

brand attributes OF THE EXIM BANK

BOLD
agreeable
DEDICATED
competent
PIONEERING



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Company Profile and Function

THE NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED (EXIM Bank) was incorporated as a limited liability company on February 26, 1986 and commenced operations on May 1, 1986. It is an independent public sector trade financing institution fully owned by the Government of Jamaica since September 1, 2000. The Bank is headed by a Board of Directors experienced in many disciplines and drawn from both the public and private sectors. Executive Management is directed by a Managing Director supported by a Deputy Managing Director and a team of Divisional Managers.

EXIM Bank provides short-term financing to the non-traditional export sector to cover pre-shipment costs and post-shipment receivables.

EXIM Bank administers trade credit facilities made available through Foreign Lines of Credit.

EXIM Bank offers medium term financing through specific loan programmes for the acquisition of capital equipment for re-tooling, refurbishing, upgrading and efficiency improvement to enhance export competitiveness.

EXIM Bank encourages the development of trade between Jamaica and other countries by offering Export Credit Insurance as a protection for export receivables against both commercial and political risks.

three year FINANCIAL HIGHLIGHTS

As at 31 March

FINANCIAL POSITION (J\$ MILLIONS)

	2008	2007	2006
Total Assets	5379.28	4668.79	3981.42
Cash and Short-Term Deposits	494.03	505.57	658.94
Notes Discounted	1043.49	976.83	877.37
Investments	468.03	581.78	504.92
Shareholders' Equity	1717.57	1692.38	1519.52

EARNINGS (J\$ MILLIONS)

Total Revenue	451.95	368.54	307.04
Operating Profit	284.97	231.25	236.27
Profit Before Tax	29.79	50.80	129.73
Profit After Tax	17.45	38.80	89.37

FINANCIAL RATIOS (%)

Return on Assets	0.32	0.83	2.24
Return on Equity	1.02	2.29	5.88
Admin. Expense Ratio	45.55	48.44	36.31
Operating Profit Margin	63.05	62.75	76.95

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VISION

EXIM Bank's vision is to be the Premier Trade Financing institution in the region, supporting sustainable Economic Growth and Development for the Nation.

MISSION

To provide competitively priced trade financing and medium term loans to the productive sector, complemented by export credit insurance and other related services.

We aim to satisfy our customers' needs through a highly motivated and professional team working in a proactive manner to achieve sustainable economic growth for Jamaica, while ensuring a viable organisation.

CORE VALUES

Our values provide direction and energy to what we do every day; they serve as the guiding principles of individual and organisational behaviour.

At EXIM Bank we believe in:

SATISFIED CUSTOMERS We are responsive to the needs of our customers and deliver excellent customer service.

MOTIVATED STAFF We create a caring environment that fosters open and honest communication, teamwork and, above all, highly motivated staff.

TRANSPARENT ORGANISATION We conduct our business with equity, transparency and accountability.

PROFESSIONAL CONDUCT We approach all we do with integrity and professionalism, always respecting the confidentiality of our customers, staff and others with whom we do business.

PROACTIVE ATTITUDE We are innovative, creative and proactive, adding value through all we do.



Chairman's Message

"...Our distinction comes from providing unique benefits such as lower rates, willingness to take greater risk, and the adoption of best practices..."

Gary Craig 'Butch' Hendrickson
Chairman

Sailing Close To The Wind

For 22 years, the EXIM Bank has demonstrated an unwavering commitment to our clients' needs while being responsive to Jamaica's changing macroeconomic climate. Our people, policies and products are the salient factors which have enabled us to attract a loyal and successful customer base. To ensure further progress we need to be more aggressive in our marketing efforts, alert to market changes and most importantly, continue working closely with our valued customers, which will all redound to the benefit of Jamaica's productive sector.

In these increasingly competitive times and faced with the reality of a global marketplace, the fact of the matter is that it cannot be 'business as usual'. The EXIM Bank is competing in a new landscape characterised by a global credit crunch; new and emerging industries driven by information technology and intellectual property; young entrepreneurs driving 'Brand Jamaica' with new vision and talent and last but not least, Jamaica's increasingly competitive lending environment. The winds of change are blowing and we need to set our sails in the right direction.

We are committed to providing financial assistance by way of affordable and creative products and, at every step, EXIM will consistently demonstrate its competitive edge to exporters, importers, manufacturers and small business entrepreneurs in both established and emerging markets. For those who may not yet be aware, our distinction comes from providing unique benefits such as lower rates, willingness to take greater risk and the adoption of best practices. We will ensure that you know our productive promise and where to find us.

Our challenges for this year are to be proactive in reaching our customers, understanding their business needs, and offering appropriate solutions that match these needs. Opportunities will be explored to assist emerging industries and to broaden our customer base; while we continue to provide excellent customer service to existing clients. EXIM's strategic alliances with private sector groupings remain a key initiative in allowing us to keep in touch with our clients' needs. Through the Jamaica Exporters Association (JEA), the Jamaica Manufacturers Association (JMA) and the Small Business Association of Jamaica (SBAJ), we have assisted both small and medium sized enterprises in need of working capital and other financial support and will continue our ongoing relationships with these associations.

We will also strengthen our relationships with our network of Approved Financial Intermediaries (AFIs), recognising that we are not competitors but financial partners in building stronger customers, stronger businesses and a stronger Jamaica. Being customer-centric demands that we constantly seek to innovate and improve on our products. Soon our customers will benefit from EXIM's new Trade Credit Insurance Product which incorporates an enhanced Export Credit Insurance Product and an innovative Domestic Credit Insurance product at reduced and affordable rates.

Because we recognise that affordable pricing is the perennial cry of the entrepreneur, we aim to pass on efficiencies gained through employing technology to streamline our business processes. Investment in technology will also create greater access to on-line services which is the way of the future and with which EXIM must keep pace.

Of course, all this must take place with the guiding philosophy of strong corporate governance and a high sense of accountability. I am a great believer that doing things right will reap great rewards and I am fortunate to lead a committed team that shares this belief. I am delighted with the willingness of the other members of our Board, many of whom are successful entrepreneurs in their own right, to share their knowledge and expertise with EXIM staff members in their support of clients in need of guidance. Indeed, the entire EXIM family is a talented one, always seeking to achieve even higher standards. We are proud of our past but our sights are firmly set on the future. I urge you to partner with us...together we can expect to succeed.

A handwritten signature in black ink, appearing to read "G. Hendrickson", with a long horizontal flourish extending from the bottom of the signature.

Gary Craig 'Butch' Hendrickson
Chairman

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Managing Director's Report

"...the Bank is pleased to report another successful year of operations. Revenue of \$451.9 million which was achieved at year end, was approximately 22.6% over the revenue of \$368.5 million reported in the previous year..."

Pamella McLean, CD
Managing Director



The financial year April 2007/March 2008 was characterised by innovation, achievements and changes for the EXIM Bank. The Bank embarked on a mission to rebrand and reposition itself in the Jamaican financial services sector through an aggressive and sustained marketing and advertising programme, aimed at promoting EXIM as the *preferred bank for the productive sector*, geared to assist not only exporters, but a gamut of producers and entrepreneurs. The programme also supported our core initiative of loan portfolio growth, central to the Bank's sustained viability and critical to the expansion of the country's productive base.

It is therefore with a deep sense of pride that the Bank reports total disbursements of \$4.8 billion at financial year end, surpassing projections of \$4.6 billion. This level of loan disbursement was achieved during a year in which the country's economic landscape recorded significant challenges. The Jamaican dollar continued to depreciate against its major counterparts, the Canadian and United States dollars, and resultant from attempts to stabilise the foreign exchange market, the country's Net International Reserves (NIR) declined by approximately 14.8%, from US\$2,329.36 million at March 2007 to US\$2,083.40 million at financial year end, March 2008. Additionally, continuing adverse weather conditions in the immediate aftermath of a devastating hurricane, together with the relentless rise in world prices for both oil and basic food supplies, contributed significantly to a higher than expected inflation out-turn which was reported at 19.9% at financial year end March 2008.

FINANCIAL PERFORMANCE

Notwithstanding the challenges posed by the economic environment, the Bank is pleased to report another successful year of operations. Revenue of \$451.9 million which was achieved at year end, was approximately 22.6% over the revenue of \$368.5 million reported in the previous year, 2006/2007. This performance was attributed to the continuing growth in our loan portfolio which positively impacted our revenue base and contributed to profit before tax of J\$29.8 million. This reduction on profit of J\$50.8 million achieved at financial year end 2006/2007, was due to an increase in loan loss provision of approximately J\$47 million for which the prospects of full recovery are considered good. Shareholders' Equity increased to \$1.72 billion, up from \$1.69 billion reported in 2006/2007 and continues to reflect the Bank's policy of profit retention.

STRATEGIC INITIATIVES 2007/2008

Consequent on the change in the country's political administration which took place in September 2007, a new Board of Directors was appointed in December 2007. The new Board has endorsed the Bank's strategic direction outlined in its second Three Year Strategic Plan (2007/2010), "Vision 2010", the current year 2007/2008, marking the first year of this Vision. During the year the Bank focused on a number of key initiatives which largely embody a continuation and expansion of certain strategic initiatives first undertaken in the 2004/2007 Strategic Plan, to include:

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Growing the Loan Portfolio with emphasis on attracting new business from emerging industry sectors such as the Creative Industries.

Sourcing Low Cost Funds for on lending at competitive rates of interest.

Increasing Tolerance for Credit Risk through the relaxation of some of the more stringent collateral requirements for viable projects.

An Aggressive Marketing and Advertising Campaign aimed at increasing the Bank's visibility and presence in the financial services marketplace.

Optimising the Use of Technology to improve efficiency.

Implementing an Effective Fee/Cost Recovery Structure as a cost containment strategy.

The growth target for loans for the 2007/2008 financial year was to a large extent predicated on strong loan utilisation for projects displaying export potential. Through its medium term financing facilities the Bank provided substantial assistance for the expansion of ethanol production for export, and continued its support for the Agro Processing Sector through the financing of machinery and equipment for plant modernisation to achieve increased productivity. In its endeavour to diversify its loan portfolio, the Bank also provided support for the introduction of new building technology, (use of expandable polystyrene/foam products) for the construction sector. This is projected to reduce building costs in the Tourism sector as well as other sectors. In recognition of the contribution made by small and medium sized enterprises providing vital linkages to the goods producing and tourism sectors, the Bank increased loans under the Small Business Facility by 24.7%, on-lending \$232.7 million to this sector.

During the year the Bank engaged in extensive dialogue with various stakeholders in the Creative Industries to determine the feasibility of entering into risk sharing agreements with these stakeholders as a way of facilitating financial support. So far one such agreement was approved to facilitate the manufacture of indigenous craft items for export.

“...the Bank... enhanced the features of the Export Credit Insurance product to incorporate domestic credit insurance... renamed Trade Credit Insurance [which] will offer lower and more equitably determined premium rates...”

In keeping with its primary mandate to provide short term financing, the Bank is pleased to report strong utilization under its short term Lines of Credit facilities. These continued to provide a vehicle for the importation of raw material and capital goods for the productive sectors. The Bank was again called upon to provide financial assistance to facilitate the importation of cement supplies to avert shortages and down time in the Construction Sector. In addition to the foregoing, increased activities were recorded under the Cuban Line of Credit as our Jamaican exporters negotiated larger volumes of export to Cuba.

To enable it to lower its cost of funds and reduce lending rate(s) to its customers, the Bank successfully negotiated a loan of US\$12 million (approximately J\$856.0 million) from the Petro Caribe Development Fund, which, along with the \$100 million allocated for disbursement under the National Insurance Fund (NIF) scheme, augmented the Bank's financial resources for on lending.

During the year the Bank also carried out a detailed review of its fees/cost structure, and in January 2008 implemented a revised structure aimed primarily at cost recovery so as to assist the Bank with its cost containment measures.

A comprehensive advertising and public relations campaign to increase awareness of the Bank and its products was launched in November 2007. Extensive work in rebranding and repositioning the Bank is continuing through the efforts of our Marketing Department. We also continued to maintain a presence at Trade Shows, Sector Group Meetings and Seminars as part of our advertising campaign to familiarise both our partners and the general public regarding the Bank's products and services.

The upgrade and use of Information Technology for greater efficiency and communication both internally and externally is well advanced and a more user friendly, interactive and informative website will be in operation by the end of the first quarter of the new financial year 2008/2009.

TRADE CREDIT INSURANCE

For some time, due to the relatively stable markets in which our policyholders operate and the decision of large companies to self insure as a means of reducing costs, growth in the Export Credit Insurance product has been relatively slow. In assessing ways in which to revitalise demand for the product, the Bank after consultation and investigation through feasibility studies, enhanced the

features of the Export Credit Insurance product to incorporate domestic credit insurance, coverage on sales by subsidiary companies operating within CARICOM, 3rd country sales initiated by local policyholders and sales of goods trans-shipped from Jamaica's duty free zones to countries within the Caribbean region. This new enhanced product which was renamed Trade Credit Insurance will offer lower and more equitably determined premium rates, as they will be based on country risk assessment and the financial viability of the buyers. The value added features of the new product are designed to increase its demand levels. Policyholders will also have the added advantage of being able to access working capital by utilising the insurance policy as collateral. The Trade Credit Insurance product is expected to be available to the marketplace by the end of the first quarter of the new financial year 2008/2009.

