continues to grow but the demands from the Central Bank for us to build our share capital reserves has resulted slowed growth in building this account. The plan is that we should be able grow the Foundation to the point where the interest earned can support at least 35% of the Credit Union administrative costs.

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. Perhaps the most pressing problem in Belize is the high rate of crime and the failure of our nation to deal with our troubled youths. We open the newspaper to read about murder and robbery. We turn on the TV and the news is depressing, another murder in Belize City; one in Cayo and another elsewhere. The Amandala newspaper published that half of our Belizean students graduating from primary school will not go to high school and only one of four from high school will go to college/Sixth Form. We have a serious problem and an uphill struggle and since 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 financial centers have been targeted and even stores we once thought were immune are now the target of major robberies. 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. **But we need to do more!** 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. **But we need to do more!** 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 students at Sacred Heart Junior College, UB and other tertiary institutions with student loans continue to be an unqualified success. **But we need to increase this!** The Belize Natural Energy Trust Fund has provided additional funds to support this initiative and the financial reflows has allowed us to also lend to students for advanced tertiary education, especially those at Galen University and the University of Belize, at the Associate and Bachelors level. How do we do all this in a declining economy? With less funds available. It is indeed a challenge.

Finally, I want to thank my fellow Board members. Mr. Rene Torres despite being ill gave a tremendous amount of time as our Vice President and his experience as a manager has really helped us. Of course his experience and patience as a teacher has helped us with our negotiations with the Christian Workers Union and his job as liaison officer to the staff is thankless but he perseveres and his negotiation with the CWU has been exemplary. The Treasurer, Mrs Debbie Martinez, who will deliver her 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. As I noted we had asked Mr. Carlton Mckoy, who replaced Mr. Domingo Pacheco, to be our Secretary and he has been very instrumental in assisting us and attending several meetings when no other Board member could attend and also helping out on reviewing many of the new policies and making recommendations. Our Education Director Mr. Emil Rodriguez who joined the Board has been helpful in implementing the various

initiatives that the Credit Union has embarked upon and has also revamped our website and online capacities. He has also been instrumental in ensuring best practices at St. Martin Credit Union. I also want to express a great many thanks to the Supervisory Committee, especially Mr. Melvin Ayala who had to take over as chairman from Mr. Alfred Serrano, and also Ms. Karen Arnold who came on board to assist with Ms. Laura Sierra. They have been diligent in ensuring that the practices at St. Martin's are transparent and allow for better accountability. He and his team 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, Mrs. Santos Tesecum, 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 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 Mr. Raymond Tzul, and the 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's 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. Rene Torres</b>	Vice President
<b>Mr. Carlton Mckoy</b>	Secretary
<b>Mrs. Debbie Martinez</b>	Treasurer
<b>Mr. Emil Rodriguez</b>	Education Director