EXIM BANK JAMAICA

2019/2020 Annual Report

Supporting the growth of SMEs for over 33 years

EXIM BANK JAMAICA

2019 WINNERS

Excellence in Public Bodies Corporate Governance

WINNERS

- **OVERALL WINNER**
  EXCELLENCE IN PUBLIC BODIES CORPORATE GOVERNANCE

- **WINNER**
  COMPLIANCE & DISCLOSURE OF INFORMATION

- **WINNER**
  RISK MEASUREMENT, MANAGEMENT & INTERNAL CONTROLS

- **2ND RUNNER UP**
  CORPORATE GOVERNANCE POLICIES, PROCEDURES & PRACTICES

- **2ND RUNNER UP**
  BOARD COMPOSITION, FUNCTION AND STRUCTURE

- **2ND RUNNER UP**
  BEST ANNUAL REPORT

CORPORATE
DATA

OFFICE

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JAMAICA, WEST INDIES
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BANK OF JAMAICA
PRIMARY BANKER

NETHERSOLE PLACE
P.O. BOX 621, KINGSTON
JAMAICA, WEST INDIES

AUDITORS

ERNST & YOUNG CHARTERED ACCOUNTANTS
8 OLIVER ROAD, KINGSTON 8
JAMAICA, WEST INDIES

TABLE OF
CONTENTS

OUR MISSION

To facilitate sustainable economic growth through increased exports and sustained job creation by providing competitively priced trade financing solutions to the productive sector including exporters, potential exporters and direct suppliers of exporters.

This we will achieve by being visionary, innovative, creative, customer-focused and viable with a highly efficient, motivated and performance-driven team.

OUR VISION

To facilitate Jamaica becoming a net exporting country by being a visionary, innovative and creative trade financing institution.

CORE VALUES

Our values provide direction and energy to what we do every day; they serve as the guiding principles of individual and organizational behaviour. At EXIM Bank we believe in:

1

CUSTOMER CENTRICITY

We understand the value of our brand and consistently deliver it to our customers by focusing on what they value most, in keeping with our overall business strategy.

2

INTEGRITY

We maintain a strict adherence to a moral code of honesty and a strong sense of morality.

3

PROFESSIONALISM

We conform with generally accepted formal standards portrayed by our mannerism, deportment, business conduct and individual dealings with each other, our business partners and our customers.

4

INNOVATION

We are keen on translating an idea or business opportunity into a product or service that creates value for our stakeholders.

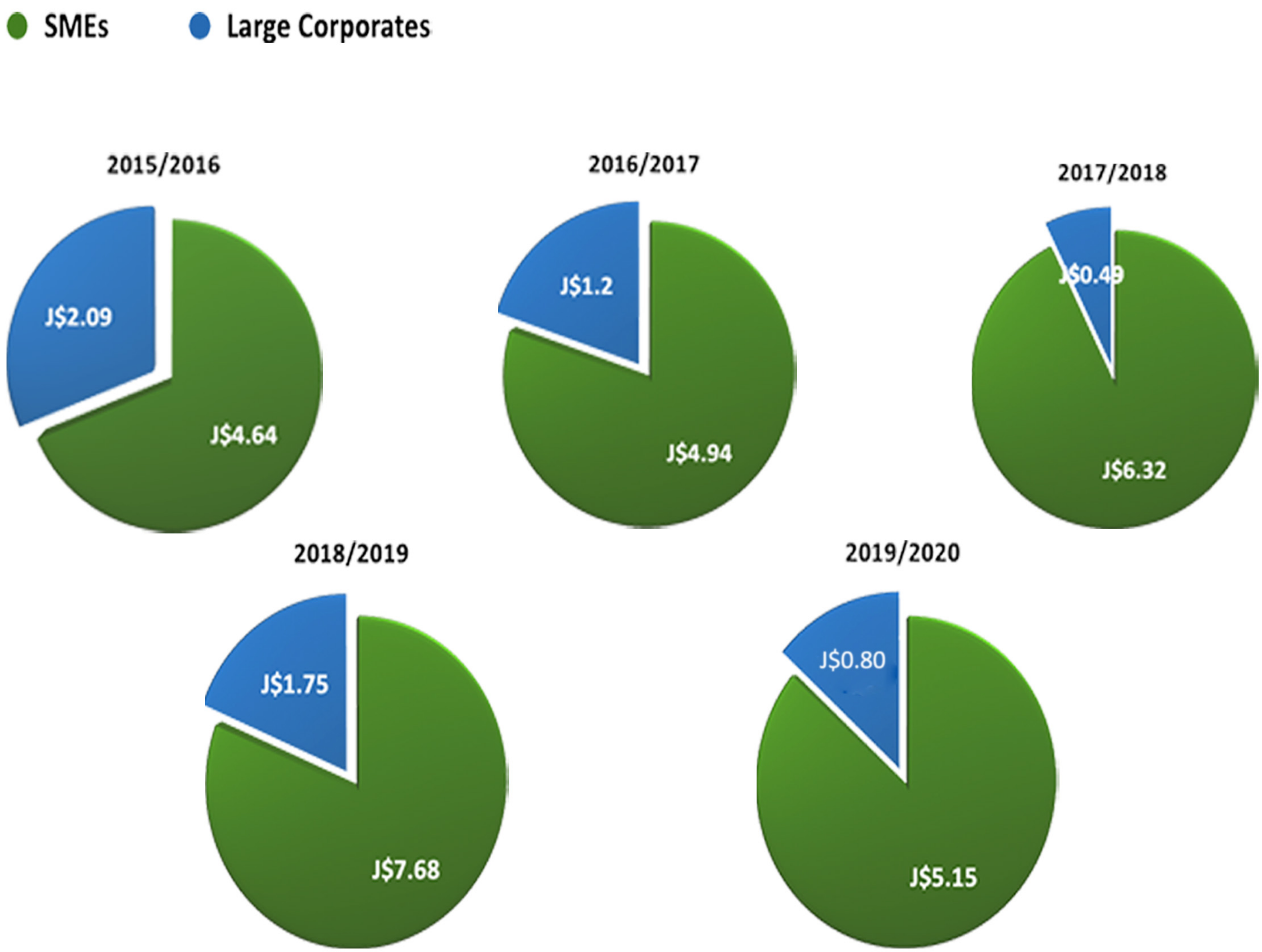
5

RESPECT

We treat each other with kind consideration and politeness irrespective of position or economic status being mindful at all times of the other person's feelings.

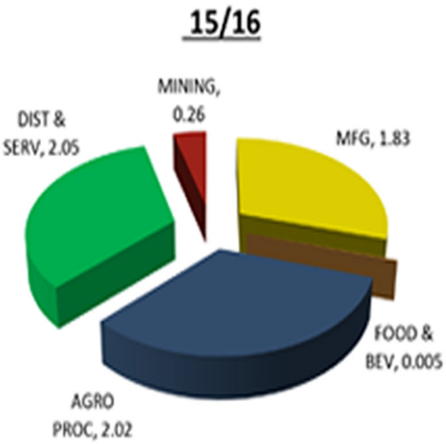
5 YEAR FINANCIAL HIGHLIGHTS

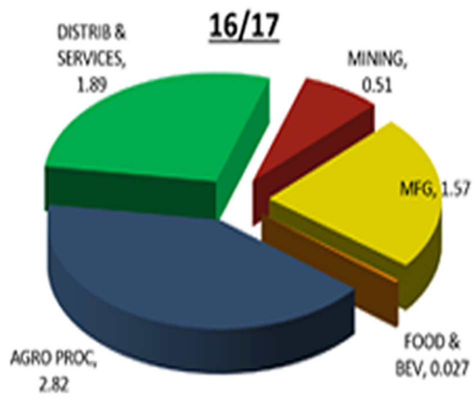
LOANS DISBURSED TO SMEs VS LARGE CORPORATES (J$ BILLION)

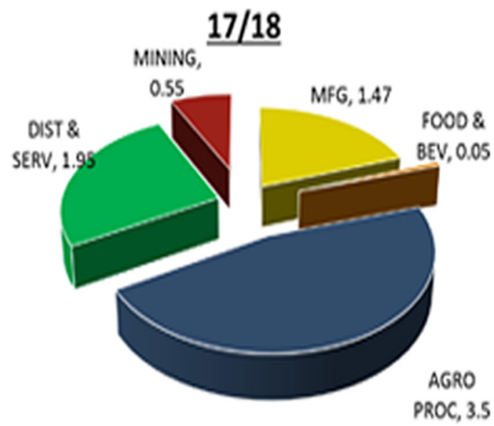


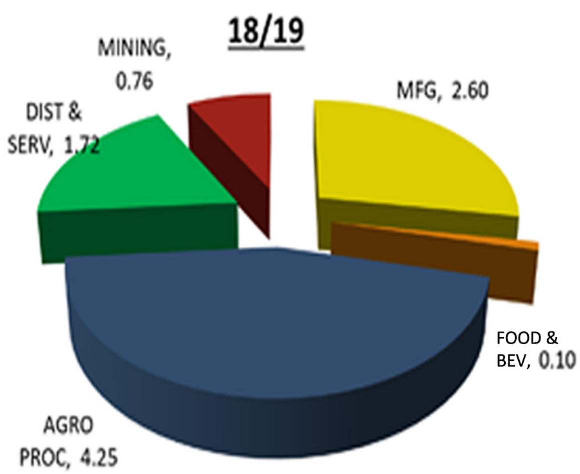
5 YEAR FINANCIAL HIGHLIGHTS

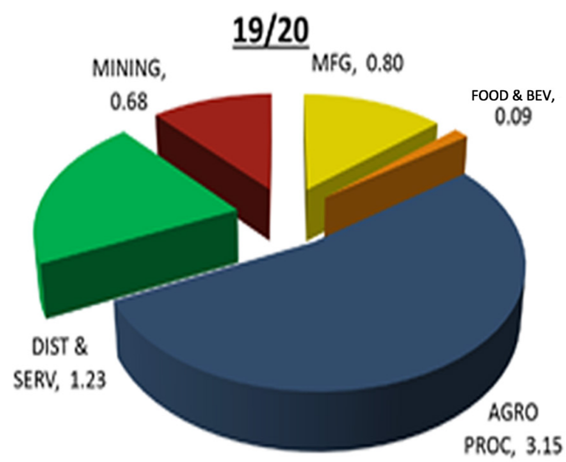
LOANS DISBURSED BY SECTOR
(J$ BILLIONS)











Honourable
AUDLEY
SHAW
CD, MP

MINISTER'S MESSAGE

> The EXIM Bank has been committed to fostering and strengthening opportunities for our entrepreneurs to do business, while enhancing the country's capacity to expand economic growth and create employment.

Created in response to the mission to enhance growth and development through an export-led economy, the EXIM Bank has supported Jamaica's productive sector with solutions spanning across both traditional and non-traditional export sectors, such as tourism, manufacturing, agro-processing, communication and technology, as well as linkage companies for the export sector.

The EXIM Bank has been committed to fostering and strengthening opportunities for our entrepreneurs to do business, while enhancing the country's capacity to expand economic growth and create employment.

The Government, through the National Export-Import Bank of Jamaica, has been pursuing several development initiatives for our small and medium-sized businesses, including upgraded SME policies, and facilitating ease of accessing loans to the productive and services sectors. Together, we have attained macroeconomic stability with incrementally improving levels of GDP growth, even while several fledgling industries find their footing and inspire further growth in the economy.

Let me take this opportunity to commend the EXIM Bank for its role in helping to steer and support the development of our country.

Hon. Audley Shaw
Minister of Industry, Commerce, Agriculture and Fisheries

GARY
HENDRICKSON
CD, JP

CHAIRMAN'S MESSAGE

"We wish to assure our clients of our continuous commitment to serving them with excellence and of our readiness to help them navigate any future economic disruptions"

Throughout its operations, the EXIM Bank has remained steadfast in its mission to 'facilitate sustainable economic growth through increased exports and sustained job creation, by providing competitively priced trade financing solutions to the productive sector'. This we have achieved while being faithful in upholding strong corporate governance policies, procedures, and practices. These principles, along with our mandate, helped to guide the Bank's journey into FY 2019/2020, which was expected to have been a profitable year for the Bank, given the growth in the local economy.

As at 30 September 2019, the local economy recorded its 16th consecutive growth quarter, with an overall positive trajectory projected. The retirement of Jamaica's relationship with the International Monetary Fund (IMF) and positive macroeconomic indicators, set the stage for growth at the micro and meso levels. The Bank was therefore poised to adjust its business model to more effectively respond to the changing market conditions and macro-economic improvements.

Notwithstanding, FY 2019/2020 was an especially difficult year for the Bank, as several factors largely outside the Bank's control, weakened its financial viability and resulted in the organization reporting a loss for the financial year. The environment in which we operate continues to be extremely challenging and responsiveness adaptability has become imperative as we position ourselves to achieve higher loan targets for the new financial year.

As with all other Development Financing Institutions (DFIs) and Export Credit Agencies (ECAs), EXIM Bank is charged with the task of identifying effective strategies necessary to support the SME sector. Several market gaps are being created, as traditional financial institutions work to manage the prospect of increasing defaults and expected credit losses, along with reduced revenues. With a changing global economy, we recognize that the organization will need to assist SMEs in managing in the context of uncertainty and to also embolden them to seize emerging opportunities which may arise from the "new normal". This has become especially important in the framework of national development, as governments in both developed and developing economies struggle to ensure the viability of this very important sector. At the end of the fourth quarter of FY 2019/2020, the Novel Coronavirus (COVID-19) pandemic came into sharp focus with its ravaging human and economic effects. This disruption has been a blight on countries and economies, with repercussions likely to be felt well into the medium-term. The fallout in the local economy is not yet fully discerned, but given the disproportionate effects on the country's SME sector, recovery is projected over the medium to long-term. The COVID-19 pandemic has forced the Bank to re-examine its business model to ensure that it is deploying an ever-evolving standard of best practices. We understand the vital role we play in the economy and are undaunted in mobilizing our efforts to respond with alertness to the challenges and opportunities. This drive to remain relevant is leading to the discovery and implementation of more innovative strategies, focused on increasing the use of technology, tightened credit management and improved customer care.

We wish to assure our clients of our continuous commitment to serving them with excellence and of our readiness to help them navigate any future economic disruptions. This we will achieve by working keenly alongside key stakeholders in both the public and private sectors, to intensify and deploy the benefits and support derived from the alliance.

In closing, I express deepest gratitude to our management and staff for their unwavering commitment and continuous drive for excellence. I also take this opportunity to thank our valued clients for trusting us to guide them as they make their own contribution to the Jamaican economy. To our strategic partners and stakeholders, thank you for your contribution and commitment in support of EXIM Bank's Vision and by extension, the national mandate.

Gary Hendrickson CD, JP
Chairman

BOARD OF DIRECTORS

Gary Hendrickson CD, JP

Chairman for 4 years

EXIM's Chairman, Gary 'Butch' Hendrickson, is also the Chairman and CEO of Continental Baking Company Limited and Coconut Bay Beach Resort & Spa in St Lucia. Additionally, he serves as the President of the Council of Voluntary Social Services (CVSS), a former Vice President of the Private Sector Organization of Jamaica (PSOJ), and sits on the Boards of Rainforest Seafoods, Stationary & Office Supplies Limited, the King's House Foundation, and the Bank of Jamaica (BOJ).

Lisa Bell, JP

Managing Director for 10 years

Lisa Bell has held the position of Managing Director since May 2010. She has over twenty-five years' experience in providing financial, analytical, project and general management expertise in both the private and public sectors. Prior to joining the EXIM Bank, Mrs. Bell held the position of Deputy President of Jamaica Promotions Corporation (JAMPRO). She holds a Masters of Business Administration with a specialisation in Finance and a Bachelor of Business Administration from the University of Miami, Florida, USA.

Bevan Callam, JP

Director for 3 years

Bevan Callam is a retired banker, who spent 45 years with one of Jamaica's leading commercial banks; his last post being Senior Vice President, Credit Risk Management (Acting). During his banking career, he held management positions in several areas of the bank, including operations, finance, branch banking, corporate and commercial banking and credit risk management. He is a Fellow of the Institute of Canadian Bankers and serves on a number of Boards and Committees, including Lasco Microfinance Limited, and Scojampen Limited.

BOARD OF DIRECTORS

Albert Webb
Director for 3 years

Albert Webb, Banker, spent some 33 years with CIBC in various positions in Canada, Bahamas and Jamaica - with the last being Group Managing Director of CIBC/FCIB Jamaica, before retiring to focus on his private investing activities. Over the years he has also served on the boards and committees of a number of entities in both the private and the public sectors as Director or Chairman.

Racquell Brown
Director for 2 years

Racquell Brown's professional focus is in Marketing and International Business. She holds a Professional Postgraduate Diploma from the Chartered Institute of Marketing and a Bachelor of Science Degree in Marketing & International Business from the University of Technology. She possesses 14 years of Marketing experience.

Geoffrey Ziadie
Director for 3 years

Geoffrey Ziadie, Founder and CEO of Chad-Ad Distributors, is a graduate of the University of Florida, where he obtained a Bachelor of Science Degree in Business Administration and Finance. With over 25 years of experience in business, he currently serves as a Director of Newport Forklift Services Limited and Kingston Industrial Garage Limited.

BOARD OF DIRECTORS

Lacey Ann Bartley
Director for 2 years

Lacey Ann Bartley currently holds the position of Managing Director of Bartley's All in Wood (Bartley's Craft), a family business offering 20 years of experience in wood-work and furniture building. She has also worked at the UWI Regional Headquarters in the capacity of UWISTAT Facilitator and Communications Officer. She has a Bachelor of Science Degree in Management Studies (Operations) and a Master's Degree in Government from the University of the West Indies. Lacey Ann is an active member of her professional community through membership, leadership roles and various awards recognising her contributions.

Norman Reid, JP
Director for 3 years

Norman Reid is a retired banker with over 40 years' experience in the Financial Services Sector. He served in the capacity of Senior Assistant General Manager at his last posting and his areas of expertise span credit analysis, underwriting, sales, internal audit, change management, operations and training. Norman holds a Bachelor of Science in Banking and Finance, an Associateship of the Chartered Institute of Bankers and is a Fellow of the London Institute of Banking and Finance. He serves on a number of boards and is Chairman of the Board of Ports Security Corps Limited and Sam Sharpe Teachers' College. He is also the Chair of National Education Trust and First Rock Capital Holdings.

Congrats!

to the 2019 Winners of the
Excellence in Public Bodies Corporate Governance award.

Corporate Governance

Strong governance ensures that EXIM Bank carries out its mandate responsibly and effectively, whilst safeguarding the assets and interests of our shareholders and facilitating the sustainable growth of Jamaica's productive sector.

This outlines EXIM Bank's corporate governance policies, procedures and practices for the year ended 31 March 2020. The Board of Directors of EXIM Bank is a strong advocate of good corporate governance.

EXIM Bank's Corporate Governance Framework operates in accordance with the corporate governance charters, policies and codes of conduct adopted by the Board. The Board recognises that corporate governance is a constantly evolving concept and therefore regularly reviews and updates the Bank's governance charters and policies by reference to public sector guidelines and best practices in Jamaica and overseas.

The role of the Board of Directors is to oversee and guide the management team with the aim of protecting and enhancing the interests of the shareholders and achieving the Bank's Mission and Vision. With the exception of the Managing Director, the Board is made up of independent Directors.

These Directors possess a mix of skills, qualifications and experiences to the benefit of the Bank, its stakeholders and clients.

The Board meets at least every two months to consider issues of strategic direction, guided by its charters, specific policies, performance objectives and key initiatives. In order to achieve and maintain optimum levels of procedural transparency, analytical rigour and observance of public sector guidelines and best practices, the Board has established a number of committees. These committees serve to increase the efficiency of the Board and to assist in the handling of complex issues. The committees meet as needed and work with the Senior Management Group, which is charged with the responsibility of implementing the decisions of the Board. There are three (3) such committees which operate within defined and regularly reviewed terms of reference laid down by the Board.

Directors are expected to bring their views to the Board's deliberations, independent of management and free of any business, or other relationship, or circumstances that could materially interfere with the exercise of objective or unfettered judgement. Directors are required to avoid conflicts of interest and to immediately inform the Board should a conflict of interest arise.

Enterprise Risk Management
Committee (ERMC)

The broad mandate of this Committee is to assist the Board of Directors in fulfilling its oversight responsibilities regarding the Bank's risk appetite, its risk management and compliance framework and governance structure that supports it. Risk appetite is defined as the level and type of risk which the Bank is able and willing to assume in its exposures and business activities, given its business objectives and obligations to its shareholders and stakeholders.

The ERMC members are: Mr. Bevan Callam (Chairman), Mr. Gary Hendrickson, Ms. Lacey Ann Bartley, Ms. Racquell Brown, Mr. Norman Reid, Mr. Albert Webb and Mr. Geoffrey Ziadie. The Committee met 10 times between April 1, 2019 and March 31, 2020 and in keeping with its Terms of Reference, undertook, among other things, the following:

- The consideration and approval of credit applications within its designated authority
- The recommendation of credit applications outside of its designated authority to its Board of Directors for approval
- The approval of the booking of net increases in Expected Credit Losses
- Reviews of the Bank's Credit Policy and recommendations for amendment
- Reviews of the effectiveness of the Bank's risk management framework and monitoring of enterprise-wide risks

Audit & Corporate Governance
Committee (ACGC)

The broad mandate of this Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for (1) the integrity of the Bank's Financial Statements; (2) the Bank's compliance with corporate governance, legal and regulatory requirements; (3) the independent auditor's qualifications and independence; (4) the performance of the Bank's internal audit function and independent auditors; (5) the achievement of operational efficiencies; and (6) the approval of the Budget and Corporate Plan, pursuant to the Public Bodies Management & Accountability Act.

The members of the Audit & Corporate Governance Committee are: Mr. Norman Reid (Chairman), Mr. Albert Webb and Mr. Geoffrey Ziadie. The Committee met 4 times for the year.

Among the matters considered by the ACGC during the 2019/2020 Financial Year were:

- The Bank's 2018/2019 Audited Financial Statements
- The Independent Auditors' Report for the Financial Year 2018/2019
- EXIM Bank's performance against Corporate Key Performance Indicators for the 2018/2019 Financial Year
- EXIM Bank's 2020/2021 Budget and Corporate Plan
- The efficiency and effectiveness of various systems of internal control
- EXIM Bank's Audit Charter
- The impact and implementation of the new International Financial Reporting Standards (IFRS) 9 on the Bank's operations

Human Resources & Pension
Committee (HRPC)

The mandate of this Committee is to assist the Board in fulfilling its oversight responsibilities for the appointment, performance evaluation and compensation of the Bank's Managing Director and Senior Management, succession planning and other human relations issues. The HRPC also oversees the administration of the National Export-Import Bank of Jamaica's pension fund.