GROWTH STRATEGY FOR 2008/2009

EXIM's new Board of Directors has challenged the Bank to increase loan utilisation to \$6.0 billion by financial year end 2008/2009, an approximate 25% over the \$4.8 billion achieved at financial year end 2007/2008. In preparation for this challenge, we propose to take steps to broaden our geographical reach in order to attract new businesses and to also intensify our efforts at greater collaboration with our stakeholders. Additional focus will be placed on the development of small and medium sized enterprises and to this end, the Bank has commenced a revision of its Small Business Facility (SBF) with a view to enhancing this product by broadening the eligibility criteria, increasing the current loan limits and rebranding the loan product.

With respect to the introduction of Trade

Credit Insurance (TCI) the Bank has projected a 20% increase in premium income and has projected \$100 million in working capital financing under its Insurance Policy Discounting Facility, primarily for policyholders.

The Bank projects to provide approximately \$4.8 billion in short term financing to the productive sector for 2008/2009 financial year. As in previous years, the Bank will continue to identify and fund projects in key growth sectors of the economy, such as Tourism, Agri-Business, Manufacturing, Mining and Quarrying and Information Communication Technology, as well as pursue the development of innovative products and services, identified through market research.

Special programmes to expand our partnerships with our Approved Financial Intermediaries (AFIs) will be undertaken as this group is of particular importance to the Bank's loan portfolio growth.

THE INTERNATIONAL ARENA

The Bank has been a member of the Berne Union (an association of International Credit and Investment Insurers) since 1984. During this period the Insurance staff has gained invaluable knowledge on the operating methodologies of credit insurance through attendance at meetings and workshops and has kept abreast of best practices in the international marketplace. It is with pride that we advise that the EXIM Bank was elected as a member of the Management Committee of the Berne Union, for a period of two years, 2007-2009.

ACKNOWLEDGEMENTS

The Bank's performance for the year under review is attributed to the commitment and dedication of the

Management and staff of the Bank who have enabled it to achieve yet another year of successful operations. We would also like to place on record our thanks for the invaluable guidance and support extended by the past Board of Directors over the years. To our new Board of Directors, we express our sincere appreciation for the vote of confidence expressed in the Management and Staff of the Bank and look forward to successive years of viable operations.



Pamella McLean, CD
Managing Director

Review of Operations

For the second year in succession, the EXIM Bank's loan disbursement figures surpassed the J\$4.0 billion mark, as the Bank recorded total utilisation of J\$4.8 billion at financial year end 2007/2008, an overall increase of J\$300.0 million over the figure of J\$4.5 billion, reported for the 2006/2007 financial year. At that time, the achievement represented a 50% increase over the previous year and as such, the two year growth in utilisation represents an effective 60% increase. This current year's achievement resulted in increased revenue and profitable results for the financial year ended 31 March 2008.

FINANCIAL PERFORMANCE

Revenue

For the financial year ended 31 March 2008, the EXIM Bank reported revenue of J\$451.9 million, an increase of 22.6% over the results for the corresponding period last year when revenue was reported at J\$368.5 million. This increase in revenue was attributable to growth in the Bank's core business, as income from loans accounted for 80% of total revenue. The figure moved from J\$292.4 million in 2006/2007 to J\$371.2 million at year-end, March 2008, an increase of 27%. Income from investment, which accounted for 14.3% of overall revenue, also increased, moving from J\$55.6 million in 2006/2007 to J\$64.6 million, at year-end 2007/2008.

Net Interest Income

Net Interest Income was reported at J\$268.8 million, an increase of J\$58.1 million or 27.6% over the figure of J\$210.7 million reported for the prior year and represented a continuation in the trend of focusing attention on core business. On the other hand, interest expense increased from J\$137.3 million in 2006/2007 to J\$167.0 million, at year-end 2007/2008, reflecting an increase of 21.6%, primarily due to increased borrowings to fund the growth in the loan portfolio.

Other Income

During the review period, revenue generated from other income was reported at J\$16.2 million compared to J\$ 20.6 million the previous year. The reduction was largely due to foreign exchange losses incurred over the reporting period.

Non-interest expenses

Non-interest expenses for 2007/2008 were reported at J\$255.2 million, reflecting an increase over the 2006/2007 figure of \$180.5 million. Salaries and employees benefits continued to be the main item in this category accounting for \$123.5 million, or 58.6% of non-interest expenses. As a result, the Bank's Productivity ratio, an index of its cost efficiencies (measured by non-interest expense as a percentage of total revenue), was 46.1% against 49.0% reported the previous year and compares favourably with productivity ratios in the local banking industry. Profit after

tax for the period was reported at J\$17.4 million, which represented a decrease on the results of 2006/2007 when a profit of \$38.8 million was recorded. This decrease was due to an increase in loan loss provision.

EARNING ASSETS

For the financial year ended 31 March 2008, the Bank's total assets were reported at \$5.4 billion, which is an increase of 15% over the \$4.7 billion recorded the previous year. This increase was due primarily to increased utilisation under the Bank's short term foreign currency loan facilities. Loans receivables increased by \$337.0 million or 32% over the corresponding period last year moving from \$1.1 billion in 2006/2007 to \$1.4 billion, at year-end 2007/2008.

“... the Bank recorded total utilisation of J\$4.8 billion at financial year end 2007/2008, an overall increase of J\$300.0 million over the ...2006/2007 financial year.”

The medium term portfolio continued to record increased activity reflecting loans of J\$1.0 billion at year-end 2006/2007, an increase of 27% over the figure of \$821.3 million reported the previous year. Notable increases were also recorded in Notes Discounted and Customers' liabilities under Letters of Credit.

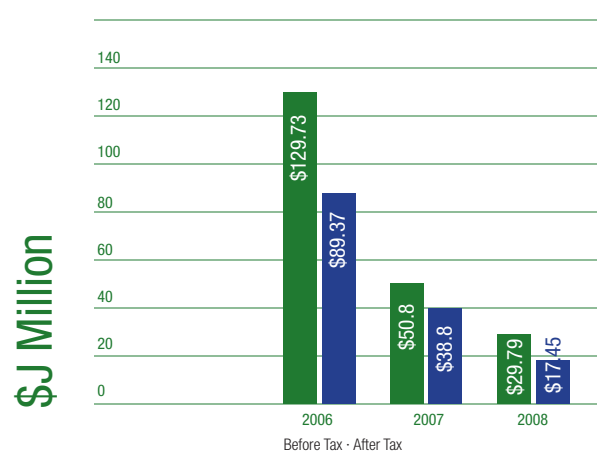
SHAREHOLDER'S EQUITY

At year-end 31 March 2008, Shareholder's Equity was reported at \$1.7 billion reflecting a similar position to that which was recorded in the previous year 2006/2007.

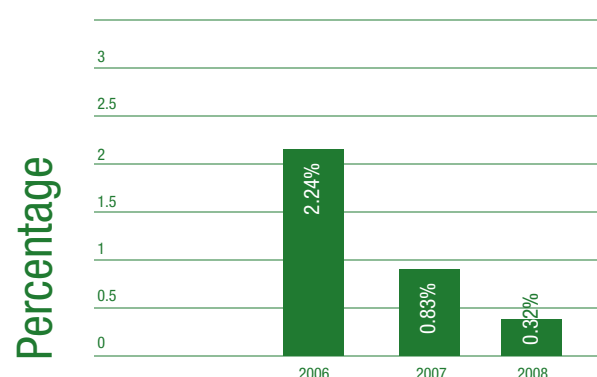
REVIEW AND ANALYSIS OF LENDING OPERATIONS

During the 2007/2008 financial year, the EXIM Bank achieved the highest level of loan utilisation in its history with total loans disbursed under its various local and foreign currency facilities totaling J\$4.8 billion, representing an increase of 6.7% over the results achieved in the preceding financial year. This performance was fuelled by the continued strong demand for foreign currency loans, as loans disbursed under the Foreign Lines of Credit totaled US\$28.2 million, exceeding projected utilisation by approximately US\$5.3 million, but fell short of disbursements of US\$31.0 million achieved for the previous financial year. This sustained performance was due mainly to the continued support provided to companies involved in the importation of cement to ease the shortfall in local production. Loans to this sub-sector were valued US\$13.4 million or

PROFITABILITY



RETURN ON ASSETS

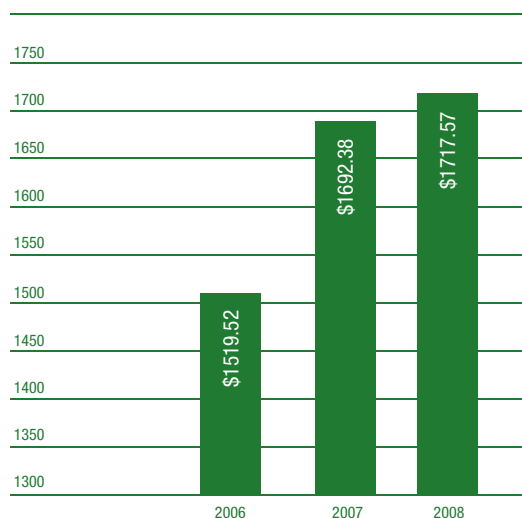


RETURN ON EQUITY



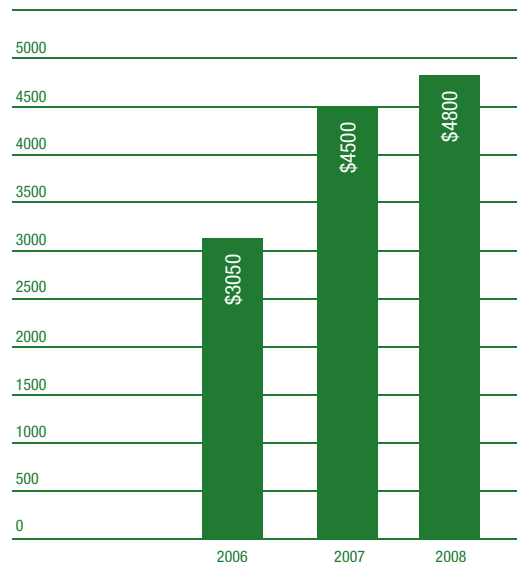
J\$ Million

SHAREHOLDERS' EQUITY



J\$ Million

VALUE OF LOANS DISBURSED OVER LAST THREE FINANCIAL YEARS



approximately J\$1.0 billion for the financial year. With the expansion programme currently underway at the local cement company, (which is not expected to be completed before the latter part of 2008), the EXIM Bank's support to the sector is expected to continue into the new financial year 2008/2009.

On the local currency side, loans of just over J\$2.8 billion were disbursed through the various local currency facilities, an increase of 16.7% over the J\$2.4 billion recorded in 2006/2007. The pre and post shipment facilities providing working capital support for exporters, continue to be the largest contributors to this category, accounting for approximately \$1.9 billion of this amount or 79% of the total local currency disbursements.

Other local currency facilities offered by the Bank include the JEA/JMA/Ex-Bed facilities which provide funding to small and medium sized companies engaged in productive endeavours. These facilities which are available on an unsecured basis, continue to provide working capital support to companies which would otherwise experience difficulty in securing loans from the commercial banking sector. Loans disbursed under this facility during the review period were reported at \$13.7 million.

The Bank continued to register strong growth in its medium term loan portfolio in particular the Modernisation Fund for Exporters' programme, which provides financing for the acquisition of capital equipment for the upgrading and retooling of factories as well as the Small Business Facility which provides loans to small and medium sized businesses for working capital purposes. Utilisation achieved under these two facilities for 2007/2008 was reported at \$782.9 million against \$373.5 million reported for the previous year, representing an increase of 110%. The Bank continues to receive positive feedback from its customers about the impact which its medium term facilities have had on both the efficiency of their operations and the enhancement of their ability to compete effectively in regional and international markets. During the financial year, the Bank received a funding commitment of J\$100 million from the National Insurance Fund for the provision of financial support to small businesses engaged in value added activities in the productive sector. This allowed the Bank to introduce a new, medium term, Jamaica dollar facility, the National Insurance Fund (NIF) Credit Facility, at attractive interest rates ranging from 8%-10% per annum. At year end 2007/2008, the Bank had committed approximately \$60 million under this facility with loans disbursed totaling J\$31.2 million.

“...the EXIM Bank reported... an increase [in revenue] of 22.6%... [which] was attributable to growth in the Bank’s core business, as income from loans accounted for 80% of total income.”

Cuban Line of Credit

The Cuban Line of Credit, specially designed to finance the export of Jamaican manufactured goods to Cuba, exceeded projections by a wide margin for 2007/2008, confirming the extensive work undertaken by the Bank to build awareness and expand utilisation of this product. Loans disbursed under this facility were reported at US\$4.8 million, an increase of 28% over the sum of US\$3.7 million reported for 2006/2007. This upturn in activity under the line prompted the Bank to increase the second tranche of the line of credit from CDN\$5.0 million to CDN\$7.0 million in the third quarter of the financial year, resulting in an increased overall availability of CDN\$12 million under this revolving Line of Credit.

