

**NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED MARCH 31, 2013**

INTRODUCTION

1. The matter for tabling in the Honourable Houses of Parliament is the Annual Report of the National Export-Import Bank of Jamaica Limited (EXIM) for the financial year ended March 31, 2013.
2. The National Export-Import Bank of Jamaica Limited was incorporated as a limited liability company on February 26, 1986 and commenced operations on May 1, 1986. The Bank is a trade financing institution which is wholly owned by the Government of Jamaica (GOJ). Notably, EXIM was the first export import bank in the English speaking Caribbean. The Bank continues to play an essential role in the growth and development of Jamaica's export and other productive sectors. During the period emphasis was placed on supporting economic growth, by implementing various strategic initiatives focused on achieving improved national export performance.
3. The Bank has continued to honour its mandate of helping business ventures become viable and competitive in international markets. Focus has been placed on small and medium sized enterprises (SME) involved in non-traditional exports, and other productive sectors such as the Agro-Processing, Mining the Service, and Creative Industries. EXIM offers products and service to these entities with a view to fulfil both the short and medium-term needs of its customers. These products are denominated in both Jamaican and US-Dollar, and include trade financing facilities, such as international lines of credit. With the recognition that linkages exist between service companies, exporters and manufacturers, the Bank has included such entities in its group of qualified borrowers. These include farmers, who provide fresh produce to agro processors, mechanical and electrical engineers who support the bauxite industry as well as operators of tourist attractions.

DISCLOSURES

Auditors' Report

4. PricewaterhouseCoopers conducted an independent audit into EXIM's financial affairs and gave an unqualified report on the Bank's financial statements as at March 31, 2013. The examinations were conducted in accordance with the International Standards on Auditing and the financial statements complied with the provisions of the Companies Act of Jamaica and the International Financial Reporting Standards. The Report stated that proper accounting records were kept and noted that the financial statements prepared were in agreement therewith and give a true and fair view of the financial position of the Bank.

Compensation Packages of Senior Executives

5. Pursuant to the Second Schedule (Part 1) of the Public Bodies Management and Accountability Act, (2010), details of the compensation packages for senior executives of the Bank are enclosed. Basic salaries and allowances for the six (6) executives totalled \$50.75 million. Individual compensation packages ranged from \$3.69 million to \$17.68 million and are detailed in the Annual Report. Of note, \$10.13 million of the total is related to gratuity and performance incentive. Information regarding compensation for the Board of Directors (\$0.77 million) is also included.

OPERATIONAL REVIEW

6. Key strategic initiatives undertaken by EXIM during 2012/13 included, special loan programmes, which were established to assist viable SMEs, and to respond to market demands. Accordingly, several food exporters became compliant with the requirements of the recently introduced US Food Safety Modernization Act (FSMA). Dialogue and training continued with major stakeholders, on the importance of the FSMA loan facility, priced at 6.5%-7% (JMD) and 5%-6% (USD) per annum. As the Bank continued its expansion and improvement, technology and marketing played pivotal roles. A 3 year Corporate IT plan is being developed to coincide with the Bank's "Vision 2016", to further improve operational efficiencies and increase output. The marketing programme included active social media presence, tradeshow appearances, along with the upgrade of its website.

7. The Bank also signed a Memorandum of Understanding with the Caribbean Export Development Agency (CEDA), to provide the framework to effect the institutional support necessary as customers accessed grant funds from the Agency. Interim financing was provided to several customers until their grant funds were disbursed by CEDA. Also, a special loan window "Meet Jamaica London 2012" established under the JAMPRO EXPORT MAX Programme provided competitively priced financing for companies exporting goods to the United Kingdom during the London 2012 Olympics.

8. During 2012/13, EXIM engaged actively in consultations with the Ministry of Tourism and Entertainment to propel initiatives to boost tourism linkages. A special working capital facility was introduced to provide receivables financing for linkage/suppliers to the hotel sector. Given that the northern and western regions focus on tourism, the Bank has now fully established its presence there, to provide vital support services to companies in that locale as it expands its loan portfolio. The Bank currently has a Credit Analyst stationed in that region.