The Committee members are: Mr. Geoffrey Ziadie (Chairman), Mr. Gary Hendrickson and Mr. Albert Webb. The HRPC meets as is required. However, it did not meet during the 2019/2020 Financial Year as the planned meeting had to be rescheduled due to the onset of the COVID-19 pandemic. Nevertheless, during the financial year, HRPC matters were presented to the Board of Directors for its consideration and approval. HRPC matters submitted for the consideration of the Board of Directors included:

- Human relations issues affecting the staff generally
- Staff welfare and compensation
- EXIM Bank's organisational structure
- Matters relevant to the administration of EXIM Bank's pension Fund

Board Annual Self
Evaluation

The Bank's Board of Directors, in keeping with the Corporate Governance Framework for Public Bodies in Jamaica, completed an annual self-evaluation of performance during the 2019/2020 Financial Year. An electronic survey containing questions categorised under five (5) broad headings was administered to Directors. The categories covered were:

i. Degree of Fulfillment of the Board's Responsibilities
ii. Quality of the Board-Management Relationship
iii. Effectiveness of Board Processes, Meetings and Board Evaluation
iv. Effectiveness of individual Director Contributions to the Board
v. General Comments

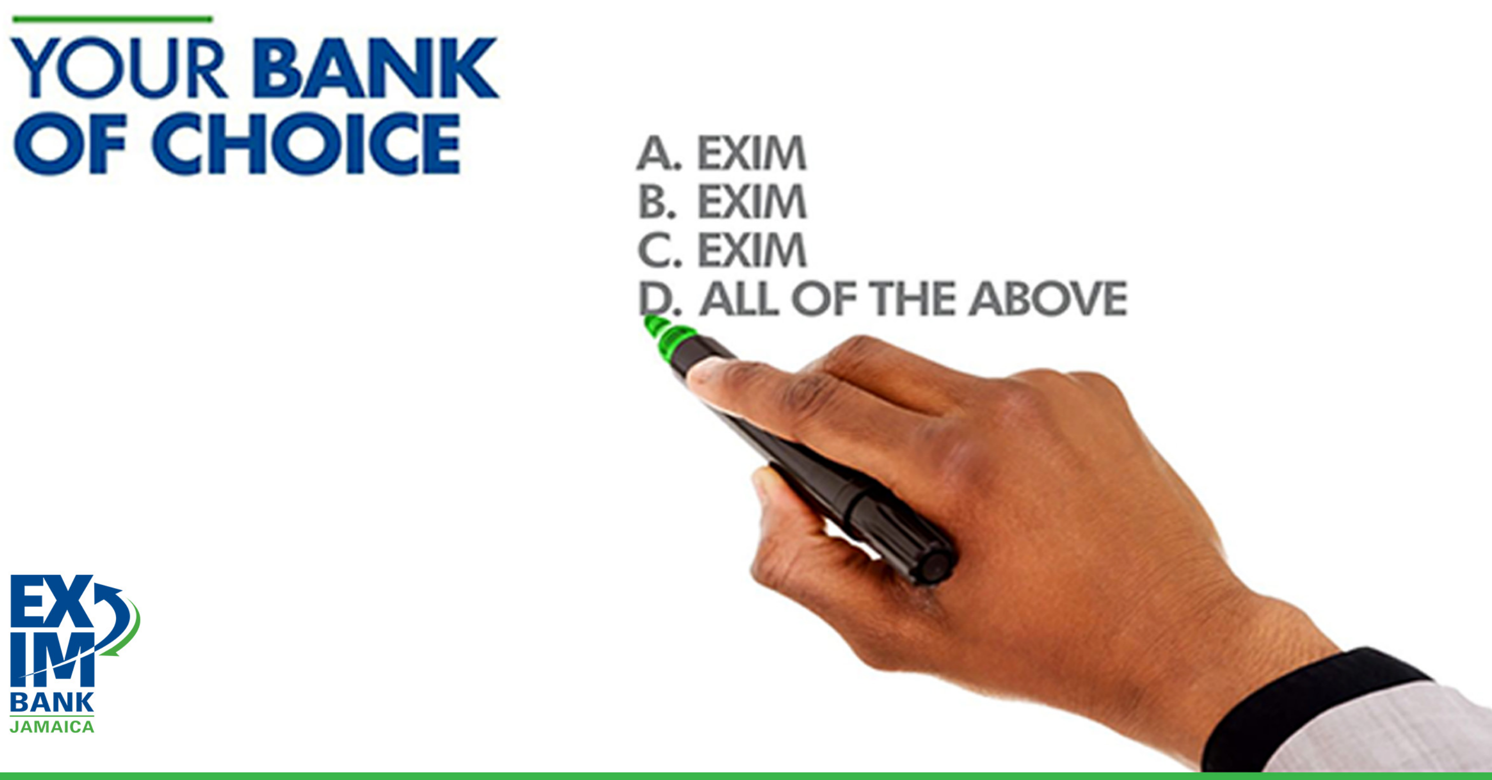
The results of the survey were reviewed and discussed by the members of the Board and a plan of action charted to address issues raised.

EXIM Bank is dedicated to its adherence to good corporate governance and remains stalwart in its compliance with corporate governance policies, procedures and practices.

Directors' Attendance
Record
April 2019 - March 2020

Number of Meetings	Annual General Meeting 1	Board Meetings 7	Enterprise Risk Management Committee 10	Audit & Corporate Governance Committee 4	Required	Attended
Gary Hendrickson (Chairman)	1	7	7	1***	18	16
Lisa Bell (Managing Director)	1	6	9**	4**	22	20
Bevan Callam	1	5	6	1***	18	13
Norman Reid	1	7	9	4	22	21
Albert Webb	1	7	9	4	22	21
Geoffrey Ziadie	1	4	7	3	22	15
Lacey Ann Bartley	1	4	8	1***	18	14
Racquell Brown	1	5	9	■	18	15

■ **Not Applicable**
** **Non-member**
*** **Co-opted**



LISA BELL, JP

MANAGING DIRECTOR'S MESSAGE

> The Bank is focused on developing and implementing new strategies that will see it providing even greater levels of support to this critical sector

EXIM Bank continues to be fully committed to supporting the Government's growth agenda, through targeted efforts to increase access to financing to Small and Medium Enterprises (SMEs). The 2019/2020 Financial Year delivered mixed results relating to the Bank's efforts in executing against this mandate. Despite these challenges, the Bank was focused on developing and implementing new strategies that will see it providing even greater levels of support to this critical sector, which will continue to be among the key drivers for economic recovery and growth.

FINANCIAL **PERFORMANCE**

The year began with the economy on a modest and improving growth path. The outlook projected, was for a continuation of this trend into the 2020/21 period. However, this trajectory was beset by minor shocks, which, although not significantly affecting the overall economy, proved impactful on the business of the Bank.

Challenged by uncompetitive lending rates, the Bank rallied to maintain output of $5.95 billion in loan utilization, but this fell shy of the targeted amount. This was 36.9% lower than last year's utilization level of $9.43B. Contributing to the shortfall in our loan target was the loss of some of our major clients, due to closure of the conch season in the last quarter of 2018/2019. This closure continued to have a negative impact on businesses in the Fisheries industry; a fallout, whose effects are expected to continue into the last quarter of 2020/2021.

A reduction in our client pool also resulted from the departure of some clients who were able to access lower-cost funds elsewhere in the market.

This, along with other challenges associated with inadequate funding, resulted in decreased cashflows, a single, large national interest non-performing loan and unprecedented levels of loss.

Decreased loan utilization also resulted in higher ratios in estimated credit losses as a percentage of the overall portfolio, particularly in the context of the first full year of adoption of the new IFRS9 Accounting Standard.

Customer Satisfaction, Compliance and Employee Satisfaction, all non-financial performance indicators, are of great importance to the organisation's overall performance. They help to gauge and translate the impact of efforts made by the Bank to maintain a viable and stable environment in which clients are served, reporting requirements met and staff is engaged. The organization therefore invested in initiatives geared at improving the quality of the relationships between itself and its constituents and the success of this was borne out in satisfactory performance scores achieved at financial year-end

STRATEGIC **INITIATIVES**

With SMEs continuing to be a major target group for the Bank, significant focus was given to the sector through collaborations with several enabling entities and the undertaking of strategic initiatives geared at strengthening their capacity. Of note, is the Bank's collaboration with the PSOJ, geared at improving the overall access of SMEs to finance. In response to internal process reviews executed to determine areas requiring improvement to engender higher levels of productivity, the Bank implemented a capacity building strategy among staff by conducting organization-wide training and testing in the areas of Anti-Money Laundering/Counter Terrorism, ISO Documentation and Quality Procedures and Cyber Security. Specialist training was also provided in Credit Appraisal Techniques for the underwriting staff.

Improvements in systems, processes and staff competencies resulted in the Bank being presented with the award for the Best in Corporate Governance, at the annual Public Sector Corporate Governance Awards Ceremony, established by the Ministry of Finance and the Private Sector Organization of Jamaica (PSOJ). This accomplishment was achieved among a number of other stellar public sector bodies.

ISO **CERTIFICATION**

On April 22, 2020, the EXIM Bank became the first of several Ministries, Departments and Agencies (MDAs) under the Strategic Public Sector Transformation Project of the Ministry of Finance and the Public Service, to become ISO 9001:2015 certified. The scope of the certification includes all products and services offered by the Bank to Small and Medium-sized Enterprises within the productive sector.

Supported by Consultant, Commander Michael Rodriguez and Quality Service Technicians Jhamille Powell and Jermaine Flemmings of MICAF's ISO Quality Systems Division, the EXIM Bank team enthusiastically embraced the long and often arduous process towards certification and committed to intensive training, process reviews, and internal and external audits.

Among the Bank's principal objectives was the direction of attention to refining and upgrading the effectiveness and efficiency of internal and external processes in order to improve both internal and external customer satisfaction.

Implementation of the Quality Management System has served to provide renewed impetus to support critical KPIs as it required that the Bank:

a) Demonstrate the ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, and;

b) Enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

After completing the pre-assessment, stage 1 and 2 audits conducted by the NCBJ, the Bank attained the coveted ISO 9001: 2015 certification, validating the hard work of the team and the investment of our consulting partners.

Our successful implementation journey validated the hard work of the team and the investment of our consulting partners. It is also testament to the commitment and involvement of management and staff at every level in the organization.

LOOKING **AHEAD**

Given the improvements in the economic environment, in May 2019, the Bank commenced a comprehensive review of its business model with the help of an international consulting firm known for its work with EXIM Banks globally. A strategic plan which includes a phased implementation of new and innovative business products and services, and which responds to market requirements, is to be effected in the upcoming year. The implementation of the plan will also require a review of the Bank's financial and human resources.

The unfortunate onset of the COVID-19 pandemic toward the end of the year, necessitated the rolling out of the organization's Business Continuity Plan (BCP). In the midst of this misfortune, the Bank was able to seamlessly migrate its operations to this back-up platform, in order to provide its clients with uninterrupted service. The year ended with the world becoming preoccupied with the pandemic. As we step into 2020/21, it is with the awareness of the vastly different and dynamic space in which we must now operate. The global economic downturn already experienced, has been significant and there is much uncertainty around a recovery timetable.

The Bank will therefore further amend the aforementioned plan to ensure more effective responsiveness to the needs of SMEs given the disruption created by the pandemic. The Bank recognizes that crises often create new opportunities which may be leveraged for the benefit of our key stakeholders. We have learnt from the challenges that confronted us and our resolve is renewed for the year ahead. We are cognizant of the need to be agile in this changing environment, while we pursue our strategic agenda.

I wish to thank our funding partners for their continuous trust and support of EXIM's national Vision. I also wish to thank the Board of Directors, Management and Staff for their hard work and commitment to the Bank during the year. I am confident that together, holding to our values, we will be able to make more meaningful gains on our mandate in the coming year.

Lisa Bell, JP
Managing Director

Congratulations!

1SO 9001:2015 CERTIFIED

CERTIFIED ISO 9001:2015 COMPANY

The ISO 9001 Certification Programme is a strategic intervention (a Vision 2030 effort) aimed at strengthening Government agencies island-wide by implementing the requirements of the ISO 9001:2015 Quality Management System (QMS) Standard.

Executive
Management

Lisa Bell
Managing Director

Maria Burke
Legal & Corporate Secretarial

Collin Ebanks
Corporate Services
Joined January 2020

Maxine Brown Cowan
Trade & Commercial Lending
Promoted September 2019

Errol Barnaby
Finance
Joined in July 2019

Debbie Brooks
Risk Management & Compliance
Joined in June 2019

PROTECT YOUR DOMESTIC & FOREIGN RECEIVABLES - TRADE CREDIT INSURANCE

-Commercial cover: 85%, the insured bears the remaining 15%

-Political cover: 90%, the Insured bears the remaining 10%

Senior
Management



1. **Allan Thomas**
   Loan Origination

2. **Melrose Mason**
   Finance

3. **Janice Hall**
   Marketing



4. **Venitia Hawthorne**
   Accounts

5. **Kevin McKenzie**
   Information Systems

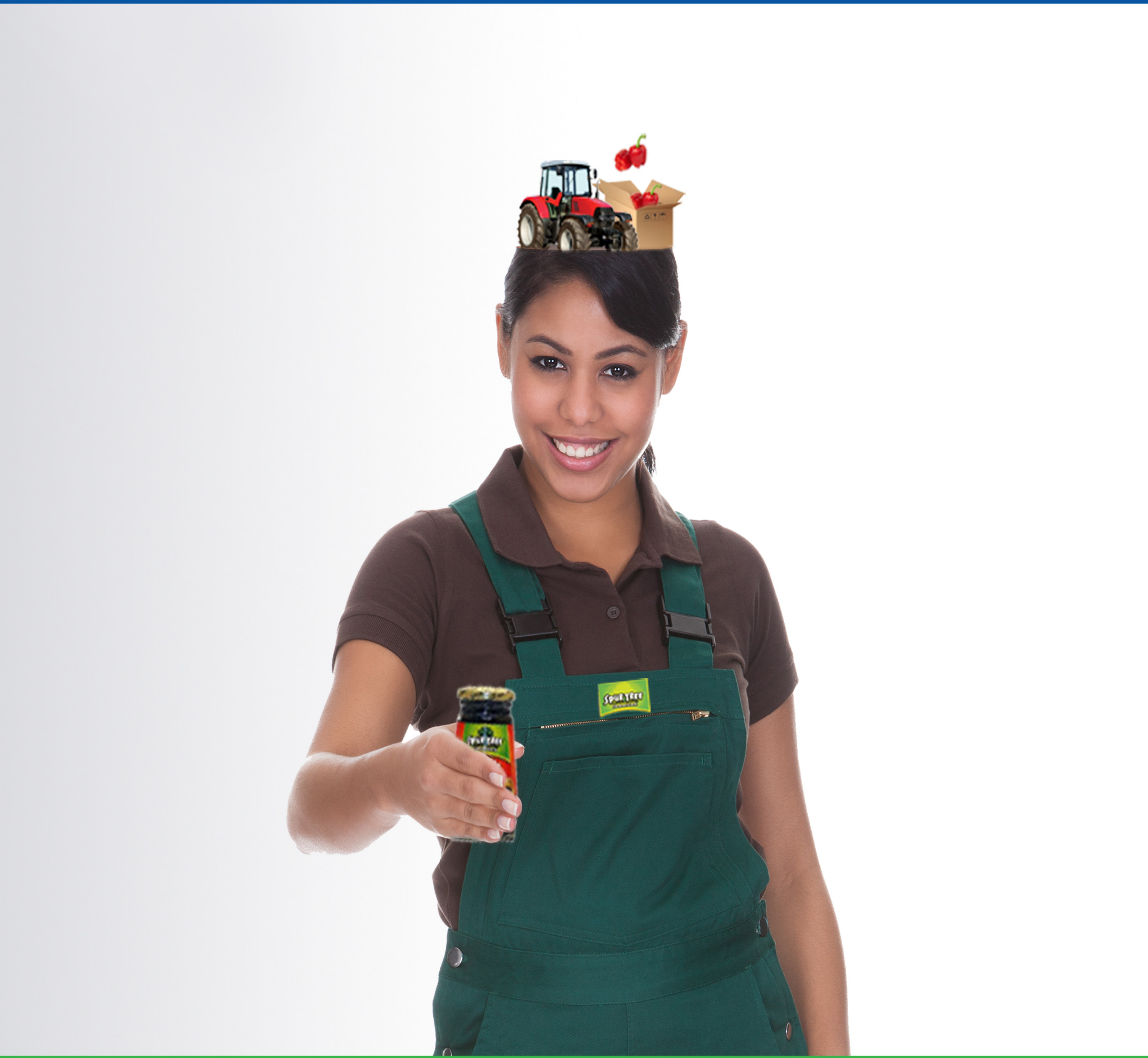
6. **Audrey Morris**
   Risk Management &
   Compliance


7. **Rockquel Campbell**
   Administration

8. **Stacie-Ann Wiggan**
   Loan Administration
   Assumed position in
   September 2019

Management Discussion &

Analysis



EXIM BANK FIVE YEAR FINANCIAL HIGHLIGHTS

	2016	2017	2018	2019	2020
FINANCIAL POSITION (J$ MILLIONS)					
Total Assets	8,156.26	8,778.17	8,621.31	7,962.65	7,692.99
Cash and Cash Equivalents	1,598.16	2,432.26	1,570.84	797.51	1,150.40
Notes Discounted	1,799.84	1,980.60	2,591.33	2,176.64	1,460.87
Investments	506.44	585.86	587.2	404.01	235.14
Shareholder's Equity	3,511.22	4,220.47	4,098.26	3,960.40	3,447.26
EARNINGS (J$ MILLIONS)					
Total Revenue	682.52	704.06	645.08	842.31	498.05
Operating Profit	448.82	469.8	451.29	760.24	191.85
Profit/(Loss) Before Tax	23.22	64.42	12.9	126.96	(318.06)
Profit/(Loss) After Tax	17.33	80.98	16.69	122.99	(288.21)
FINANCIAL RATIOS					
Return on Assets	0.21%	0.92%	0.19%	1.59%	(4.13%)
Return on Equity	0.49%	1.92%	0.41%	3.21%	(9.23%)
Admin. Expense Ratio	62.36%	57.58%	67.96%	63.75%	113.07%
Operating Profit Margin	65.76%	66.73%	69.96%	90.26%	38.52%

FIVE YEAR FINANCIAL HIGHLIGHTS

The Management Discussion and Analysis (MDA) is intended to give key stakeholders and other interested parties an objective overview of the Bank's operational results and overall strategic focus, as the entity continues to give tangible support to the sectors it serves. It further allows management to review its performance and identify areas requiring enhancement and corrective actions towards the broader objective. This detailed analysis helps the organization to remain relevant and responsive to the needs of its customers, while meeting its mandate of supporting the Government's growth agenda and ultimately, national development.

OUR BANK

The EXIM Bank is the premier trade financing institution in Jamaica and the Caribbean's first Export-Import Bank. The Bank plays a leading role in national development by providing a wide range of short-term and medium-term financing products for the productive sector. Loans are denominated in local and foreign currencies for the acquisition of capital, intermediary goods, raw materials and working capital support. EXIM Bank remains the only institution in Jamaica to offer Trade Credit Insurance, protecting policyholders against the risk of non-payment by buyers locally and overseas. An added feature of Trade Credit Insurance allows policyholders with credible and established buyers, to obtain receivables financing under the Insurance Policy Discounting Facility (IPDF) for goods sold to these approved buyers.

Established in May 1986, the Bank has developed a strong and enviable reputation within the financial landscape as an institution which provides excellent customer service and is regarded as the 'Exporters' Bank' due to its significant contribution to the growth of the non-traditional export sectors. EXIM Bank is proud of its partnerships with the Jamaica Manufacturers and Exporters Association (JMEA), the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF), JAMPRO and the Tourism Enhancement Fund (TEF), with whom the Bank has been able to broaden the country's export drive into new and emerging markets. The Bank also supports the country's thrust to develop and foster entrepreneurship and continues to support the Government's SME growth agenda in targeted sectors such as Tourism, Manufacturing, Agro-processing, Mining, Services, Information Communication & Technology and the Creative Industries.

STRATEGY MANAGEMENT

The Bank uses a 3-year strategic planning review framework in order to establish its corporate roadmap with the attendant strategic initiatives. This ensures that its mandate to provide financing solutions to the exporting and productive sectors (particularly SMEs), is attained.

The Balanced Scorecard Methodology is used to set, measure and assess performance standards across the institution, using both qualitative and quantitative measures covering key areas of impact including financial profitability and sustainability, customer satisfaction, staff satisfaction and internal efficiency. It also assists the Bank in fulfilling its overarching strategy of creating sustained value to its stakeholders by monitoring organizational goals and objectives and in ensuring that strategic initiatives are aligned with corporate strategies. This is done in accordance with the Bank's organizational Vision, Mission and Core Values.

OUR FINANCIAL PERFORMANCE

Financial Year 2019/2020 can be characterized as an extremely challenging year for the Bank which was affected by a confluence of critical factors. These factors included the non-performance of a large national interest account, increased competition amongst commercial banks as liquidity increased in the financial sector and instability in the foreign exchange market, which posed challenges for local businesses with respect to proper planning and adversely affected loan demand. Over the years, the agro-Processing sector through the export of seafood and the manufacturing sector which facilitated-the export of locally made goods to Cuba, have consistently provided the Bank with significant utilization .

The closure of the conch season and the economic challenges faced by the Cuban Government which resulted in the suspension of the Cuban Line of Credit, further impacted the Bank's ability to meet its projected target.

The aforementioned factors occasioned a downward revision in the Bank's utilization target during the financial year, from $9.3 billion to $7.22 billion. Utilization of $5.95 billion was achieved, a shortfall of 17.59% on the revised target.