The Insurance Policy Discounting Facility (IPDF) is a post-shipment financing scheme which allows companies that are engaged in the export of non-traditional goods and services and are also policyholders in good-standing under the Bank’s Export Credit Insurance scheme, to obtain short term working capital loans. Policyholders are allowed to discount up to 80% of their export receivables for a period of 120 days, at interest rates of 10.5% - 12.0% per annum.

Loans disbursed under this facility during the review period were reported at \$33.0 million, reflecting a decline of 19.5% against the \$41.1 million reported for 2006/2007. It is

expected however that with the proposed introduction of a more comprehensive package under the new Trade Credit Insurance, more policyholders will come on board and benefit from both insurance coverage and working capital support through this financing facility.

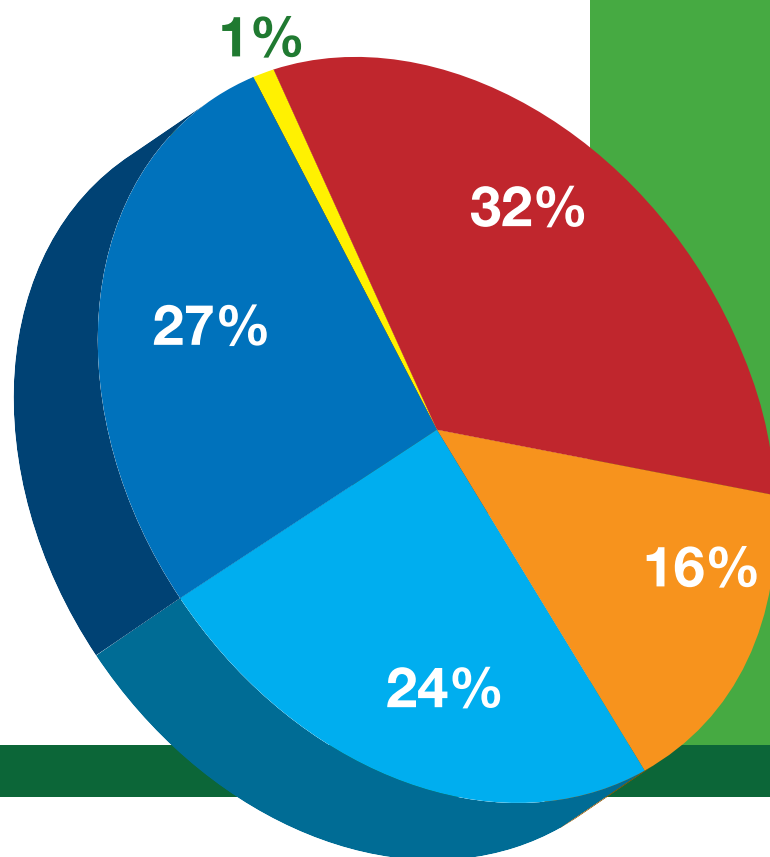
Export Credit Insurance

The Bank has been providing Export Credit Insurance cover to the Jamaican exporting sector for more than 30 years. In order to remain relevant in a changing economic environment, during the year, the Bank undertook a review of its Insurance product to determine its impact on the exporting sector. Extensive market research and collaboration with our stakeholders corroborated the need for an improved product. Arising from the review, the Bank proposed the introduction of a new product, Trade Credit Insurance, which will come on stream by the end of the first quarter of the up-coming financial year. The new product will offer insurance protection against non-payment by foreign and local buyers under a Commercial Risk policy, with the option of political coverage at an additional cost.

Coverage will be extended on:

- Export sales of goods and services
- Domestic sales of goods only that satisfy the ‘national content’ criteria
- Sales of goods only supplied by subsidiaries of Jamaican companies operating in CARICOM countries
- Sales of goods trans-shipped from Jamaica’s duty free zones to countries within the Caribbean region.
- Third country sales of goods, on behalf of Jamaican companies.

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LOANS DISBURSED BY SECTOR

MANUFACTURING	1570.34	●
FOOD & BEVERAGE	755.97	●
AGRO PROC	1182.41	●
DISTRIB & SERVICES	1322.47	●
MINING	46.77	●

This new product carries the distinct advantage of lower premium rates and will offer access to working capital support under the Insurance Policy Discounting Facility. As part of its risk mitigation strategy the insurance portfolio is re-insured overseas under a Quota Share agreement whereby the Bank cedes 60% of its premium income for 60% of its insurable risk.

HUMAN RESOURCE DEVELOPMENT

As part of its continuing efforts to ensure that the staff body maintains its effective and critical contribution to the successful achievement by the Bank of its mandate, particularly in the current global economic environment, it is necessary for staff members' skills and competencies to be continuously enhanced and updated. To this end, thirty-two (32) members of staff participated in forty-three (43) training/development programmes. The menu of training activities inclusive of courses, seminars, workshops and conferences, covered a number of areas such as leadership and management, information technology, accounting, auditing, other technical skills, as well as behavioural skills.

CORPORATE CITIZENSHIP

The Bank continued to reach out to the community by way of financial contributions to assist organisations such as, the St. Andrew Care Centre, Leila Tomlinson Wareika Hill Basic School, Best Care Foundation and U.W.I. Urology Development Fund.

Corporate Governance

The Bank's Board of Directors has overall responsibility for and is accountable to its Shareholders in ensuring compliance with the highest standards of Corporate Governance.

The Board considers issues of strategic direction through the establishment of specific objectives and key policies. In order to achieve and maintain optimum levels of procedural transparency, analytical rigour and observance of public sector guidelines, all of which the Bank considers to be indispensable elements of good Corporate Governance, whilst retaining its ultimate responsibility, the Board delegates certain functions and responsibilities to a number of Standing Committees of its members.

There are presently six such Committees which operate within defined terms of reference laid down by the Board.

CREDIT COMMITTEE

Douglas Archibald, Chairman
Sandra Glasgow
Gary Craig 'Butch' Hendrickson
Marjory Kennedy
Albert Webb
Geoffrey Ziadie

AUDIT COMMITTEE

Albert Webb, Chairman
Douglas Archibald
Sandra Glasgow

BUDGET COMMITTEE

Omar Azan, Chairman
Douglas Archibald
Sandra Glasgow
Albert Webb

TRADE FINANCE AND PRODUCT DEVELOPMENT COMMITTEE

Gary Craig 'Butch' Hendrickson, Chairman
Omar Azan
Ian Forbes
Sandra Glasgow
Marjory Kennedy
Albert Webb
Geoffrey Ziadie

INDUSTRIAL RELATIONS/HUMAN RESOURCE COMMITTEE

Marjory Kennedy, Chairman
Albert Webb
Geoffrey Ziadie

BOARD CORPORATE GOVERNANCE COMMITTEE

Sandra Glasgow, Chairman
Omar Azan
Albert Webb

Board Of DIRECTORS



RS



(from left to right):

Gary Craig 'Butch' Hendrickson (Chairman) · Pamella McLean, CD (Managing Director) · Sandra Glasgow (Deputy Chairman)
Douglas Archibald · Omar Azan · Ian Forbes · Marjory Kennedy · Geoffrey Ziadie · Darlene Morrison · Albert Webb

Senior MANAGEMENT



GROUP



from left:

Valerie Crawford

Manager, Trade Financing & Risk Management

Camille Reid-Burrell

Manager, Legal & Corporate Secretarial

Megan Deane

Deputy Managing Director

Dennis Cunningham

Head, Human Resource & Administration

Geta Wright-Jarrett

Manager, Finance & Information Systems

absent:

Angela Pennant

Manager, Internal Audit

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Compensation

Board Directors & Executive Management

BOARD OF DIRECTORS

Directors are paid a fee for attendance at each meeting in accordance with Government Regulations and for the year under consideration, compensation amounting to \$1,131,500.00 was paid. This included fees paid to the Chairman.

EXECUTIVE MANAGEMENT

Salary Range of Executive Management \$2,432,209.00 - \$6,344,545.00

Allowances of Executive Management

- (i) Motor Vehicle
 - (a) Managing Director Fully Maintained Company Car
 - (b) Deputy Managing Director and Managers \$ 349,992 — \$ 888,992.61 P.A.
(Plus 45-68 litres of petrol per week for Managers)
- (ii) Miscellaneous Allowances
 - Deputy Managing Director and Managers \$42,389.00 - \$222,325.00

NOTES

1. Executive Management includes Managing Director, Deputy Managing Director and five (5) Managers.
2. Miscellaneous Allowances for the Deputy Managing Director and Managers consist of clothing and assisted passage.
3. All members of the Executive Management except for one Manager, the Deputy Managing Director and Managing Director who are Contract Officers are eligible to participate in a non-contributory pension plan. The Contract Officers receive a gratuity of 25% of basic salary in lieu of pension. All members of Executive Management are eligible to participate in the staff loan schemes and the group health and life insurance schemes.

Corporate Data

Offices

National Export-Import Bank of Jamaica Limited
11 Oxford Road
Kingston 5
Jamaica, West Indies
Phone: (876) 960-9690
Facsimile: (876) 960-5956/9115
Telex: 051 410249 EXIM BG
Email: info@eximbankja.com
Web: www.eximbankja.com

Bankers

Bank of Jamaica
Nethersole Place
PO Box 621
Kingston
Jamaica, West Indies

Auditors

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, West Indies

External Legal Counsel

L Howard Facey & Co
10th Floor, The Towers
25 Dominica Drive
Kingston 5
Jamaica, West Indies

•*Bold* •*Agreeable* •*Dedicated* •*Competent* •*Pioneering*

Our People



from left:

AUDREY MORRIS

Chief Officer, Operations

CHARLES LEWIS

Chief Officer, Credit

SHERNETT MANNING

Senior Administrative Officer,
Insurance



from left:

PAUL CARROLL

Chief Officer, Accounts

LORRAINE FULLER

Chief Officer, Finance



from left:

HAMLIN PAGON

Chief Officer, Information Systems

ANN MARIE WALTER-ALLEN

Chief Officer, Marketing



Realising your Productive Promise

Rebranding for Success

In a competitive environment that's rapidly changing, there is no 'time out' in building your brand. Being relevant to your target audience, generating passion and pride and ensuring that they feel a sense of belonging is a daily task. Very often it requires presenting yourself in a new way to face a changing landscape, or in other words – rebranding for success.

“When we officially opened our doors in May of 1986, the National Export-Import Bank of Jamaica was recognised in the English-speaking Caribbean as a pioneer in the field of export credit insurance and trade credit finance. Our mandate was to enhance economic growth and development and we're proud to say that the Bank are recognised as having had a major impact on the manufacturing and export sectors. However, the business environment has changed, our clients have new needs and to remain relevant we must be perceived by our target audience as a dynamic organisation that can meet or even exceed their expectations,” says Pamella McLean, Managing Director, in explaining why, after celebrating its twenty-first year, EXIM Bank decided to embark on the challenging task of a rebranding exercise.

According to McLean, “even though the Bank has been around for twenty years, we were battling a lack of awareness in a landscape dominated by commercial banks that didn't offer many of the benefits that are unique to us.” In the Bank's three year strategic plan, one of the critical success factors identified was the need to ‘maintain and grow strong brand equity’. An internal development team was established to examine changes in the financial solutions industry and explore opportunities for expanding, repositioning, and also revitalising the EXIM brand.

It was also recognised that with the planned move from downtown Kingston to new offices on Oxford Road, the timing was right and presented an excellent opportunity to reposition the Bank in the perceptions of the public as not just for exporters but for the new generation of entrepreneurs.



A Marketing Council was therefore established, chaired by the Deputy Managing Director and comprising the Managing Director, the Manager for Trade Finance and Risk Management and the Chief Marketing Officer, the latter who is charged with the responsibility for implementation. With the support of our Advertising Agency, a corporate campaign was conceptualised to create an emotional connection with the public and position EXIM solidly as a bank for entrepreneurs within the Productive Sector. The campaign was structured to highlight EXIM's flexibility and genuine interest in partnership while creating financial solutions. It was also to focus strongly on certain sectors and create avenues to strengthen the Bank's relationships with clients utilising the Approved Financial Intermediaries (AFIs) as their means of access to the Bank.

The resulting redesign was an exciting change which incorporated a refreshed logo that demonstrated the characteristics of the EXIM brand in a strongly distinctive way, yet remained recognisable to our existing customers. In keeping with the brand characteristics of *'bold', 'dedicated', 'competent', 'pioneering' and 'agreeable'*, the new logo featured vibrant colours and strong graphics in highlighting the bank's primary focus on imports and exports. The corporate mantra for the brand emerged as *'Realising Your Productive Promise'* and, combined with the campaign theme *'Expect to Succeed'*, clearly positioned the 'win-win' philosophy of a revitalised EXIM Bank

The modified logo and new slogan were immediately employed in a fully integrated marketing communications campaign that included mass media advertising, public relations, trade publications, online promotions and collateral material. The new advertising campaign portrays a lively and dynamic entity geared to deliver creative financial solutions and it incorporated existing clients as a powerful source of testimonials.

