EXIM BANK JAMAICA

ANNUAL REPORT 2020/2021

BY HELPING BUSINESSES
WE SAVE LIVES & LIVELIHOOD

SMTE LOAN

SMALL AND MEDIUM SIZE TOURISM ENTERPRISE LOAN

At EXIM Bank we recognise the important contribution that members of the Tourism sector and its linkages make in creating jobs, earning foreign exchange and in economic development. The Tourism Enhancement Fund (TEF) has crafted this special loan facility to enable continued growth and sustainable development.

Borrow up to J$25 million at an interest rate of 4.5% per annum with up to 7 years to repay and up to 12 months moratorium on principal payments.

Get a 4.5% SMTE Loan today to:

- Upgrade or Increase your room capacity
- Enhance & Expand your Attractions, Tours & Events
- Finance Infrastructure Development & Maintenance
- To finance working capital

BY HELPING BUSINESSES WE SAVE LIVES & LIVELIHOOD

OFFICE

National Export-Import Bank of Jamaica Limited
85 Hope Road, Kingston 6
St Andrew, Jamaica
West Indies

Phone: 876 630 1400
Email: info@eximbankja.com
Website: www.eximbankja.com

PRIMARY BANKER
BANK OF JAMAICA

Nethersole Place
P.O. Box 621, Kingston
Jamaica, West Indies

AUDITORS

Ernst & Young Chartered Accountants

8 Oliver Road, Kingston 8
Jamaica, West Indies

CONTENTS

OUR MISSION

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

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

OUR VISION

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

CORE VALUES

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

01

CUSTOMER CENTRICITY

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

02

INTEGRITY

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

03

PROFESSIONALISM

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

04

INNOVATION

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

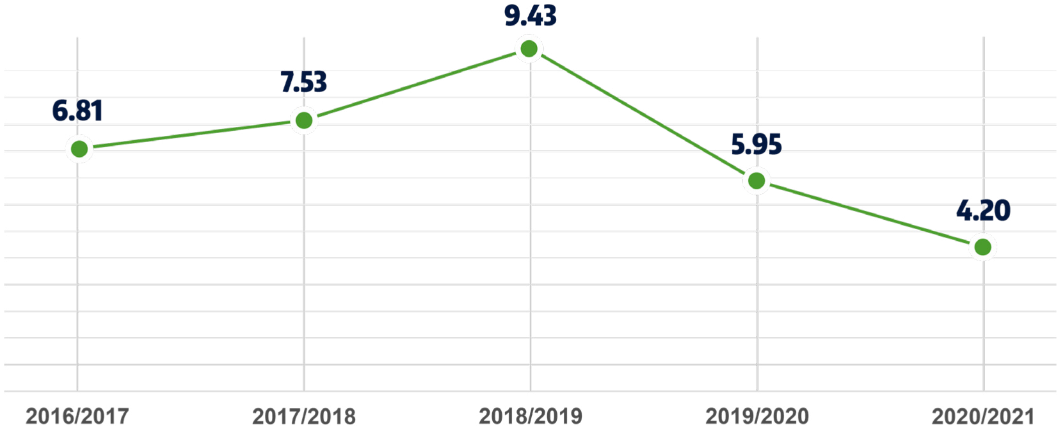
05

RESPECT

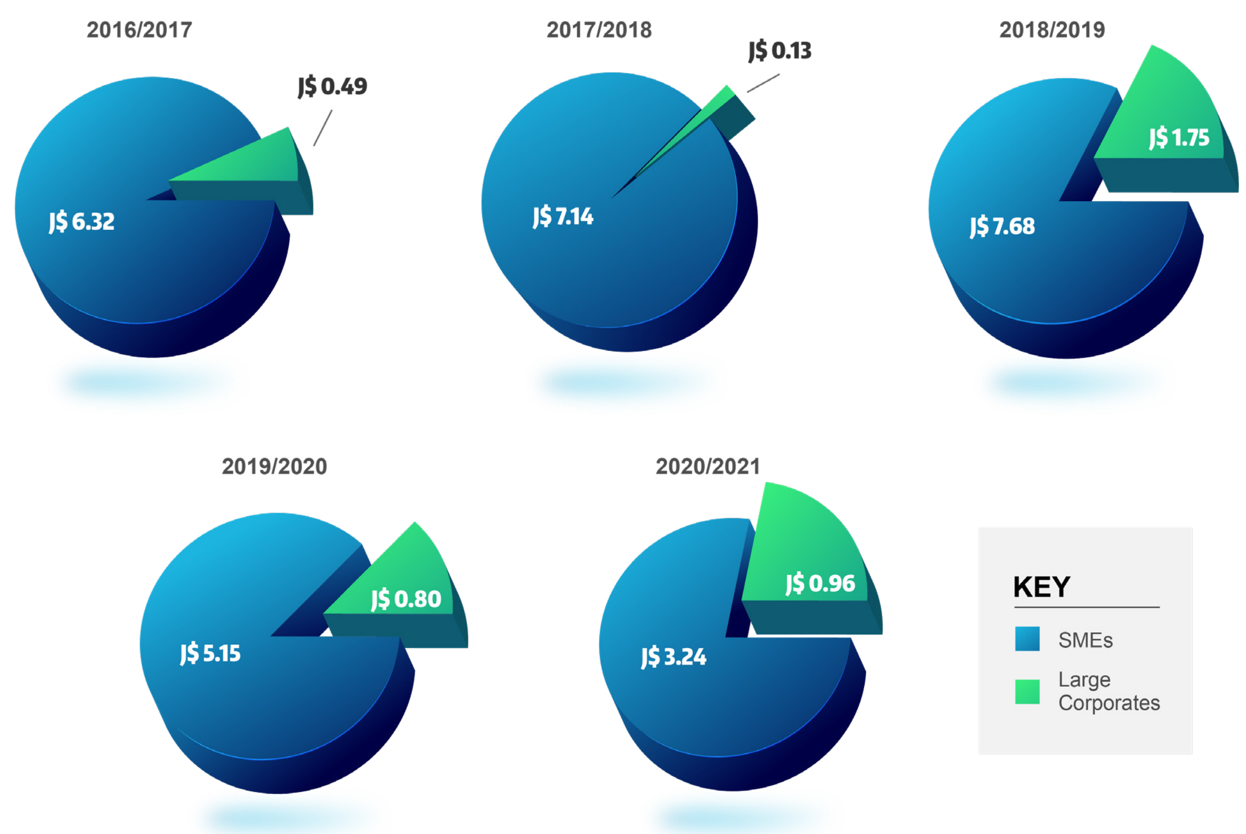
We treat each other with kind consideration and politeness irrespective of position or economic status being mindful at all times of the other person's feelings.

