

**NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED MARCH 31, 2014**

1.0 INTRODUCTION

1.1 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, 2014.

1.2. EXIM 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) and facilitates the growth and development of Jamaica's export and other productive sectors. It is notable that during the period, the Bank was one of seven (7) nominees for the Jamaica Observer Business Leader Award for its contribution to the growth and development of private companies in Jamaica.

2.0 DISCLOSURES

2.1 Auditors' Report

2.1.1 PricewaterhouseCoopers (PWC) conducted an independent audit into EXIM's financial affairs and gave an unqualified opinion on the Bank's financial statements as at March 31, 2014. PWC indicated that examinations were conducted in accordance with the International Standards on Auditing and that the financial statements complied with the provisions of the Companies Act of Jamaica and the International Financial Reporting Standards. Their report stated that proper accounting records were kept and noted that the financial statements give a true and fair view of the financial position of the Bank.

2.2 Compensation Packages of Senior Executives

2.2.1 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 \$48.65 million. Individual compensation packages ranged from \$4.6 million to \$16.12 million and are detailed in the Annual Report. Information regarding compensation for the Board of Directors (\$0.93 million) is also included.

3.0 OPERATIONAL REVIEW

3.1. The Bank played an essential role in discussions on valuation and collateralization of Intellectual Property (IP). EXIM was a major sponsor of the WIPO/JIPO¹ Regional Conference on Intellectual Property and Creative Industries, which focused on the monetization of IP as an asset for business development and growth for the creative industries sector. Subsequently, the Bank spearheaded a paper outlining the benefits of IP monetization and how EXIM can enhance the financing of the industry. In this regard the Bank launched an Authentic Jamaica Design Competition, which focussed on utilizing IP as a mechanism to access credit and provided incentive to the winners by offering specially crafted loans to them under flexible terms.

¹ World/Jamaica Intellectual Property Offices

3.2 EXIM also entered into a partnership with the Ministry of Tourism and its stakeholders in order to stimulate greater use of locally produced goods and services in local hotels. Through this partnership, the Bank was able to create a Tourism Linkage Facility, which is a short term working capital product which provides receivables financing to local producers of up to 80% of invoiced amounts

3.3 In pursuit of its risk mitigating strategy for its credit insurance portfolio, the Bank entered into a quota share arrangement with its overseas reinsurers. Under this agreement the reinsurer underwrites up to 60% of the portfolio of the insurable insurance risk and EXIM 40%.

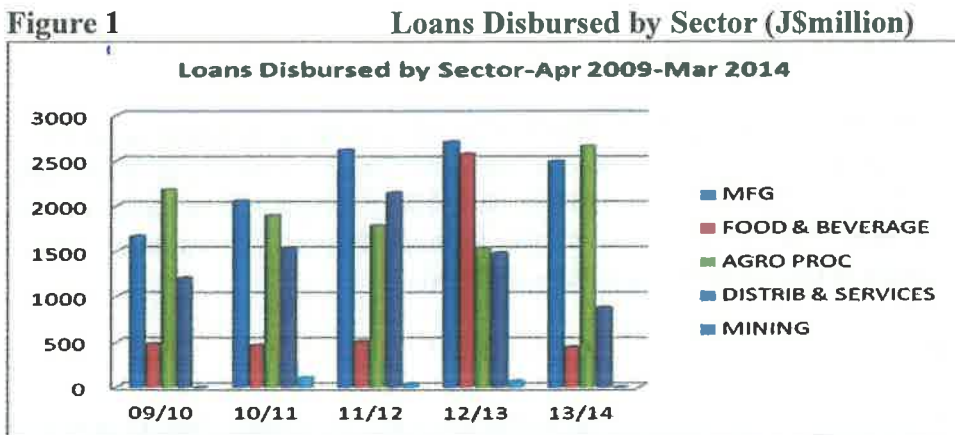
4.0 LENDING ACTIVITIES

4.1 At March 31, 2014, the Bank achieved loan utilization of \$6,500 million (2012/13: \$8,400 million), a decline of \$1,900 million. Disbursements were denominated in local and foreign currencies of JA\$2,100 million (2012/13: \$4,300 million) and US\$41.80 million (2012/13: US\$43.8 million) respectively.

4.2 Loans through the Approved Financial Intermediaries (AFI's) recorded significant decline, moving to \$9.50 million (2012/13: \$2,900 million). EXIM sought to engage SMEs to access loans directly from the Bank and implemented its new SME Strategy which sought to boost the impact of the sector and their contribution to Jamaica's Gross Domestic Product (GDP). In light of this, loans to SMEs (\$4,400 million) contributed 67.7% of the Bank's overall disbursements, thus providing critical support to the sector which possesses the greatest growth potential in the economy.

4.3 Fourteen (14) new customers engaged in agro processing, animation, manufacturing and distribution, among others, were added to the Banks client base, accounting for loans of J\$969.2 million (2012/13: \$492.16 million). The Bank disbursed loans totalling J\$197.9 million (2012/13: \$111.28 million) to new subsectors such as sports, boutique hotels, alternative solutions and the creative industries.