The response from our customers, other stakeholders and the general public, has been extremely positive as they recognise a 'new' or 'renewed' EXIM Bank. The positive response has in turn energised the staff.

Notwithstanding the excellent feedback, the management team acknowledges that rebranding is a process and EXIM has only just begun. Our challenge is to live up to the stated brand attributes. However, with each and every member of the EXIM Team believing in the strength of the brand and buying in to the power in its promise, we are more motivated than ever to achieve the Bank's vision and mission.



008

Financial
STATEMENTS

Independent Auditors' Report



REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of National Export-Import Bank of Jamaica Limited ("the company"), set out on pages 31 to 82, which comprise the balance sheet as at March 31, 2008, the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and consistently applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

REPORT ON THE FINANCIAL STATEMENTS, Cont'd

assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the financial statements 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 company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2008, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other matters required 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 and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner so required.



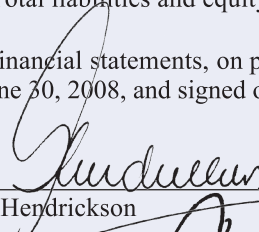
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston, Jamaica West Indies

National Export-Import Bank of Jamaica Limited
Balance Sheet

March 31, 2008

	Notes	2008 \$'000	2007 \$'000
ASSETS			
Cash and cash equivalents	4	494,030	505,568
Accounts receivable	5	1,393,772	1,054,985*
Income tax recoverable		64,848	47,336
Notes discounted	6	1,043,486	976,832*
Medium-term loans receivable	7	1,024,141	709,588*
Demand and non-accrual loans	8	81,314	123,939*
Investments	9	468,028	581,777
Customers' liabilities under letters of credit		460,322	474,440
Long-term loans receivable	10	34,974	27,682
Post-employment benefit asset	11(a)	198,980	172,621
Property, plant and equipment	12	<u>115,382</u>	<u>14,023</u>
Total assets		<u>5,379,277</u>	<u>4,688,791</u>
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable		43,720	139,999
Owed to Bank of Jamaica	13	56,366	80,824
Short-term loans and lines of credit	14	879,070	951,057
Deferred tax liability	15	42,401	39,299
Long-term loans payable	16	2,113,174	1,253,329
Letters of credit		460,322	474,440
Post-employment benefit obligation	11(b)	<u>54,791</u>	<u>46,327</u>
		<u>3,649,844</u>	<u>2,985,275</u>
Insurance funds	17	<u>11,867</u>	<u>11,136</u>
Equity			
Share capital	18(a)	257,738	257,738
Capital reserve	18(b)	348,341	336,138
Reserve fund	18(c)	135,279	133,535
Investment revaluation reserve	18(d)	75,626	80,092
Revenue reserve		<u>900,582</u>	<u>884,877</u>
		<u>1,717,566</u>	<u>1,692,380</u>
Total liabilities and equity		<u>5,379,277</u>	<u>4,688,791</u>

The financial statements, on pages 31 to 82, were approved for issue by the Board of Directors on June 30, 2008, and signed on its behalf by:

 Director
 Gary Hendrickson

 Director
 Pamela McLean

* After reclassifications to conform to the 2008 presentation
 The accompanying notes form an integral part of the financial statements.

National Export-Import Bank of Jamaica Limited
Income Statement

Year ended March 31, 2008

	<u>Notes</u>	<u>2008</u> \$'000	<u>2007</u> \$'000
Interest income:			
Loans		371,170	292,392*
Deposits		3,401	5,547
Government securities		<u>61,172</u>	<u>50,018</u>
		<u>435,743</u>	<u>347,957</u>
Interest expense:			
Loans		(104,725)	(87,687)
Lines of credit		<u>(62,252)</u>	<u>(49,609)</u>
		<u>(166,977)</u>	<u>(137,296)</u>
Net interest income		<u>268,766</u>	<u>210,661</u>
Other income:			
Dividends		8,510	7,204
Service charges		437	386
Foreign exchange (loss)/gain (net)		(6,714)	903
Insurance premium		6,156	2,883
Other		<u>7,818</u>	<u>9,209*</u>
		<u>16,207</u>	<u>20,585</u>
Operating profit		<u>284,973</u>	<u>231,246</u>
Administrative and other expenses:			
Administration		(205,872)	(178,507)
Bad debts, less recoveries	21(a)(ii)	<u>(49,314)</u>	<u>(1,944)</u>
		<u>(255,186)</u>	<u>(180,451)</u>
Profit before income tax	19	29,787	50,795
Income tax	20	<u>(12,338)</u>	<u>(11,993)</u>
Profit for the year		<u>17,449</u>	<u>38,802</u>

* After reclassifications to conform to the 2008 presentation.
The accompanying notes form an integral part of the financial statements.

National Export-Import Bank of Jamaica Limited
Statement of Changes in Equity

Year ended March 31, 2008

	Share capital \$'000 [note 18(a)]	Capital reserve \$'000 [(note 18(b)]	Reserve fund \$'000 [note 18(c)]	Investment revaluation reserve \$'000 [note 18(d)]	Revenue reserve \$'000	Total \$'000
Balances at March 31, 2006	257,738	203,884	129,655	78,285	849,955	1,519,517
Increase in fair value of investments	-	-	-	1,807	-	1,807*
Profit for the year	-	-	-	-	38,802	38,802*
Transfer to reserve fund	-	-	3,880	-	(3,880)	-
Grant received	-	132,254	-	-	-	132,254*
Balances at March 31, 2007	257,738	336,138	133,535	80,092	884,877	1,692,380
Decrease in fair value of investments	-	-	-	(4,466)	-	(4,466)*
Profit for the year	-	-	-	-	17,449	17,449*
Transfer to reserve fund	-	-	1,744	-	(1,744)	-
Grant received	-	12,203	-	-	-	12,203*
Balances at March 31, 2008	<u>257,738</u>	<u>348,341</u>	<u>135,279</u>	<u>75,626</u>	<u>900,582</u>	<u>1,717,566</u>

* Total gains recognised for the year amounted to \$25,186,000 (2007: \$172,863,000)
The accompanying notes form an integral part of the financial statements.

National Export-Import Bank of Jamaica Limited
Statement of Cash Flows

March 31, 2008

	2008 \$'000	2007 \$'000
Cash flows from operating activities		
Profit for the year	17,449	38,802
Adjustments to reconcile profit for the year to net cash used by operating activities:		
Interest income	(435,743)	(347,957)*
Interest expense	166,977	137,296
Depreciation	6,395	4,067
Provision for doubtful debts	45,185	(9,105)
Increase in insurance fund	731	1,119
Loss/(gain) on disposal of property, plant & equipment	348	(130)
Post-employment benefit asset	(26,359)	(20,728)
Post-employment medical benefit obligation	8,464	10,356
Provision for income tax	<u>12,338</u>	<u>11,993</u>
	(204,215)	(174,287)
Changes in operating assets and liabilities:		
Accounts receivable	(328,491)	(425,063)*
Income tax recoverable	(18,515)	(17,248)
Accounts payable	(105,044)	73,641
Demand and non-accrual loans	(5,258)	(86,012)*
Notes discounted	(63,289)	(113,326)*
Medium-term loans receivable	<u>(324,951)</u>	<u>(61,104)*</u>
	(1,049,763)	(803,399)
Interest received	435,176	322,528*
Interest paid	(158,212)	(139,742)
Income tax paid	<u>(8,231)</u>	<u>(11,849)</u>
Net cash used by operating activities	<u>(781,030)</u>	<u>(632,462)</u>
Cash flows from investing activities		
Investments (net)	109,283	(75,053)
Long-term loans receivable	(7,292)	(11,971)
Additions to property, plant & equipment	(108,280)	(8,197)
Proceeds from disposal of property, plant & equipment	<u>178</u>	<u>170</u>
Net cash used by investing activities	<u>(6,111)</u>	<u>(95,051)</u>
Cash flows from financing activities		
Owed to Bank of Jamaica	(24,458)	(23,080)
Short-term loans and lines of credit	(71,987)	581,306
Capital grant	12,203	132,254
Loans received, net	<u>859,845</u>	<u>(116,335)</u>
Net cash provided by financing activities	<u>775,603</u>	<u>574,145</u>
Net decrease in cash and cash equivalents for year	(11,538)	(153,368)
Cash and cash equivalents at beginning of year	<u>505,568</u>	<u>658,936</u>
Cash and cash equivalents at end of year	<u>494,030</u>	<u>505,568</u>

* After reclassifications to conform to the 2008 presentation.
The accompanying notes form an integral part of the financial statements.

1. Identification

National Export-Import Bank of Jamaica Limited (“the company”), is incorporated in Jamaica and is wholly owned by the Government of Jamaica (GOJ). Its registered office is located at 11 Oxford Road, Kingston 5, St. Andrew Jamaica, which is also its principal place of business.

The company is engaged in activities which are aimed, in general, at the development of the productive sector. Specifically, its activities are geared primarily towards the development of the export sector, but it also assists other productive enterprises in the area of import substitution.

The facilities offered include: Export Credit Insurance, Lines of Credit and Pre and Post-shipment Financing.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and comply with the provisions of the Jamaican Companies Act (“the Act”).

Standards and interpretations that became effective during the year:

In preparing these financial statements, the company considered the impact of the standards and interpretations, which became effective during the year and only IFRS 7 affected the financial statements:

- *IFRS 7 Financial Instruments: Disclosures* and the *Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* require disclosures about the significance of financial instruments for an entity’s financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. The additional disclosures with respect to the company’s financial instruments are shown at note 21.

New and revised standards and interpretations that are not yet effective:

At the date of authorisation of the financial statements, the following new standards, amendments to standards, and interpretations were in issue but were not yet effective, and have therefore not been applied in preparing these financial statements:

- *IFRS 8 Operating Segments* requires segment disclosure based on the components of the company that management monitors in making decisions about operating matters, as well as qualitative disclosures on segments. Segments will be reportable based on threshold tests related to revenues, results and assets. IFRS 8, which is effective for annual reporting periods beginning on or after January 1, 2009, is not expected to have any impact on the company’s financial statements.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

New and revised standards and interpretations that are not yet effective (cont'd):

- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 becomes effective for annual reporting periods beginning on or after January 1, 2008 and will not have any impact on the company's financial statements.
- *IFRIC 13 Accounting for Customer Loyalty Programmes*, creates consistency in accounting for customer loyalty plans. The interpretation is applicable to all entities that grant awards as part of a sales transaction (including awards that can be redeemed for goods or services not supplied by the entity). IFRIC 13 becomes effective for annual reporting periods beginning on or after July 1, 2008 and will not have any impact on the company's financial statements.
- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* provides guidance on assessing the limit set in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14 becomes effective for annual reporting periods beginning on or after January 1, 2008. The company has not yet determined the potential impact of this interpretation.
- *IAS 1 (Revised) Presentation of Financial Statements*, requires the presentation of all non-owners' changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement and in a statement of comprehensive income. IAS 1 (revised) becomes effective for annual reporting periods beginning on or after January 1, 2009. The company is considering what impact, if any, the revision will have on its financial statements.
- *IAS 23(Revised) - Borrowing Costs* removes the option of either capitalising borrowing costs relating to qualifying assets or expensing the borrowing costs, and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. IAS 23 becomes effective for annual reporting periods beginning on or after January 1, 2009 and will not have any significant impact on the company's financial statements.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

New and revised standards and interpretations that are not yet effective (cont'd):

- *Amendments to IFRS 2 Share-based payment – Vesting Conditions and Cancellations* is effective for annual periods beginning on or after January 1, 2009. Under the amendment, non-vesting conditions are taken into account in measuring the grant date fair value of the share-based payment and there is no true-up for differences between expected and actual outcomes. This amendment will not have any impact on the company's financial statements.
- *Revised IFRS 3 Business Combinations* and *amended IAS 27 Consolidated and Separate Financial Statements* are effective for annual periods beginning on or after July 1, 2009. The definition of a business combination has been revised and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements have been introduced. The revisions are not expected to have any significant impact on the company's financial statements.
- *Amendments to IAS 32 Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements* is effective for annual periods beginning on or after January 1, 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. The revisions are not expected to have any significant impact on the company's financial statements.
- *Amendments to IFRS 1 First time adoption and IAS 27 Consolidated and Separate Financial Statements* address issues that have arisen in practice related to the accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements at cost in accordance with paragraph 38(a) of IAS 27; and particularly to allow first-time adopters relief from certain requirements of IAS 27. The revisions are effective for annual periods beginning on or after January 1, 2009 and are not expected to have any impact on the company's financial statement.

2. Statement of compliance and basis of preparation (cont'd)

(b) Basis of preparation

(i) Basis of measurement:

The financial statements are presented on the historical cost basis, except for investments classified as available-for-sale, which are carried at fair value.

(ii) Functional and presentation currency:

The financial statements are presented in Jamaica dollars (\$), which is the functional currency of the company, and are stated in thousands, unless otherwise indicated.