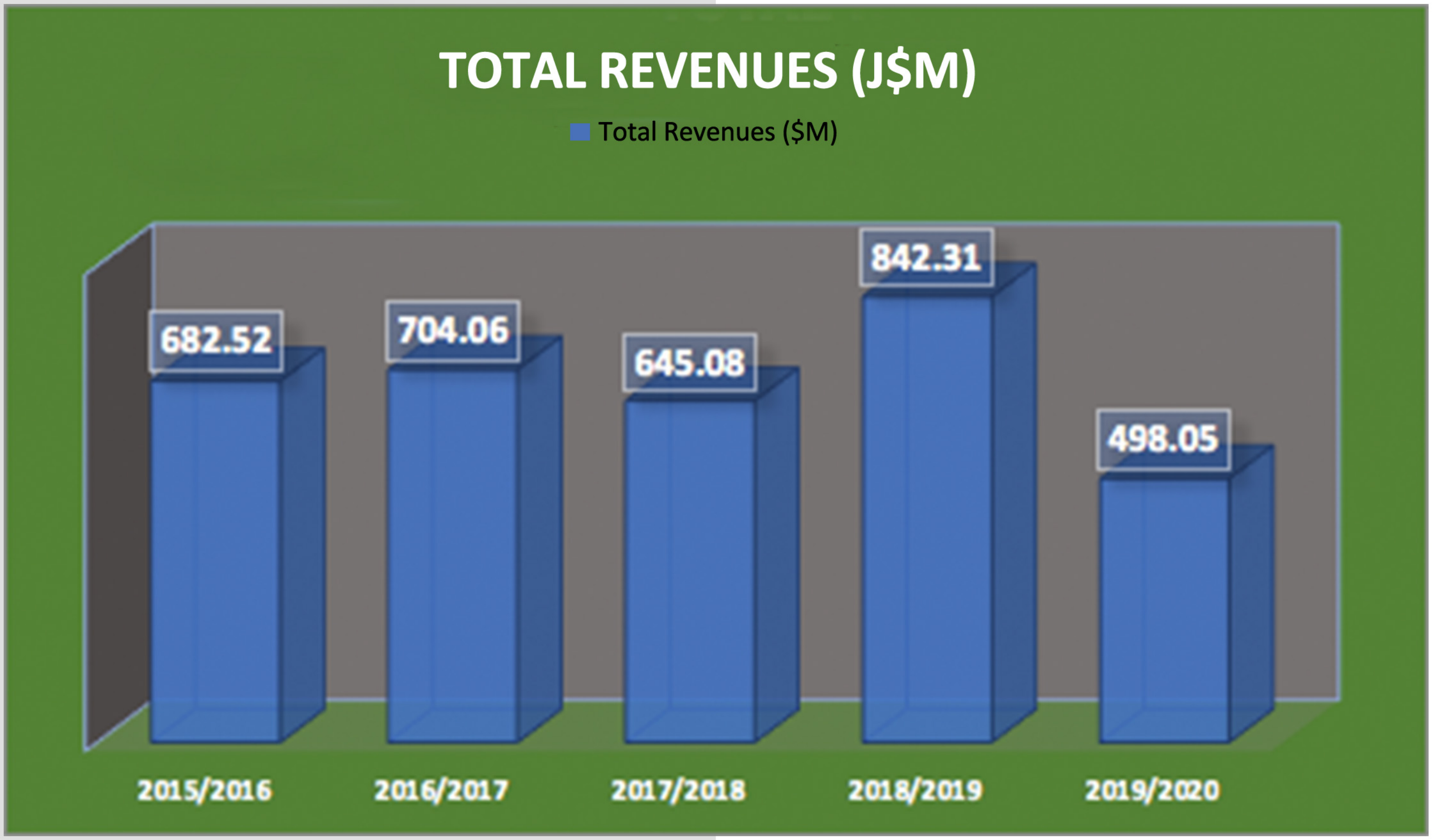
INCOME

As at 31 March 2020, the Bank recorded loan interest income of J$399.58 million, 35.16% lower than the sum of J$616.29 million reported for the period ended March 2019. The Bank's Total Revenue was recorded at $498.05 million reflecting a 41.23% decrease when compared to revenues of J$842.32 million reported for the Financial Year ending March 2019. This variance was primarily driven by lower utilization which resulted in reduced interest income.

Other Income, which included dividends from shares held in Banco Latinamericano de Exportaciones (Bladex) reflected a decline, moving from J$226.03 million for the prior year to J$98.47 million for the current period.

The Bank's performance for the financial year was also adversely affected by increased Expected Credit Losses of $167.96 million, compared to a reduction of $59.32 million reported at the March 2019 financial year-end. Expected credit losses against a non-performing national interest account accounted for 63% of the credit losses recorded.

The overall decline in income coupled with increased credit losses resulted in the Bank recording an after tax loss of $288.21 million for the year ended 31 March 2020, a reversal of prior year results when a profit of $122.92 million was reported.



EXPECTED CREDIT LOSSES

The Bank continues to maintain tight control over its credit assessment, risk management and loan monitoring processes and takes the necessary proactive steps to ensure the quality of its loan portfolio. At 31 March 2020, the Bank's Expected Credit Loss (ECL) ratio as a percentage of the total loan portfolio was recorded at 6.08%, outside of the Bank's performance target of 4.5%. The variance primarily related to a Soverign debt owed by the Cuban Government which is being pursued by the Jamaican Government.

TOTAL ASSETS

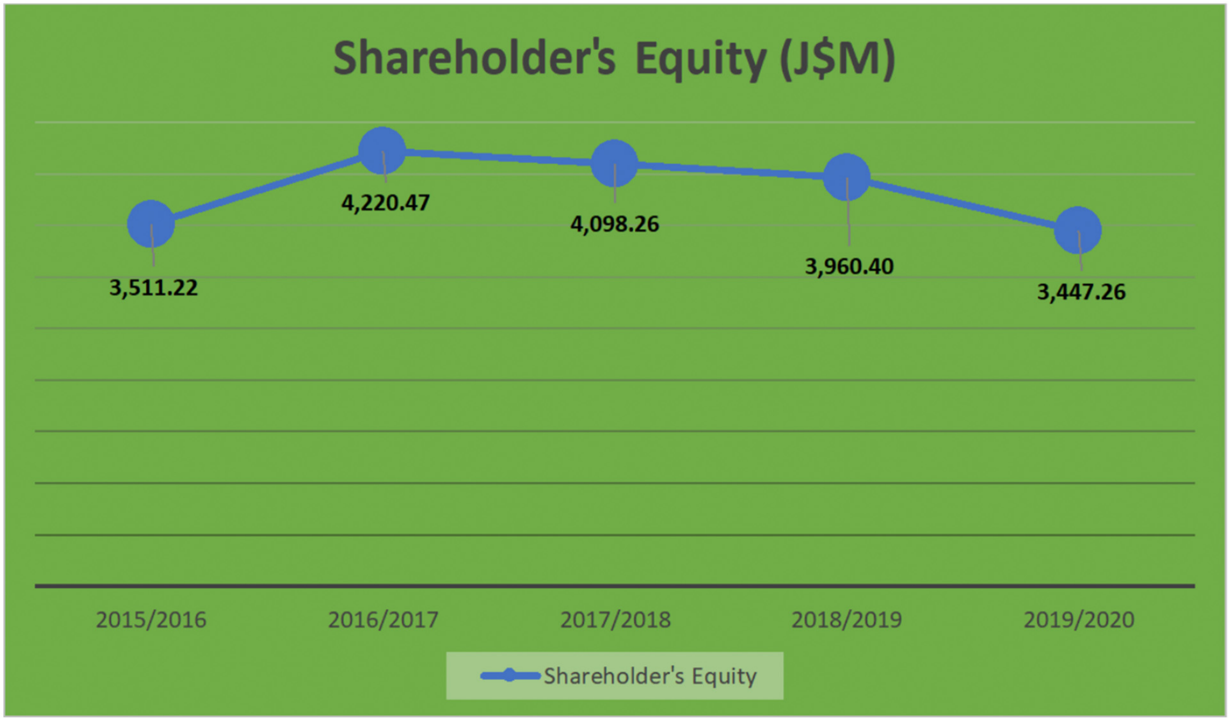
At year-end 31 March 2020, the Bank recorded total assets of J$7.69 billion, a 3.39% reduction on the $7.96 billion recorded at March 2019. Noted drivers in this category were the increased impairment of the portfolio, coupled with the devaluation of the Jamaican dollar.

SHAREHOLDER'S EQUITY

Shareholder's Equity reflected a year over year decrease, moving from J$3.96 billion to J$3.45 billion between the years ending 31 March 2019 and 31 March 2020. This reduction is attributed to a revaluation of the BLADEX shares and additional provisioning required as a result of the implementation of IFRS9, the new lease standard and IAS19.

LENDING OPERATIONS

The Bank's support in providing financial solutions to SMEs continued to be its strategic focus. Approximately 86.72% of its loan utilization were disbursed in the current financial year to the SME sector. In the upcoming financial year, emphasis will continue to be placed on providing even greater levels of innovative financial solutions to support growth in the sector, which is vital to employment and sustained economic growth.



SMALL AND MEDIUM TOURISM ENTERPRISE (SMTE) LOANS

In September 2016, the Bank signed an agreement with the Tourism Enhancement Fund (TEF) for a J$1 billion Line of Credit to be made available to companies in the Tourism Sector, spanning small accommodations, attractions, water sports, bike/car rentals, domestic tours and networks such as gastronomy, spa and wellness, shopping, sports and entertainment. Loans are provided at a competitively priced interest rate at 4.5% per annum repayable within 60 months. Since then, the J$1 billion Line of Credit has not been increased. However, the TEF has agreed to on-lend the reflows from the Line of Credit to deserving beneficiaries, in the interest of extending additional loan funds to SMTEs in the Tourism Sector.

From the inception of this facility, the Bank disbursed loans totaling $1.03 billion to Small and Medium-sized Tourism Enterprises (SMTE). Reflows as at 31 March 2020 totalled J$562.23 million with loan commitments of J$129.42 million. The Bank continues to promote the loan programme using all forms of media, as well as through stakeholder engagements and face-to-face marketing.

TRADE CREDIT INSURANCE

The Bank's Trade Credit Insurance (TCI) product, provides policyholders with protection against the risk of non-payment by buyers; it offers coverage at competitive premium rates and continues to be of importance to the Bank and policyholders alike. Under TCI, policyholders can recover up to 85% (commercial risk) and 90% (political risk) of losses occasioned by non-payment by approved buyers, with the policyholders assuming the remaining 15% and 10% of losses respectively.

Total premium income reported at year-end March 2020, was J$11.70 million, which increased by 35.26% from the J$8.65 million recorded last year. For the ensuing financial year, the insurance product will be repositioned and promoted in the commercial business space to drive better understanding of the value of Trade Credit Insurance to secure market expansion and business development.

CUBAN LINE OF CREDIT

The National Export-Import Bank of Jamaica Limited (EXIM Bank) has made available to the Banco Nacional de Cuba (BNC), Lines of Credit Facilities, in the amount of Ten Million Canadian Dollars (CDN$10 mil), to be used to finance the export of Jamaican manufactured goods to Cuba.

As at 31 March 2020, EXIM has cumulatively disbursed, under Letters of Credit to Jamaican exporters, amounts totalling CDN$70 million (approximately J$6.62 billion). The Cuban Line of Credit is used to finance the export of Jamaican manufactured goods to Cuba and allows Jamaican exporters to penetrate and expand their sales into the Cuban market. The Credit Facility has been used to facilitate the export of agricultural and industrial chemicals, fertiliser, paints, varnishes, automotive finishes, window frames, scrap metal, hair care products, leisure wear and animal feed. However, in the past three years the Lines have been used mainly by clients for the export of agricultural chemicals.

Expressions of interest in the Cuban Line of Credit are significant and come directly from initiatives undertaken by the Bank in collaboration with JAMPRO, to promote the Line of Credit, as well as the engagement of a Trade Attaché, stationed in Cuba, with the primary objectives of promoting trade relations and expanding business between Jamaican companies and their Cuban counterparts.

KEY STAKEHOLDERS

LOCAL

Tourism Enhancement Fund (TEF) – The Tourism Enhancement Fund was established in 2002 to fulfil its mandate of promoting growth and development in the Tourism sector, encouraging better management of environmental resources in Jamaica, enhancing the countries overall tourist experience, and providing for the sustainable development of the Tourism sector. To this end, EXIM Bank has maintained its relationship with the Tourism Enhancement Fund, as a key component of its operational strategy. A MOU signed by both parties facilitated the provision of J$1 billion for EXIM's on-lending to Small and Medium-sized Enterprises within the Tourism sector, at special interest rates. The Bank sought to capitalize on opportunities for the growth of SMEs in the Tourism sector by undertaking initiatives aimed at increasing the level of loans disbursed to the sector

Jamaica Manufacturers & Exporters Association (JMEA) - The Bank continued to work closely with the Jamaica Manufacturers and Exporters Association, an entity formed by the merging of the two organizations - the Jamaica Manufacturers Association and the Jamaica Exporters Association. The Bank continued to provide sponsorship for their activities geared at the development of the productive sector and participated in workshops aimed at capacity building for global competitiveness. The Bank also continued its provision of specially designed financing packages, facilitating the purchase of light equipment and working capital for the Association's membership.

Development Bank of Jamaica (DBJ) – The EXIM Bank maintains a strong relationship with the Development Bank of Jamaica (DBJ) through which it can provide financing support to companies, particularly SMEs. The Credit Enhancement Fund (CEF), offered by the DBJ, has facilitated the expansion of access to financing for many business entities, particularly SMEs who are unable to provide adequate collateral. The EXIM Bank has been a major user of this special guarantee fund which has enabled it to increase loan offerings to its target market to access loans for improved efficiency in operations and expand capacity.

INTERNATIONAL

BERNE Union - The Bank remains a member of the International Union of Credit and Investment Insurers (BERNE Union) which represents Export Credit Agencies worldwide and continues to benefit from this affiliation. The Bank remains the only English-speaking Caribbean country to hold membership in this union body, and through this association, the Bank is able to benefit from the vast knowledge and experience amassed over the period of the Union's existence.

Overseas reinsurers - The Bank has entered into a quota share arrangement with its overseas reinsurers as a part of its risk mitigation strategy for its Credit Insurance portfolio. Under this arrangement the reinsurers underwrite up to 60% of the portfolio of the insurable risk, in exchange for an equivalent amount of premium income. Both commercial and political risks are covered.

Banco Latinamericano de Exportaciones (Bladex) - The Bank has enjoyed a mutually beneficial relationship with this Panama-based Latin Trade Development Bank since its inception, both as one of its founding shareholders as well as a beneficiary of its lending programme.

Caribbean Export Development Agency (Caribbean Export) - This entity is a regional trade and investment agency, involved in the provision of export development and investment promotion services to companies in the region, through financial assistance in the form of grants to Small and Medium-sized Enterprises (SMEs). This is aimed at strengthening their operational, financial and marketing capabilities, to improve their export performance. The Bank continues to work with Caribbean Export to foster continued growth of SMEs in the region.

RISK MANAGEMENT

The EXIM Bank remained committed to a structured approach in identifying, assessing, monitoring, controlling and reporting on principal risk exposures across its entire operation. The practise of risk management within the Bank espouses the three lines of defence principle which promotes transparency, accountability, consistency, mitigates risks taken by the organization and monitors compliance. The risk management programme is supported by a risk management framework which comprises the key requirements of the Committee of Sponsoring Organisation of the Treadway Commission (COSO) and the Australian/New Zealand Standard on Risk Management (AS/NZS 31000:2009) models.

The risk management framework is designed to ensure:

- Effective internal audits and internal control mechanisms, to deter or minimize risks,
- Timely review and update of policies and procedures,
- Continuous training and awareness to support compliance with risk management practises.

The risk management framework is administered by the Risk Management and Compliance Division, which has responsibility for the monitoring of the Bank's entire portfolio of risks and ensures compliance with statutory, regulatory and all other reporting requirements.

The framework is also supported by strong risk governance and operational structures, which ensure that EXIM Bank's business activities are conducted within the context of the Board's risk appetite and tolerance levels. The risk governance structure includes policies, procedures and administrative controls, which are monitored through relevant Committees, namely: The Board Enterprise Risk Management, the Executive Risk Management and Management Credit Committees.

The Internal Audit Division independently and objectively monitors the effectiveness of risk management policies, procedures and internal controls.

Like other financial institutions, the Bank began the 2019/2020 Financial Year grappling with the impact of the newly implemented IFRS 9 Standard on its loan book. Throughout the year, cognizant of the need for flexibility and proactivity in anticipating the ongoing impact of the Standard on its loan portfolio, strategies to mitigate the impact of Expected Credit Losses (ECLs) were explored, including continuous reviews and refinement of the Bank's loan processing and monitoring procedures.

In furtherance of its enterprise-wide approach to risk management, the Bank commenced activity towards becoming ISO 9001:2015 Certified for Quality Management Systems and implemented the ISO 9001:2015 Standards, which encourage the application of risk-based thinking to all key processes and ensure that significant risks undertaken in executing strategic initiatives are adequately identified and managed.

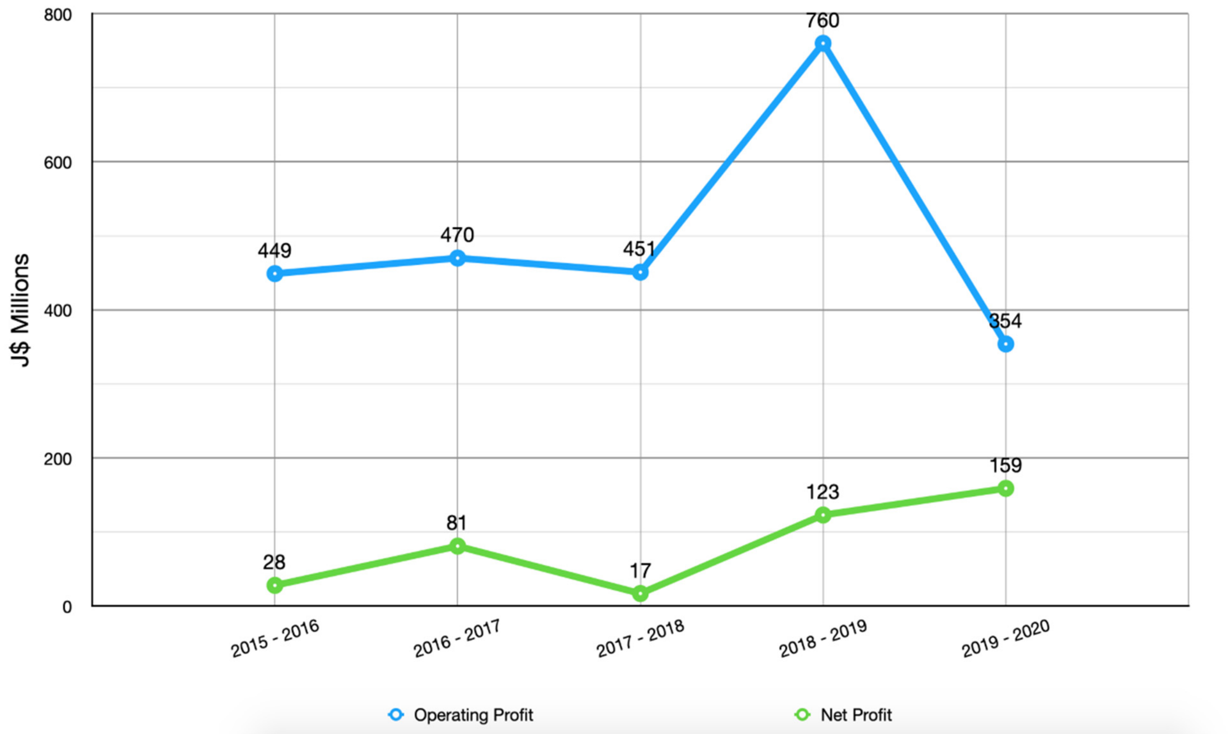
The principal risks assumed in the conduct of the Bank's activities during the year were: credit risks, liquidity risks, operational risks and market risks (currency, interest rate and commodity price).
In the final quarter of the financial year, the local productive sector began experiencing the adverse effects of the SARS COVID-19 (COVID-19) pandemic which hit our shores. Although the full impact of the COVID-19 crisis is not yet known, projections include the possibility of a global recession. Many economies have already experienced massive disruption in their capital markets and dramatic slowdowns in production. This, coupled with increased demand for resources to fight the crisis and bolster their economies, signal unprecedented levels of dislocation.

Already the impact on the local tourism industry and its linkages has been devastating, and the Bank is aware that all other industries served, will undergo varying degrees of fallout. This turn of events is likely to increase the probability of default of our clients on their credit facilities and require additional loan loss allowances.

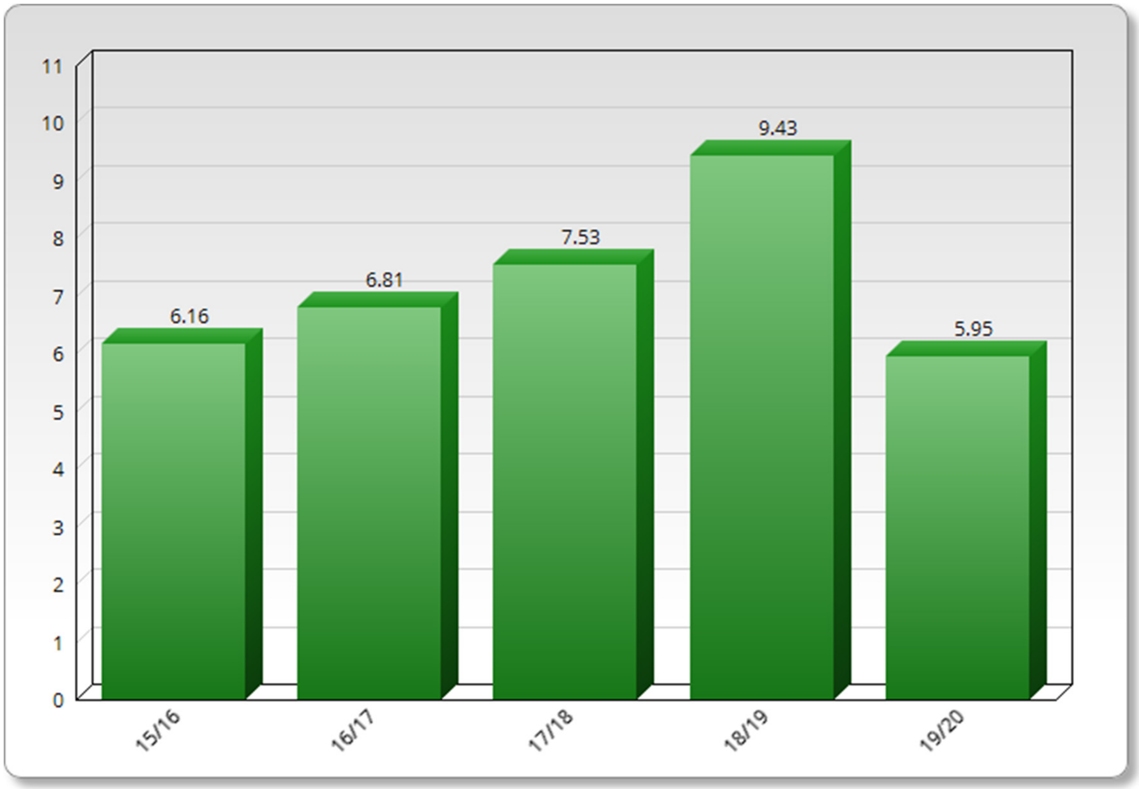
The Bank has already begun to move speedily to ensure that this risk and all others resulting are proactively mitigated to preserve the quality of its loan book. Of concern also are short-term and medium-term regulatory compliance implications that are resulting from the continuing uncertainty around COVID-19. During the last month of the financial year, the Bank implemented its Business Continuity Plan which allowed for flexibility in work arrangements and speed of credit risk decision-making.

The full effect of the fallout from the COVID-19 Pandemic is expected to be realised in the 2020/2021 Financial Year and this will be closely monitored with a view to preserving the value of the organisation for the benefit of its stakeholders.

PERFORMANCE INDICATOR - PROFITABILITY



LOAN UTILIZATION



OUR **PEOPLE**

The Bank kick-started the 2019/2020 Financial Year under the theme, "#ChangeTheConversation". The theme was devised to increase and encourage high performance and employee engagement; lifting the quality of conversations within the Bank to achieve greater synergies with high performance and general engagement. The year therefore focused on innovation, customer service excellence and solution-oriented strategies.