5 YEAR FINANCIAL HIGHLIGHTS

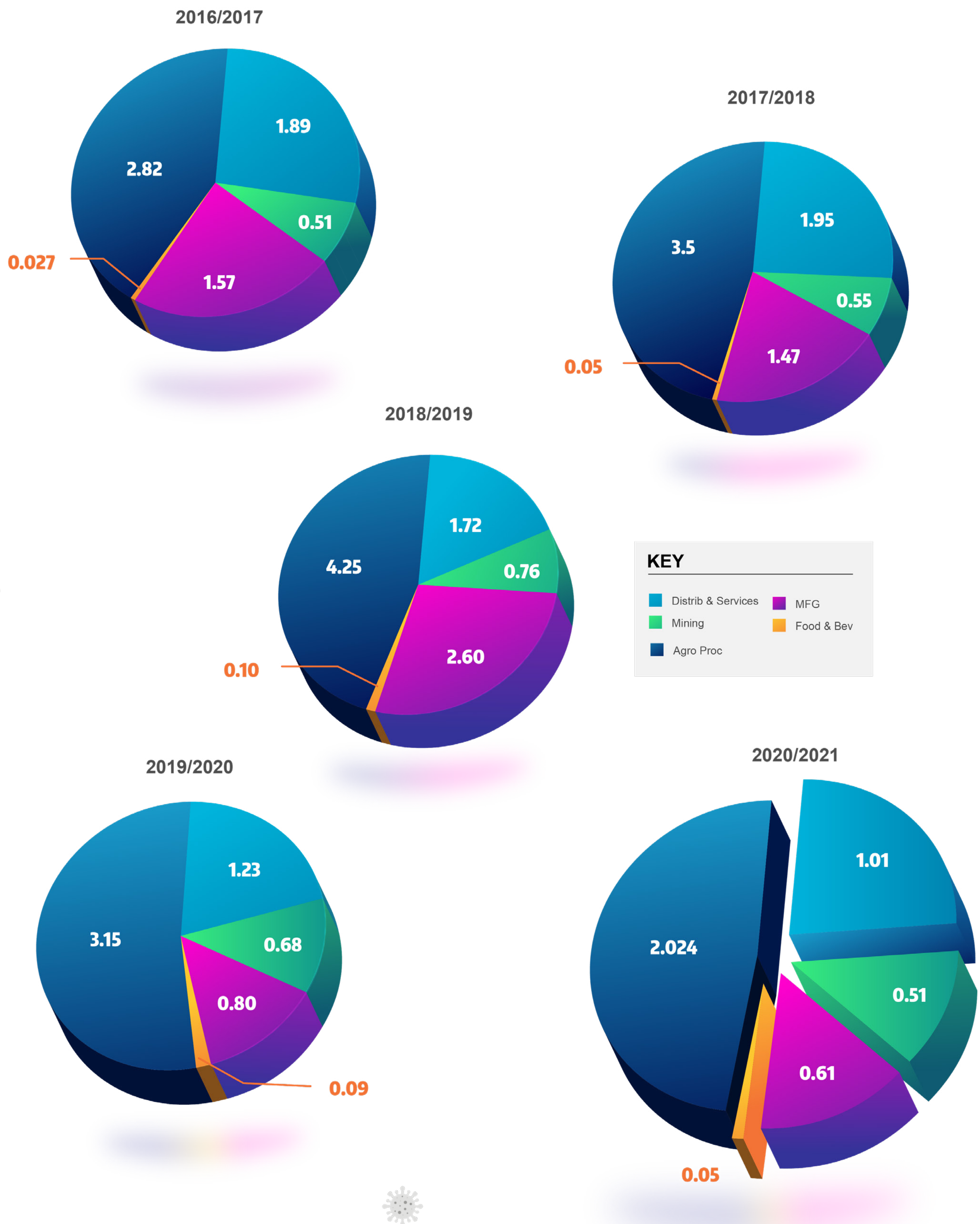
Loan Utilization (J$ billions)



Loans Disbursed to SMEs vs Large Corporates (J$ billions)



Loans Disbursed by Sector (J$ billions)



MINISTER'S MESSAGE

Resilience, innovation, customer satisfaction and excellence are key guiding principles that aptly represent the institutional impact of the National Export-Import (EXIM) Bank over the past thirty-five (35) years. Known to many Small and Medium Sized Enterprises (SMEs) for its transformational contribution to the productive sector through the provision of fit-for-purpose financing products and services, EXIM Bank continues to stimulate and build entrepreneurial aspirations in alignment with the Government's Vision 2030 ambitions, and macroeconomic strategic plan.

The financial year 2020/21 will be remembered for the catastrophic impact of the COVID-19 pandemic on local, regional and global economies, with very few industries being spared from its adverse-effects.

Having disproportionately affected many SMEs, the pandemic tested the agility and responsiveness of the Bank. However, the Bank's response was commendable. Through a revised strategic approach aligned with the Government's architecture for inclusive growth and development, EXIM Bank provided four hundred and forty-four (444) loans valued at approximately a $4.2 billion dollars to approximately one-hundred (100) SMEs. Additionally, over sixty (60) SME clients were provided with the opportunity to resuscitate their businesses through loan restructurings, concessionary financing arrangements and payment holidays at a value of $973 million dollars, many of which are operating in the critical Tourism and Linkages sectors – an important pillar of the government's economic development architecture to drive economic growth, with growth in GDP.