4.4 Sectoral Analysis



4.4.1 Figure 1 indicates that loans to the agro processing sector exhibited the strongest growth over prior years, increasing to \$2,657 million in 2014 (2012/13: \$1,534 million). This represented 41% of total disbursement for 2013/14, the highest utilization for the period. Manufacturing loans represented 38% of total disbursement, the second highest utilization for the period, but a decline by \$216 million/ 8% below the prior period. Disbursements to the Food and Beverage sector showed the most significant decline, by \$2,130 million (2012/13: \$2,570 million), which was attributable to large companies such as Grace Kennedy and Company Limited, Wisynco Group Limited and J Wray and Nephew Limited underutilizing the Bank's facilities, due to the competitiveness of rates being offered in the marketplace.

5.0 FINANCIAL HIGHLIGHTS

Table 1: Financial Highlights (\$JM)

Financial Indicators	2013/14	2012/13	Variance \$m	Variance %
Total Assets	8,160.19	8,437.35	-277.16	-3.4%
Total Liabilities	5,784.73	6,074.05	289.32	5.0%
Cash & Deposits	1,836.70	1,841.26	-4.56	-0.2%
Notes Discounted	2,189.65	2,658.63	-468.98	-21.4%
Investments	561.44	479.27	82.17	14.6%
Shareholder's Equity	2,375.45	2,396.30	-20.85	-0.9%
Total Income	727.66	651.31	76.35	10.5%
Interest Income	605.55	586.52	19.03	3.1%
Other Income	122.11	64.79	57.32	46.9%
Total Expenses	-624.39	-577.71	-46.68	-8.1%
Interest Expenses	-255.45	-232.45	-23.00	-9.0%
Credit losses	-51.70	-34.07	-17.63	-34.1%
Non-Interest Expense	-317.24	-311.19	-6.05	-1.9%
Operating Profits	420.51	384.79	35.72	8.5%
Profit(Loss) Before Tax	103.27	73.60	29.67	28.7%
Taxation	-25.24	-16.90	-8.34	33.0%
Net Profit(Loss) After Tax	78.02	56.70	21.32	27.3%
Financial Ratios (%)				
Return on Assets	4.02	3.67	0.35	0.09
Net Profit Margin	10.72	8.71	2.02	0.23
Gearing	2.44	2.53		
Interest Cover	1.40	1.32		

5.1 Table 1 shows that total expenses increased by \$46.68 million to \$624.39 million (2012/13: \$577.71 million). Interest expense increased by \$23 million as a result of the depreciation of the local currency against its major trading partners. Additionally, credit losses² grew by \$17.63 million as provision for bad debt increased by \$36.64 million as the auditors recommended that the provision for bad debt on the loan portfolio be increased chiefly in recognition of the default risk associated with one of the Bank's major clients. The additional provision was countered partially by an increase of \$19 million in bad debt recovered.

5.2 The decrease in loan utilisation resulted in a reduction in related income by \$54.88 million. However growth of \$78.90 million in investment income totally counteracted this decline, resulting in an overall increase of \$19.03 million in total interest income. This along with increases in other revenue sources, mainly exchange gain (by \$42.12 million) facilitated additional earnings. Accordingly, EXIM's operating profit improved by \$35.72 million to \$420.51 million.

6.0 Balance Sheet and Cash Flow

6.1 The Bank's operations remained solvent as attested to by net assets which totalled \$2,375.46 million at March 31, 2014 and was \$12.1 million, in excess of that at the end of 2012/13. Assets were recorded at \$8,160 million, a decrease of \$277.16 million (2012/13: \$8,437.35 million) but liabilities declined by a greater amount \$289.32 million. With respect to liabilities, these fell to \$5,784.73 million,

² The net of recoveries and provision for bad debt on the loan portfolio

chiefly since the Government of Jamaica agreed to set off \$555 million against a receivable owed by a related party shareholder.

6.2 The Bank continued to service its debt obligations in a timely manner and the Company's gearing ratio improved to 2.44:1 (2012/13: 2.53:1). 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.

6.3 Cash flows from operations amounted to \$252.16 million (2012/13: \$827.11 million). Of note, there was an early repayment to EXIM of a medium term loan during 2012/13, which resulted in significant inflows from operations. As activities normalized for 2013/14, cash flow from operations declined. Investing and financing activities showed negative flows of \$52.75 million and \$291.64 million respectively, resulting in an overall decrease of \$92.22 million in cash deposits.

7.0 CONCLUSION

7.1 EXIM delivered on its new focus on SMEs by formulating strategies and products that are expected to boost the sector and its contribution to Jamaica's Gross Domestic Product. The Bank made significant efforts to expand its loan portfolio in order to receive gains in unconventional sectors while fulfilling its mandate of facilitating growth and development of the productive sector. Despite the challenges within the economy and the fall in loan utilization from the previous years, disbursement levels were still significant.



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~~March~~, 2015

April 22