EXPANSION AND **DEVELOPMENT OF THE MANAGEMENT TEAM**

The 2019/2020 Financial Year saw many new team members joining the Senior Management Team. The Bank internally promoted and externally recruited a dynamic team to help achieve and carry-out its mandate. The team is responsible for the successful implementation of the Bank's strategic objectives and completion of the ISO audit.

PROFESSIONAL DEVELOPMENT **OF GRADUATE LEVEL STUDENTS**

The Bank's Graduate Internship Programme was established in 2015 to provide administrative and technical training to young professionals. The Programme continues to assist the Bank with additional administrative support and provides career development opportunities to university graduates, to assume available vacancies within the Bank. After a two (2) year rotation, the Interns are able to transition to other private or public entities.

REWARDS, RECOGNITION **AND EMPLOYEE ENGAGEMENT**

The Bank's Reward and Recognition Programme was revised for the 2019/2020 Financial Year. The category of awards were Top Division, High Performers, Cultural Ambassador, Most Outstanding Employees and the top recognition - The Managing Director's Award. The Emerald Awards Ceremony was held in October 2019.

The bank's group health insurance plan was renewed to include six (6) additional benefits and a new and improved staff loan policy was approved by the Ministry of Finance and Public Service at the end of the financial year. The Corporate Services Division and the Bank's Staff Welfare Committee coined a robust employee engagement calendar that saw at least one activity each month.

HEALTH & **WELLNESS**

The Bank recognizes the importance of having healthy employees. This year, the Bank successfully hosted a Staff and Management Retreat, under the theme "Level Up". The retreat focused on providing strategic direction to team members while providing strategies to manage mental health and stress management.

The staff members continued to benefit from the operation of the Bank's in-house gym with professional trainers delivering sessions three (3) days each week.

TRAINING & **DEVELOPMENT**

The Bank continues to provide training and development opportunities for staff as approved in the yearly Training Development Plan and budget. The Training and Development Plan for the 2019/2020 Financial Year, saw the successful implementation of five (5) online modules (Cyber Security, AML, ISO Documentation and accompaying Mandatory Testing and Trade Credit Insurance) within the Bank's HR platform, OrangeHRM. Despite a significantly reduced training budget, the Bank was able to maintain its average eighteen (18) training hours per employee.


Rewards & Recognition
Certificate of Attendance
VERNON RHODEN


Rewards & Recognition

Our

Customers

CHARTING THE COURSE FOR SMEs

#SOARWITHEXIM

Marketing Programmes

- Road Show
- Digital Marketing
- Events & Sponsorship
- Corporate Communications
- Print advertising
- Social Media
- Public Relations
- Stakeholder Management

Roadshow Programme

The Roadshow programme was a strategic initiative to build on leads across the island. By extending our footprint into new or untapped territories, the roadshow programme provided potential clients an opportunity to access the Bank without having to journey to Kingston.

Workshops

Executed 4 workshops over the course of the year in each quarter.

- Breaking Barriers (Amazon)
- Managing Your Cashflow
- Business Development
- Exporting Guidelines

Print & Digital Advertising

The Print and Public Relations programme is an ongoing effort to increase the Bank's visibility to the general public and to increase brand awareness.

This programme included print ads and articles running in both the Jamaica Observer and The Gleaner.

The articles that were published addressed areas of concern by the SMEs.

Print Articles

- SMEs Financial Risk Management
- Prevention & Control
- Developing The Right Business Plan
- Supply Chain Management for SMEs
- Cash Flow Management

The Print & Digital Advertising also included radio advertising. Radio ads were aired on Nationwide News Network, Power 106 and RJR. Through partnership with the Jamaica Information Service (JIS) on their radio platform, we were able to reach a wider audience across all other national stations during the JIS hour.

The ads were executed to reflect the year's campaign using creative sound effects and strategic messaging to reach our target. Fifteen and 30 seconds ads were aired on a weekly basis, generating higher media exposure compared to the year before.

Media Exposure

Total unsolicited - **96,146**

Total solicited- **598, 371**

This includes TV, Radio & Press

Social Media

Our social media programme was extensively used as the preferred medium to;

- Disseminate information about the Bank's products,
- Advertise events and initiatives by the Bank,
- Provide tangible information under the Business Advisory Programme,
- Build awareness of the Bank and
- Engage potential and current clients as part of our customer satisfaction initiative.

USEFUL TERMS

Reach- The number of unique persons who have seen any given post.

Impressions- The number of times the content was displayed to users.

Engagement- The number of interactions your audience has with your content. This includes likes, comments, shares, video views and clicks. It also includes click on a commenter's name, liked comments, clicks on your page name and even negative feedback given by reporting your posts.

Likes- The number of people who like your business page or posts.

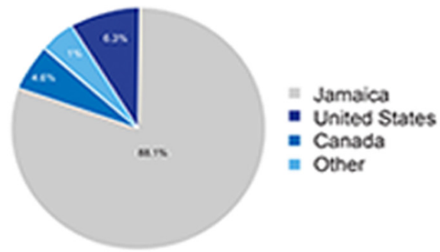
Share/Repost/Retweet- The number of times a post or image is shared on other social profiles.

Profile Visits - The number of times people visit your profile.

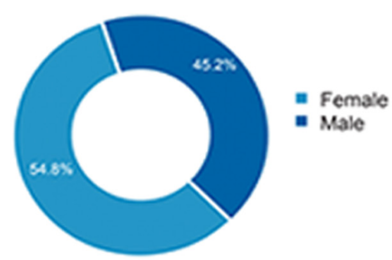
New Follower - The number of new visitors to follow your profile page.

DEMOGRAPHICS:

FANS BY COUNTRY



FANS BY GENDER



Facebook	1050	17,700	760,000	657,000	
Instagram	8,200	520	1066	156,200	780
Twitter	2,260	13,830	2490	246,500	340

Business Advisory Service

The Business Advisory Services (BAS) maintained its focus on the provision of support to Small and Medium Enterprises (SMEs) to access the information and knowledge needed to build capacity and become profitable entities. The Programme continued to provide this service through targeted training interventions and knowledge sharing based on identified knowledge gaps.

To enhance the impact of the Programme, the Bank commenced inclusion of strategic partnerships across the public and private sectors. The strategic intent is to leverage existing resources and to be more targeted with intervention strategies to ensure wider reach and greater preparedness of customers. In the upcoming year the BAS will be employing greater use of technology and digital media tools to make its content more readily accessible and available to a wider cross-section of Jamaican entrepreneurs.

The Marketing Department, along with the Strategic Planning Department, hosted a stakeholder conversation series, which included both private and public sector bodies, such as, JMEA, PSOJ, MICAF, JAMPRO and others.

The Business Advisory Programme for this financial year was revamped to focus on email marketing, 1-minute tips (which aired on multiple radio stations), as well as Money Moves - A series hosted and produced by Kalilah Reynolds. Kalilah Reynolds is a social media influencer, with a target audience of business owners and entrepreneurs. The Money Moves programme was aired on the Bank's Instagram and Facebook pages, Kalilah's Instagram and Youtube channel and in JIS' radio segment, which airs across 18 different radio stations. The 5-minute feature aired every Wednesday, from April to December with a total of 36 episodes.

The Business Advisory Service also included an email marketing campaign. Our email marketing campaign involved sharing industry-relevant business tips with our customers and potential customers on a weekly basis to help develop their small and medium-sized businesses.

We executed 4 workshops over the course of the year 1 per quarter, under the topics Breaking Barriers (Amazon), Managing your cashflow, Business Development and Exporting Guidelines.

Customer Experience Programme

In November 2019, The EXIM Bank's Customer Experience Programme was launched. The overall objectives of this one-year programme are to effect improvements in customer experience and satisfaction in the short-term, while creating effective and innovative financial solutions for both prospective and existing clients. This comprises of employing techniques to carefully assess customer needs, while consulting with key stakeholders on a regular basis. Throughout the programme, an analysis of the quality of divisional processes was assessed and reviewed, in keeping with ISO 9001 Quality Management Standards. As a result, strategic solutions will be determined, in alignment with corporate and divisional initiatives over the period of the programme.

As a part of the Bank's ongoing initiative to remain customer-focused and better serve the productive sector, the Customer Experience Programme also aims to increase customer satisfaction to a score greater than or equal to 95% by November 2020 and to improve brand awareness.

An Onboarding Survey was also administered to thirteen of our new clients who were onboarded between between Q1 and Q3, to assess the expectations of new customers, their initial perceptions of EXIM Bank, how these expectations were managed and determine how the Bank may be better able to serve these customers, to thwart future dissatisfaction.

EX IM
BANK
JAMAICA


SRATECH
er the Elements
WE ARE INF STRUCTURE


EXIT


EX IM BANK JAMAICA
Expect to SUCCEED


On the road to SU
you are going to want
Business!


SUPPORTING SMEs
IN ACHIEVING GROWTH
At EXIM we believe in your product/service and we understand the challenges you face in your daily business operations. Our mission is to assist you by finding the right solutions to help your business achieve profitability and relevance in the market.


ACCESS UP TO $25 MILLION
EXIM BANK


Business!


SOAR
WITH US!
EXPECT TO SUCCEED
EXCELLENCE IN PUBLIC BODIES CORPORATE GOVERNANACE
2019 OVERALL WINNERS


WE'LL HELP TO TAKE
YOUR GOODS TO THE
US MARKET
SHIP TO US


ACCESS UP TO $25 MILLION
EXIM BANK


ROADSHOW
EXIM BANK IS COMING TO
YOU IN MONTEGO BAY
At the S Hotel, Montego Bay
Oct 30 – Nov 1st
On Nov 1st 2019
FREE WORKSHOP
10am – 2:00pm
Managing Your Cash Flows
Elizabeth Sloane
How to get new business and close that deal
HULAINE
STRATEGIC SERVICES
Register now by emailing
marketing@eximbankja.com

Corporate Social
Responsibility

CORPORATE SOCIAL **RESPONSIBILITY**

The EXIM Bank continues to remain committed to its Corporate Social Responsibility mantra – "It's for the Children". During the Financial Year 2019/2020, we continued to prioritize alliances with institutions and initiatives focused on the protection and the physical and mental development of our children.

Our growing passion for the physically-challenged, found us further strengthening our relationship with the Salvation Army's School for the Blind and Visually Impaired, as we made a considerable donation towards the restoration of the school's library. We also participated in their 2019 Graduation Ceremony, at which many students transitioned to tertiary institutions to advance their academic credentials with great zeal and determination for a brighter future.

Throughout the year, fund-raising initiatives towards the sustenance of institutions which also care for special-needs children and at-risk youth also formed a part of our engagements. Among them was the Jamaica Constabulary Force (JCF) Summer Camp Programme 2019, for at-risk youth between the ages of thirteen (13) and eighteen (18) years old. These children benefited from a stimulating and well-coordinated two weeks of mentorship, grooming and inspiration under the theme "Empowering to be the best version of myself." This was hosted at Up Park Camp Jamaica (UPCJ) Multi-Purpose Complex, in Moneaque, St. Ann, by the JCF Kingston Western Division.

The EXIM Bank's collective effort towards giving back to society and the nurturing of our youth, culminated near the end of the financial year with the EXIM staff participating in the 2020 Sigma 5K Corporate Run, another charitable initiative which extensively serves our less-fortunate children.

The areas of children's safety, health, education and community outreach, will continue to be on the Bank's agenda in observance of its corporate social responsibility. During the new financial year, the Bank will continue to remain devoted to our philanthropic thrust, as we seek to do our utmost for the children.

DIRECTORS'
COMPENSATION
APRIL 1,2019 - MARCH 31,2020

DIRECTORS	GROSS FEES (J$)	MOTOR VEHICLE UPKEEP/TRAVELLING OR VALUE OF ASSIGNMENT OF MOTOR VEHICLE (J$)	HONORARIA (J$)	ALL OTHER COMPENSATION INCLUDING NON-CASH BENEFITS AS APPLICABLE (J$)	TOTAL (J$)
Gary Hendrickson	239,200.00	0.00	0.00	0.00	239,200.00
Geoffrey Ziadie	139,000.00	0.00	0.00	0.00	139,000.00
Bevan Callam	159,900.00	0.00	0.00	0.00	159,900.00
Norman Reid	240,800.00	278,943.40	0.00	0.00	519,743.40
Albert Webb	206,300.00	0.00	0.00	0.00	206,300.00
Lacey Ann Bartley	132,100.00	30,777.60	0.00	0.00	162,877.60
Racquell Brown	139,200.00	30,777.60	0.00	0.00	147,264.00
Lisa Bell	0.00	0.00	0.00	0.00	0.00
Total Remuneration for 2019/2020	1,256,500.00	317,785.00	0.00	0.00	1,574,285.00

1. Mrs. Lisa Bell in her capacity as Managing Director does not receive Directors' Compensation.
2. Sums payable to Chairman Hendrickson and Director Webb are donated to charity, in keeping with the requests of these Directors.

EXECUTIVE MANAGEMENT
COMPENSATION

APRIL 1,2019 - MARCH 31,2020

Position of Senior Executive	Salary ($)	Gratuity ($)	Travelling Allowance/ Mileage/Value of Assignment of Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Clothing/ Blazer Payment ($)	Non-Cash Benefits/ Lunch/LNINC/ Accrued Vac. Leave Cost ($)	Other Cash Benefits- Incentive ($)	Total ($)
Managing Director	11,353,857.00	2,715,629.00	1,406,700.00	0.00	0.00	1,337,085.00	1,248,843.00	18,062,114.00
FAD General Manager (1)	2,417,563.00	1,927,978.00	540,771.00	0.00	9,688.00	0.00	802,077.00	5,698,077.00
FAD General Manager (2)	5,060,570.00	0.00	1,516,892.00	0.00	39,000.00	576,820.00	0.00	7,193,282.00
CSD General Manager (1)	4,126,687.00	1,717,524.00	1,077,213.00	0.00	52,000.00	134,576.00	748,605.00	7,856,606.00
CSD General Manager (2)	1,506,122.00	0.00	505,631.00	0.00	0.00	154,750.00	0.00	2,166,503.00
Trade General Manager (1)	2,666,626.00	0.00	747,080.00	0.00	0.00	0.00	0.00	3,413,706.00
Trade General Manager (2)	3,373,713.00	0.00	1,286,801.00	0.00	40,310.00	0.00	0.00	4,700,824.00
Internal Audit General Manager	1,579,868.00	0.00	511,933.00	0.00	0.00	0.00	0.00	2,091,805.00
Legal General Manager	7,618,514.00	1,862,594.00	2,168,083.00	0.00	52,000.00	168,843.00	748,605.00	12,619,639.00
Risk Management General Manager (1)	3,056,176.00	3,088,471.00	876,027.00	0.00	5,129.00	0.00	623,837.00	7,649,640.00
Risk Management General Manager (2)	5,663,018.00	0.00	1,584,310.00	0.00	35,540.00	572,548.00	0.00	7,855,416.00
TOTAL	48,422,713.00	11,312,196.00	12,221,447.00	0.00	233,667.00	2,945,622.00	4,171,967.00	79,307,611.00

Notes:

1. All Senior Executives are employed on Fixed Term Contracts hence $0.00 for Pension/Retirement Benefits.

Audited Financials

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

(Expressed in Jamaican dollars unless otherwise indicated)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Index to the Financial Statements
31 March 2020

Ernst & Young Chartered Accountants
8 Olivier Road, Kingston 8
Jamaica W.I.

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INDEPENDENT AUDITOR'S REPORT

To the Members of National Export-Import Bank of Jamaica Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Export-Import Bank of Jamaica Limited (the Bank), which comprise the statement of financial position as at 31 March 2020 and the statements of comprehensive (loss) income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2020, and of the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management and the Board of Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs and the Jamaican Companies Act, and for such internal control as Management and the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management and the Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management and the Board of Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Bank's Board of Directors are responsible for overseeing the Bank's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of National Export-Import Bank of Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Bank's financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of National Export-Import Bank of Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Additional Matters as requirements by the Jamaican Companies Act
We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner so required.

Ernst & Young

Ernst & Young
Chartered Accountants
Kingston, Jamaica

21 July 2020

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED

Statement of Comprehensive (Loss) Income
Year ended 31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Interest and fee income:			
Loans		399,576	616,288
Investments		18,790	20,618
		418,366	636,906
Interest and fee expense:			
Loans		(133,939)	(115,188)
Lines of credit		(4,296)	(26,204)
		(138,235)	(141,392)
Net interest income		280,131	495,514
Credit (losses)/gains	3(a)	(167,959)	59,320
		112,172	554,834
Other income:			
Dividend income		28,582	26,897
Fees and other charges		1,390	1,301
Gain on revaluation of investment property	18	-	44,573
Insurance premium		4,753	8,651
Other	5	44,958	123,985
		79,683	205,407
Operating Profit		191,855	760,241
Administration expenses (operating)	6	(563,154)	(536,961)
Foreign exchange: gains/(losses)		53,238	(96,317)
(Loss) Profit before taxation		(318,061)	126,963
Taxation	8	29,850	(3,971)
Net (loss) profit for the year		(288,211)	122,992
Other Comprehensive (Loss)/Income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of pension and other employment benefit obligation, net of taxes	8	(96,871)	8,341
Net fair value losses on securities at fair value through other comprehensive income	8	(139,898)	(110,801)
Foreign exchange gains/(losses) on securities at fair value through other comprehensive income	8	11,836	(2,653)
Total Other Comprehensive Loss		(224,933)	(105,113)
Total Comprehensive (Loss) Income		(513,144)	17,879

The accompanying notes form an integral part of these financial statements.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Statement of Financial Position
As at 31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
ASSETS			
Cash and deposits	9	1,150,402	797,510
Notes and other receivables	10	630,269	1,170,400
Notes discounted	11	1,460,869	2,176,642
Medium-term loans receivable	12	1,714,633	1,999,507
Demand and non-accrual loans	13	1,638,139	803,888
Investments	14	235,143	404,014
Long-term loans receivable	15	13,245	22,909
Income tax recoverable		168,613	130,553
Deferred tax assets	20	109,401	47,260
Post-employment benefit asset	16	43,156	117,472
Property and equipment	17	47,795	57,497
Right of use assets	31	246,327	-
Investment property	18	235,000	235,000
Total Assets		7,692,992	7,962,652
LIABILITIES			
Payables		72,240	83,197
Lines of credit	19	-	335,937
Lease liability	31	263,833	-
Current loans payable	28	938,212	948,500
Long-term loans payable	21	2,690,485	2,435,786
Post-employment benefit obligation	16	280,960	198,826
Total Liabilities		4,245,730	4,002,246
EQUITY			
Share capital	22	2,066,824	2,066,824
Capital reserve	23	352,626	352,626
Reserve fund	24	227,098	227,098
Reserve for trade credit insurance	25	7,802	7,802
Investment revaluation reserve	26	20,058	148,120
Property revaluation reserve		55,795	55,795
Retained earnings		717,059	1,102,141
Total Equity		3,447,262	3,960,406
Total Liabilities and Equity		7,692,992	7,962,652

The accompanying notes form an integral part of these financial statements.

Approved for issue on the Board of Directors on 21 July 2020 and signed on its behalf by:

Gary Hendrickson — Chairman

Lisa Simone Bell — Managing Director

Norman Reid — Audit Committee Chairman

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED

Statement of Changes in Equity

Year ended 31 March 2020

(Expressed in Jamaican dollars unless otherwise indicated)

	Share Capital $'000 (Note 22)	Capital Reserve $'000 (Note 23)	Reserve Fund $'000 (Note 24)	Reserve for Trade Credit Reserve $'000 (Note 25)	Investment Revaluation Reserve $'000 (Note 26)	Property Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 31 March 2018	2,066,824	352,626	208,649	7,802	261,574	55,795	1,144,986	4,098,256
Expected credit loss adjustment on the adoption of IFRS 9	-	-	-	-	-	-	(155,729)	(155,729)
Balance at 1 April 2018 - restated	2,066,824	352,626	208,649	7,802	261,574	55,795	989,257	3,942,527
Transfer to Reserve Fund (Note 24)	-	-	18,449	-	-	-	(18,449)	-
Net profit	-	-	-	-	-	-	122,992	122,992
Other comprehensive (loss)/income, net of taxes:								
Net fair value losses on securities measured at fair value through other comprehensive income	-	-	-	-	(110,801)	-	-	(110,801)
Foreign exchange losses on securities at fair value through other comprehensive income	-	-	-	-	(2,653)	-	-	(2,653)
Remeasurement of pension and other employment benefit obligation	-	-	-	-	-	-	8,341	8,341
Balance at 31 March 2019	2,066,824	352,626	227,098	7,802	148,120	55,795	1,102,141	3,960,406
Net loss	-	-	-	-	-	-	(288,211)	(288,211)
Other comprehensive (loss)/income, net of taxes:								
Net fair value losses on securities measured at fair value through other comprehensive income	-	-	-	-	(139,898)	-	-	(139,898)
Foreign exchange gains on securities at fair value through other comprehensive income	-	-	-	-	11,836	-	-	11,836
Remeasurement of pension and other employment benefit obligation	-	-	-	-	-	-	(96,871)	(96,871)
Balance at 31 March 2020	2,066,824	352,626	227,098	7,802	20,058	55,795	717,059	3,447,262

The accompanying notes form an integral part of these financial statements.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED

Statement of Cash Flows

Year ended 31 March 2020

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Net (loss) profit after taxation		(288,211)	122,992
Adjustments for:			
Depreciation	17	11,821	11,091
Amortisation right of use asset	31	26,630	-
Loss (gain) on disposal of property and equipment		394	(438)
Gain on revaluation of investment property	18	-	(44,573)
Foreign exchange gains (losses)		(53,238)	96,317
Interest and fee income		(418,366)	(636,906)
Dividend income		(28,582)	(26,897)
Interest and fee expense		138,235	141,392
Lease interest expense		18,668	-
Pension expense		44,876	35,516
Expected credit losses (gains)	3(a)	167,959	(59,320)
Taxation	8	(29,850)	3,971
		(409,664)	(356,855)
Changes in operating assets and liabilities			
Notes and other receivables		438,739	(719,620)
Notes discounted		681,502	347,800
Medium-term loans receivables		265,662	(69,310)
Demand and non-accruals loans		(858,123)	(232,803)
Long-term loans receivable		9,664	5,445
Post-employment benefit		(17,588)	(14,791)
Payables		(10,957)	(1,088)
		99,235	(1,041,222)
Income tax paid and increase in withholding tax recoverable		(38,060)	(7,890)
Interest and fees received		434,643	644,349
Dividend received		28,582	26,897
Interest and fees paid		(29,709)	(142,345)
Net cash provided by (used in) operating activities		494,691	(520,211)
Cash Flows from Investing Activities			
Purchase of property and equipment	17	(2,513)	(15,129)
Proceeds from disposal of property and equipment		-	726
Lease payments		(27,792)	-
Investments		40,537	(69,771)
Net cash provided by (used in) investing activities		10,232	(84,174)
Cash Flows from Financing Activities			
Short-term loans and lines of credit		(343,025)	159,770
Long-term loans payable		142,973	(341,608)
Net cash used in financing activities		(200,052)	(181,838)
Net increase (decrease) in cash and cash equivalents for year		304,871	(786,223)
Effect of foreign exchange rate changes on cash and cash equivalents		48,158	13,461
Cash and cash equivalents at beginning of year		797,373	1,570,135
Cash and Cash Equivalents at End of Year	9	1,150,402	797,373

The accompanying notes form an integral part of these financial statements.