The collective belief of the Jamaican Government represented by the Ministry of Industry, Investment and Commerce is that for Jamaica to be a prosperous nation, the businesses operating in the economy will need to prosper. Therefore, every effort must be made to enable Jamaican businesses to grow and develop.

As we embark on the new financial year 2021/22, I have charged the EXIM Bank to continue playing its role in the development and growth of the economy by providing greater access to purposeful financial solutions for the productive sector generally, and especially those in the SME sector, and to ensure an emphasis on targeting the Export markets as s strategic priority in marketing unique Jamaican products to the world.

The Honourable Audley Shaw, CD, JP

CHAIRMAN'S MESSAGE

> "In the midst of chaos, there is also opportunity"
>
> – Sun Tzu

In 2020 the National Export-Import Bank of Jamaica (EXIM Bank) celebrated 34 years of serving Jamaica's productive sector, while acknowledging and seeking to overcome the obstacles which arose during the year to challenge the Bank's efficient execution of its strategy and fulfilment of its mandate. It is indeed an extraordinary time to be writing to our stakeholders. Under more stable macroeconomic conditions, I would have been writing on behalf of the Board of Directors to describe another year of satisfactory progress by the EXIM Bank, while highlighting initiatives undertaken by the management team in the continued effort to build a solid foundation for the future. Notwithstanding, to address continuity, I must first express how the EXIM Bank has responded to the challenges presented by the COVID-19 pandemic. This has been and continues to be a phenomenon of unprecedented scale which has affected our customers and has required substantial adaptation by our own operations and workforce.

The Bank's mandate - which is to stimulate, facilitate and enable entrepreneurial activities across the major productive sectors of the economy, delivering financing solutions enhanced by value-added services to Small & Medium-Sized Enterprises (SMEs) - was severely tested during the 2020/21 Financial Year. Disproportionately affecting the primary users of the products and services offered by EXIM, the pandemic presented many challenges (old and new), which tested the tenacity and agility of the Managing Director and her team. With operational plans residing in the approval lounge and budgets casted in those previously designed plans, the team had to "wheel and come again", as the macro-economic environment kept shifting, resulting in the quarter-over-quarter unstable economic outlook, unsettling the productive sector.

In response to the key issues, the Bank had to revamp its approach and craft new strategies, keeping its vision of the "north star". This resulted in some key victories for financial year 2020/21. This included the provision of four hundred and forty-four (444) loans, valued at $4.2 Billion Dollars to approximately one-hundred SMEs. Additionally, over sixty (60) clients benefitted from loan restructuring and payment holidays to the tune of $973 million dollars. This included a substantial percentage of those enterprises operating in the Tourism and linkages sectors.

Capacity building and technical assistance efforts were also central to the Bank's strategic agenda. Through its Business Advisory Services portfolio, over 150 Micro Small and Medium-Sized Enterprises (MSMEs) have directly benefitted from the various initiatives organized by the Bank. Virtual workshops and webinars were executed throughout the financial year, targeting the export sector. With a strong focus on e-commerce and supply-chain management, SMEs were provided with practical insights and assistance in making the digital transition required for the 21st century.

Notwithstanding the limited available financial resources within the Bank's coffers, for the upcoming financial year EXIM Bank has projected to on-lend $5.5Billion to the productive sector, in its quest to facilitate greater access to finance and improved export performance. Expected to reach the heart of our local SMEs, EXIM Bank continues to play its role in the priming the landscape for SMEs to exploit current and emerging market opportunities while bolstering their defence against external threats.

Additionally, the Bank is consistently fostering key stakeholder relationships, embracing expansive technologies, and scanning the market for other viable funding pathways to increase the pool of resources available for lending, which will result in greater levels of impact.

As I customarily do, but this year more than ever, the Board of Directors must be commended as their corporate governance expertise continues to be the anchor on which we can rest assured. I also want to thank the Management and Staff of the Bank, for their unwavering execution and support in delivering on the institution's mandate.

With our eyes firmly fixed on the 2021/22 Financial Year, our focus will be on the side of opportunities rather than the challenges - opportunities to deliver high quality products and service to our customers in a new and ever-changing paradigm, one that will certainly establish new horizons for us to conquer. Our corporate strategic framework has proven itself to be positioned in the right direction, and we will continue to strategically focus on the areas of fit-for-purpose financing and customer experience.

Although the year ahead shows much uncertainty, I know that the EXIM Bank is equipped with innovative leadership and tenacious management, which is backed by a resilient team. We will continue to deliver on the national mandate of enabling Jamaica to become a "net exporting country" aligned to Vision 2030.

Gary "Butch" Hendrickson, CD, JP.
Chairman

BOARD OF DIRECTORS

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

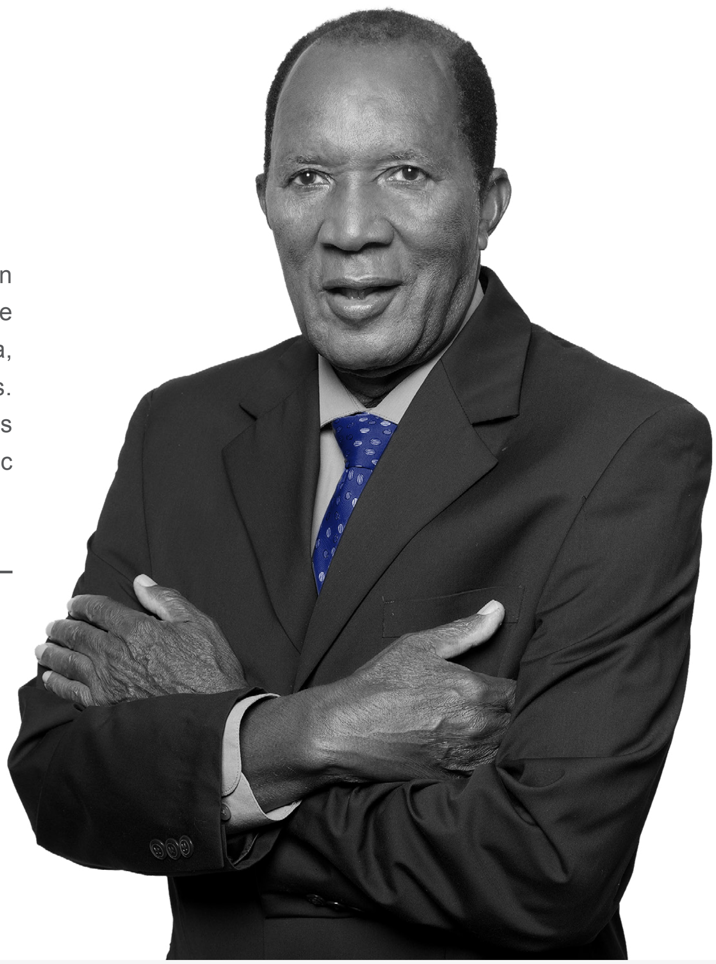
Gary Hendrickson CD, JP
Chairman for 5 years