(iii) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from those estimates. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, the areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, are as follows:

2. Statement of compliance and basis of preparation (cont'd)

(b) Basis of preparation (cont'd):

(i) Key sources of estimation uncertainty

- Allowance for losses:

In determining amounts recorded for allowance for losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from notes receivable and other financial assets, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired financial assets as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant financial assets and the portfolio with similar characteristics, such as credit risks.

- Fair value of financial instruments:

In the absence of quoted market prices, the fair value of a significant proportion of the financial instruments was determined using a generally accepted alternative method. Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

It is reasonably possible that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amounts reflected in the financial statements.

(ii) Critical accounting judgements in applying the company's accounting policies

There are no critical judgements used in applying the company's accounting policies.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses [see note (l)].

3. Significant accounting policies (cont'd)

(a) Property, plant and equipment (cont'd):

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part flow to the company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the income statement.

(b) Depreciation:

Property, plant and equipment are depreciated on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. The depreciation rates are as follows:

Buildings	2½%
Motor vehicles	20%
Furniture, fixtures and equipment	10%
Leasehold improvements	10%
Computers	33⅓%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation rates, useful lives and residual values are reassessed annually.

(c) Investments:

(i) Classification and recognition of investments:

Management determines the classification of investments at the time of purchase and takes account of the purpose for which the investments were purchased. Investments are classified as loans and receivables and available-for-sale securities.

Loans and receivables are created by the company by providing money directly to a debtor or acquired by the company and which are not quoted in an active market. Loans and receivables are recognised on the day they are transferred to the company.

Available-for-sale instruments are those that are not held for trading purposes, or classified as loans and receivable. Available-for-sale assets are recognised on the date the asset is transferred to the company.

3. Significant accounting policies (cont'd)

(c) Investments (cont'd):

(ii) Measurement:

Investments are measured initially at cost, including transaction costs.

Subsequent to initial recognition, all available-for-sale ("AFS") assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably determined is stated at cost, including transaction costs, less impairment losses.

Gains and losses arising from changes in the fair value of AFS assets are taken to investment revaluation reserve. When the AFS assets are sold, collected or impaired, the cumulative gain or loss recognised in equity is transferred to the income statement.

All non-trading financial liabilities and loans and receivables are subsequently measured at amortised cost, less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised, based on the effective interest rate of the instrument.

Based on the above guidelines, the company's investments are measured as follows:

- (1) Loans are classified as loans and receivables and are stated at amortised cost, less provision for impairment losses.
- (2) Government of Jamaica securities with fixed and determinable payments and which are not quoted in an active market are stated at amortised cost.
- (3) Securities purchased under resale agreements:

Securities purchased under resale agreement ("Reverse repo") are short-term transactions whereby securities are bought with simultaneous agreements for reselling the securities on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending, and are stated at amortised cost.

The difference between the sale and repurchase considerations is recognised on the accrual basis over the term of the agreement using the effective interest method, and is included in interest income.

- (4) Equity investments:

Equity investments are stated at fair value, based on quoted market prices for financial instrument traded in active market. In the absence of an active market, fair value is determined in the manner set out at (c)(iii) below.

3. Significant accounting policies (cont'd)

(c) Investments (cont'd):

(iii) Fair value measurement principles:

The fair value of financial instruments is based on their quoted market bid price at the balance sheet date. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

(d) Accounts payable:

Accounts payable is stated at amortised cost.

(e) Cash and cash equivalents:

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents, including short-term deposits, with maturities ranging between one and three months from balance sheet date, are shown at cost.

(f) Accounts and other receivables:

Accounts and other receivables are stated at amortised cost, less impairment losses.

(g) Foreign currencies:

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates that the values were determined.

3. Significant accounting policies (cont'd)

(g) Foreign currencies (cont'd):

United States dollar (US\$) assets and liabilities at balance sheet date are translated at the midpoint of the company's own buying and selling rates of exchange prevailing at that date [note 21(c)(ii)]. Other foreign currency assets and liabilities at balance sheet date are translated at rates published by the Bank of Jamaica.

(h) Taxation:

(i) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred taxation:

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, vacation leave; non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below. Other long-term benefits are not considered material and are charged off when incurred.

3. Significant accounting policies (cont'd)

(i) Employee benefits (cont'd):

The pension and other post-employment assets and obligations included in the financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinions. The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit asset and obligations as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The company contributes to two pension schemes (note 11), the assets of which are held separately from those of the company.

(i) Defined benefit plan:

The company's net obligation in respect of the defined-benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on government securities that have maturity dates approximating the terms of the company's obligation. The calculation is performed by a qualified actuary, using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the income statement.

In calculating the company's obligation in respect of the plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent (10%) of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(ii) Post-employment health and life insurance benefits:

The company provides health and life insurance benefits to employees who have met certain minimum service requirements. The obligation in respect of this benefit is computed in the same manner as the defined-benefit pension plan.

3. Significant accounting policies (cont'd)

(j) Allowance for loan losses:

An allowance for loan losses is maintained at a level which management considers adequate to provide for probable loan losses. The level of the provision is based on management's evaluation of the composition of the loan portfolio, past experience, the anticipated net realisable value of security held and the prevailing and anticipated economic conditions. The provision is increased by amounts charged to income and reduced by net charge-offs.

(k) Impairment:

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after initial recognition of the asset, and that the loss event has an impact on the future cashflows on the asset that can be estimated reliably. Objective evidence that financial assets are impaired includes default or indications that a customer or counterparty will enter bankruptcy.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the company's loans, securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of receivables or other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. Significant accounting policies (cont'd)

(k) Impairment (cont'd):

(ii) Reversals of impairment:

An impairment loss in respect of receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Customers' liabilities under letters of credit:

The company's potential liabilities under letters of credit are reported as a liability in the balance sheet. The company's recourse against its customers in the event of a call on these commitments is reported as an asset equal to the liability.

(m) Unexpired risks:

These are the estimated amounts required to meet future claims and expenses on business in force at year-end. Unexpired risks are calculated on the basis of 16% of net premium income.

(n) Interest:

Interest income is recorded on the accrual basis, except where collection of interest income is considered doubtful or payment is outstanding for more than ninety days. In those cases, interest income is recorded on the cash basis and accrued interest on loans, which are in arrears for ninety days and over, is excluded from income.

IFRS requires that when collection of loans becomes doubtful, such loans are to be written down to their recoverable amounts, after which interest income is to be recognised based on the rate of interest that was used to discount the future cash flows in arriving at the recoverable amount. The difference between the basis of interest recognition described above and IFRS has been assessed as immaterial.

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

4. Cash and cash equivalents

	2008		2007	
	Foreign currency \$'000	JMD \$'000	Foreign currency \$'000	JMD \$'000
Cash	-	98,883	-	269,624
Short-term deposits:				
US\$	5,370	366,084	3,073	209,081
£	8	1,157	8	1,049
Can\$	401	27,906	444	25,814
		395,147		235,944
		494,030		505,568

Cash and cash equivalents includes \$74,369 million (2007: \$62,473 million) held in the company's interest-earning current account with Bank of Jamaica which bears interest at a rate of 6.96% (2007: 6.41%).

Cash and cash equivalents bear interest at rates ranging from 3.90% to 6.96 %, and mature within three months of the year-end.

5. Accounts receivable

	2008 \$'000	2007 \$'000
Notes receivable [note 5(a)]	1,338,977	977,651
Interest receivable	4,760	45,547
Other accounts receivable	14,124	(242)
Receivable EXBED [note 5(b)]	34,103	31,628
Insurance premiums receivable	1,808	401
	1,393,772	1,054,985

(a) Notes receivable represents amounts due from clients utilising foreign loans and lines of credit and are stated after a provision for doubtful accounts of \$Nil (2007: \$Nil). 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 9.5% - 12% (2007: 9.5% - 12%) per annum.

(b) Receivable EXBED represents amounts advanced to the Jamaica Exporters' Association and the Jamaica Manufacturers' Association for on-lending to their members. The loans are unsecured.

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

6. Notes discounted

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

	2008				2007
	Principal	Interest	Provisions	Carrying	Carrying
	\$'000	receivable	for doubtful	value	value
	\$'000	\$'000	debts	\$'000	\$'000
			\$'000		
Export Credit					
Facility (ECF) [note 6(a)]	210,020	3,599	-	213,619	201,580
Bankers Export Credit					
Facility (BECF) [note 6(b)]	39,300	347	-	39,647	108,886
Small Business Discount					
Facility (SBDF) [note 6(c)]	358,947	707	(9,314)	350,340	278,815
Insurance Policy Discount					
Facility (IPDF) [note 6(d)]	42,930	1,364	-	44,294	33,274
Pre-shipment Facility (PSF)					
[note 6(e)]	313,560	2,949	-	316,509	310,726
Apparel Sector Financing					
Scheme (ASFS) [note 6(f)]	30,849	3,856	(17,627)	17,078	8,122
Jamaica Exporters' Association (JEA)					
EXIM (S-BED) [note 6(g)]	15,925	880	(7,190)	9,615	10,446
Special Discounting Window					
(SDW) [note 6(h)]	-	132	-	132	12,170
Co-packers Financing [note 6(i)]	6,682	123	-	6,805	12,813
US\$ Short Term Loans	43,117	2,330	-	45,447	-
	1,061,330	16,287	(34,131)	1,043,486	976,832

Maturing as follows:

	2008	2007
	\$'000	\$'000
- Up to 12 months after the balance sheet date	698,696	694,528
- More than 12 months after the balance sheet date	344,790	282,304
	<u>1,043,486</u>	<u>976,832</u>

- (a) The ECF bears interest at 10% - 12% (2007: 10% - 12%) per annum and is for a period of 120 days.
- (b) The BECF foreign currency facility bears interest at the rate of 10% (2007: 10%) per annum and is for a period of 120 days. The BECF local currency facility bears interest at the rate of 12% (2007: 12%) per annum and is for a period of 120 days.
- (c) The SBDF bears interest at 12% (2007: 12%) per annum, and is for a period of up to forty-eight months. The balance at March 31, 2008, includes \$12.72 million (2007: \$29.23 million) receivable within 12 months of the balance sheet date.

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

6. Notes discounted (cont'd)

- (d) The IPDF is available for small to medium size exporters who are the holders of an export credit insurance policy from the company. This facility bears interest at the rate of 12% (2007: 12%) per annum, and is for a period of 120 days.
- (e) The PSF bears interest at 12% (2007: 12%) per annum, and is for a period of 90 days.
- (f) The ASFS represents amounts loaned to the apparel sector. The facility, which bears interest at the rate of 12% (2007: 12%) per annum, is for a period of 90 to 120 days. A total of \$99.8 million is made available by the company under this facility. Of this amount, the Government of Jamaica provided \$45.84 million (2007: \$45.84 million) by way of a non-reimbursable grant [note 18(b)(ii)].

The ASFS is an experimental and pioneering initiative designed to stabilise and rehabilitate the apparel sector. The grant funds were predicated against a high risk of default.

- (g) The S-BED project is a joint project with the Jamaica Exporters' Association and is available to small exporters. This facility bears interest at a rate of 12% (2007: 12%) per annum and is for a period of 90 to 180 days.
- (h) The SDW bears interest at 9.5% (2007: 9.5%) per annum and is for a period of 120 days. Funding for this facility was made available through a loan from Development Bank of Jamaica [note 16(b)].
- (i) The Co-packers financing facility represents amounts loaned to agro-processors. A total of \$20 million is made available under this facility. The facility bears interest at the rate of 12% (2007: 12%) per annum and is for 120 days.

7. Medium-term loans receivable

	2008			2007	
	Principal	Interest	Provisions	Carrying	Carrying
	\$'000	receivable	for doubtful	value	value
		\$'000	debts	\$'000	\$'000
			\$'000		
			(Note 21)		
Modernisation Fund [note 7(a)]	590,425	1,246	(210)	591,461	214,046*
Other medium term loans [note 7(b)]	9,934	-	-	9,934	6,764
Information and Communication					
Technology (ICT) Medium Term	101	-	-	101	2,178
JEA/EG	60,526	140	-	60,666	91,918
EXIM/EG	152,509	533	-	153,042	172,585*
General Trade Line [note 7(c)]	180,133	134	-	180,267	222,097
National Insurance Fund (NIF)					
[note 16(f)]	28,451	219	-	28,670	-
	<u>1,022,079</u>	<u>2,272</u>	<u>(210)</u>	<u>1,024,141</u>	<u>709,588</u>

* Reclassified to conform to 2008 presentation

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

7. Medium-term loans receivable(cont'd)

	<u>2008</u> \$'000	<u>2007</u> \$'000
Maturing as follows:		
Up to 12 months after the balance sheet date	7,518	14,830
More than 12 months after the balance sheet date	<u>1,016,623</u>	<u>806,472</u>
	<u>1,024,141</u>	<u>821,302</u>

- (a) The Modernisation Fund is a medium-term facility introduced to assist exporters and manufacturers to retool. Amounts are lent at an interest rate of 12% (2007: 12%) per annum over a three-year period.
- (b) Other medium-term receivables represent staff loans which bear interest at 5% (2007: 5%) per annum, and are for periods of up to five years. Included in this amount is \$2.12 million (2007: \$1.41 million) representing the difference between the carrying amount and the net present value, as required under IFRS.