1. Identification and Principal Activity

National Export-Import Bank of Jamaica Limited (The Bank/EXIM) is a limited liability company incorporated and domiciled in Jamaica and is wholly owned by the Government of Jamaica (GOJ) through the Accountant General. The registered office is located at 85 Hope Road, Kingston 6 Jamaica.

The Bank provides financial services which include pre- and post-shipment financing, lines of credit and trade credit insurance and medium-term financing, which are aimed at the development of the productive sector. Specifically, its activities are geared towards the development of the export sector; however, it also assists other productive enterprises in the area of import substitution.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Going Concern

The Bank has generated a net loss after taxation for the year of $288.21 million. Although the Bank has shown negative performance, the success of its operation is dependent upon the continued financial support of the Government of Jamaica and in this regard the Bank's budget of $8.1 billion for FY20/21 has been approved by Parliament. The Bank has also put in place plans to reduce its loss position going forward and will continue to work towards returning to a profitable position, while continuing to operate under the core mandate it was created for.

Standards, interpretations and amendments to published standards effective in the current year

Certain new and amended standards and interpretations to existing standards became effective during the current financial year. These have impacted the Bank's accounting policies and/or financial disclosures as indicated below. The pronouncements were effective from 1 April 2019, unless otherwise indicated.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued)

IFRS 16 Leases (continued)

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 April 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Given that the modified retrospective method of adoption is applied, comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

The Bank has short term lease contracts for (1) Mini storage space (2) BCP alternate site and (3) IT equipment. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

- **Leases previously classified as finance leases**
  Under IFRS 16.C11, for leases that were classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17. The Bank did not previously have leases previously classified as finance leases.

- **Leases previously accounted for as operating leases**
  The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued)

IFRS 16 Leases (continued)

Under IFRS 16.C8, for leases previously classified as operating leases under IAS 17, a lessee is required to:

- Recognise a lease liability measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.
- Measure the right-of use asset on a lease by lease basis, at either: -
  - Its carrying amount as if IFRS 16 had always been applied since the commencement date, but using a discount rate based on the lessee's incremental borrowing rate at the date of initial application
    Or
  - An amount equal to the lease liability, adjusted for previously recognised prepaid or accrued lease payments

- Apply IAS 36 Impairment of Assets to right-of-use assets at the date of initial application, unless it applies the practical expedient for onerous leases.

The Bank applied these requirements, as set out in the standard.

Despite the above requirements, under IFRS 16.C9, the Bank is not required to make adjustments on transition for leases of low-value assets. The Bank has applied this transition requirement. The Bank is also not required to make adjustments on transition for leases previously accounted for as investment property using the fair value model in IAS 40. However, it is required to measure the right-of-use asset at fair value at the date of initial application for leases previously accounted for as operating leases under IAS 17 and that will be accounted for as investment property using the fair value model in IAS 40 from the date of initial application.

The Bank applied the available practical expedients per the above note. IFRS 16.C13 provides that if an entity uses any of these available practical expedients, it is required to disclose that fact. (Note 31)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (continued)

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments did not have any impact on the Bank's financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Bank does not have such long-term interests, the amendments did not have any impact on the Bank's financial statements.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendments must be applied retrospectively however earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9 beginning on or after 1 January 2019. The amendments did not have any impact on the Bank's financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. Management assessed the standard and concluded that the amendment did not have an impact on the Bank’s financial statements.

Annual Improvements 2015 - 2017 Cycle (issued in December 2017)

These improvements include:

a. IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. The amendments do not have any impact on the Bank’s financial statements.

b. IFRS 11 Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. The amendments did not have any impact on the Bank’s financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued)

Annual Improvements 2015 - 2017 Cycle (issued in December 2017) (continued)

c. IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The amendments did not have any impact on the Bank's financial statements.

d. IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The amendments did not have any impact on the Bank's financial statements.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not yet effective, and which the Bank has not early adopted. The Bank is currently reviewing the impact that these standards will have on the Bank's operation, if they are deemed to be applicable. All applicable standards will be adopted on the effective date.

Amendments to IFRS 3 - Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 with earlier application permitted. The amendments are not expected to have any impact on the financial statements of the Bank.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2020 and are not expected to have any impact on the financial statements of the Bank.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Bank will apply these amendments, if applicable, when they become effective but will not have an impact on the Bank's financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

IFRS 17 is effective for reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Bank does not have insurance contracts therefore the amendments are not expected to have an impact on its financial statements.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessment when to reclassify the amount in the cash flow hedge reserve to profit and loss; and
- The assessment of the economic relationship between the hedged item and the hedging instrument.

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

The fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedging items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value.

The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (continued)

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments to IAS 39

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedge cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the hedge assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. These amendments are effective for annual periods beginning on or after 1 January 2020.

(b) Foreign currency translation

Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Jamaican dollars which is the Bank's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss in the statement of comprehensive (loss) income.

Changes in the fair value of monetary assets denominated in foreign currencies, analysed as translation differences resulting from the changes in amortised cost are recognised in the profit or loss in the statement of comprehensive (loss) income and other changes are recognised in the other comprehensive (loss) income in the statement of comprehensive (loss) income.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) Financial assets

Initial recognition and measurement

Financial assets are recognised when the Bank becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on settlement date or trade date.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. All related transaction costs for financial assets recognised at fair value through profit of loss are expensed.

The Bank's financial assets include cash and short-term deposits, debt securities, equity securities, interest receivable and other loans and receivables.

Classification and subsequent measurement

Debt instruments and loans receivable
Subsequent to initial recognition, the Bank's debt instruments are measured in accordance with the business models determined by the Bank’s respective business units for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Bank classifies its debt instruments and loans receivable:

i. Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognised. In addition to certain debt securities, the Bank's loans and receivables are carried at amortised cost.

ii. Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the profit or loss in the statement of comprehensive (loss) income in the period in which it arises. The Bank may, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets held for trading,or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss.

2. Significant Accounting Policies (Continued)

(c) Financial assets (continued)

Business model assessment

The Bank's business units determine their business models at the level that best reflects how it manages groups of financial assets to achieve its business objective. Factors considered by the business units in determining the business model for a group of assets include:

- the stated policies and objectives for the group of assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets with the duration of any related liabilities or expected cash outflows or realising cash flows through sale of the assets;
- how performance of the group of assets is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realised in a way that is different from original expectations, the business units do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

The solely payment of principal and interest (SPPI) test
‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin.

Where the business model is to hold assets and collect contractual cash flows or to collect contractual cash flows and sell, the Bank's business units assesses whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, the business units consider whether the contractual cash flows are consistent with a basic lending arrangement i.e. the definition of interest. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt instruments when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

2. Significant Accounting Policies (Continued)

(c) Financial assets (continued)

Equity instruments

Subsequent to initial recognition, the Bank measures all equity investments at fair value through other comprehensive income, and changes in the fair value of equity instruments are recognised in the statement of other comprehensive (loss) income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Bank's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or

- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the profit or loss, in the statement of comprehensive (loss) income.

Impairment of assets

The Bank records an allowance for expected credit losses for all loans and debt financial instruments not held at FVPL along with loan commitments. Equity instruments are carried at FVOCI. See Note 3 (a) for detailed description of the Expected Credit Loss Model.

The ECL allowance is based on the credit losses that are expected to arise over the life of the assets, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss. The 12 months' expected credit loss is the portion of the lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

2. Significant Accounting Policies (Continued)

(d) Fair value measurement

The Bank measures financial instruments and non-financial assets at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. See Note 29.

(e) Loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any origination fees and transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

(f) Customers' liability under letters of credit

Where the Bank is the primary obligor under letters of credit, the amounts are reported as a liability on the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

2. Significant Accounting Policies (Continued)

(g) Property and equipment

All property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the items can be measured reliably.

Depreciation is calculated on the straight-line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives are as follows:

Office improvements	10 years
Motor vehicles	5 years
Equipment, furniture and fixtures	10 years
Computers	3 years

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are included in administration expenses in the profit or loss in the statement of comprehensive (loss) income.

Repairs and maintenance expenses are charged to the profit or loss in the statement of comprehensive (loss) income during the financial period in which they are incurred.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(h) Investment property

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. The fair value is determined by an independent valuator every two (2) years and during the intervening period by the Bank using in-house valuation method.

Change in fair value is recorded in the profit or loss in the statement of comprehensive (loss) income.

An investment property is de-recognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated on the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the statement of comprehensive (loss) income in the period in which the property is de-recognised.

The property rental income earned by the Bank from its investment property under an operating lease is recorded in the profit or loss in the statement of comprehensive (loss) income.

2. Significant Accounting Policies (Continued)

(i) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease i.e, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes leases liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before then commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets, as follows:

- Building 10 years

  If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, amortisation is calculated using the estimated useful life of the asset.

  Right-of-use assets are also subject to impairment.

ii. Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including substance fixed payments) less incentives receivable, variable lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a resulting modification, a change in the lease term, a change in the lease payments) e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2. Significant Accounting Policies (Continued)

(i) Leases (continued)

Policy prior to 1 April 2019
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Lessee
Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the profit or loss in the statement of comprehensive (loss) income on a straight-line basis over the lease term.

Lessor
Leases where the Bank does not transfer substantially all the risks and rewards of ownership of an asset are classified as finance leases. Rental income is recognised as revenue in the profit or loss in the statement of comprehensive (loss) income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging a finance lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(j) Securities purchased under resale agreements

Securities purchased under resale agreements are treated as collateralised financing transactions, which may result in credit exposure in the event that the issuer of the underlying security to the transaction is unable to fulfill its contractual obligations. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective interest rate yield method.

(k) Cash and deposits

Cash and deposits comprise cash at bank and on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less net of bank overdraft.

(l) Staff loan receivables

Receivables are carried at anticipated realisable value less expected credit losses.

(m) Borrowings

Borrowings are recognised initially as the proceeds are received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit or loss in the statement of comprehensive (loss) income over the period of the borrowings using the effective interest rate yield method.

(n) Payables

Payables are recorded at cost. No interest is accrued on outstanding balances, as these are usually settled within a short period of time during which any interest charged would be immaterial.

2. Significant Accounting Policies (Continued)

(o) Employee benefits

Pension obligations
The Bank operates a defined benefit plan. The plan is generally funded through payments to a trustee administered fund as determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of defined benefit pension plan is the difference between the present value of the defined benefit obligation at reporting date and the fair value of the plan assets, together with adjustments for actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan.

The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The defined benefit obligation is measured at the present value of the estimated future outflows using discount rates based on market yields on government securities that have terms to maturity approximating the term of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to other comprehensive (loss) income in equity in the period in which they arise.

Past-service costs are recognised immediately in profit or loss in the statement of comprehensive (loss) income.

Other post-employment obligations
The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

Termination benefits
Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either terminate the employment of the current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

2. Significant Accounting Policies (Continued)

(p) Income and expense recognition

Interest income and expense
Interest income and expense are recognised in the profit or loss in the statement of comprehensive (loss) income for all interest-bearing instruments using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability at initial recognition. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Purchased or originated credit-impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortized cost i.e. net of the expected credit loss provision.

Fee income
Fee income is generally recognised on an accrual basis when the service has been provided.

Dividend income
Dividend income is recognised when the right to receive payment is established.

(q) Income taxes

Taxation expense in the profit or loss in the statement of comprehensive (loss) income comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Bank's liability for current tax is calculated at tax rates that have been enacted at reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted and substantively enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised.

2. Significant Accounting Policies (Continued)

(q) Income taxes (continued)

Current and deferred taxes are recognised as income tax expense or benefit in the profit or loss in the statement of comprehensive (loss) income except, where they relate to items recorded in shareholders' equity, they are also charged or credited to shareholders' equity.

(r) Trade credit insurance

Trade credit insurance contracts are financial guarantee contracts which require the issuer to make specified payments to reimburse the holder of the contract for a loss they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. These amounts are recognised initially at fair value and subsequently remeasured at the higher of the specified payment obligation under the contract or the initial amount less any subsequent cumulative amortisation.

(s) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets
Financial assets comprise cash and cash equivalents, notes and other receivables, notes discounted, loans receivable, demand and non-accrual loans, investment securities, long-term loans receivables and securities purchased under resale agreements. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial liabilities
Financial liabilities comprise long and short-term loans payable and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the Bank's financial instruments are discussed in Note 29.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. Equity instrument issued by the Bank are recorded at the proceeds received, net of direct issue costs.

3. Financial Risk Management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework and has established several committees with specific areas of responsibility for monitoring, evaluating and ensuring compliance. In keeping with the Bank's Credit Policy Guidelines, the Board has established Credit Committees both at the Managerial and Board levels to assess the risk exposure to which the Bank may be exposed.

3. Financial Risk Management (Continued)

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. To bolster these activities, the Bank instituted an Enterprise Risk Management Framework (ERM) system which, among other things, provides the Bank with a risk management framework and embeds risk management principles and practices within the organisation. The main objectives of the ERM are to assist in reducing the number of operational, financial, strategic, compliance and other related risks.

The Bank, through its training and management standards and procedures, ensures that a disciplined and constructively controlled environment exists in which all employees understand their roles and obligations.

The Bank has developed Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF) Policies and Procedures designed to prevent or detect any involvement in money laundering and financing of terrorism in accordance with the relevant statutes. The Compliance Officer is responsible for ensuring the effective implementation of the established policies, programmes, procedures and controls to achieve the objectives, and is required to prepare and submit a comprehensive report to the Board of Directors on a semi-annual basis. This report should include an overview and evaluation of the overall effectiveness of the Bank's anti-money laundering and anti-terrorism financing framework as well as the effectiveness of the AML/ATF measures implemented under each of the operational areas and/or product and service types.

The Bank's Audit and Conduct Review Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit and Conduct Review Committee is assisted in these functions by Internal Audit, which undertakes both regular and ad hoc reviews of risks, management controls and procedures, the results of which are reported to the Audit and Conduct Review Committee.

The Bank is exposed to credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

(a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Bank by failing to discharge their contractual obligations. Credit risk is an important risk for the Bank's business. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off Statement of Financial Position financial instruments such as loan commitments. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and by monitoring exposures in relation to such limits.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate Management Credit Committee (MCC), chaired by the Managing Director, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with the Senior Managers' Group, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Managing Director and Manager, Risk & Compliance. Larger facilities require approval by the MCC and the Board of Directors, as appropriate.

- Reviewing and assessing credit risk. MCC assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, and industries (for loans and advances).

- Developing and maintaining risk ratings in order to limit exposures according to the degree of risk of financial losses faced and to focus management on the attendant risks. The risk rating system is used in determining where impairment provisions may be required against specific credit exposures.

The responsibility for setting risk ratings lies with the MCC. Risk grades are subject to regular reviews by the MCC such as:

- Reviewing compliance of business units with agreed exposure limits. Reports are provided to the Bad Debt Committee, at least annually, on the credit quality of the loan portfolios and appropriate corrective action taken.

- Providing advice, guidance and specialist skills to analysts to promote best practice throughout the Bank in the management of credit risk.

The Trade Financing and Risk Management division (TFRM) is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Board of Directors.

The division has credit analysts supervised by the Manager of the division who reports on all credit related matters to the MCC for monitoring and controlling all credit risks in its portfolios, including those subject to Board approval. The TFRM is responsible for the quality and performance of the Bank's credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Board approval.

Regular audits of business units and the Bank's credit processes are undertaken by Internal Audit.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The table below represents a worst-case scenario of credit risk exposure to the Bank at reporting date, without taking account of any collateral held or other credit enhancements. Credit risk exposures are as follows:

	Maximum exposure	
	2020	**2019**
	$'000	**$'000**
Cash and deposits (Note 9)	1,150,402	797,510
Notes receivable (excluding prepayment)	621,107	1,160,620
Notes discounted (Note 11)	1,460,869	2,176,642
Medium-term loans receivable (Note 12)	1,714,633	1,999,507
Demand and non-accruals loans (Note 13)	1,638,139	803,888
Investments (Note 14)	59,966	100,775
Long-term loans receivable (Note 15)	13,245	22,909
Other receivables (Note 10)	537	824
	6,658,898	7,062,675

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Guidelines are implemented regarding the acceptability of different types of collateral.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. The principal collateral types for loans and advances to customers are:

- Mortgages over real estate;
- Guarantee, Promissory Note or other endorsed instruments with recourse, from the Bank of Jamaica, the Government of Jamaica or an Approved Financial Institution
- Negotiable instruments including Treasury Bills, Cash Deposits and Certificates of Deposits;
- Non-negotiable instruments including Debentures, Bills of Sale, Assignment of Receivables,
- Assignment of Stocks in publicly listed companies, Supported Personal Guarantees and Corporate Guarantees, whether supported or unsupported.

Estimates of fair value of collateral are assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

The Bank's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans

Risk Rating Probability

Customers of the Bank are assigned risk ratings of 1 to 6 and 9 with 1 being the lowest default risk and 9 being the highest. The impaired ratio of loans of similar age were grouped and analysed by utilizing three different mathematical methods as follows:

- Arithmetic average
- Weighted average
- Geometric average

The risk rating code is a weighted average of four (4) fundamental considerations:

- Customer’s finance structure and performance
- Customer’s experience with the Bank and other creditors
- Customer’s management structure and stability
- Customer’s security to support loans from the Bank

These codes are used to determine the probability rate table to apply to IFRS 9 computations. They are also used to determine significant increase in credit risk.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Credit Quality
Upon approval of a loan application, each submission must carry a recommendation on the risk rating class of the applicant. The risk rating guidelines are as follows:

Risk Ratings	Industry Status	Management	Financial Performance	Funding	Overall Status
Class 1 Highest Quality	Favourable Industry trends	Strong management with depth	Business with high liquidity, excellent financial conditions and history of stable and predictable earnings.	Available sources of alternate funding.	Could generally qualify for credit from lenders without any form of security.
Class 2 Good Quality	Favourable Industry trends	Strong management	Has good liquidity with history of stable and predictable earnings. However, earnings are more cyclical.	Moderate availability of alternate sources of funding in periods of economic distress.	Has strong present and future earnings potential, and could qualify for credit from lenders without any form of security.
Class 3 Satisfactory Quality	Stable	Capable management	Has fair liquidity and a reasonable financial condition. Earnings may be erratic; a satisfactory repayment is expected, but not assured under all circumstances.	Modest debt capacity	Business is less likely to qualify for credit from lenders without any form of security.
Class 4 Fairly Satisfactory Quality	May be cyclical	Adequate to good management	Has fair liquidity, but with less than satisfactory financial conditions. Reflects the potential to grow and improve, given the necessary financial support.	Marginal debt capacity	Not likely to qualify for loans from lenders without security. Unlikely to be able to sustain major business setback.
Class 5 Below Average Quality	May be cyclical or company is unable to compete effectively.	Generally good with some management weakness.	Has poor liquidity, high leverage and erratic earnings or losses. The primary source of repayment is no longer realistic.	Asset or collateral liquidation may be the only source of repayment. Loans are marginal and require continuing and close supervision by responsible loan officer.	Not eligible for EXIM Bank financing
Class 6 Poor quality	May be cyclical or company is unable to compete effectively.	Some management weaknesses or company not performing.	Capital Base and Cash Flow are insufficient to support the level of borrowing. Sources of repayment are not readily identifiable.	Real possibility of full loss exists.	Not eligible for EXIM financing.
Recourse Code “9” (ICBS)					These are loans which have been assigned to the Legal Division for recovery.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Credit Quality (continued)
The Bank groups its loans into Stage 1, Stage 2 and Stage 3 on a customer basis i.e. where a customer has multiple loans, once one loan had defaulted all loans are placed in Stage 3.

Stage 1 The Bank recognizes an allowance based on twelve (12) months ECLs. Stage 1 Loans include loans reclassified from Stage 2 where the risk has Improved. Loans are not in arrears for more than thirty (30) days and have credit risk rating of 1-4.

Stage 2 When a loan has shown a significant increase in credit risk since origination. The Bank records an allowance for lifetime expected credit losses. This stage also includes facilities where the credit risk has improved and the loan has been reclassified from Stage 3 and they have arrears for over thirty (30) days but less than ninety (90) days. Loans have initial credit risk rating of five (5).

Stage 3 Loans that are considered credit impaired and an allowance for lifetime is expected as credit losses. Loans are in default over ninety (90) days and have a credit risk rating of six (6) or nine (9).

In measuring ECL in accordance with IFRS 9 forward-looking information is considered**.**

The Bank establishes provisions for credit losses that are expected to arise over the life of the assets.

Economic Indicators

An analysis of the correlation of the probabilities of default with key economic indicators was performed as follows:

- Growth in respective industries
- Gross domestic product
- Gross national income levels in Jamaica
- Leading five (5) nations that directly contribute to tourist arrival in Jamaica.
- Jamaica's annual inflation rate
- Value of United States dollar versus Jamaican dollar
- National employment rate

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Credit Risk Grade

Pertinent information is collected on the borrower at the time of application. Some of these include the following:

a. Industry Status
b. Management of Company
c. Financial Performance
d. Environmental Risk
e. Value & Saleability of Collateral
f. Analysis of Debt
g. Repayment History

These are supplemented with external data such as credit bureau scoring information on individual borrowers and companies.

Portfolio concentration to sectors that are most impacted by COVID-19

a. Impact of supply chain disruption
b. Impact of reduction in demand due to reduction in disposable income or loss of jobs
c. Impact of government intervention or support programs

Within the context of the impact of COVID-19 on the local economy, it is projected that the Jamaican economy will contract in the range of 4-7% for FY 2020/21, with a specific forecast for a 5.1% contraction for the fiscal year. The projected contraction will manifest in hotels and restaurants, mining, wholesale and retail, transportation, storage and communication, and other services. Manufacturing and distribution are also expected to experience a decline due to local measures implemented to contain the COVID-19 virus. The Bank considered loan beneficiaries in the hotel and tourism sectors, its linkages along with those involved in mining at higher risk for business failure and consequently an increased PD for the following reasons:

- **Tourism sector & its linkages** – the closure of hotels and attractions and the cessation of cruise ship visits resulting in sector contraction and shut-down.

- **Mining**- research conducted internally by the Bank's Strategic Planning & Research Unit in April 2020 informed in part by information from the Jamaica Bauxite Institute, indicated that although the industry did not suffer adverse impact for the 1st calendar quarter of 2020, a fallout was expected going forward, with Europe and North America being the country's primary export markets and the epicenter of the pandemic. It was also projected that the fallout would affect the commodity's entire value chain. The report also indicated that with increases in aluminum inventories globally, demand which saw a downturn in April, would continue to decline and prices fall, with weak discretionary spending and disruptions in downstream activities.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Credit Risk Grade (continued)

Portfolio concentration to sectors that are most impacted by COVID-19 (continued)

With the foregoing in mind, the Bank re-examined the Staging of the companies falling in the hotel and tourism sectors and its linkages along with those involved in mining in particular, along with any other company which pre-COVID-19, was already showing signs of distress evidenced by chronically late and interrupted loan repayments. Unless there was sound evidence to rebut this reasoning, the agreed approach was to effect a post-model adjustment to the staging of these accounts, i.e. transfer accounts at stage 1 to stage 2 and stage 2 to stage 3.