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

Lisa Bell, JP
Managing Director for 11 years

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

Bevan Callam, JP
Director for 4 years



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

Albert Webb
Director for 4 years,
Retired October 2020

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

Racquell Brown
Director for 3 years

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

Geoffrey Ziadie
Director for 4 years

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

Lacey Ann Bartley
Director for 3 years

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

Norman Reid, JP
Director for 4 years

Wade Mars is Chief Investment Officer of CXN Direct Investments Inc, a private equity firm with registered offices in St. Lucia. Wade Mars has over 18 years experience in the financial industry, specializing in financial analysis, asset management and trading. He serves on the Board of numerous public and private sector entities including Trade Board of Jamaica and Quality Systems Solutions & Initiatives Limited(QSSI). He has also served as a member of the Standards Council of the Bureau of Standards Jamaica where he was Chairman of the Council's Executive Committee

Wade Mars
Director since January 2021

Dr. Guna Muppuri is a Medical Doctor with almost 30 years of experience in the medical field, serving in both India and Jamaica. Dr. Muppuri also has experience in entrepreneurship, investment and real estate, and is a social capitalist and philanthropist at heart. He is the founder of Bioprist Group & Pharmaceuticals (India, Latin America and North America), Indies Pharma Jamaica Limited, WINFRA Development Consortium Limited, Las Marias – Resort Condominiums and Bioprist Knowledge Parks (BPO ICT, Medical & Healthcare). He also serves on the President's Advisory Board for the University of the Commonwealth Caribbean (UCC), and previously held various advisory positions on councils such as the National Information and Communications Technology Advisory Council, Jamaica.

Dr. Guna S Muppuri
Director since January 2021

CORPORATE GOVERNANCE

Strong governance ensures that EXIM Bank carries out its mandate responsibly and effectively whilst safeguarding the assets and interests of our Shareholder and promoting and facilitating the sustainable growth of the productive sectors of Jamaica.

This Corporate Governance Statement outlines EXIM Bank's corporate governance policies, procedures and practices for the year ended 31 March 2021. The Board of Directors of EXIM Bank is a strong advocate of good corporate governance.

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

The role of the Board of Directors is to oversee and guide the management team with the aim of protecting and enhancing the interests of its Shareholder and achieving the Company's Mission and Vision. With the exception of the Managing Director, the Board is made up of independent Directors. These Directors possess a mix of skills, qualifications, and experiences to the benefit of the Company, its stakeholders, and clients.

The Board meets at least every two months to consider issues of strategic direction guided by its Charters, specific policies, performance objectives and key initiatives. To achieve and maintain optimum levels of procedural transparency, analytical rigour and observance of public sector guidelines and best practices, the Board has established several committees. These committees serve to increase the efficiency of the Board and to assist in the handling of complex issues. The committees meet regularly and are charged to work with the Senior Management Group to implement the decisions of the Board. There are three (3) such committees which operate within defined regularly reviewed terms of reference laid down by the Board - the Enterprise Risk Management Committee, the Audit & Corporate Governance Committee and the Human Resources and Pension Committee.

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

Enterprise Risk Management Committee (ERMC)

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

The ERMC members are Mr. Bevan Callam (Chairman), Mr. Gary Hendrickson, Ms. Lacey Ann Bartley, Ms. Racquell Brown, Mr. Norman Reid, Mr. Albert Webb (resigned October 2020) and Mr. Geoffrey Ziadie. The Committee met 8 times between April 1, 2020 and March 31, 2021 and in keeping with its Terms of Reference, undertook, among other things, the following:

- Approval of credit applications within its designated authority
- The recommendation of credit applications outside of its designated authority to its Board of Directors for approval
- Approval of the booking of net increases in expected credit losses
- The review of significant financial and other risk exposures and the steps taken by Management to monitor and control same
- The review of the effectiveness of the Bank's risk management framework and monitoring of enterprise-wide risks

Audit & Corporate Governance Committee (ACGC)

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

The Directors who are members of the Committee are: Mr. Norman Reid (Chairman), Mr. Albert Webb (resigned October 2020), Mr. Geoffrey Ziadie and Mr. Wade Mars (appointed January 2021). The Committee met 4 times for the year.

Among the matters considered by the ACGC during the 2020-2021 financial year were:

- The impact and implementation of the new International Financial Reporting Standards, (IFRS) 9 and 16, on the Bank's operations
- The Bank's 2019-2020 audited financial statements
- The Independent Auditors' Report for the financial year 2019-2020
- EXIM Bank's performance against Corporate Key Performance Indicators for the 2019-2020 financial year
- EXIM Bank's 2021-2022 Corporate Plan and Budget
- The efficiency and effectiveness of various systems of internal control

Human Resource & Pension Committee (HRPC)

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

The Committee members are Mr. Geoffrey Ziadie (Chairman), Mr. Gary Hendrickson, Mr. Albert Webb (resigned October 2020) and Ms. Lacey Ann Bartley (appointed March 2021). The HRPC met twice during the 2020-2021 financial year. Among the matters considered by the HRPC were:

- Human relations issues affecting the staff generally
- The impact of the Covid-19 pandemic on staff
- Matters relevant to the administration of EXIM Bank's pension fund
- The review and recommendation of the Bank's Corporate Social Responsibility Policy and Personal Interaction Policy to the Board of Directors for approval.