The amounts outstanding at March 31, 2008 include \$3.35 million (2007: \$2.38 million) receivable within twelve months of the balance sheet date.

- (c) This facility is used for financing working capital in the commercial sector which supports the productive industries. These loans bear interest at 16% per annum and are for periods of up to four years.

8. Demand and non-accrual loans

This represents loans and interest receivable on demand loans and US\$ and J\$ non-accrual loans less provision for bad debts. These loans are as follows.

	<u>2008</u> \$'000	<u>2007</u> \$'000
J\$ Principal and Interest Demand Loans	69,607	76,194
US\$ Principal and Interest Demand Loans	55,705	48,670
J\$ Principal Non-Accrual Demand Loan	4,810	-
Provision for Bad Debts – Ornamental Fish	(925)	(925)
Provision for Bad Debts- General	<u>(47,883)</u>	<u>-</u>
	<u>81,314</u>	<u>123,939</u>

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

9. Investments

	<u>Number of shares held</u>		<u>2008</u>	<u>2007</u>
	<u>2008</u>	<u>2007</u>	<u>\$'000</u>	<u>\$'000</u>
Available-for-sale securities:				
Quoted equities:				
Bladex:				
Class A common stock	107,065	107,065	117,695	121,218
Class B common stock	<u>28,971</u>	<u>28,971</u>	<u>31,848</u>	<u>32,800</u>
			<u>149,543</u>	<u>154,018</u>
Loans and receivables:				
Securities purchased under resale agreements			277,993	382,881
Government securities			<u>40,492</u>	<u>44,878</u>
			<u>318,485</u>	<u>427,759</u>
			<u>468,028</u>	<u>581,777</u>
			<u>2008</u>	<u>2007</u>
			<u>\$'000</u>	<u>\$'000</u>
Remaining term to maturity:				
Within three months			258,578	323,688
From three months to one year			36,515	67,896
One to five years			<u>23,392</u>	<u>36,175</u>
			<u>318,485</u>	<u>427,759</u>

Government securities represent local registered stocks, US\$ indexed bonds, and treasury bills.

The fair value of the underlying securities held for resale agreements at the balance sheet date was \$533 million (2007: \$358 million).

10. Long-term loans receivable

Long-term loans receivable represent 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 March 31, 2008 includes \$6.37 million (2007: \$4.97 million) receivable within twelve months of the balance sheet date.

Included in this amount is \$12.07 million (2007: \$10.984 million) representing the difference between the carrying amount and the net present value, as required under IFRS.

11. Post-employment benefit asset/obligation

The company operates a non-contributory defined-benefit scheme for permanent employees who are employed directly by the company. The benefits are computed on a percentage basis by reference to final salary.

The scheme is subject to triennial actuarial valuations. The most recent valuation was done on the projected unit credit method, by the appointed actuaries, Duggan Consulting Limited of Kingston, Jamaica as at December 31, 2004. This showed the scheme to be in a surplus. The next actuarial review, due as at December 31, 2007, is in progress.

The company also provides post-employment medical benefits to employees who satisfy the minimum service requirements.

Amounts recognised in the balance sheet in respect of these post-employment benefits are as follows:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Post-employment benefit asset	<u>198,980</u>	<u>172,621</u>
Post-employment medical benefit obligation	<u>54,791</u>	<u>46,327</u>
(a) Post-employment benefit asset:		
	<u>2008</u> \$'000	<u>2007</u> \$'000
Present value of funded obligations	(192,388)	(151,812)
Fair value of plan assets	<u>492,913</u>	<u>443,004</u>
Net asset	300,525	291,192
Unrecognised actuarial gains	<u>(101,545)</u>	<u>(118,571)</u>
Asset recognised in balance sheet	<u>198,980</u>	<u>172,621</u>

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

11. Post-employment benefit asset/obligation (cont'd)

(a) Post-employment benefit asset (cont'd):

(i) Movements in the net asset recognised in the balance sheet:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Net asset at beginning of year,	172,621	151,893
Contributions paid	839	558
Income recognised in the income statement	<u>25,520</u>	<u>20,170</u>
Net asset at end of year	<u>198,980</u>	<u>172,621</u>

(ii) Movements in plan assets:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Fair value of plan assets at beginning of year	443,004	363,684
Expected return on plan assets	44,344	36,346
Contributions paid	1,593	620
Benefits paid	(726)	(1,073)
Actuarial gain on plan assets	<u>4,698</u>	<u>43,427</u>
Fair value of plan assets at end of year	<u>492,913</u>	<u>443,004</u>

(iii) Composition of plan assets:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Equity securities	370,954	317,632
Government bonds	103,363	118,260
Other	<u>18,596</u>	<u>7,112</u>
	<u>492,913</u>	<u>443,004</u>

11. Post-employment benefit asset/obligation (cont'd)

Amounts recognised in the balance sheet in respect of these post-employment benefits are as follows (cont'd):

(a) Post-employment benefit asset (cont'd):

(iv) Credit recognised in the income statement:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Current service costs	7,908	8,284
Interest on obligation	19,168	14,466
Expected return on plan assets	(44,344)	(36,346)
Net actuarial gain recognised during the year	(8,252)	(6,574)
	<u>(25,520)</u>	<u>(20,170)</u>
Actual return on plan assets	<u>49,042</u>	<u>79,773</u>

The credit is recognised in the administrative expenses line in the income statement.

(v) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	<u>2008</u> %	<u>2007</u> %
Discount rate	13.00	12.00
Expected return on plan assets	13.00	10.00
Future salary increases	9.50	8.50
Future pension increases	<u>3.00</u>	<u>3.00</u>

(b) Post-employment medical benefit obligations:

(i) Liability recognised in the balance sheet:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Present value of obligations	48,522	44,312
Unrecognised actuarial losses	<u>6,269</u>	<u>2,015</u>
	<u>54,791</u>	<u>46,327</u>

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

11. Post-employment benefit asset/obligation (cont'd)

(b) Post-employment medical benefit obligations (cont'd):

(ii) Expense recognised in the income statement:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Current service costs	2,916	3,968
Interest on obligation	5661	5,812
Net actuarial loss recognised in year	<u>-</u>	<u>654</u>
	<u>8,577</u>	<u>10,434</u>

(iii) Movements in the net liability recognised in the balance sheet:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Net liability at start of the year	46,327	36,022
Contributions paid	(113)	(129)
Expense recognised in the income statement	<u>8,577</u>	<u>10,434</u>
Net liability at end of year	<u>54,791</u>	<u>46,327</u>

(iv) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	<u>2008</u> %	<u>2007</u> %
Discount rate	13.00	12.00
Medical claims	12.00	11.00
Future salary increases	<u>9.50</u>	<u>8.50</u>

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

	<u>One percentage point increase</u> \$'000	<u>One percentage point decrease</u> \$'000
Increase/(decrease) on the aggregate service and interest cost	2,064	(1,555)
Increase /(decrease) in the defined-benefit obligation	<u>10,627</u>	<u>(8,122)</u>

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

11. Post-employment benefit asset/obligation (cont'd)

(c) Historical information

(i) Defined benefit pension plan

	<u>2008</u> \$'000	<u>2007</u> \$'000	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Present value of the defined- benefit obligation	(192,388)	(151,812)	(116,261)	(100,023)	(89,858)
Fair value of plan assets	<u>492,913</u>	<u>443,004</u>	<u>363,684</u>	<u>430,485</u>	<u>351,938</u>
Surplus in plan	<u>300,525</u>	<u>291,192</u>	<u>247,423</u>	<u>330,462</u>	<u>262,080</u>
Experience adjustments arising on plan liabilities	(28,849)	(4,788)	3,487	6,852	3,643
Experience adjustments arising on plan assets	<u>4,698</u>	<u>43,427</u>	<u>(109,910)</u>	<u>42,095</u>	<u>144,950</u>

(ii) Post-employment medical benefits

	<u>2008</u> \$'000	<u>2007</u> \$'000	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Present value of the defined benefit obligation	48,522	44,312	46,560	38,276	27,446
Experience adjustments arising on plan liabilities	<u>4,130</u>	<u>15,460</u>	<u>137</u>	<u>(5,603)</u>	<u>(2,066)</u>

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

12. Property, plant and equipment

	Land and building \$'000	Motor vehicles \$'000	Furniture, fixtures and equipment \$'000	Office improvements \$'000	Computers \$'000	Total \$'000
Cost:						
March 31, 2006	-	4,547	7,018	2,367	11,913	25,845
Additions	-	1,315	1,335	-	5,547	8,197
Disposals	-	(608)	(170)	-	(41)	(819)
March 31, 2007	-	5,254	8,183	2,367	17,419	33,223
Additions	99,940	-	1,874	432	6,034	108,280
Disposals	-	-	(112)	(2,367)	-	(2,479)
March 31, 2008	<u>99,940</u>	<u>5,254</u>	<u>9,945</u>	<u>432</u>	<u>23,453</u>	<u>139,024</u>
Depreciation:						
March 31, 2006	-	4,061	2,512	1,737	7,602	15,912
Charge for the year	-	666	576	36	2,789	4,067
Disposals	-	(608)	(130)	-	(41)	(779)
March 31, 2007	-	4,119	2,958	1,773	10,350	19,200
Charge for the year	999	298	729	82	4,287	6,395
Disposals	-	-	(112)	(1,841)	-	(1,953)
March 31, 2008	<u>999</u>	<u>4,417</u>	<u>3,575</u>	<u>14</u>	<u>14,637</u>	<u>23,642</u>
Net book values:						
March 31, 2008	<u>98,941</u>	<u>837</u>	<u>6,370</u>	<u>418</u>	<u>8,816</u>	<u>115,382</u>
March 31, 2007	<u>-</u>	<u>1,135</u>	<u>5,225</u>	<u>594</u>	<u>7,069</u>	<u>14,023</u>
March 31, 2006	<u>-</u>	<u>486</u>	<u>4,506</u>	<u>630</u>	<u>4,311</u>	<u>9,933</u>

13. Owed to Bank of Jamaica

	2008 \$'000	2007 \$'000
Short-term loan (see below)	42,603	60,875
Interest payable on short-term loan	13,699	19,885
Advance account	<u>64</u>	<u>64</u>
	<u>56,366</u>	<u>80,824</u>

The short-term loan is evidenced by a promissory note, repayable on demand, and interest is charged at 10% (2007: 10%) per annum. Principal repayments due within twelve months of the balance sheet date amount to \$18.3 million (2007: \$16.75 million).

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

14. Short-term loans and lines of credit

	Rate of interest <u>per annum</u>	<u>2008</u> \$'000	<u>2007</u> \$'000
Banco Latinoamericano de Exportaciones, S.A. (Bladex)	10%	488,389	661,446
Bank of New York	10%	107,370	109,113
International Bank of Miami	10%	-	2,599
Bank of Nova Scotia Jamaica Limited - Cuban	8.5%	<u>283,311</u>	<u>177,899</u>
		<u>879,070</u>	<u>951,057</u>

These unsecured amounts represent the drawn-down balances on lines of credit extended to the company for 180 days.

15. Deferred tax liability

Deferred tax liability is attributable to the following:

	Balance at <u>April 1, 2007</u> \$'000	Recognised <u>in income</u> \$'000	Balance at <u>March 31, 2008</u> \$'000
Insurance fund	(3,712)	(244)	(3,956)
Accounts receivable	674	39	713
Property, plant and equipment	869	714	1,583
Accounts payable	(921)	(846)	(1,767)
Employee benefits	42,098	5,965	48,063
Unrealised foreign exchange gains	<u>291</u>	<u>(2,526)</u>	<u>(2,235)</u>
	<u>39,299</u>	<u>3,102</u>	<u>42,401</u>

16. Long-term loans payable

	<u>2008</u> \$'000	<u>2007</u> \$'000
Government of Jamaica [note 16(a)]	427,141	450,872
Development Bank of Jamaica Limited [note 16(b)]	-	20,000
Jamaica Exporters' Association/EXIM [note 16(c)]	359,354	204,119
Bladex [note 16(d)]	428,293	578,338
National Insurance Fund/SME [note 16(e)]	41,801	-
Petrocaribe Development Fund [note 16(f)]	<u>856,585</u>	<u>-</u>
	<u>2,113,174</u>	<u>1,253,329</u>

16. Long-term loans payable (cont'd)

- (a) This represents the balance on the unsecured Government of Jamaica loan (Loan 1715 JM) from International Bank for Reconstruction and Development (IBRD), on-lent to Export Development Fund Jamaica Limited, assumed by the company. In agreement with the Ministry of Finance, the terms of IBRD loan 1715 JM were restructured with effect from September 13, 1996.

Principal due but unpaid as at December 31, 1995, amounting to US\$3.0 million, was converted to equity and the remaining loan balance of US\$11.87 million was converted to Jamaica dollars with provisions for capitalisation of any shortfalls in interest payments.