Incorporation of Forward-Looking Information

The assessment of significant increase in credit risk and the calculation of the ECL incorporates forward looking information along with key economic indicators impacting credit risk and expected credit risk for each portfolio.

The impact of these economic variables on the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) is determined by performing trend analysis and comparing historical information with forecast macroeconomic data to decide the impact on default rates and on LGD and EAD.

The Bank performs scenarios considering the expected impact of interest rates, unemployment rates, gross domestic products on a yearly basis.

The Bank uses three Quantitative and Qualitative criteria to determine whether there has been a significant increase in credit risk.

a. **Quantitative Test** based on movement in Probabilities of Default (PD), Credit risk is deemed to increase where the probability of default on a security or loan is one (1) and the credit risk rating is above five (5).

b. **Qualitative Indicators**
- Significant development in the industry in which borrower operates
- Issues or developments which could compromise the bank's ability to realize the security.

c. Loans past due more than thirty (30) days

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Table 1: Stages, Description and Course of Action for Past Due Loans

Stages	**Description**	**Course of Action**
a) Stage 1 recognizes expected credit losses within the next 12 months	These are Clients: (i) with performing loans without signs of credit impairment, that is, loans that are not in arrears for more than 30 days (ii) that have a credit risk rating of 1- 4 (iii) loans formerly in stages 2 and 3 with significant improvement in credit risk	(i) These accounts are monitored by Trade and Commercial Lending Division (ii) The regularity of monitoring will be in keeping with requirement of the Bank's Credit Policy.
b) Stage 2 - recognizes lifetime expected credit losses	These are Clients with loans that: (i) have signs of credit impairment i.e. it is improbable that the Bank will collect all of the outstanding principal and interest (ii) are sub-performing loans which have been in arrears for over 30 days but less than 90 days at least once (iii) loans that have an initial credit risk rating of 5 (iv) Loans formerly in Stages 1 and 3 with deterioration and improvement in credit risk respectively	(i) These accounts are monitored by the Trade and Commercial Lending Division. (ii) The regularity of the monitoring will be in keeping with requirements of the Bank's Credit Policy. (iii) Once the account becomes 90 days past due, i.e. in default, the entire portfolio of loans for the Client is to be referred to the Risk Management Division for Collection in keeping with the Credit Policy.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Table 1: Stages, Description and Course of Action for Past Due Loans (continued)

Stages	**Description**	**Course of Action**
c) Stage 3 - recognizes lifetime expected credit losses	These are Clients: (i) with non-performing loans/loans in default i.e. with arrears over 90 days (ii) with loans with serious credit impairment (iii) with a history of arrears (iv) with loans that have a credit risk rating of 6 and above (v) loans formerly in Stages 1 and 2 with a significant increase in credit risk	(i) These accounts are handled by the Risk Management and Compliance and Legal & Corporate Secretarial Divisions. (ii) The Risk Management Division will act with the view of effecting collections by way of immediate payment or payment arrangement acceptable to the Bank. (iii) If #2 is not achieved within 30 days from the account being referred to the Risk Management Division (i.e. 120 cumulative days delinquent), the account must be passed to the Legal Department for liquidation of the collateral and effecting of any other legal actions required to recover the Banks funds. All other actions on these accounts will be dealt with in keeping with the Bank's Credit Policy.

Write-off policy—

Write-offs may be considered/requested in cases when:

a. The Bank has disposed of all securities held
b. There is compromised security value due to, for example, market conditions, delays in recovery process/sale of security
c. The business has ceased to be a going concern or is facing collapse
d. The business has failed

One or more of the conditions at (a)-(d) above having been satisfied, the Bank will also write off loan accounts in instances when delinquency exceeds twelve (12) consecutive months.

Additionally, if the provisions/estimated credit losses equate 80% or more of the General Ledger balance, then the loan may be written off.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

The credit quality of loans is summarised as follows:

	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Loans receivable (Gross) as				
at 31 March 2020	2,172,355	993,233	2,622,294	5,787,882
Expected credit losses	(19,047)	(22,053)	(298,252)	(339,352)
Loans receivable as at 31 March 2020	2,153,308	971,180	2,324,042	5,448,530

	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Loans receivable (Gross) as				
at 31 March 2019	3,728,603	1,208,417	1,404,710	6,341,730
Expected credit losses	(23,110)	(9,759)	(144,471)	(177,340)
Loans receivable as at 31 March 2019	3,705,493	1,198,658	1,260,239	6,164,390

Included in the analysis above are renegotiated loans of $20,871,000 (2019 - $306,067,000).

The fair value of collateral that the Bank held as security for individually impaired loans was $1,340,079,556.00 (2019 - $2,138,634,000).

There are no financial assets other than loans that are considered past due.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Analysis of Expected Credit Losses

	2020			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Notes and other receivables	929	-	106,140	107,069
Notes discounted	155	963	66,617	67,735
Medium-term loans receivable	17,899	21,090	9,161	48,150
Demand and non-accrual loans	-	-	116,334	116,334
Long-term loans receivables	64	-	-	64
	19,047	22,053	298,252	339,352

	2019			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Notes and other receivables	813	498	-	1,311
Notes discounted	4,343	93	52,009	56,445
Medium-term loans receivable	17,879	9,168	-	27,047
Demand and non-accrual loans	-	-	92,462	92,462
Long-term loans receivables	75	-	-	75
	23,110	9,759	144,471	177,340

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Expected Credit Loss Model

- Expected impairment (i.e. expected credit loss, ECL) is derived by multiplying loans and investment facility balance by the Probability of ECL for each month and each given exposure. The projected credit loss in each future month is discounted to the present value using a discount rate between the mid-range of current market bond yield and the effective interest rate for the financial assets.

- In estimating the probability of default, EXIM's loan portfolio was grouped into groups of similar risk profile (i.e. having the same likelihood of default).

Industry Groupings

Industry	Group No.
Manufacturing	2
Agro Processing	4
Services	1
Mining	5
Distribution	3
Tourism	1
Food & Beverage	5
Animation & IT	1
Staff	11

For each group probabilities were determined based on classification of loans (scheduled or unscheduled). Repayment periods were split into calendar quarters and expected amounts in each quarter completed based on the loan details. Shortfalls were compared with corresponding expected payments. This was done over a ten (10) year period and normalized to remove impact of any special event. The annualized quarterly impairment ratio within each cohort and age bucket was then computed using the following formula:

$$\frac{\text{Impairment amount}}{\text{Expected amounts}}$$

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

The following table summarises the Bank's credit exposure for loans at their carrying amounts, as categorised by industry sectors:

	2020 $'000	2019 $'000
Agro Processing	1,607,071	1,650,172
Food and Beverage	62,601	81,089
Textiles and Apparel	8,866	8,791
Manufacturing	1,291,554	1,661,762
Distribution	370,338	558,956
Mining	481,498	530,911
Services and ICT	1,125,450	1,314,373
Tourism	470,238	315,973
Other	30,914	42,363
	5,448,530	6,164,390

Movement in the provision for probable loan losses:

	2020 $'000	2019 $'000
At beginning of year	177,340	265,786
Bad debt recovered	-	(29,320)
IFRS 9 – Increase (reduction) in provision	167,774	(59,126)
	345,114	177,340
Provision/adjustments written-off	(5,762)	-
	339,352	177,340

	2020 $'000	2019 $'000
IFRS 9 – Increase (reduction) in provision for Loans receivable	167,774	(59,126)
IFRS 9 – Increase (reduction) in provision - others	185	(194)
	167,959	(59,320)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Provision for probable loan losses comprises:

	2020 $'000	2019 $'000
Notes discounted (Note 11)	67,735	56,445
Demand and non-accrual loans (Note 13)	116,334	92,462
Medium-term loans receivable (Note 12)	48,150	27,047
Notes receivable (Note 10)	107,069	1,311
Long-term loans receivable (Note 15)	64	75
	339,352	177,340

Settlement risk
The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of counter party to honour its obligation to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through Approved Financial Institutions (AFIs).

Debt securities
The following table summarises the Bank's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	2020 $'000	2019 $'000
Government of Jamaica (Note 14)	11,282	11,150
Securities purchased under agreements to resell (Note 14)	48,767	89,730
Short-term deposits (Note 9)	748,166	508,865
	808,215	609,745

Debt securities (Gross) as at 31 March 2019	609,745
Expected credit losses	(435)
Debt securities as at 31 March 2019	609,310
Debt securities (Gross) as at 31 March 2020	808,215
Expected credit losses	(619)
Debt securities as at 31 March 2020	807,596

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Management of liquidity risk
The Bank's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Treasury Unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities, and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of the Bank are met through encashment of investments to cover any short-term fluctuations. The accessing of loans is used to address longer term funding.

A cash flow budget is prepared at the beginning of the year and any expected cash shortfall is identified.

The Bank then seeks additional funding to address funding needs. The daily liquidity position is monitored by the Treasury/Disbursement Units. The TFRM Division is required to submit to Treasury all expected disbursements at least two days before disbursement.

Financial liabilities cash flows
The tables below present the undiscounted cash flows payable, including principal and interest, of the Bank's financial liabilities, based on contractual repayment obligations and maturity dates.

	2020				
	Within 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
Current loans payable	443,674	648,991	-	-	1,092,665
Long-term loans payable	3,892	10,357	1,857,060	1,056,000	2,927,309
Lease liability	2,502	9,301	112,198	139,832	263,833
Payables	72,240	-	-	-	72,240
Total financial liabilities	522,308	668,649	1,969,258	1,195,832	4,356,047

	2019				
	Within 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
Lines of credit	335,937	-	-	-	335,937
Current loans payable	-	994,820	-	-	994,820
Long-term loans payable	215,673	419,040	909,954	1,000,000	2,544,667
Payables	83,197	-	-	-	83,197
Total financial liabilities	634,807	1,413,860	909,954	1,000,000	3,958,621

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Assets available to meet all of the liabilities include cash and cash equivalents, investment securities, securities purchased under agreements to resell. The Bank is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

(c) Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Bank ensures that the net exposure is kept to an acceptable level by monitoring the level of its exposure on a daily basis against approved limits. The Bank further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

The tables below summarise the currencies in which the Bank's assets and liabilities are denominated as at year end.

	JA$ J$000	**US$ J$000**	**CAD$ J$000**	**TOTAL J$000**
Financial assets		**2020**		
Cash and deposits	434,561	714,280	1,561	1,150,402
Notes and other receivables	3,206	222,492	404,571	630,269
Notes discounted	607,301	853,568	-	1,460,869
Medium-term loans receivable	1,401,470	313,163	-	1,714,633
Demand and non-accrual loans	661,799	536,592	439,748	1,638,139
Investments	14,484	220,659	-	235,143
Long-term loans receivable	13,245	-	-	13,245
Total financial assets	3,136,066	2,860,754	845,880	6,842,700
Financial liabilities				
Current loans payable	81,515	856,697	-	938,212
Long-term loans payable	1,020,318	1,670,167	-	2,690,485
Lease liability	263,833	-	-	263,833
Payables	72,240	-	-	72,240
Total financial liabilities	1,437,906	2,526,864	-	3,964,770
Net financial position	1,698,160	333,890	845,880	2,877,930

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

	JA$ J$000	US$ J$000	CAD$ J$000	TOTAL J$000
		2019		
Financial assets				
Cash and deposits	206,094	589,842	1,574	797,510
Notes and other receivables	38,018	209,917	922,465	1,170,400
Notes discounted	964,146	1,212,496	-	2,176,642
Medium-term loans receivable	1,551,623	447,884	-	1,999,507
Demand and non-accrual loans	645,670	158,218	-	803,888
Investments	27,252	376,762	-	404,014
Long-term loans receivable	22,909	-	-	22,909
Total financial assets	3,455,712	2,995,119	924,039	7,374,870
Financial liabilities				
Lines of credit	-	-	335,937	335,937
Current loans payable	-	948,500	-	948,500
Long-term loans payable	1,395,786	1,040,000	-	2,435,786
Payables	83,197	-	-	83,197
Total financial liabilities	1,478,983	1,988,500	335,937	3,803,420
Net financial position	1,976,729	1,006,619	588,102	3,571,450

Foreign currency sensitivity

The following table indicates the currencies to which the Bank had significant exposure on its monetary assets and liabilities and its forecast cash flows. The table below represents management's assessment of the possible change in foreign exchange rates and the impact on income. There is no direct impact on other components of equity. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation for the possible change in foreign currency rates. The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be on an individual basis.

	Change in Currency Rate	Effect on Pre-tax Profit	Change in Currency Rate	Effect on Pre-tax Profit
	2020		2019	
Currency	**%**	**$'000**	**%**	**$'000**
		Devaluation		
USD	6	20,033	4	40,265
CAD	6	50,753	4	23,524
		Revaluation		
USD	2	(6,678)	2	(20,133)
CAD	2	(16,918)	2	(11,762)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Bank's interest rate risk policy requires it to manage interest rate risk by monitoring the maturities of its interest- bearing financial assets and interest-bearing financial liabilities on a daily basis.

The following tables summarise the Bank's exposure to interest rate risk. It includes the Bank financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Rate Sensitive $'000	Total $'000
			2020			
Cash and deposits	1,150,402	-	-	-	-	1,150,402
Notes and other receivables	62,907	135,003	-	-	432,359	630,269
Notes discounted	286,494	1,067,231	7,408	-	99,736	1,460,869
Medium-term loans receivables	404	15,303	1,681,217	-	17,709	1,714,633
Demand and non-accrual loans	-	-	-	-	1,638,139	1,638,139
Investments	-	48,684	11,282	-	175,177	235,143
Long-term loans receivable	-	-	13,245	-	-	13,245
Total financial assets	1,500,207	1,266,221	1,713,152	-	2,363,120	6,842,700
Current loans payable	279,961	658,251	-	-	-	938,212
Long-term loans payable	-	-	1,670,167	1,020,318	-	2,690,485
Lease liability	2,502	9,301	112,198	139,832	-	263,833
Payables	-	-	-	-	72,240	72,240
Total financial liabilities	282,463	667,552	1,782,365	1,160,150	72,240	3,964,770
Total interest repricing gap	1,217,744	598,669	(69,213)	(1,160,150)	2,290,880	2,877,930
Cumulative gap	1,217,744	1,816,413	1,747,200	587,050	2,877,930	

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Rate Sensitive $'000	Total $'000
			2019			
Cash and deposits	797,510	-	-	-	-	797,510
Notes and other receivables	966,939	203,152	309	-	-	1,170,400
Notes discounted	948,941	1,216,650	11,051	-	-	2,176,642
Medium-term loans receivables	1,232	283,290	1,713,374	-	1,611	1,999,507
Demand and non-accrual loans	-	-	-	-	803,888	803,888
Investments	-	89,625	11,150	-	303,239	404,014
Long-term loans receivable	-	-	22,909	-	-	22,909
Total financial assets	2,714,622	1,792,717	1,758,793	-	1,108,738	7,374,870
Current loans payable	-	948,500	-	-	-	948,500
Long-term loans payable	200,081	294,032	939,007	1,002,666	-	2,435,786
Letters of credit	335,937	-	-	-	-	335,937
Payables	-	-	-	-	83,197	83,197
Total financial liabilities	536,018	1,242,532	939,007	1,002,666	83,197	3,803,420
Total interest repricing gap	2,178,604	550,185	819,786	(1,002,666)	1,025,541	3,571,450
Cumulative gap	2,178,604	2,728,789	3,548,575	2,545,909	3,571,450	

The Bank's interest rate risk arises from investments held, loan and advances to clients, and borrowings.

At the end of the reporting period, all investments held by the Bank were fixed rate instruments which the Bank intends to hold to maturity. Interest rates on all loans extended are fixed. The objective of the Bank is to support the productive sector and, as such, the Bank is not quick to vary interest rates extended to its customers.

Low cost funding is obtained from specialized institutions and the Government of Jamaica. Rates on loans are usually fixed and lenders are slow to vary interest rates applied to the loans.

The Bank's income and operating cash flows are not substantially dependent on changes in market interest rates.

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Bank is exposed to equity price risk because of equity investments held and classified on the statement of financial position as fair value through other comprehensive income. The Bank is not exposed to commodity price risk.

The impact of a 10% change in the quoted prices for these equities would be an increase or decrease in the carrying value of $17,517,000 (2019 - $30,324,000) in equity, through other comprehensive (loss) income.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with the overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards of the Bank for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

Compliance with the Bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit and Conduct Committee and senior management of the Bank.

3. Financial Risk Management (Continued)

(e) Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

i. To safeguard the Bank's ability to continue as a going concern so that it can continue to provide benefits for the shareholder and other stakeholders; and

ii. To maintain a strong capital base to support the development of its business.

The allocation of capital between specific operations and activities is driven by the Bank's Strategic Plan and Budget approved by the Board of Directors, the desire to fulfill the Bank's mandate, and support by the Bank for the Government's mission to enhance growth and development.

The policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There were no changes to the Bank's approach to capital management during the year, and the Bank is not subject to externally imposed capital requirements.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes
Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. (Notes 8 and 20).

Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Bank uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For investment securities that are not traded in active markets, the Bank used valuation techniques that include inputs for the instrument that are based on observable market data. Changes in assumptions used in valuations could affect reported fair value of financial assets. Key assumptions are based on current market yields. (Note 29).

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Pension and post-employment benefits
The cost of these benefits and the present value of the pension and the other post-employment liabilities depend on a number of factors that are to be determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost/(income) for pension and post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost/ (income) recorded for pension and post-employment benefits and may affect planned funding of the pension plans. The Bank determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-employment benefit obligations. In determining the appropriate discount rate, the Bank considered the interest rates of government securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The expected rate of increase of medical costs has been determined by comparing historical relationship of the actual medical cost increases with the rate of inflation in the economy. Other key assumptions for the pension and post-employment benefits costs and credits are based in part on current market conditions. (Note 16).

Impairment losses on financial assets
The measurement of expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank’s expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit loss models that are considered accounting judgements and estimates include:

- The Bank’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss basis and the qualitative assessment

- Development of ECL models, including the various formulas and the choice of inputs

- Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the expected credit loss models

- Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default, exposure at default and loss given default.

The Bank regularly reviews its internal models in the context of actual loss experience and adjust when necessary.

Investment property revaluation
The property was revalued using the market comparison approach which estimates the fair value based on sale prices of properties of similar nature or in similar locations with price adjustments being made for any notable differences between the sample and subject property (Note 18).

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Investment property revaluation (continued)
The fair value is determined by an independent valuator every two (2) years and during the intervening period by the Bank using an in-house valuation method.

Incremental borrowing rate on lease liability
The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments to reflect the terms and conditions of the lease.

5. Other Income

	2020 **$'000**	**2019** **$'000**
Rental income (Strata and Training rooms) and Strata maintenance	33,194	32,521
Interest on bank account	537	2,317
Other income	10,838	14,030
Bad debt recovery	-	29,320
Income from loans written off	389	45,797
	44,958	123,985

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

6. Expenses by Nature

Expenses other than interest and credit losses comprise administration expenses as follows:

	2020 $'000	2019 $'000
Auditors' remuneration	4,294	3,931
Depreciation	11,821	11,091
Right of use – finance lease interest expense	18,668	-
Right-of-use – amortisation expense	26,630	-
Directors' emoluments-		
Fees	1,257	1,491
Management (included in staff costs-Note 7)	19,254	19,497
Other staff costs (included in staff costs-Note 7)	333,896	332,337
Other operating expenses	147,334	168,614
	563,154	536,961

7. Staff Costs

	2020 $'000	2019 $'000
Salaries and wages	256,529	265,184
Statutory payroll taxes-employer portion	24,952	25,885
Pension asset (Note 16)	22,167	14,823
Pension obligation (Note 16)	22,709	20,693
Other staff costs	26,793	25,249
	353,150	351,834

The average number of persons employed by the Bank during the year was:

	2020	2019
Trade	14	14
Administration	49	48
	63	62

8. Taxation

Taxation is based on (loss) profit for the year adjusted for taxation purposes and comprises:

	2020 $'000	2019 $'000
Current tax	-	26,649
Deferred tax credit (Note 20)	(29,850)	(22,678)
	(29,850)	3,971

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

8. Taxation (Continued)

The tax on the (loss) profit before tax differs from the theoretical amount that would arise using the basic statutory rate of 25% as follows:

	2020 $'000	2019 $'000
(Loss) Profit before tax	(318,061)	126,963
Tax calculated at a rate of 25%	(79,515)	31,741
Adjustment for the effects of:		
Income not taxable	(2,344)	(26,155)
Expenses not deductible for tax purposes	54,598	1,120
Employment tax credit	-	(8,539)
Prior year adjustment	(1,946)	-
Other	(643)	5,804
	(29,850)	3,971

The tax charge relating to components of other comprehensive (loss) income are as follows:

	2020		
	Before tax $'000	Tax charge $'000	After tax $'000
Items that will not be reclassified to profit or loss:			
Net fair value losses through other comprehensive income	(139,898)	-	(139,898)
Foreign exchange losses through other comprehensive income	11,836	-	11,836
Remeasurement of pension and other employment benefit obligation	(129,162)	32,291	(96,871)
	(257,224)	32,291	(224,933)

	2019		
	Before tax $'000	Tax charge $'000	After tax $'000
Items that will not be reclassified to profit or loss:			
Net fair value losses through other comprehensive income	(110,801)	-	(110,801)
Foreign exchange losses through other comprehensive income	(2,653)	-	(2,653)
Remeasurement of pension and other employment benefit obligation	11,122	(2,781)	8,341
	(102,332)	(2,781)	(105,113)

9. Cash and Deposits

	2020 $'000	2019 $'000
Cash	402,236	288,645
Short-term deposits – 90 days or less (excluding interest receivable)	747,287	508,728
Cash and cash equivalents	1,149,523	797,373
Interest receivable	879	137
	1,150,402	797,510

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

9. Cash and Deposits (Continued)

	$'000
Cash and deposits (Gross) as at 31 March 2020	1,150,938
Expected credit losses	(536)
Cash and deposits as at 31 March 2020	1,150,402

	$'000
Cash and deposits (Gross) as at 31 March 2019	797,840
Expected credit losses	(330)
Cash and deposits as at 31 March 2019	797,510

Included in short-term deposits above is interest receivable amounting to $880,000 (2019 - $137,000). Average interest rates – local -2.14% and foreign 1.94% (2019 – local 2.21% and foreign 1.49%).

Movement in expected credit losses on cash and short-term deposits is as follows:

	$'000
Expected credit losses – 1 April 2018	(594)
Net movement during current year	264
Expected credit losses – 31 March 2019	(330)
Net movement during current year	(206)
Expected credit losses – 31 March 2020	(536)

10. Notes and Other Receivables

Commitments

Assumptions

- The Bank must approve and receive all collaterals related to undrawn commitment.
- All undrawn commitments at the end of the previous year was either used or cancelled in the current year.
- All undrawn commitments at the end of the current period are either from newly approved loans and from undrawn commitments brought forward into the current period.