Board Annual Self Evaluation

The Bank's Board of Directors, in keeping with the Corporate Governance Framework for Public Bodies in Jamaica, completed an annual self-evaluation of performance during the 2020-2021 financial year. An electronic survey containing questions categorized under five (5) broad headings was administered to Directors. The categories covered were:

i. Degree of Fulfillment of the Board's Responsibilities

ii. Quality of the Board-Management Relationship

iii. Effectiveness of Board Processes, Meetings and Board Evaluation

iv. Effectiveness of Individual Director Contributions to the Board

v. General Comments

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

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

ATTENDANCE RECORD FOR DIRECTORS

April 2020 – March 2021

Number of Meetings	Annual General Meeting	Board Meetings	Enterprise Risk Management Committee	Audit & Corporate Governance Committee	Human Resources and Pensions Committee	Required	Attended
	1	6	8	4	2		
Gary Hendrickson (Chairman of the Board)	1	6	5	1***	2	17	15
Lisa Bell (Managing Director)	1	5	7▲	4▲	2▲	21	19
Bevan Callam	1	6	8	2***	■	15	17
Norman Reid	1	6	8	4	■	19	19
Albert Webb*	1	3	3	2	1	10	10
Geoffrey Ziadie	1	4	6	3	2	21	15
Lacey Ann Bartley	1	6	8	1***	1	16	17
Racquell Brown	1	5	7	1***	■	15	14
Wade Mars*	■	2	■	1	■	3	3
Guna Muppuri*	■	1	■	■	■	2	1

■ Not Applicable

▲ Non-member

*** Co-opted

* Director Albert Webb resigned office effective October 27, 2020.
Two new directors, Directors Wade Mars and Guna Muppuri, were appointed on January 15, 2021.

MANAGING DIRECTOR'S MESSAGE

During the 2020/2021 financial year, the National Export-Import Bank of Jamaica (EXIM Bank) continued in its 34th year of supporting Jamaican businesses through targeted initiatives geared at improving access to finance by Small and Medium Enterprises (SMEs). This included the provision of flexible loan facilities, capacity building programmes and technical assistance services.

Despite its diligence in fulfilling its mandate, the Bank continued to experience challenges arising from the economic impact of the COVID-19 pandemic, which continued to severely affect key customer groups such as tourism and its linkages, manufacturing, distribution, and services. This forced the Bank to find even more creative ways to improve its support to SMEs in the productive sector, by crafting financial solutions which were able to respond to the growing needs of our clientele given the rapid changes in the economy.

About the Year

Financial Year 2020/2021 commenced in the first quarter, with a decline of 1.7% in the overall economy which signaled early challenges for the Bank as it set out to address the financing gaps in the MSME sector. This decline continued, and by the second quarter of 2020, Jamaica's economy was experiencing an alarming 18% decrease, compared with 2019's corresponding quarter. Small and medium businesses involved in international trade, were further impacted by depreciation of the nominal exchange rate which continued to accelerate as inflows from tourism and remittances continued to fall. Prior to the pandemic, inflows from tourism and remittances accounted for 20 and 15 percent of GDP, respectively.

Several sectors contracted as the COVID-19 pandemic prolonged and local and global regulatory restrictions were enforced to contain its effects. In the first quarter alone, the services sector was estimated to have shrunk by 20.6%, with hotels and restaurants accounting for 13.5% of that amount. Due to the imposition of travel bans, the hotel and restaurants industry felt an immediate decline in visitor arrivals and consequently, there was an 87.5% contraction of real value added in this industry. In manufacturing, there was a 7% contraction, and the goods-producing sectors experienced a 1.5% contraction. These effects continued throughout the year as the country adapted to both 'the new normal' imposed by the pandemic, and measures implemented by the Government of Jamaica to contain the crises, which inevitably affected businesses due to its social implications. This included the restrictions placed on public gatherings, curfews, closure of the borders, community quarantines, lockdowns, work-from-home and virtual learning orders. The social implications of these actions were far reaching, and their effect on the business and financial landscapes were even more devastating.

Despite the decreases in economic activity, a few sectors achieved growth amidst the pandemic including cleaning and sanitization, ICT and agriculture. Although the manufacturing industry remains one of the most robust sectors of the economy, the pandemic's impact on this sector was mixed, as the disruption in the traditional global supply chain also created new export markets in North America and the Caribbean. Local manufacturers were able to increase their production of cleaning and sanitization products for which demand significantly increased during the period, thereby supplying buyers in these markets, in addition to satisfying local demand. Likewise, SMEs in the services industry, specializing in cleaning and sanitization were also able to benefit from demand for these services during the health crisis. Similar growth was seen in agriculture, as the sector was able to respond to the food insecurity issues created by the pandemic, and in the ICT sector as digitization opportunities emerged.

Financial Highlights

As financial year 2020/2021 progressed, the Bank's position as a development agency came into sharp focus, as many businesses in the productive sector were crippled by the economic outlook. Although the Bank maintained its focus on "relief and recovery" by providing well needed assistance to SMEs, it was not spared from the extensive financial effects of the pandemic which resulted in decreased cashflows, higher than normal Expected Credit Losses (ECLs) and a reduction in its client pool as some businesses were simply unable to pivot to new business models during the pandemic. This saw the Bank achieving loan utilization of $4.20 billion at year end March 2021, representing a 32.26% decrease compared to its $6.20 billion target and was 29.34% lower when compared to last financial year's utilization levels. This represented disbursement of 444 loans to approximately 100 SMEs, of this number the total value of loans disbursed to the SME sector was $3.24 billion.

The total loss for the period was recorded at 115.06 million, which was 13.3% lower than the projected loss of $132.78 million. Decreased utilization also contributed to an increased Expected Credit Loss Ratio (ECL) which moved from 6.08% at previous financial year end to 8.74% at the current financial year end.