9. The Bank continued to engage key stakeholders (locally and internationally) which provide technical, promotional and financial support. In this regard, strong and mutually beneficial relationships have been maintained with Banco Latinamericano de Exportaciones (BLADEX), CEDA, PetroCaribe Development Fund, and others. Of note, EXIM currently has a US\$10 million revolving Line of Credit with BLADEX for financing the importation of raw material and intermediary goods. Meanwhile, the Bank completed drawdown on the US\$20 million loan from the PetroCaribe Development Fund.

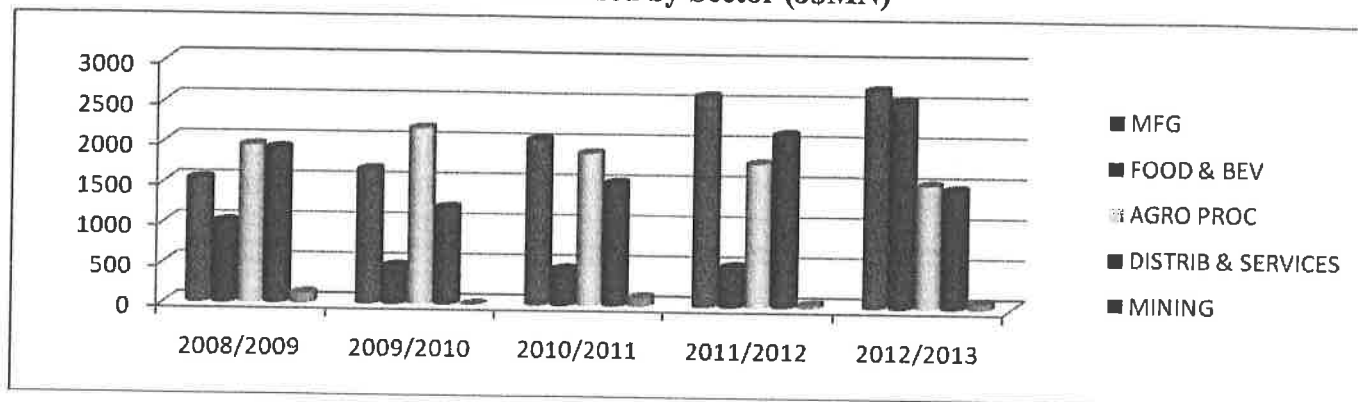
LENDING ACTIVITIES

10. At March 31, 2013, the Bank achieved its highest level of loan utilization of \$8,400 million which surpassed the target for the year by \$400 million, and was \$1,300 million over the \$7,100 million recorded in the prior year. This comprised local currency loans of \$4,300 million, which exceeded projections by 55%, while foreign currency disbursements of US\$43.80 million was 27.50% below target. The surplus in local currency facilities is related to, additional loans to exporting companies under the Bank's short term post-shipment discounting Bankers Export Credit Facility. This performance was achieved notwithstanding competitively priced lending rates in the financial service sector, the lower rates facilitated increased market liquidity. Conversely, the negative variance in foreign currency resulted from reductions in the usage of the Cuban and other Foreign Lines of Credit.

11. Twenty six (26) new customers engaged in agro processing, and waste management among others, were added to the Banks client base, accounting for loans of J\$492.16 million (target: J\$420 million). In addition, loans to repeat customers accounted for J\$7,870 million (target: J\$7,200 million) of the total disbursed. The Bank made loans totalling J\$111.28 million (target: J\$200 million) to new subsectors such as energy, tourism linkages and the creative industries.

Sectoral Analysis

Figure 1 Loans Disbursed by Sector (J\$MN)



12. Figure 1 indicates that loans to the food and beverage sector exhibited the strongest growth over prior years, increasing to \$2,570 million in 2013, \$2,067 million over 2011/12. Further, the disbursement of \$2,570 million represented 30.70% of total disbursement. Manufacturing also continued to show the highest utilization with, steady growth of 3.4% over the prior period, to \$2,703 million. However, total disbursements to the agro processing, as well as the distributive and *service* sectors declined by \$911 million below the \$3,925 million achieved in 2011/12. Of note, the Bank has signed an agreement with Creditinfo Jamaica Limited for the provision of credit bureau services to support its lending operations.