The loan, which bears interest at 6% (2007: 6%) per annum, is repayable by fifty-eight equal semi-annual installments, the final installment being due on December 30, 2025.

Principal repayments due within twelve months of the balance sheet date amount to \$23.73 million (2007: \$23.73 million).

- (b) The Development Bank of Jamaica Limited loan in the amount of \$100 million was received in tranches of J\$25 million (upon written request of the EXIM Bank). Each tranche was repayable the day immediately following the expiration of one hundred and eighty (180) days from the date of disbursement.

Interest was payable as follows: 5.5% per annum on two tranches of \$100 million and \$50 million and 10% per annum on 4 additional tranches of J\$25 million.

The last payment was made in September 2007.

- (c) The Jamaica Exporters' Association has lent the company the sum of US\$3 million under its Export Growth Initiative Programme (EGI). This amount is to be on-lent to productive enterprises in US\$ at the discretion of the company. The maximum loan to each customer should not exceed US\$0.3 million. The loan is to be repaid in US\$ by the company within 6 years of the first disbursement.

- (d) This represents an unsecured loan of US\$8.5 million (2006: US\$10 million) from Banco Latinoamericano de Exportaciones (Bladex) to be repaid over three years with US\$2.5 million due within one year. The interest rate is six months LIBOR plus 2.35% (1st year); 2.85% (2nd year) and 3.75% (3rd year). Principal payments in the sum of US\$6.0 million are due on February 25, 2009.

- (e) The facility is represented by an amount not exceeding \$100,000,000 for the sole purpose of making loans to SME's in accordance with NIF/SME Credit Facility Guidelines.

The loan facility is disbursed in tranches/advances and each advance will have its own amortization schedule and evidenced by a promissory note. The interest rate is fixed at 4% on the reducing balance. The term of the loan facility is May 11, 2007 to April 30, 2012. The amount drawn down as at March 31, 2008 was \$42.9 million.

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

16. Long-term loans payable (cont'd)

- (f) The company entered into a loan agreement with Petrocaribe Development Fund to borrow US\$12 million. It drew down the amount in 3 tranches between August 8, 2007 to January 30, 2008. The loan is unsecured, bears interest at the rate of 5% and has a tenure of 15 years, with a moratorium of 1 year on principal repayment.

17. Insurance funds

This comprises the reserve for unexpired risk and is equivalent to 16% (2007: 16%) of net premium income.

18. Equity

(a) Share capital:

Authorised:

300,000 (300,000) ordinary shares of no par value

<u>2008</u>	<u>2007</u>
\$'000	\$'000

Issued and fully paid:

257,738 (2007: 257,738) ordinary shares

<u>257,738</u>	<u>257,738</u>
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(b) Capital reserve:

Capital reserve represents amounts arising from non-reimbursable capital grants as follows:

<u>2008</u>	<u>2007</u>
\$'000	\$'000

Budgetary support [see (i) below]

150,000	150,000
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Apparel sector facility [see (ii) below]

45,842	45,842
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Gain on sale of assets

8,042	8,042
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JECIC Grant [see (iii) below]

<u>144,457</u>	<u>132,254</u>
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<u>348,341</u>	<u>336,138</u>
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18. Shareholders' equity (cont'd)

(b) Capital reserve (cont'd):

- (i) This represents a non-reimbursable grant from the Government of Jamaica provided as budgetary support for the company.
- (ii) This represents a non-reimbursable grant from the Government of Jamaica, to be on-lent at an interest rate of 12% (2007: 12%) per annum to the apparel sector under the Apparel Sector Financing Scheme [see note 6(f)].
- (iii) This 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 Bank effective April 1, 2006.

(c) 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 company.

(d) Investment revaluation reserve:

This reserve comprises the cumulative net change in the fair value of available-for-sale financial assets. They are carried as reserve until the investments are derecognised or impaired.

19. Profit before income tax

The following are among the items charged in arriving at profit before income tax:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Depreciation	6,395	4,067
Directors' emoluments:		
Fees	1,131	819
Remuneration	7,075	6,288
Auditors' remuneration	1,375	1,250
Staff costs [note 23(b)]	<u>106,290</u>	<u>88,857</u>

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

20. Income tax

- (a) Income tax is computed at 33½% of the profit before income tax as adjusted for tax purposes, and is made up as follows:

	<u>2008</u> \$'000	<u>2007</u> \$'000
(i) Current income tax:		
Provision for current year's charge	8,276	17,864
Prior year under provision	<u>960</u>	<u>-</u>
	9,236	17,864
(ii) Deferred income tax:		
Origination and reversal of temporary differences	<u>3,102</u>	<u>(5,871)</u>
	<u>12,338</u>	<u>11,993</u>

- (b) Reconciliation of effective tax charge:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Profit before income tax	<u>29,787</u>	<u>50,795</u>
Computed "expected" tax expense	9,929	16,932
Difference between profit for financial statements and tax reporting purposes on:-		
Depreciation and capital allowances	129	3,542
Disallowed expenses	1,320	(8,481)
Under provision of prior year charge	<u>960</u>	<u>-</u>
Actual tax charge	<u>12,338</u>	<u>11,993</u>

21. Financial risk management

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

For the purposes of the financial statements, financial assets have been determined to include cash and cash equivalents, accounts receivable, notes discounted, medium-term loans receivable, demand and non-accrual loans, investments, customers liability under letters of credit, and long-term loans receivable. Financial liabilities comprise accounts payable, owed to Bank of Jamaica, short-term loans and lines of credit, long-term loans payable and letters of credit.

21. Financial risk management (cont'd)

The company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk
Operational risk.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk and the company's management of capital.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework and has established several committees with specific areas of responsibility for monitoring, evaluating and ensuring compliance. In keeping with the company'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 company may be exposed.

The company 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 Deputy Managing Director is designated as the Compliance Officer responsible for ensuring the effective implementation of the established policies, programmes, procedures and controls to achieve the objectives.

The Compliance Officer 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 company'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 company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The company, 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.

21. Financial risk management (cont'd)

Risk Management Framework (cont'd)

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

(a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's loans and advances to customers and other banks. For risk management reporting purposes, the company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

Management of credit risk

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 company's credit risk, including:

- Formulating credit policies in consultation with the Senior Manager's 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, Deputy Managing Director and Manager, Trade Financing. Larger facilities require approval by 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.

21. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Management of credit risk (cont'd)

- Reviewing compliance of business units with agreed exposure limits. Annual Reports are provided to the Bad Debt Committee on the credit quality of local portfolios and appropriate corrective action taken.
- Providing advice, guidance and specialist skills to analysts to promote best practice throughout the company in the management of credit risk.

The Trade Financing & Risk Management division (TFRM) is required to implement the company'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 its 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 company's credit processes are undertaken by Internal Audit.

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

Credit risk exposures relating to on balance sheet assets are as follows:

	Maximum exposure	
	2008	2007
	\$'000	\$'000
Cash and cash equivalents	494,030	505,568
Accounts receivable	1,393,772	1,054,985
Notes discounted	1,043,486	976,832
Medium-term loans	1,024,141	709,588
Demand and non-accruals loan	81,314	123,939
Investments	468,028	581,777
Customers' liabilities under letters of credit	460,322	474,440
Long-term loans	34,974	27,682
	<u>5,000,067</u>	<u>4,454,811</u>

21. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Impaired loans and securities

Impaired loans and securities are loans and securities for which the company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). These loans are categorised as:

Delinquent/past due

- Principal sum and/or accrued interest remains unpaid for a period of up to 90 days;
- Prospects for recovery are considered good; and
- Loan conditions are not expected to deteriorate.

Protracted delinquency

- Principal sum and/or accrued interest remains unpaid for a period of 90 days or more, and
- Prospects for recovery still considered good but protracted and therefore legal action is not contemplated or recommended.

Default

- The principal sum and/or accrued interest remains unpaid for a period of 90 days or more;
- The prospects for full or any recovery are considered to be remote;
- The account has been referred to the company's lawyers; and
- Bad debt provision has been made.

21. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the company believes that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection of amounts owed to the company.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the company has made concessions that it would not otherwise consider. Once consistent payments are made on the loan it reverts to a normal loan. Should consistent payments not be made then the loan is categorized as demand loan and remains in that category. The carrying amount of financial assets with renegotiated terms is \$127,906,000 (2007: \$123,939,000).

Allowances for impairment

The company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are (1) a specific loss component that relates to individually significant exposures, and (2) a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The company writes off a loan/security balance (and any related allowances for impairment losses) when the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller-balance standardised loans, charge-off decisions generally are based on a product specific past due status.

21. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Set out below is an analysis of the gross (of allowances for impairment) amounts of impaired loans by sector.

(i) Concentration of loans:

The loan portfolio, before provision for loss, is concentrated as follows:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Agro Processing	837,239	662,932
Food and Beverage	303,760	300,865
Textiles and Apparel	47,199	73,534
Manufacturing	1,344,077	953,909
Distribution	445,487	487,624
Mining	51,364	49,263
Services	449,554	346,254
Tourism	102,154	83,877
Other	<u>30,636</u>	<u>57,347</u>
	3,611,470	3,015,605
Less: Prepayments	(2,260)	(120,363)
Interest written back in the general ledger	(12,681)	(7,388)
	<u>3,596,529</u>	<u>2,887,854</u>

Loans on which interest is suspended amounted to \$220.587 million (2007: \$71.96 million). These loans are included in the financial statements at their estimated net realisable value of \$137.440 million (2007: \$24 million).

(ii) The loan portfolio, before provision for loss, is reflected as follows:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Notes receivable (note 5)	1,329,465	1,011,850
Notes discounted (note 6)	1,077,617	1,013,870
Medium-term loans (note 7)	1,024,351	709,588
Demand and non-accrual loans (note 8)	130,122	124,864
Long term receivable (note 10)	<u>34,974</u>	<u>27,682</u>
	<u>3,596,529</u>	<u>2,887,854</u>

21. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(ii) The loan portfolio, before provision for loss, is reflected as follows (cont'd):

Provision for probable loan losses:

	<u>2008</u> \$'000	<u>2007</u> \$'000
At beginning of year	37,963	49,116
Provision/adjustments written-off	(4,128)	(13,097)
	<u>33,835</u>	<u>36,019</u>
Provision made during the year	54,523	6,360
Bad debt recovered	(5,209)	(4,416)
Net increase in provision	<u>49,314</u>	<u>1,944</u>
At end of year	<u>83,149</u>	<u>37,963</u>
	<u>2008</u> \$'000	<u>2007</u> \$'000
Notes discounted (note 6)	34,131	37,038
Medium-term loans (note 7)	210	925
Demand & non-accrual loans (note 8)	<u>48,808</u>	<u>-</u>
	<u>83,149</u>	<u>37,963</u>

The company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral 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.

Settlement risk

The company'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 a counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the company mitigates this risk by conducting settlements through Approved Financial Institutions (AFI's).

21. Financial risk management (cont'd)

(b) Liquidity risk:

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations in respect of its financial liabilities.

Management of liquidity risk

The company'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 company as a whole. The liquidity requirements of the company are met through encashment of investments to cover any short-term fluctuations. The accessing of loans is used to address longer term funding.

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 (2) days before disbursements.

A cash flow budget is prepared at the beginning of the year and any expected cash short fall is identified. The company then seeks additional funding to address funding needs.

21. Financial risk management (cont'd)

(b) Liquidity risk: (cont'd)

Residual contractual maturities of financial liabilities

The table below shows the undiscounted contractual cash flows on the company's financial liabilities on the basis of their earliest possible contractual maturity.

	2008				
	Carrying amount \$'000	Total Cash outflow \$'000	Within 12 months \$'000	Within 5 years \$'000	More than 5 years \$'000
Owed to Bank of Jamaica	56,366	56,366	-	-	-
Accounts payable	43,720	43,720	-	-	-
Short-term loans and lines of credit	879,070	879,070	879,070	-	-
Long-term loans payable	<u>2,113,174</u>	<u>3,022,350</u>	<u>554,285</u>	<u>398,365</u>	<u>1,676,480</u>
Total	<u>3,092,330</u>	<u>4,001,506</u>	<u>1,433,355</u>	<u>398,365</u>	<u>1,676,480</u>

	2007				
	Carrying amount \$'000	Total Cash outflow \$'000	Within 12 months \$'000	Within 5 years \$'000	More than 5 years \$'000
Owed to Bank of Jamaica	80,824	80,824	-	-	-
Accounts payable	139,999	139,999	-	-	-
Short-term loans and lines of credit	951,057	951,057	951,057	-	-
Long-term loans payable	<u>1,253,329</u>	<u>1,654,740</u>	<u>256,521</u>	<u>982,883</u>	<u>415,336</u>
	<u>2,425,209</u>	<u>2,826,620</u>	<u>1,207,578</u>	<u>982,883</u>	<u>415,336</u>

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and commodity prices, will affect the company's income or value of its holdings of financial instruments.

Foreign currency risk

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

- (i) The company incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The main currency giving rise to this risk is the US Dollar. The company ensures that the net exposure is kept to an acceptable level by monitoring its value at risk exposure (daily) against approved limits.