Strategic Initiatives

In an attempt to buffer the economic impact of the pandemic on our clients, and to most suitably respond to the evolving needs of the ecosystem, the Bank mobilized several initiatives to strategically assist its clients in their survival and recovery efforts. This included the provision of payment moratoria and loan restructuring plans, valued at J$973 million, which were extended to clients in the agro-processing, distribution and services, food and beverage, manufacturing and mining industries (including tourism and its linkages), who were hardest hit by the global crisis.

The Bank also had to pivot by assessing its own strategic approach and become more determined in its engagement of local entities to achieve higher efficiency levels in the context of the new economic climate. This involved strengthening private and public sector stakeholder partnerships with agencies and organizations within the productive ecosystem, such as the JMEA PSOJ, JCC, JBDC, MOT/JHTA, which are also dedicated to stimulating growth in the economy and bolstering the MSME sector. With a continued commitment to increasing Jamaica's export capacity, the Bank also partnered with agencies such as JAMPRO, on their Export Growth Programme, Export Max III, and introduced EXIM Bank's Export Club to further support exporting or export-ready SMEs.

The Bank recognized that new loan programmes were needed in the current climate, as the needs of SMEs continued to grow, and to increase their access to finance. This saw the creation of a non-collateralized financing facility, EXIM Express, along with the promotion and modification of existing loan facilities.

With the future in view, the Bank has also initiated other product developments which will be launched in the upcoming year, with an aim of satisfying SMEs' desire for lower cost funds, as they continue to recover stronger and faster.

To complement its financing offerings, the Bank sought to improve its technical assistance interventions through other collaborative efforts, with a special focus on encouraging e-commerce activity and overall productivity to assist businesses as they sought to navigate the crisis.

Coupled with our own internal and collaborative efforts, in 2020, the Bank also participated in the Government of Jamaica's COVID Allocation of Resources for Employees programme (CARE), through its administration of the COVID-19 CARE Tourism Grant Programme, a stimulus package of $1.2 billion. This Grant Programme was geared at providing relief to businesses operating in the tourism sector which were impacted by the pandemic, to support their operational preparedness for recovery.

Additionally, business process improvements were employed throughout the year, including the implementation of a new Core Banking System, changes to the Bank's organizational structure regarding the Trade and Commercial Lending Division, and a review of the loan application process which will result in greater operational efficiencies. Work-from-home arrangements were also implemented to facilitate a safe and flexible working environment, and to ensure that support to our clients was not interrupted during the pandemic.

Looking Ahead

Despite the challenges presented, the Bank maintains its resolve to continue providing customizable trade financing solutions to contribute to the sustained growth and development of SMEs.

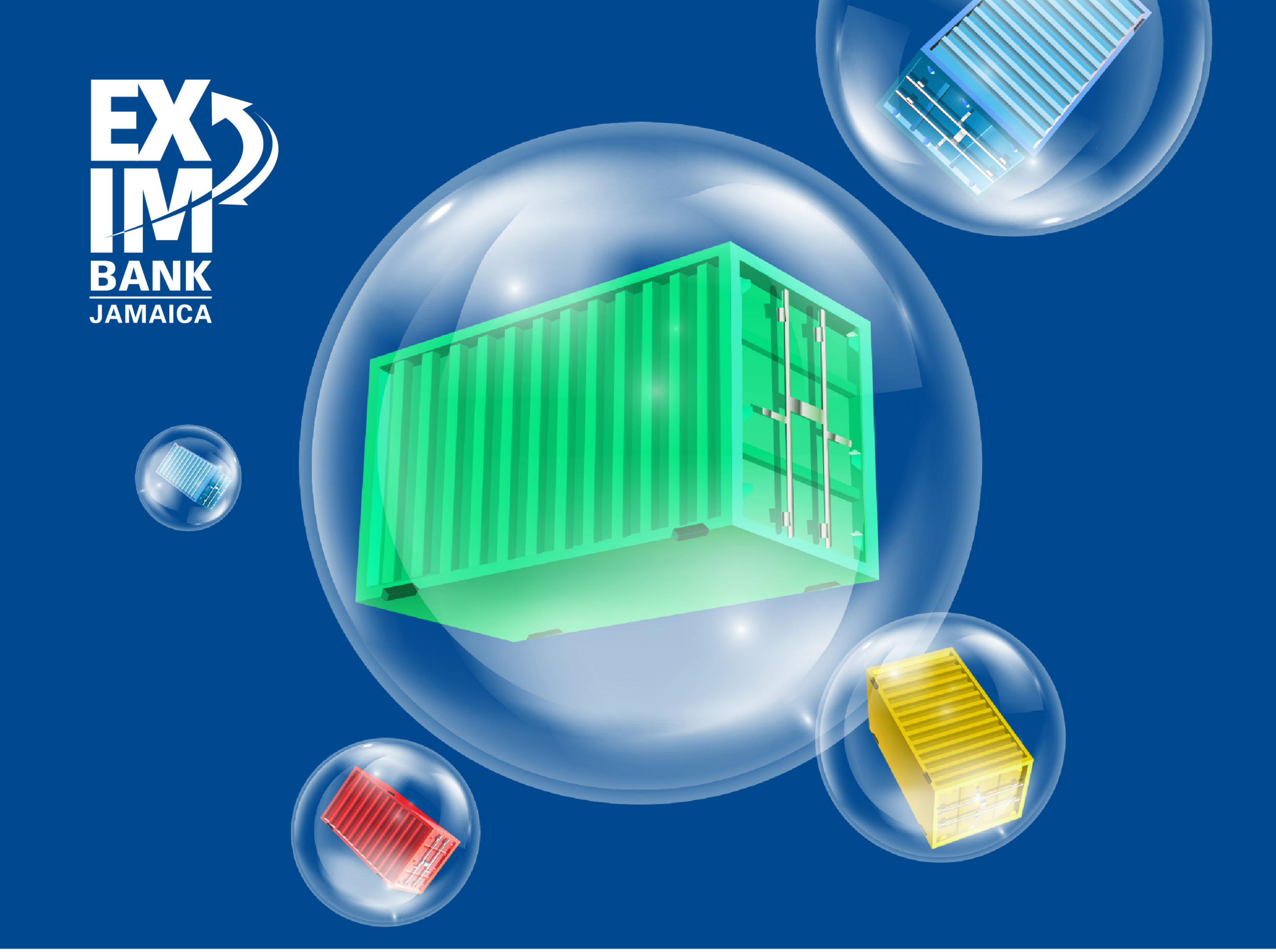
In the upcoming financial year 2021/2022, the Bank will focus on increasing its overall loan utilization and boosting its financial and technical assistance to targeted sectors, with the aim of expanding its role as a capacity builder for SMEs, by working collaboratively with other agencies and organizations involved in supporting this critical sector.