	2020 $'000	2019 $'000
Notes receivable	736,800	1,170,887
Premiums receivable	538	824
	737,338	1,171,711

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

10. Notes and Other Receivables (Continued)

	$'000
Notes and other receivables (Gross) at 31 March 2020	737,338
Expected credit losses	(107,069)
Notes and other receivables as at 31 March 2020	630,269

	$'000
Notes and other receivables (Gross) at 31 March 2019	1,171,711
Expected credit losses	(1,311)
Notes and other receivables as at 31 March 2019	1,170,400

	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Notes and other receivables	105,754	113,999	517,585	737,338
Expected credit losses	(929)	-	(106,140)	(107,069)
	104,825	113,999	411,445	630,269

	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Notes and other receivables	249,246	922,465	-	1,171,711
Expected credit losses	(813)	(498)	-	(1,311)
	248,433	921,967	-	1,170,400

	$'000
Expected credit losses – 1 April 2018	(772)
Net movement during current year	(539)
Expected credit losses – 31 March 2019	(1,311)
Net movement during current year	(105,758)
Expected credit losses – 31 March 2020	(107,069)

Maturing as follows:

	2020 $'000	**2019 $'000**
In less than 12 months	630,269	1,171,400

Included in notes and other receivables above is interest receivable amounting to $33,354,000 (2019 - $28,989,000).

Notes receivable represent amounts due from clients utilising foreign currency loans and lines of credit. The average period for line of credit transactions is 180 days. Interest rates on notes receivable depend on the particular line of credit utilised and range from 8% - 10% per annum.

Receivable EXBED loans were repaid during the period, and represented amounts advanced to the Jamaica Exporters' Association and the Jamaica Manufacturers' Association for on-lending to their members. Interest on this facility was at a rate of 11%. These loans were unsecured.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

10. Notes and Other Receivables (Continued)

Cuban Line of Credit
The Government of Jamaica (via The Ministry of Finance) and Cuba (via Banco Nacional de Cuba - BNC) signed a bilateral Line of Credit Agreement in 1997 for CAD$5 million, aimed at promoting and facilitating export of Jamaican manufactured goods to Cuba. Based on the uptake on the Line, in 2003 the facility was increased by an additional CAD$5 million, financed through Bank of Nova Scotia Limited (BNS), bringing the total facility to CAD$10 million. EXIM Bank has administered the Line of Credit since inception.

Based on the Agreements signed between BNC and the Ministry of Finance, Jamaican manufactured goods exported under the credit facility must meet the eligibility criteria outlined in the Agreements, that is a minimum local value-added content of 35% and be included on the list of approved goods. The Line of Credit facilitates immediate payment to local exporters while affording BNC a credit period of up to one year to repay EXIM Bank.

The Line has contributed to the development of trade in a wide range of locally manufactured goods, it has generated significant foreign exchange earnings and provided a critical payment support system for Jamaican exporters.

Towards the end of 2018 calendar, as a result of worsening economic conditions in Cuba, The Cuban Government indicated its intention to default on certain loan repayments during 2019. As at 31 March 2020, the Cuban Line of Credit reflected an outstanding balance of CAD$10.3 million (J$1 billion) and BNC affirmed its commitment to honoring the debt and indicated that EXIM would be appropriately advised when it was in a position to do so. In the meantime, EXIM Bank is awaiting feedback from the Ministry of Finance to have this debt settled and the Bank's liquidity position replenished as it is functionally a National Interest Account.

As at 31 March 2020, the Bank recorded an Expected Credit Loss amounting to J$106.2 million for the Cuban Line of Credit. The recovery rate being maintained at 100% and 82% for the two tranches respectively. The provision made is based on the Bank's best estimate at this time. Also refer to Note 13 for a portion of the Cuban Line of Credit transferred to Demand and Non-Accrual Loans.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

11. Notes Discounted

These represent notes discounted under the pre- and post-shipment financing schemes and are made up as follows:

		Principal $'000 2020	Interest Receivable $'000 2020	Expected Credit Losses $'000 2020	Carrying Value $'000 2020	Principal $'000 2019	Interest Receivable $'000 2019	Expected Credit Losses $'000 2019	Carrying Value $'000 2019
(a)	Insurance Policy Discount Facility (IPDF)	143,832	3,071	(7,624)	139,279	171,546	2,994	(34)	174,506
(b)	Pre-Shipment Facility (PSF)	795,096	2,715	(11,105)	786,706	1,174,951	21,786	(20,535)	1,176,202
(c)	Jamaican Dollar Short-Term Loans	17,000	149	-	17,149	3,078	54	(98)	3,034
(d)	Development Bank of Jamaica Limited Loan (DBJ#3)	7,586	63	-	7,649	13,957	36	-	13,993
(e)	J$ Working Capital Facility	525,531	14,519	(46,237)	493,813	783,117	18,568	(34,443)	767,242
(f)	Tourism Enhancement Fund	18,709	309	(1,389)	17,629	41,107	270	(11)	41,366
	Jamaica Manufactures Association	-	24	(1,380)	(1,356)	1,500	123	(1,324)	299
		1,507,754	20,850	(67,735)	1,460,869	2,189,256	43,831	(56,445)	2,176,642

Maturing as follows:

	2020 $'000	2019 $'000
In less than 12 months	1,453,461	2,165,591
In greater than 12 months	7,408	11,051
	1,460,869	2,176,642

	2020			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Notes discounted	1,142,669	199,895	186,040	1,528,604
Expected credit losses	(155)	(963)	(66,617)	(67,735)
	1,142,514	198,932	119,423	1,460,869

	2019			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Notes discounted	1,250,873	109,888	872,326	2,233,087
Expected credit losses	(4,343)	(93)	(52,009)	(56,445)
	1,246,530	109,795	820,317	2,176,642

11. Notes Discounted (Continued)

	2020
	$'000
Expected credit losses – 1 April 2018	(85,145)
Net movement during current year	28,700
Expected credit losses – 31 March 2019	(56,445)
Net movement during current year	(11,290)
Expected credit losses – 31 March 2020	(67,735)

		Interest Rate	
		2020	2019
(a)	Insurance Policy Discount Facility (IPDF) - Secured by insurance policy	12%	12%
(b)	Pre-shipment Facility (PSF) – Secured	8%-12%	10%-13%
(c)	Jamaican Dollar Short-Term Loans – Secured	8%-12%	10%-13%
(d)	Development Bank of Jamaica Limited Loan (DBJ#3) -Secured	10%	10%
(e)	J$ Working Capital Facility	8%-12%	10%-13%
(f)	Tourism Enhancement Fund (SMTE)	4.5%	4.5%
(g)	Jamaica Export Manufacturing Association (JMEA)	-	12%

Insurance Policy Discount Facility (IPDF)
The facility represents amounts loaned for working capital financing and is available for small to medium-sized exporters who are the holders of a trade credit insurance policy from the Bank.

Pre-Shipment Facility
This is a working capital facility which provides financing to assist customers with the filling of orders by purchasing raw materials. The customer can borrow up to 65% of the specific order. Loans are for 90 days on a revolving basis.

J$ Short Term Facility
The J$ working capital facility is for customers with a revolving J$ denominated line of credit. The loan facility provides working capital support to procure supplies from overseas providers and is targeted to non-earners of foreign currency. Loans are primarily for a period up to 180 days, in exceptional circumstances the loan tenor may be up to 360 days.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

11. Notes Discounted (Continued)

Development Bank of Jamaica Limited Loan (DBJ#3)
The facility represents funds on-lent from DBJ, to be used to provide pre-shipment export financing to small and medium-sized enterprises.

The J$ Working Capital Facility
The J$ working capital facility is for clients with a revolving J$ denominated line of credit. The loan facility provides working capital support to procure supplies from overseas providers and is targeted to non-earners of foreign currency. Loans are primarily for a period up to 180 days, in exceptional circumstances the loan tenor may be up to 360 days.

SMTE Facility - Tourism Enhancement Fund
This loan programme is funded by the Tourism Enhancement Fund and is to qualified small and medium sized tourism enterprises with the Tourism Sector and linkages networks. J$ facility is available for, raw material purchase, capital equipment acquisition, finance infrastructure development, working capital support and for expansion of tours and attraction. Clients can borrow up to J$25 million at an interest rate of 5% per annum for a maximum period of 180 days.

The notes discounted that are defined as secured above, are backed by securities such as: Bank Guarantees from the Bank's Approved Financial Intermediaries (AFIs), Bills of Sale on serialized equipment, Mortgages over Real Estate, Hypothecation of Final Instruments, Corporate Guarantees and Personal Guarantees of principal shareholders, Assignment of Life Insurance, Guarantors of acceptable net worth and Assignment of Receivables.

JMEA Loan Facility
This is to finance working capital requirements as well as purchase raw materials, receivables financing and purchase of small capital equipment. The short-term loans are for 180 days and the medium-term loans up to 30 months. The loan ceiling is J$3.5 million for JMEA members.

12. Medium-Term Loans Receivable

	Principal $'000 2020	Interest Receivable $'000 2020	Expected Credit Losses $'000 2020	Carrying Value $'000 2020
(a) Modernisation Fund for Exporters	73,183	374	-	73,557
(b) National Insurance Fund SME (Note 21 (e))	2,735	1	-	2,736
(c) US Dollar Medium-Term Loans	316,170	1,699	(4,706)	313,163
(d) Other Medium-Term Loans	23,088	-	-	23,088
(e) SME Growth Initiative Loans (SME) formerly (SBDF)	890,669	5,042	(26,883)	868,828
(f) Tourisim Enhancement Fund (TEF)	448,339	1,483	(16,561)	433,261
	1,754,184	8,599	(48,150)	1,714,633

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

12. Medium-Term Loans Receivable (Continued)

	Principal $'000 2019	Interest Receivable $'000 2019	Expected Credit Losses $'000 2019	Carrying Value $'000 2019
(a) Modernisation Fund for Exporters	265,392	759	(3,221)	262,930
(b) National Insurance Fund SME (Note 21 (e))	5,170	31	-	5,201
(c) US Dollar Medium-Term Loans	447,767	265	(148)	447,884
(d) Other Medium-Term Loans	28,720	128	-	28,848
(e) SME Growth Initiative Loans (SME) formerly (SBDF)	817,397	4,771	(16,609)	805,559
(f) Tourism Enhancement Fund (TEF)	455,400	754	(7,069)	449,085
	2,019,846	6,708	(27,047)	1,999,507

Maturing as follows:

	2020 $'000	2019 $'000
In less than 12 months	33,416	286,133
In greater than 12 months	1,681,217	1,713,374
	1,714,633	1,999,507

	2020			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Medium-term loans receivables	919,566	679,338	163,879	1,762,783
Expected credit losses	(17,899)	(21,090)	(9,161)	(48,150)
	901,667	658,248	154,718	1,714,633

	2019			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Medium-term loans receivables	1,984,023	42,531	-	2,026,554
Expected credit losses	(17,879)	(9,168)	-	(27,047)
	1,966,144	33,363	-	1,999,507

	$'000
Expected credit losses – 1 April 2018	(82,337)
Net movement during current year	55,290
Expected credit losses – 31 March 2019	(27,047)
Net movement during current year	(21,103)
Expected credit losses – 31 March 2020	(48,150)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

12. Medium-Term Loans Receivable (Continued)

(a) The Modernisation Fund for exporters is a medium-term facility that was designed to meet the upgrading and retooling needs of businesses in the Export sector and linkage companies. Loans are secured and attract an interest rate of 10% to 13% per annum over a tenure of 60 months.

(b) This represents loans to small and medium-sized enterprises (SME) from financing received from the National Insurance Fund and are secured by a deed of assignment of the underlying loans. These loans bear interest of 8% to 10% and are for periods of up to forty-eight months.

(c) The United States Dollar Medium-Term Loans are extended at a rate of 8.5% - 11% and are for periods of up to sixty months. All loans are secured.

(d) Other Medium-Term Loans include loans to staff members which bear interest at 3% per annum, and a loan facility which bears interest at 0.5%. These loans are for a period of up to five years. Included in this amount is adjustment of $23,088,000 (2019 - $9,836,000) representing the difference between the total principal amount outstanding and the carrying amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings.

(e) SME Growth Initiative Loan programme – (SME)-(formerly Small Business Discount Facility SBDF)– Secured 8%-12% (2019-10%-13%) – Under this Medium-Term loan facility clients can borrow up to Jamaican equivalent of US$500,000 to access working capital, purchase equipment, improve and upgrade existing facilities. Loans are normally for 48 months but in exceptional circumstances may be extended for 5 years. The loan facility can be accessed directly or via Approved Financial Institutions (AFIs).

(f) SMTE Facility – Tourism Enhancement Fund: This loan programme is funded by the Tourism Enhancement Fund and is to qualified small and medium sized tourism enterprises with the Tourism Sector and linkages networks. J$ facility is available for, raw material purchase, capital equipment acquisition, finance infrastructure development, working capital support and for expansion of tours and attraction. Clients can borrow up to J$25 million at an interest rate of 4.5%-5% per annum for a maximum period of 180 days.

The medium-term loans receivable, that are defined as secured above, are backed by securities mentioned in Note 11.

13. Demand and Non-Accrual Loans

	2020 $'000	2019 $'000
Demand loans (J$)	778,134	738,132
Demand loans (US$)	536,591	158,218
Demand loans (CAD$) (transferred from Note 10) – Cuban Line of Credit	439,748	-
Expected credit losses	(116,334)	(92,462)
	1,638,139	803,888

	$'000
Expected credit losses – 1 April 2018	(97,417)
Net movement during current year	4,955
Expected credit losses – 31 March 2019	(92,462)
Net movement during current year	(23,872)
Expected credit losses – 31 March 2020	(116,334)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

14. Investments

	Number of shares held 2020	Number of shares held 2019	FVOCI 2020 $'000	FVOCI 2019 $'000
Bladex:				
Class 'A' common stock	107,065	107,065	133,980	231,925
Class 'B' common stock	28,971	28,971	41,197	71,314
			175,177	303,239

	Amortised Cost 2020 $'000	Amortised Cost 2019 $'000
Securities purchased under resale agreements	48,767	89,730
Government of Jamaica securities (FRANS)	11,282	11,150
Expected credit losses	(83)	(105)
	59,966	100,775
	235,143	404,014

	$'000
Expected credit losses – 1 April 2018	(150)
Net movement during current year	45
IFRS 9 Expected credit losses – 31 March 2019	(105)
Net movement during current year	22
IFRS 9 Expected credit losses – 31 March 2020	(83)

	2020	2019
Securities purchased under resale agreements	2.14%	2.21%
Government of Jamaica securities (FRANS)	10%	10%

	2020 $'000	2019 $'000
Remaining term to maturity:		
From three months to one year	48,684	89,673
Over five years	11,282	11,102
	59,966	100,775

Included in investments is interest receivable amounting to $367,000 (2019 - $661,000).

The fair value of the underlying securities held as collateral for securities purchased under resale agreements at 31 March 2020 was $635,948,000 (2019 - $629,179,000).

15. Long-Term Loans Receivable

Long-term loans receivable represents staff loans which bear interest at 1% to 3% per annum and are for periods of up to twenty-five years. The amount due at 31 March 2020 includes Nil (2019 - $161,000) receivable within twelve months.

Included in this amount is an adjustment of $3,374,000 (2019 - $6,483,000), representing the difference between the amortised cost and the net present value, as required under IFRS.

Probability of Default Staff Loans

In the ten (10) years under review, there were no defaults on staff loans. Staff loans do not necessarily have zero credit risks but based on the method of repayment inter alia another method was used to assess its credit risk.

It was assumed that staff loans would only be in default if staff was not paid their salaries. EXIM being owned by the Government of Jamaica (GOJ), the Standard and Poor (S & P) default rate was assumed as the probability of default on staff loans.

Expected credit losses - ECL - on Staff loans for 2020 is assessed to be $81,000 (2019 - $75,000).

16. Post-Employment Benefits

The Bank operates a non-contributory, defined benefit pension plan for permanent employees who are employed directly by the Bank. The assets of the plan are held independently of the Bank in a separate trustee administered fund. The Bank has recognised as an expense for the year in the profit or loss in the statement of comprehensive (loss) income of $44,876,000 (2019 - $35,516,000). The employer's contribution paid for the year amounted to $12,953,000 (2019 - $9,922,000).

The Board of Trustees of the pension fund is comprised of representatives from both the employer and members of the plan. The Board of Trustees of the pension fund is required by law to act in the interest of the fund and all relevant stakeholders. The Board of Trustees of the pension fund is responsible for the investment policy with regard to the assets of the fund. The funds are managed by Guardian Life Limited.

The Bank also provides post-employment medical and life insurance benefits to employees who satisfy the minimum service requirements. The plan is valued by independent actuaries, Eckler Consulting Limited.

	2020 $'000	2019 $'000
Assets/(liabilities) recognised in the statement of financial position –		
Post-employment benefit asset	43,156	117,472
Post-employment benefit obligations	(280,960)	(198,826)
Amounts recognised in other comprehensive (loss) income		
Post-employment benefit asset	(65,102)	(4,340)
Post-employment medical benefit obligation	(64,060)	15,462
Tax effect	32,291	(2,781)
	(96,871)	8,341

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits (Continued)

(a) Post-employment benefit asset

The amounts recognised in the statement of financial position are as follows:

	2020 $'000	2019 $'000
Present value of funded obligations	(1,090,361)	(959,286)
Fair value of plan assets	1,133,517	1,076,758
Asset recognised in statement of financial position	43,156	117,472

The movement in the defined benefit obligation was as follows:

	2020 $'000	2019 $'000
At beginning of year	959,286	799,629
Interest cost	65,743	58,919
Current service cost	27,747	22,354
Voluntary contributions	5,930	3,829
Benefits paid during year	(41,510)	(53,489)
Remeasurements:		
Losses from changes in financial assumptions	64,785	138,718
Losses from changes in demographic assumptions	7,336	-
Experience adjustment	1,044	(10,674)
At end of year	1,090,361	959,286

The movement in the fair value of the plan assets during the year was as follows:

	2020 $'000	2019 $'000
At beginning of year	1,076,758	925,009
Interest income on plan assets	74,254	68,558
Contributions paid	18,883	15,084
Benefits paid	(41,510)	(53,489)
Administrative expense	(2,931)	(2,108)
Remeasurement of plan assets	8,063	123,704
At end of year	1,133,517	1,076,758

The movement in the post-employment benefit asset was as follows:

	2020 $'000	2019 $'000
At beginning of year	117,472	125,380
Pension cost	(22,167)	(14,823)
Employer's contributions	12,953	11,255
Remeasurements recorded in other comprehensive (loss) income	(65,102)	(4,340)
	43,156	117,472

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits (Continued)

(a) Post-employment benefit asset (continued)

The amounts recognised in the statement of comprehensive (loss) income were:

	2020 $'000	2019 $'000
Current service cost	27,747	22,354
Interest cost	65,743	58,919
Interest income on plan assets	(74,254)	(68,558)
Administrative expense	2,931	2,108
Total included in staff costs (Note 7)	22,167	14,823

The net cost is recognised in administration expenses in the statement of comprehensive (loss) income.

The Bank expects that it will contribute $12,300,000 to the plan in respect of the year ending 31 March 2021.

The distribution of the plan assets was as follows:

	2020		2019	
	$'000	%	$'000	%
Equities	606,118	53.5	580,217	53.9
Debt securities	420,862	37.1	421,248	39.1
Repurchase agreements	91,193	8.0	22,126	2.1
Other	15,344	1.4	53,167	4.9
	1,133,517	100	1,076,758	100

The average liability duration for each category of member is shown below:

	2020 years	2019 years
Active members	19.2	18.8
Deferred pensioners	19.4	19.1
Retirees	11.0	10.2

A one percent change in discount rate would result in the following total obligation:

	2020	
	1% Increase $'000	1% Decrease $'000
Present value of defined benefit obligation	940,642	1,280,254

	2019	
	1% Increase $'000	1% Decrease $'000
Present value of defined benefit obligation	831,490	1,120,214

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits (Continued)

(a) Post-employment benefit asset (continued)

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	2020		
	Impact on defined benefit obligations		
	Change in Assumption	Increase in Assumption $'000	Decrease in Assumption $'000
Discount rate	1%	(149,719)	189,893
Salary escalation rate	1%	33,316	(26,583)
Pension increases	1%	147,675	(122,017)

	2019		
	Impact on defined benefit obligations		
	Change in Assumption	Increase in Assumption $'000	Decrease in Assumption $'000
Discount rate	1%	(127,796)	160,928
Salary escalation rate	1%	29,598	(26,583)
Pension increases	1%	124,428	(103,481)

The five year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan and experience adjustments for the plan asset and liabilities is as follows:

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Fair value of plan assets	1,133,517	1,076,758	925,009	806,110	567,668
Defined benefit obligations	(1,090,361)	(959,286)	(799,629)	(506,339)	(503,826)
Surplus	43,156	117,472	125,380	299,771	63,842
Experience adjustments -					
Fair value of plan assets	(8,063)	123,704	52,971	195,332	86,415
Defined benefit obligations	1,044	(10,674)	150,692	(13,253)	(26,683)

The principal actuarial assumptions used were as follows:

	2020 %	2019 %
Discount rate	6.5	7.0
Future salary increases	5.0	5.5
Pension increases	3.0	3.0

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits (Continued)

(b) Other post-employment benefit obligations

The amounts recognised in the statement of financial position are as follows:

	2020 $'000	2019 $'000
Present value of obligation	280,960	198,826

The movement in the present value of obligations during the year was as follows:

	2020 $'000	2019 $'000
At beginning of year	198,826	197,130
Current service cost	8,910	5,998
Interest cost	13,799	14,695
Benefits paid	(4,635)	(3,537)
Remeasurements:		
Changes in demographic assumptions	36,766	(1,763)
Losses from changes in financial assumptions	21,701	12,956
Experience losses (gains)	5,593	(26,653)
At end of year	280,960	198,826

The amounts recognised in the statement of comprehensive (loss) income were as follows:

	2020 $'000	2019 $'000
Current service costs	8,910	5,998
Interest cost	13,799	14,695
Total included in staff costs (Note 7)	22,709	20,693

The average liability duration for each category of member is shown below:

	2020 years	2019 Years
Active members	21.8	20.6
Retirees	12.7	12.0

Assumed health care cost trends have a significant effect on the amounts recognised in the statement of comprehensive (loss) income. A one percent point change in assumed health care cost trend rates would result in the following obligations:

	2020	
	1% Increase $'000	1% Decrease $'000
Present value of defined benefit obligation (medical/life benefits)	228,170	322,310

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits (Continued)

(b) Other post-employment benefit obligations (continued)

	2019	
	1% Increase $'000	**1% Decrease $'000**
Present value of defined benefit obligation (medical/life benefits)	163,342	226,829

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The sensitivity of the post-employment medical and life benefits to changes in the principal assumptions is:

	2020		
	Impact on other benefit obligations		
	Change in Assumption	**Increase in Assumption $'000**	**Decrease in Assumption $'000**
Discount rate	1%	52,794	(41,347)
Medical and dental trend rate	1%	(40,487)	50,741
Expected pension increase	1%	(398)	438

	2019		
	Impact on other benefit obligations		
	Change in Assumption	**Increase in Assumption $'000**	**Decrease in Assumption $'000**
Discount rate	1%	35,413	(28,004)
Medical and dental trend rate	1%	(27,305)	33,938
Expected pension increase	1%	(347)	383

The five-year trend for the defined benefit obligations and experience adjustments is as follows:

	2020 $'000	**2019 $'000**	**2018 $'000**	**2017 $'000**	**2016 $'000**
Defined benefit obligations	280,959	198,826	197,130	172,516	146,345
Experience adjustments	5,593	(26,653)	(4,261)	(4,754)	5,803

The principal actuarial assumptions used were as follows:

	2020 %	**2019 %**
Discount rate	6.5	7.0
Future salary increases	5.0	5.5
Medical/ dental cost inflation	6.0	6.0

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits (Continued)

(c) Principal actuarial assumptions used in valuing post-employment benefits

The average life expectancy (in years) of a pensioner retiring at age 60 at the statement of financial position date are as follows:

	2020	2019
Male	24.9	24.2
Female	27.2	26.7

Mortality rate
Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

	2020 Impact on defined benefit obligations – Post-employment benefit assets	
	Increase in Assumption by One Year	Decrease in Assumption by One Year
	$'000	$'000
Life expectancy	25,200	(26,000)

	2019 Impact on defined benefit obligations – Post-employment benefit assets	
	Increase in Assumption by One Year	Decrease in Assumption by One Year
	$'000	$'000
Life expectancy	21,800	(22,600)

	2020 Impact on defined benefit obligations – Other post-employment benefit obligations	
	Increase in Assumption by One Year	Decrease in Assumption by One Year
	$'000	$'000
Life expectancy	11,100	(10,900)

	2019 Impact on defined benefit obligations – Other post-employment benefit obligations	
	Increase in Assumption by One Year	Decrease in Assumption by One Year
	$'000	$'000
Life expectancy	7,800	(7,700)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

16. Post-Employment Benefits (Continued)

(c) Principal actuarial assumptions used in valuing post-employment benefits (continued)

Risks associated with pension plan and other employee benefit plan
Through its defined benefit pension plan and post-employment medical plan, the Bank is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility
The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will reduce the surplus or create a deficit.