At the balance sheet date, the net foreign currency assets were as follows:

	2008 \$'000	2007 \$'000
United States dollars	US\$ (6,012)	1,846
Canadian dollars	Cdn\$ 1,371	1,598
Pounds sterling	£ <u>17</u>	<u>8</u>

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

21. Financial risk management (cont'd)

(c) Market risk: (cont'd):

Foreign currency risk (cont'd)

(ii) The Bank of Jamaica exchange rates as at the balance sheet date are as follows:

	Buying		Selling	
	2008	2007	2008	2007
	J\$	J\$	J\$	J\$
US\$1.00	70.8821	67.5398	71.1007	67.7599
Cdn\$1.00	68.1697	57.7523	69.7456	58.7541
£1.00	<u>139.8780</u>	<u>130.8418</u>	<u>141.1542</u>	<u>132.4012</u>

The company's exchange rates for the US dollar [see note 3(g)], as at balance sheet date is \$70.8821 (2007: \$67.5398) buying and \$71.8821 (2007: \$68.5398) selling.

(iii) Foreign currency sensitivity:

The company had significant exposure on its monetary assets and liabilities. The changes in currency rates below represent management's assessment of the possible changes in foreign exchange rates.

A 5 percent strengthening of the Jamaica dollar against the following currencies at March 31 would have increased/(decreased) profit or loss and equity by the amounts shown. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2007.

		2008			2007		
		Change in Currency Rate %	Effect on Profit \$'000	Effect on Equity \$'000	Change in Currency Rate %	Effect on Profit \$'000	Effect on Equity \$'000
US\$	5		(29,137)	7,425	5	(13,506)	(7,075)
Cdn\$	5		7,046	-	5	14,821	-
£	5		<u>120</u>	<u>-</u>	5	<u>44</u>	<u>-</u>

A 5% weakening of the Jamaica dollar against the following currencies at March 31 would have had an equal but opposite effect.

Exposure to interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company manages this risk by monitoring interest rates daily and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities.

The following table summarises the carrying amounts of balance sheet assets, liabilities and equity to arrive at the company's interest rate gap based on the earlier of contractual repricing and maturity dates.

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

21. Financial risk management (cont'd)

(c) Market risk: (cont'd)

Exposure to interest rate risk (cont'd)

	2008					
	Immediately rate sensitive \$'000	Within 3 months \$'000	3 to 12 months \$'000	Over 12 months \$'000	Non-rate* sensitive \$'000	Total \$'000
Cash and cash equivalents	81,618	412,412	-	-	-	494,030
Accounts receivable	200,354	659,101	496,447	-	37,870	1,393,772
Income tax recoverable	-	-	-	-	64,848	64,848
Notes discounted	192,044	353,776	152,875	344,791	-	1,043,486
Medium-term loans	161	408	6,949	1,016,623	-	1,024,141
Demand & non-accrual loans	81,314	-	-	-	-	81,314
Investments	-	258,578	36,542	172,908	-	468,028
Customers' liabilities under letters of credit	278,812	150,742	30,768	-	-	460,322
Long-term loans receivable	-	-	-	34,974	-	34,974
Property, plant and equipment	-	-	-	-	115,382	115,382
Post-employment benefit asset	-	-	-	-	198,980	198,980
Total assets	<u>834,303</u>	<u>1,835,017</u>	<u>723,581</u>	<u>1,569,296</u>	<u>417,080</u>	<u>5,379,277</u>
Owed to Bank of Jamaica	-	-	-	-	56,366	56,366
Accounts payable	-	2,922	-	-	40,798	43,720
Short-term loans and lines of credit	134,470	555,790	188,810	-	-	879,070
Deferred tax liability	-	-	-	-	42,401	42,401
Long-term loans payable	-	428,292	-	-	1,684,882	2,113,174
Letters of credit	278,812	150,742	30,768	-	-	460,322
Post-employment benefit obligation	-	-	-	-	54,791	54,791
Insurance funds	-	-	-	-	11,867	11,867
Shareholders' equity	-	-	-	-	1,717,566	1,717,566
Total liabilities and equity	<u>413,282</u>	<u>1,137,746</u>	<u>219,578</u>	<u>-</u>	<u>3,608,671</u>	<u>5,379,277</u>
Total interest rate sensitivity gap	421,021	697,271	504,003	1,569,296	(3,191,591)	-
Cumulative gap 2008	<u>421,021</u>	<u>1,118,292</u>	<u>1,622,295</u>	<u>3,191,591</u>	<u>-</u>	<u>-</u>

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

21. Financial risk management (cont'd)

(c) Market risk: (cont'd)

Exposure to interest rate risk (cont'd)

	2007					
	Immediately rate sensitive \$'000	Within 3 months \$'000	3 to 12 months \$'000	Over 12 months \$'000	Non-rate* sensitive \$'000	Total \$'000
Cash and cash equivalents	291,954	213,614	-	-	-	505,568
Accounts receivable	41,989	8,292	966,803	-	37,901	1,054,985**
Income tax recoverable	-	-	-	-	47,336	47,336
Notes discounted	-	-	951,663	25,169	-	976,832**
Medium-term loans	183,648	718	73,608	451,614	-	709,588**
Demand and non-accrual loans	123,939	-	-	-	-	123,939**
Investments	131,689	-	450,088	-	-	581,777
Customers' liabilities under letters of credit	-	139,415	335,025	-	-	474,440
Long-term loans receivable	-	-	-	27,682	-	27,682
Property, plant and equipment	-	-	-	-	14,023	14,023
Post-employment benefit asset	-	-	-	-	172,621	172,621
Total assets	773,219	362,039	2,777,187	504,465	271,881	4,688,791
Owed to Bank of Jamaica	80,824	-	-	-	-	80,824
Accounts payable	-	-	-	-	139,999	139,999
Short-term loans and lines of credit	255,696	366,018	329,343	-	-	951,057
Deferred tax liability	-	-	-	-	39,299	39,299
Long-term loans payable	-	578,338	20,000	450,872	204,119	1,253,329
Letters of credit	-	230,093	244,347	-	-	474,440
Post-employment benefit obligation	-	-	-	-	46,327	46,327
Insurance funds	-	-	-	-	11,136	11,136
Shareholders' equity	-	-	-	-	1,692,380	1,692,380
Total liabilities and equity	336,520	1,174,449	593,690	450,872	2,133,260	4,688,791
Total interest rate sensitivity gap	436,699	(812,410)	2,183,497	53,593	(1,861,379)	-
Cumulative gap 2007	436,699	(375,711)	1,807,786	1,861,379	-	-

* These are (or include) non- financial instruments.

** After reclassifications to conform to the 2008 presentation.

21. Financial risk management (cont'd)

(c) Market risk: (cont'd)

Exposure to interest rate risk (cont'd)

The range of effective yields by the earlier of the contractual re-pricing and maturity dates:

	2008			
	Immediately	Within	3 to	Over
	rate sensitive	3 months	12 months	12 months
	%	%	%	%
Cash and cash equivalents	6.96	3.90 - 06.96	-	-
Accounts receivable	-	5.00 - 12.00	5.00 - 12.00	-
Notes discounted	-	5.00 - 12.00	12.00	12.00
Medium-term notes loans	-	-	12.00	12.00
Long-term receivables	-	-	-	01.0 - 3.00
Owed to Bank of Jamaica	-	10.00	10.00	10.00
Short-term loans and lines of credit	6.50 - 10.00	6.50 - 10.00	6.50 - 10.00	-
Long-term loans	-	<u>6.00- 08.50</u>	<u>8.50</u>	<u>8.50</u>

	2007			
	Immediately	Within	3 to	Over
	rate sensitive	3 months	12 months	12 months
	%	%	%	%
Cash and cash equivalents	6.73	00.0 - 06.93	-	-
Accounts receivable	-	05.0 - 12.00	05.0 - 12.00	-
Notes discounted	-	05.0 - 12.00	12.0	12.00
Medium-term loans	-	-	12.0	12.00
Long-term loans payable	-	-	-	01.0 - 03.00
Owed to Bank of Jamaica	-	10.00	10.00	10.00
Short-term loans and lines of credit	6.5 - 10.00	06.5 - 10.00	06.5 - 10	-
Long-term loans	-	<u>06.0 - 08.50</u>	<u>00.0 - 08.50</u>	<u>00.0 - 8.50</u>

(d) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company'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 company's operations.

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

21. Financial risk management (cont'd)

(d) Operational risk: (cont'd)

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 company standards 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 company 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 Committee and senior management of the company.

(e) Capital management:

The company is not a regulated entity. However, it keeps the following two dedicated funds:

- Minimum Investment Balance
- Insurance Reserve.

The company's policy is to maintain a strong capital base to maintain investor, credit and market confidence.

Capital allocation

The allocation of capital between specific operations and activities is driven by:

- (a) Strategic Plan and Budget approved by the Board of Directors
- (b) The desire to fulfill the company's mandate; and
- (c) Support by the company 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.

21. Financial risk management (cont'd)

(f) Fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some of the company's financial instruments lack an available open trading market. Therefore, these instruments have been valued using present value or other valuation techniques and the estimates may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments. The following methods and assumptions have been used:

The carrying values of cash and cash equivalents, accounts receivable, notes discounted, customers' liabilities under letters of credit, long-term loans, owed to Bank of Jamaica, accounts payable, short-term loans and lines of credit, and letters of credit are assumed to approximate their fair values, due to their short-term nature.

The fair value of concessionary rate loans totaling approximately \$2,113 million (2007: \$1,253 million) (note 15) have not been estimated as the loans are available to the company due to its special circumstances. Adequate market information is not available to determine the fair value of such loans.

The carrying amounts of medium term loans approximate their fair values as the interest rate at year-end is equivalent to the rates charged on similar instruments.

The fair value of long-term receivables was not calculated due to the unavailability of adequate market information.

The fair value of government securities and securities purchased under resale agreements were determined by discounting the future cash flows of these securities at various rates of interest for similar instruments existing in the market at the balance sheet date. The fair value of quoted shares held in an overseas company is based on the quoted market price of the share on the New York Stock Exchange.

The fair values of the following financial instruments differ from their carrying values as shown:

	2008		2007	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
	\$'000	\$'000	\$'000	\$'000
Investments				
Securities purchased under resale agreements	278,021	277,993	385,530	382,881
Government securities	<u>40,440</u>	<u>40,492</u>	<u>46,204</u>	<u>44,878</u>
	<u>318,461</u>	<u>318,485</u>	<u>431,734</u>	<u>427,759</u>

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

22. Other disclosures - employees

	<u>2008</u>	<u>2007</u>
(a) Average number of persons employed by the company during the year:		
Trade	13	13
Administration	<u>48</u>	<u>48</u>
	<u>61</u>	<u>61</u>
(b) Staff costs incurred during the year in respect of these employees were:		
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Salaries and wages	111,216	91,247
Staff welfare and benefit	12,325	10,884
Statutory payroll contributions	7,135	6,077
Pension income	(25,517)	(20,170)
Other	<u>1,131</u>	<u>819</u>
	<u>106,290</u>	<u>88,857</u>

23. Related party balances and transactions

Related parties:

A party is related to the company, if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - (a) is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
 - (b) has an interest in the company that gives it significant influence over the entity; or
 - (c) has joint control over the company;
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

National Export-Import Bank of Jamaica Limited
Notes to the Financial Statements (Cont'd)

March 31, 2008

23. Related party balances and transactions (cont'd)

A party is related to the company, if: (cont'd)

- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The balance sheet includes balances, arising in the normal course of business, with related parties as follows:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Other related companies:		
Accounts receivable	11,274	-
Notes discounted	-	78,194
Medium term loans	-	47,157
Demand and Non-accrual loans	45,596	-
Customer liability under lines of credit	-	15,037
Short-term loans (note 13)	(56,366)	(80,824)
Long-term loans (note 16)	<u>(1,325,527)</u>	<u>(470,872)</u>

The income statement includes the following income earned from, and expenses incurred in, transactions with related parties, in the ordinary course of business:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Other related parties:		
Interest income	132,321	58,138
Interest expense	<u>56,040</u>	<u>38,149</u>

Compensation for key management (including executive director) as follows:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Short-term benefits	39,085	27,563
Post-employment benefits	<u>(2,633)</u>	<u>(1,768)</u>
	<u>36,452</u>	<u>25,795</u>
Directors' emoluments:		
Fees	1,131	819
Remuneration	<u>7,075</u>	<u>6,288</u>

24. Commitments

Loan commitments under the Export Credit, Modernisation and the Small Business Facilities total J\$313.64 million at the year-end (2007: J\$454.21 million).

25. Contingent liability

Effective July 2007, the Fourth Schedule of the Human Employment and Resource Training (HEART) Act was amended to include companies that were not previously named in this schedule. The company was named in the amendment and became liable to make payment of HEART contributions calculated at 3% of total gross taxable emoluments. Subsequent to the year end, the company received an assessment estimated at \$2,047,000, for which no provisions have been made in these financial statements.

Notes

Notes