Supported by sound governance, accountability, risk management and compliance, the Bank will continue implementing innovative strategies and policies which will enable the fulfillment of its mandate, while employing the agility needed to respond to changing market needs. It is necessary for EXIM Bank to continue being an advocate for reduced cost of funds and greater capital injection in the SME sector, recognizing that our local businesses need to be competitive in the global marketplace, as the COVID-19 crisis has dramatically impacted businesses worldwide and has made international trade even more dynamic. Although there is still much uncertainty ahead, we perceive many untapped opportunities. It is through the lens of optimism that we view the future, while holding our institution accountable to its own mandate, and its promise to increase the productive capacity of small and medium businesses.

I extend gratitude to the Bank's staff for their continued commitment as we work to achieve our mandate, and efforts towards the Bank's viability in the face of adversity. I also thank the Board of Directors and Management team for their leadership, guidance, and dedication throughout the year. Thank you to our clients and other stakeholders, who have maintained their trust in the institution. I am confident that our hopes for a brighter tomorrow - for our SMEs and our country - will be realized, as we continue to work together, so that in the coming year we will reap the fruit of our hard work.

Lisa Bell
Managing Director

" I extend gratitude to the Bank's staff for their continued commitment as we work to achieve our mandate, and efforts towards the Bank's viability in the face of adversity.



TRADE CREDIT **INSURANCE**

If you are an exporter or supplier of goods or services and you wish to protect against the loss of your domestic and foreign receivables, our Trade Credit Insurance (TCI) is an option for you. Trade Credit Insurance covers both foreign and domestic receivables against commercial and political risks of non-payment by buyers.

Commercial Cover

EXIM Bank covers 85%, the Insured bears the remaining 15%

Political cover

EXIM Bank covers 90%, the Insured bears the remaining 10%

SENIOR MANAGERS' PROFILE

Maria Burke

Legal & Corporate Secretarial

Lisa Bell

Managing Director

Maxine Brown Cowan
Trade & Commercial Lending

Colin Ebanks
Corporate Services

Errol Barnaby
Finance

Debbie Brooks
Risk Management & Compliance

Winston Lawson

Business Development Consultant
Trade & Commercial Lending

MANAGERS' PROFILE

Allan Thomas
Loan Origination

Melrose Mason
Finance

Janice Hall
Marketing

Venitia Hawthorne
Accounts

Cassandra Nicholson
Information Systems

Audrey Morris
Risk Management & Compliance

Rockquel Campbell
Administration

Stacie - Ann Wiggan
Loan Administration

AWARDS AND HONOURS

EXIM BANK's Awards & Certifications 2015-2020

EXIM BANK's Awards & Certifications

2016

1. The Jamaica Exporters' Association: **Fantastic 50 Exporter Award** (2016)

EXIM BANK's Awards & Certifications

2018

1. The 2018 Public Bodies Corporate Governance Awards: **Best Website** (2ND Runner Up)
2. The 2018 Public Bodies Corporate Governance Awards: **Compliance and Disclosure of Information** (Winner)

EXIM BANK's Awards & Certifications

2019

1. ISO 9001:2015 Certification (Achieved in 2019)
2. The 2019 Public Bodies Corporate Governance Awards: **Best Annual Report** (2nd Runner Up)
3. The 2019 Public Bodies Corporate Governance Awards: **Corporate Governance Policies, Procedures & Practices** (2nd Runner Up)
4. The 2019 Public Bodies Corporate Governance Awards: **Board Composition, Function & Structure** (2nd Runner Up)
5. The 2019 Public Bodies Corporate Governance Awards: **Compliance and Disclosure of Information** (Winner)
6. The 2019 Public Bodies Corporate Governance Awards: **Risk Measurement, Management and Internal Controls** (Winner)
7. The 2019 Public Bodies Corporate Governance Awards: **Excellence in Public Bodies Corporate Governance** (Winner)

EXIM BANK's Awards & Certifications

2020

1. The 2020 Public Bodies Corporate Governance Awards: **Risk Measurement, Management and Internal Controls** (Winner)
2. The 2020 Public Bodies Corporate Governance Awards: **Corporate Governance, Policies, Procedure and Practices** (Winner)

MANAGEMENT DISCUSSION AND ANALYSIS

EXIM Bank's 2020/2021 Performance

EXIM Bank Five Year Financial Highlights

	2017	2018	2019	2020	2021
FINANCIAL POSITION (J$ MILLIONS)					
Total Assets	**8,778.17**	**8,621.31**	**7,962.65**	**7,692.99**	**8,076.10**
Cash and Cash Equivalents	2,432.26	1,570.84	797.51	1,150.32	1,601.60
Notes Discounted	1,980.60	2,591.33	2,176.64	1,460.87	1,170.97
Investments	585.86	587.2	404.01	235.14	334.25
Shareholder's Equity	4,220.47	4,098.26	3,960.40	3,447.26	3,423.52
EARNINGS (J$ MILLIONS)					
Total Revenue	704.06	645.08	842.31	498.05	549.16
Operating Profit	469.8	451.29	760.24	191.85	243.69
Profit/(Loss) Before Tax	64.42	12.9	126.96	(318.06)	(115.06)
Profit/(Loss) After Tax	80.98	16.69	122.99	(288.21)	(197.18)
FINANCIAL RATIOS					
Return on Assets	0.92%	0.19%	1.59%	(4.13%)	(1.42%)
Return on Equity	1.92%	0.41%	3.21%	(9.23%)	(3.36%)
Admin. Expense Ratio	57.58%	67.96%	63.75%	113.07%	109.88%
Operating Profit Margin	66.73%	69.96%	90.26%	38.52%	44.37%

