

TREASURER'S REPORT

63rd ANNUAL GENERAL MEETING

I extend a hearty good evening to all our members and invited guests. With your permission I will proceed to present the financial report for the fiscal year 2011-2012.

The year 2011-2012 has been a challenging one for St. Martin's Credit Union as the present financial situation has resulted in a marked reduction in market share coupled with the realities of a reduction in interest rates for deposits and loans. The global market has seen a downturn and this eventually trickles down to our small country Belize. The depressed situation of our economy has taken a sharp bite at SMCU which is being revealed in our financial reports.

BALANCE SHEET

Total Assets grew by \$918,774 which is an increase of 6.4%. This certainly does not indicate a great increase in assets as compared to previous years before the decline in our global economy. Despite the challenges, however, our members continue to be prudent and members' shares have increased by \$1,154,186 which shows an increase of 10.51%. This increase is still considerable taking into consideration the financial constraints many of our members confront on a daily basis. Our members continue to help build St. Martin's by displaying their confidence and trust in this well established institution. New membership for this fiscal year amounted to 735 members.

Review of the Balance Sheet indicates that Loans Receivable has increased by \$338,405 which shows a minimal growth of 2.93%. Our total Loan Portfolio for the year ending 31st March 2012 stood at \$11,887,689. We must be reminded that the primary source of our earnings come from the interest charged on loans and service charge. Thus, this slow growth will be reflected in our net income.

Our Delinquency Officer continues to work arduously in an effort to reduce delinquency. At the end of this financial year our delinquency rate stood at 4.5%. We applaud the members who have been faithful in meeting their commitments. At the same time we encourage our members who are facing difficult times to come in and discuss with us how we can assist them, for example, re-evaluating loans and/or making a new commitment schedule.

An expense that arises due to delinquency that has to be borne by us members is that of the Loan Loss Reserve. This is a legal requirement whereby we must put aside a certain percentage each year to cover for delinquent loans. This is a necessary to safeguard our members' money and can only be decrease if we have less delinquent loans, hence the importance that we all pay our loans. I am happy to report that we at SMCU is almost 100% fully compliant.

For fiscal year ending 31st March 2012, investments in term deposits stood at \$1,988,918. This keeps us in compliance with our legal requirement of a Liquidity Ratio of 10% of total assets. Long-term liabilities have been reduced by \$306,533. Outstanding long term loans to DFC and SSB amount to a total of \$397,033. I am also able to report that we will more than likely be able to pay these off in the very near future.

STATEMENT OF EARNINGS

Total Income earned this year amounted to \$1,698,889 which shows a growth of 5.73%. In comparison with last year's figures, a decline of 4.33% is noted. This can be attributed to the overall crisis in our economy. Rates for term deposits have been drastically reduced by commercial banks contributing significantly to the variance in this figure.

Expenses totaled \$1,131,697 indicating an increase of approximately 8.69%. Compared with last year's figures, a slight decrease is indicated. A review of the expenses will indicate that some have been reduced while others have seen a constant increase. Salaries and Wages, Staff Benefits and Staff Allowances continue to be the biggest bulk in expenses amounting to \$445,624.

The Income Statement reveals a surplus of \$567,192 for the end of fiscal year 31st March 2012 showing a small decrease of approximately -0.28% as compared to last year's figures. The surplus is the actual profit the credit union made. From this amount the credit union is required to allocate monies to the Education Fund, Development Fund and Statutory Reserve. Very close evaluation shows that the credit union is not in a very healthy position to be able to make all the required allocations. Our regulators continue to emphasize the need to increase the Institutional Capital of the union. This is a great challenge for us but one that has to be given careful consideration.

For us to be able to survive in this ever challenging economy it is crucial that Board, management, staff members carry out our duties as efficiently as possible. Management is tasked with the responsibility to avoid wastage and reduce expenditure wherever possible; members to be frugal, saving regularly, borrow wisely and repay promptly.

FISCAL MANAGEMENT

Our Credit Union will be only as strong as we the members make it. SMCU requires sound financial management and membership participation/compliance. Our Manager Mr. Ronald Hulse and Assistant Manager Mr. Raymond Tzul must be complimented for the hard work that they tirelessly put into our credit union. Our appreciation goes out to the staff that has been there during this year to provide you the members with good services. As frontline staff, they are key to building a strong rapport with our members thus enabling members to spread good words about our credit union and encourage new people to join us.

The Statutory Reserve Fund previously known as Guaranty Fund (10% of Net Income) now stands at \$480,322. It is my sincere desire that St. Martin's will never have need for this fund. Provision for Bad Debts stands at \$263,441. It would be great if this remains only a provision and would not have to be used to cover loans that delinquent members fail to pay.

The Education Fund (5% of Net Income) now stands at \$26,291 which shows a decrease from last year's figure. It must be noted that several expenditures are now being expensed out of this fund such as advertising and promotion, annual general meeting, donations and scholarships.

The SMCU Development Fund (2% of Net Income) stands at \$45,000. This reserve is kept to provide for future development and expansion projects of the credit union. It may also be used as an 'Emergency Fund'.

MAJOR INVESTMENTS

During fiscal year 2011-2012 there was no major investment. I must highlight, however, the positive impact the installation of the ATM has had on our members. On average over 1,000 transactions are conducted via the ATM monthly with a steady increase in withdrawals via the ATM. Our members are using the ATM in locations as far as Corozal, Pomona and Punta Gorda which is only possible through our extensive countrywide network of ATMs under Heritage Bank and other Credit Unions. It is a network that is fully owned by our Credit Unions along with Heritage Bank. Through this same network, members can now use their ATM cards as a cash card to purchase goods at major shopping outlets such as Three Flags, Juan Chuc Store, Gitz in San Ignacio and also at hundred of merchants countrywide.

OTHER SERVICES

We continue to encourage our members to pay their electricity bills at the credit union as we benefit from this directly. Remember that membership is not necessary to pay your bill so encourage friends and family members to use our service.

The Student Loan Program continues as more funds have been made available to the credit union through the efforts of Belize Natural Energy Trust. We continue to encourage our younger members and parents to take advantage of this loan program as we help grow and develop our country by providing financing for further studies to your children.

CONCLUSION

Despite the economic challenges facing St. Martin's at this time we must continue to find innovative ways to beat the competition especially the commercial banks. Many of our members are being lured to the banks who are promoting lower interest rates but fail to realize that those rates are subject to change. Our interest rate never increases and is calculated on the reducing balance. We are reviewing new products to introduce to our members such as pay day loans and credit cards. It is our desire to make St. Martin's the only financial institution you will ever need.

Together we must work very hard to make our credit union a viable institution. Our Board is tasked with the responsibility to carry out policies and regulations that will lead to success for our credit union. Officers and staff are also charged with the responsibility to do their utmost best to take St. Martin's to a better financial position in the upcoming fiscal year.

I extend by sincere appreciation to all my fellow Joint Officers, staff of SMCU, the General Manager, Assistant Manager, Mrs. Nelida Sabido our Accountant and the general membership for allowing me to serve you as Treasurer for 2011-2012. At this time I also invite members to become active in SMCU by volunteering your time and ability to serve as directors and officers.

Lastly, thank you all for coming to our 63rd AGM. Good evening and may God continue to bestow his richest blessings upon you.

Debbie Martinez
Treasurer