As the plan matures, the Bank intends to reduce the level of investment risk by investing more in assets that better match the liabilities. This process includes monitoring and rebalancing the asset classes and the maturity profile of assets within these classes. The Government bonds largely represent investments in Government of Jamaica securities.

However, the Bank believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Bank's long-term strategy to manage the plans efficiently.

Changes in bond yields
A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan bond holdings.

Inflation risk rate
Higher inflation will lead to higher liabilities in the event that discretionary pension increases are granted. The majority of the plan's assets are either unaffected by fixed interest securities or loosely correlated with inflation, meaning that an increase in inflation will reduce the surplus or create a deficit.

16. Post-Employment Benefits (Continued)

(c) Principal actuarial assumptions used in valuing post-employment benefits (continued)

Life expectancy
The majority of the plan’s obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan’s liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The Board of Trustees is ultimately responsible for the establishment and oversight of the plan’s risk management framework. The Trustees have established an Investment Committee for managing and monitoring the overall risk management process, as well as implementing policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Committee is responsible for the formulating and monitoring of investment portfolios and investment strategies for the plan. The Committee is also responsible for the approval and monitoring of appropriate trading limits, reports and compliance controls to ensure that the mandate is properly followed.

Up to 30 June 1990, members were required to contribute five percent (5%) of pensionable salary, defined as basic salary plus housing allowance. Members could elect to contribute a maximum of a further five percent (5%) of pensionable salary as additional voluntary contributions.

After 1 July 1990, the Fund was changed to become non-contributory. The employer’s contributions is now ten percent (10%) as a result of a decrease from eighteen percent (18%) of pensionable salaries. Members still may elect to make contributions to the Fund as additional voluntary contributions of up to 10% of the member’s gross taxable remuneration.

After 1 January 1999, the funding policy was amended to allow contributions to the Fund by the Bank at a rate of 10% of pensionable salaries.

In the most recent actuarial valuation carried out for funding purposes as at 31 December 2019, the actuaries recommended an amendment to the contribution rate from 10 to 17.91% of members’ pensionable salaries until 31 December 2022, when the next triennial valuation is due. The Bank contributed at a rate of 10%.

The weighted average duration of the defined benefit obligation is 15.8 years for the Pension Fund and 17.1 years for post-employment medical and life benefits.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

17. Property and Equipment

	Office Improvements	Motor Vehicles	Equipment Furniture and Fixtures	Computers	Total
	$'000	$'000	$'000	$'000	$'000
Cost -					
1 April 2018	36,638	11,095	36,944	40,598	125,275
Additions	782	11,158	1,028	2,161	15,129
Disposals	-	(1,315)	(66)	(904)	(2,285)
31 March 2019	37,420	20,938	37,906	41,855	138,119
Additions	-	-	2,441	72	2,513
Disposals	(406)	-	(797)	(2,016)	(3,219)
31 March 2020	37,014	20,938	39,550	39,911	137,413
Depreciation -					
1 April 2018	11,407	7,064	16,031	37,026	71,528
Charge for the year	3,735	1,888	3,248	2,220	11,091
Disposals	-	(1,315)	(54)	(628)	(1,997)
31 March 2019	15,142	7,637	19,225	38,618	80,622
Charge for the year	3,712	3,090	3,322	1,697	11,821
Disposals	(176)	-	(703)	(1,946)	(2,825)
31 March 2020	18,678	10,727	21,844	38,369	89,618
Net Book Value -					
31 March 2020	18,336	10,211	17,706	1,542	47,795
31 March 2019	22,278	13,301	18,681	3,237	57,497

18. Investment Property

(a) These comprise:

Fair Value of Land and Buildings:

	$'000
Balance as at 1 April 2018	190,427
Gain on revaluation of investment property	44,573
Balance as at 31 March 2019 and 31 March 2020	235,000

18. Investment Property (Continued)

(a) These comprise: (continued)

Fair Value of Land and Buildings: (continued)

i. The fair value of the property amounting to $235 million was arrived at on the basis of valuations carried out by external independent valuators, David Thwaites & Associates. The property was valued at fair value considering the income approach and sales comparables, which is defined by the Internal Valuation Standards 2011, 9th Edition. Site inspection and associated market analyses were undertaken and completed on the 16th July 2018. Discount rates applied to the model in 2018 ranging from 8.0% to 9.0% were deemed most appropriate by the valuator. The valuator is accredited in Jamaica specializing in the valuation of commercial, residential and mixed-use properties. The surplus arising on the property revaluation was credited to profit or loss in the statement of comprehensive (loss) income.

ii. Rental income in relation to investment property amounted to $20,313,000 (2019 - $19,266,000). Direct expenses incurred in relation to these properties totalled $5,017,000 (2019 - $3,840,000).

iii. With regards to loan received, Note 21 (c), Petrocaribe Development Fund has a lien on property; stamped initially to cover US$1 million.

19. Lines of Credit

	2020 $'000	2019 $'000
Bank of Nova Scotia Jamaica Limited – Cuban Lines of Credit (2019 – 5.95%)	-	335,937

Included in lines of credit above is interest payable amounting to Nil (2019 - $3,200,000).

These unsecured amounts represent the drawn-down balances on lines of credit extended to the Bank for 180 days. The total line of credit limit available to the Bank is 10 million Canadian dollars. This loan was repaid during the financial year.

20. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method, using a tax rate of 25%. The movement in the deferred income tax (asset)/liability is as follows:

	2020 $'000	2019 $'000
At beginning of year	(47,260)	(27,363)
Recognised in the profit or loss in the statement of comprehensive (loss) income (Note 8)	(29,850)	(22,678)
Recognised in the other comprehensive (loss) income (Note 8)	(32,291)	2,781
At end of year	(109,401)	(47,260)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

20. Deferred Taxation (Continued)

Deferred income tax arises as follows:

	2020 $'000	2019 $'000
Deferred income tax assets –		
Accrued vacation	4,913	4,186
Insurance provision	777	777
Accelerated tax depreciation	1,025	-
Tax losses	25,296	-
Foreign exchange loss	17,939	22,126
Post-employment benefit obligation	70,240	49,707
	120,190	76,796
Deferred income tax liabilities –		
Accelerated tax depreciation	-	168
Post-employment benefit asset	10,789	29,368
	10,789	29,536
	109,401	47,260

The deferred tax (credit)/ charge in the profit or loss in the statement of comprehensive (loss) income comprise the following temporary differences:

	2020 $'000	2019 $'000
Accrued vacation	(727)	(1,016)
Foreign exchange loss	4,187	(16,333)
Accelerated tax depreciation	(1,193)	(146)
Statutory loss	(25,296)	-
Post-employment benefit asset	(2,303)	(893)
Post-employment benefit obligation	(4,518)	(4,290)
	(29,850)	(22,678)

The deferred tax charge/ (credit) in the other comprehensive (loss) income comprises the following temporary differences:

	2020 $'000	2019 $'000
Post-employment benefit asset	(16,276)	(1,085)
Post-employment benefit obligation	(16,015)	3,866
	(32,291)	2,781

21. Long-Term Loans Payable

	2020 $'000	2019 $'000
(a) PetroCaribe Development Fund	726,540	1,034,821
(b) PetroCaribe Development Fund	303,807	350,008
(c) PetroCaribe Development Fund	629,071	-
(d) Development Bank of Jamaica Limited (DBJ)	11,330	38,790
(e) National Insurance Fund	-	13,805
(f) Tourism Enhancement Fund (TEF)	1,020,318	1,001,221
	2,691,066	2,438,645
Deferred commitment fees	(581)	(2,859)
	2,690,485	2,435,786

Included in long-term loans is interest payable amounting to $121,885,000 (2019 - $10,159,000).

The amount due at 31 March 2020 includes $938,212,000 (2019 - $279,123,000) payable within twelve months.

(a) The Bank entered into a loan agreement with the PetroCaribe Development Fund to borrow US$12 million. It drew down the amount in three tranches between 8 August 2007 and 30 January 2008. The loan is unsecured, and bears initial interest at the rate of 5% (from July 2011- July 2013, this was reduced to 3%, however it was later returned to 5% in August 2013). The loan has a tenure of fifteen years, with a moratorium of one year on principal repayment. A further loan agreement for US$6 million was entered into with the Fund and the proceeds received during the year ended 31 March 2011, at a rate of 3%. This loan is due to be repaid by June 2022.

(b) The Bank entered into a loan agreement with the PetroCaribe Development Fund to borrow $1 billion. The loan has a rate of 6% and tenure of fifteen years, with a moratorium of one year on principal repayment. This loan is due to be repaid by December 2023 and is unsecured.

(c) The Bank entered into a loan agreement with the PetroCaribe Development Fund to borrow US$20 million. The loan has a rate of interest of 3% and tenure of 10 years. The loan was fully drawn down as at the reporting date. The loan is secured by assignment over the portfolio of loans extended under this facility, and equitable mortgage over property located at Norwood Avenue, Kingston 5. This loan is due to be repaid by March 2022. (See Note 28).

(d) The Bank entered into various loan agreements with the Development Bank of Jamaica (DBJ). The interest rates on these loans range from 4.25% to 6.50%. These loans have repayment dates ranging from December 2015 to August 2022. The Bank is an AFI of the DBJ and all loans to the Bank are unsecured.

(e) The Bank has entered into a loan agreement with the National Insurance Fund (NIF) for on lending to SME's and is for working capital and fixed asset purchases for entities involved in value added activities i.e. light manufacturing, agriculture, agro-processing, energy, services and the creative industries. This facility represents a Jamaica dollar pool of approximately J$138 million. The loan ceiling is J$15 million per customer and the facility expires on 30 April 2022. For the year, the Bank had drawn NIL (2019 - NIL). The loan from the NIF to the Bank is unsecured.

(f) The Bank has entered into a loan agreement with the Tourism Enhancement Fund (TEF) for on lending to Small and Medium Enterprise's organizations within the Tourism sector. This facility represents a Jamaica dollar pool of approximately J$1Billion. The loan is unsecured and ceiling per customer is J$25 million. As at 31 March 2020, the Bank had received NIL (2019 – J$1 Billion).

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

22. Share Capital

	Number of Shares Issued and Fully Paid	Share Capital $'000
Authorised- 2,613,688 ordinary shares as at 31 March 2019 and 31 March 2020		
Balance as at 31 March 2019 and 31 March 2020 ($1,000 per share)	2,066,824	2,066,824

23. Capital Reserve

	2020 $'000	2019 $'000
GOJ Budgetary Support	150,000	150,000
Apparel Sector Facility	45,842	45,842
JECIC Grant	148,574	148,574
Gain on Sale of Assets	8,210	8,210
	352,626	352,626

The GOJ budgetary support represents a non-reimbursable grant from the Government of Jamaica provided as budgetary support for the Bank.

The apparel sector facility represents a non-reimbursable grant from the Government of Jamaica, to be on-lent at an interest rate of 11% (2019 - 11%) per annum to the apparel sector under the Apparel Sector Financing Scheme.

The Jamaica Export Credit Insurance Corporation (JECIC) Grant represents the balance of investments being managed by National Export-Import Bank of Jamaica Limited for JECIC (in liquidation). The Bank of Jamaica approved the net investments balance as a grant to EXIM effective 1 April 2006.

24. Reserve Fund

15% of the profit after taxation each year is transferred to a reserve fund until the fund equals 50% of paid-up capital and, thereafter, 10% of the profit after taxation will be transferred until the amount in the fund is equal to the paid-up capital of the Bank.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

25. Reserve for Trade Credit Insurance

This reserve represents amounts transferred from retained earnings to meet any future claims which may be incurred as a result of trade credit insurance contracts.

26. Investment Revaluation Reserve

This reserve comprises the fair value gains or losses recognised for financial instruments carried at fair value through other comprehensive (loss) income.

27. Related Party Balances and Transactions

The statement of financial position includes balances, arising in the ordinary course of business, with the Government of Jamaica (GOJ), entities owned by the GOJ, key management personnel (directors and senior executives) and other related parties as follows:

	2020 $'000	2019 $'000
GOJ, entities owned by the GOJ and affiliates-		
Notes and other receivables	19,701	11,204
Investments (Note 14)	11,282	11,150
Long-term loans payable (Note 21 and Note 28)	(3,628,697)	(3,384,286)

Transactions with related parties were as follows:

	2020 $'000	2019 $'000
GOJ entities owned by the GOJ and affiliates-		
Interest income	19,369	10,949
Interest expense	(133,828)	(115,188)

Transactions with directors and key management personnel (including executive director) were as follows:

	2020 $'000	2019 $'000
Salaries and wages	61,245	69,614
Directors' emoluments-		
Fees	1,257	1,491
Other remuneration	19,254	19,497

28. Reclassification of Long-term Loan

As at 31 March 2020 the Bank maintained the agreed Liquidity ratio, that is, investments to be maintained in cash and marketable securities at 5% of total assets.

During the financial year ended 31 March 2020, the Bank failed to meet its loan repayments on four (4) of its obligations (June 2019, September 2019, December 2019 and March 2020). This did not result in a reclassification of the loan but was treated as an arrears based on correspondence received from the Ministry of Finance and the Public Service regarding the PetroCaribe Development Fund Loan amount, no timeline was issued to the Bank for the settlement of these arrears.

As at 31 March 2019, the Bank was in breach of clause 12.26 of the Petro Caribe Loan Agreement dated 18 January 2012 – Liquidity ratio - (which stated investments to be maintained in cash and marketable securities at 5%.

This resulted in the reclassification of Loan from Long term payable.

29. Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value. However, market prices are not available for a significant number of the assets and liabilities held and issued by the Bank. Therefore, where no market price is available, the fair values presented have been estimated using present values or other estimation and valuation techniques based on market conditions existing at reporting date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) The fair value of unquoted equity securities classified as fair value through other comprehensive (loss) income was determined by applying a marketability/liquidity discount to the quoted price of a class of shares within the same company that rank parri passu.

(ii) The carrying amounts of liquid assets and other assets maturing within one year are assumed to approximate their fair values. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.

(iii) The fair value of the Government securities was determined based on the present value of the future cash flows using an appropriate discount rate, based on market yields on other such securities with similar maturity dates.

(iv) The fair value of loans payable which were obtained at concessionary rates (Note 21) has not been estimated as these loans are available to the Bank due to its special circumstances. Adequate market information is not available to determine the fair value of such loans.

(v) The fair value of investment property is determined using the market comparison approach which estimates the fair value based on sale prices of properties of similar nature or in similar locations with price adjustments being made for any notable differences between the sample and subject property.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

29. Fair Values (Continued)

The following tables provide an analysis of assets held as at 31 March that, subsequent to initial recognition, are measured at fair value. The assets are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

	2020			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Unquoted investments (Note 14)	-	-	175,177	175,177
Government of Jamaica securities	-	11,282	-	11,282
Investment property (Note 18)	-	-	235,000	235,000
	-	11,282	410,177	421,459

	2019			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Unquoted investments (Note 14)	-	-	303,239	303,239
Government of Jamaica securities	-	11,150	-	11,150
Investment property (Note 18)	-	-	235,000	235,000
	-	11,150	538,239	549,389

The Bank held no instruments classified as Level 1 during the year, and there were no transfers between levels during the year.

The movement in securities classified as Level 3 during the year was as follows:

	2020 $'000	**2019 $'000**
At start of year	538,239	607,120
Gain on revaluation of investment property recognized in profit or loss	-	44,573
Foreign exchange loss recognized in other comprehensive income	-	(2,653)
Fair value gains recognized in other comprehensive (loss) income	11,836	-
Fair value loss recognized in other comprehensive (loss) income	(139,898)	(110,801)
At end of year	410,177	538,239

30. Commitments

(a) Loan commitments under the various loan programmes totalled $469,850,000 at 31 March 2020 (2019 - $289,200,400).

Operating lease - Bank as lessor

At 1 November 2014, the Bank became a lessor of commercial lease for extended periods. The leases have an average life of three years with the option to renew for a further three years. There are no restrictions placed upon the lessee by entering into the leases.

Future minimum lease payments under non-cancellable operating leases as at 31 March are, as follows:

	2020 $'000	2019 $'000
Within one year	20,892	20,313
After one year but not more than five years	12,187	12,188
	33,079	32,501

During the year ended 31 March 2020, $20,313,000 (2019 - $19,266,000) of lease payments was credited to net income.

31. Impact on the Adoption of IFRS 16 - Leases

IFRS 16 Leases

In the current year, the Bank, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016. The date of initial application of IFRS 16 for the Bank is 1 April 2019.

For leases previously classified as operating leases applying IAS 17 and (IFRIC in which the Bank is the lessee, the Bank has applied IFRS 16 retrospectively in accordance with the transitional provisions therein using the modified retrospective transition approach. Under this approach, the cumulative effect of initially applying IFRS 16 was recognised as an adjustment to the opening balance of retained profits at 1 April 2019. The date of initial application and the comparative information has not been restated and continued to be reported under IAS 17. In addition, lease liabilities were recognised at 1 April 2019 and measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at that date and the corresponding right-of-use assets were measured at the same amount, adjusted by any prepaid or accrued lease payments recognised immediately before 1 April 2019.

The Bank entered into a ten (10) year Lease Agreement with Sagicor Life Limited for its occupied property at 85 Hope Road, Kingston 6 with an effective date 1 July 2014 which ends 30 June 2024 with annual increase/interest rate of 7%. There is an option to renew for another five (5) years – ending 30 June 2029.

Based on the above, as at 1 April 2019:

- Right-of-use assets of $272,957,000 were recognised and presented in the statement of financial position
- Additional lease liabilities of $272,957,000 were recognised and presented in the statement of financial position
- The adoption of IFRS 16 had no impact on the Bank's retained earnings and no material impact on its Tier 1 Capital (CET1) ratio of 13% (capital of the Bank is 13% at the end of a reporting period).

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2020
(Expressed in Jamaican dollars unless otherwise indicated)

31. Impact on the Adoption of IFRS 16 – Leases (Continued)

IFRS 16 Leases (continued)

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

	$'000
Assets	
Operating lease commitments as at 31 March 2019	56,573
Weighted average incremental borrowing rate as at 1 April 2019	7.0%
Discounted operating lease commitments as at 1 April 2019	53,763
Less:	
Commitments relating to short-term leases	-
Commitments relating to leases of low-value assets	-
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 March 2019	219,194
Lease liabilities as at 1 April 2019	272,957

The Bank has elected to apply the modified retrospective method and therefore is required to disclose the following:

- The weighted average incremental borrowing rate applied to lease liabilities recognised at the date of initial application
- An explanation of any difference between the result of discounting the operating lease commitments reported under IAS 17 at the end of the annual reporting period preceding the date of initial application and lease liabilities recognised on the statement of financial position immediately after posting the cumulative catch-up adjustment on the date of initial application.

The Bank has provided the disclosure in the form of a table to reconcile the operating lease commitments reported under IAS 17 as at 31 March 2019 to the lease liabilities recognised as at 1 April 2019.

31. Impact on the Adoption of IFRS 16 - Leases (Continued)

IFRS 16 Leases (continued)

	J$'000
Result Summary	
Statement of Financial Position	
Right-of-use asset	
Effect of IFRS 16 adoption as at 1 April 2019 (Property Building/Land)	272,957
Accumulated depreciation	(26,630)
Balance as at 31 March 2020	246,327
Lease liabilities	
Balance as at 1 April 2019	(272,957)
Interest expense on lease liabilities	(18,668)
Principal payments	27,792
Balance as at 31 March 2020	(263,833)
Current lease liability as at 31 March 2020	(11,803)
Non-current lease liability as at 31 March 2020	(252,030)
	(263,833)

Amounts recognized in the statement of profit and loss for the year ended 31 March 2020

Amortization of right-of-use assets	26,630
Interest on lease liabilities	18,668
Expense relating to short-term leases and low-value assets	(1,520)

32. Subsequent Event

On 30 January 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus COVID 19) to constitute a 'Public Health Emergency of International Concern'. This global outbreak, and the response of governments worldwide to it, has disrupted supply chains and activities across a range of industries.

The mandate of National Export-Import Bank of Jamaica is centered around supporting the Jamaican Government in its drive to improve the economy by strengthening the private sector. More specifically it is directly tied to addressing one of the key obstacles to economic growth, i.e. access to finance particularly to small and medium enterprises (SMEs) which have been acknowledged to be the engine of growth in developing economies.

Based on the recent feedback on the negative impact of COVID-19 on the MSMEs, it is expected that there will be very low inflows from scheduled payments further affecting the Bank's cash flow position. The Bank, through the Ministry of Tourism has suspended all payments on (SMTE) loans to the tourism sector (90 days 1 April - 30 June 2020) and rescheduled all medium-term facilities for an additional two years.

It is anticipated that there will be an increased demand for new loans or disbursement of approved commitments over the next 90 days.

The extent of the impact of COVID 19 on the Bank's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Bank's investments, Management, all of which are uncertain.