FINANCIAL HIGHLIGHTS

Table 1 Financial Highlights (\$JM)

Financial Indicators	2012/13	2011/12	Variance \$m	Variance %
Total Assets	8,659.70	7,894.57	765.13	8.8%
Total Liabilities	6,149.82	5,868.93	-280.89	-4.6%
Cash & Deposits	1,841.26	576.92	1,264.34	68.7%
Notes Discounted	2,658.63	2,698.70	-40.07	-1.5%
Investments	479.27	519.47	-40.20	-8.4%
Shareholder's Equity	2,509.88	2,025.64	484.24	19.3%
Earnings - J\$m				
Total Income	651.32	572.01	79.31	12.2%
Interest Expenses	-232.45	-215.96	-16.50	-7.1%
Credit losses	-34.07	-16.37	-17.70	-52.0%
Non-Interest Expense	-320.22	-172.22	-148.00	-46.2%
Total Expenses	-586.74	-404.54	-182.20	-45.0%
Operating Profits	384.80	339.68	45.12	11.7%
Profit(Loss) Before Tax	64.58	167.47	-102.89	-159.3%
Taxation	-0.30	-57.89	57.59	-19326.2%
Net Profit(Loss) After Tax	64.27	109.58	-45.30	-70.5%
Financial Ratios (%)				
Return on Assets	3.58	4.13	-0.55	-0.13
Net Profit Margin	9.87	19.16	-9.29	-0.48
Gearing	2.45	2.90		
Interest Cover	1.28	1.78		

13. In view of increased loan utilisation, interest income grew by \$41.70 million and contributed to a \$79.31 million increase in total revenue to \$651.32 million as indicated in Table 1. The revenue growth

impacted positively, EXIM's operating profit which was \$384.80 million, an improvement of \$45.12 million above that for 2011/12. Administrative costs (considered after operating surplus) increased by \$148 million to \$320.22 million, in view of losses¹ associated with the revaluation of the Pension Fund, as opposed to gains that occurred in the prior period. Notwithstanding, the decline in profit after tax (by \$45.30 million to \$64.27 million) was basically in line with the reduction in operating surplus. This resulted as the Bank's taxes were \$57.59 million less than that for 2011/12.

14. The Bank's total assets as at March 31, 2013 was \$8,659.70 million an increase of 8.8% or \$765.13 million compared to the balance recorded at March 31, 2012. Cash and deposits grew by \$1,264.34 million, due to early repayment of a loan, while notes receivable (lines of credit) increased by \$431.18 million. However, the impact was countered partially, as medium-term loans receivable decreased by \$889.11 million to \$1,604.62 million. Further, total liabilities grew by \$280.89 million to \$6,149.82 million due mainly to draw downs on PetroCaribe facilities, as well as foreign exchange rate movements. During the year, the Bank converted a loan from the Government (\$344.09 million) to equity causing paid up share capital to grow to \$601.82 million (2012/13; \$257.74 million). In view of the aforementioned, EXIM's net assets improved by \$484.24 million to \$2,509.88 million, showing continued stability.

15. The Bank continued to service its debt obligations in a timely manner and the Company's gearing ratio at 3.58:1 compared positively to the 4.3:1 recorded in FY 2011/12. This position indicated that the Bank was not overly leveraged and was within the acceptable ratio of 4:1 that is adequate for development finance institutions.

Cash Flow

16. The early repayment of a medium-term loan to EXIM impacted positively cash flows from operations which was \$827.11 million, a \$1,541.43 million improvement on cash used of (\$704.31 million) in 2011/12. Investing and financing activities also generated positive flows of \$128.18 million and \$242.35 million respectively which resulted in the overall increase in cash deposits.

CONCLUSION

17. EXIM continued to focus on its objectives to fulfill its role in national development by providing a wide range of financing instruments at competitive rates for the country's productive sector. The Bank also continued its trend of increased financing to the productive sectors, as its loan utilization increased by 18% over the period to J\$8,400 million. Notwithstanding the impact of IAS adjustments to the Pension Fund, the Bank's operations remained profitable.



Peter D. Phillips, PhD, M.P
Minister of Finance and Planning
October 31, 2013

¹ recorded in accordance with International Accounting Standard 19 and caused a net increase in staff costs