Management Discussion and Analysis

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

Our Bank

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

Established in May 1986, the Bank has developed a strong and enviable reputation within the financial landscape as an institution which provides excellent customer service and has been identified over the years as the "Exporters' Bank' due to our significant contribution to the growth of the non-traditional export sectors. We are proud of our partnerships with the Jamaica Manufacturers' and Exporters' Association (JMEA), the Ministry of Industry, Investment and Commerce (MIIC), JAMPRO and the Tourism Enhancement Fund (TEF), associations which have allowed us to broaden the country's export drive into new and emerging markets. The Bank also supports the country's thrust to develop and foster entrepreneurship and continues to support the Government's SME growth agenda in targeted sectors such as Tourism, Manufacturing, Agro-Processing, Mining, Services, Information Communication & Technology and the Creative Industries.

The Bank also supports the country's thrust to develop and foster entrepreneurship and continues to support the Government's SME growth agenda in targeted sectors such as Tourism, Manufacturing, Agro-Processing, Mining, Services, Information Communication & Technology and the Creative Industries.

Strategy Management

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

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

Our Financial Performance

Financial year 2020/2021 was characterized as an unprecedented and extremely challenging year with the Bank's loan utilization being significantly impacted by the COVID 19 pandemic and the resulting economic fallout for businesses. Well needed interventions including restructuring, loan rescheduling and the application of moratoria were employed by the Bank as it sought to support and help to keep SMEs afloat during the pandemic. The economic fallout within the Tourism sector was significant and clients benefiting from financing under the SMTE loan programme, funded by the Tourism Enhancement Fund benefitted from moratoria on both principal and interest payments for the duration of the financial year.

The Bank initially projected to on lend J$8.1 billion to SMEs during the 2020/2021 financial year, however this target was reduced to J$6.2 billion based on both the fallout in economic activities in key sectors and the non-receipt of anticipated capital injection to the tune of J$2 billion from our shareholder.

Income

As at 31 March 2021, the Bank recorded loan interest income of J$383.98 million, which is 3.9% lower than the J$399.58 million reported for the previous period. This variance was primarily driven by lower utilization which resulted in reduced interest income.

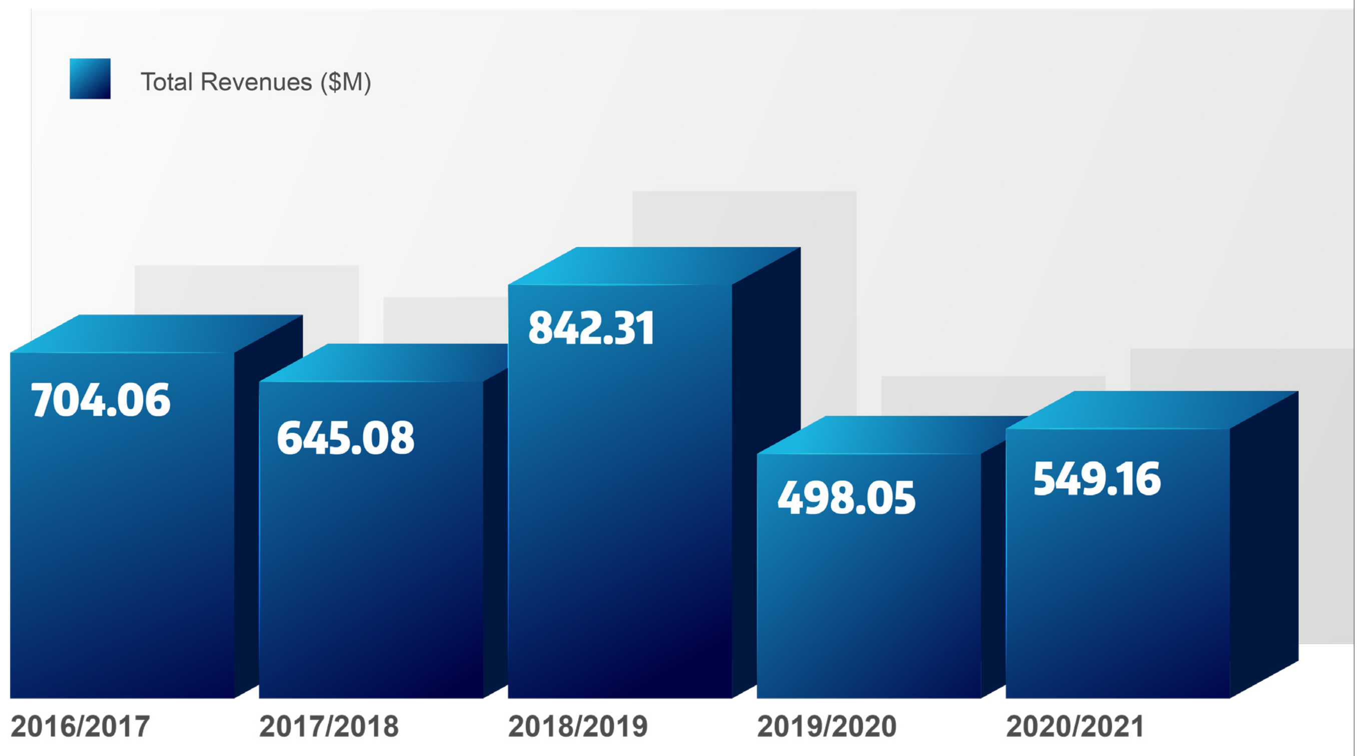
Other Income including foreign exchange gains of J$244.67 million reflected an increase, moving from J$132.92 million in the prior year to J$386.88 million for the current period.

The Bank's Total Revenue was recorded at $549.16 million reflecting a 10.26% increase when compared to revenues of J$498.05 million reported for the financial year ended March 2020. This increase was primarily driven by the revaluation gain from the revaluation of an investment property. Revenue was also boosted from the rental of the aforementioned property and management fees earned in respect of the administration of the Tourism Care Programme.

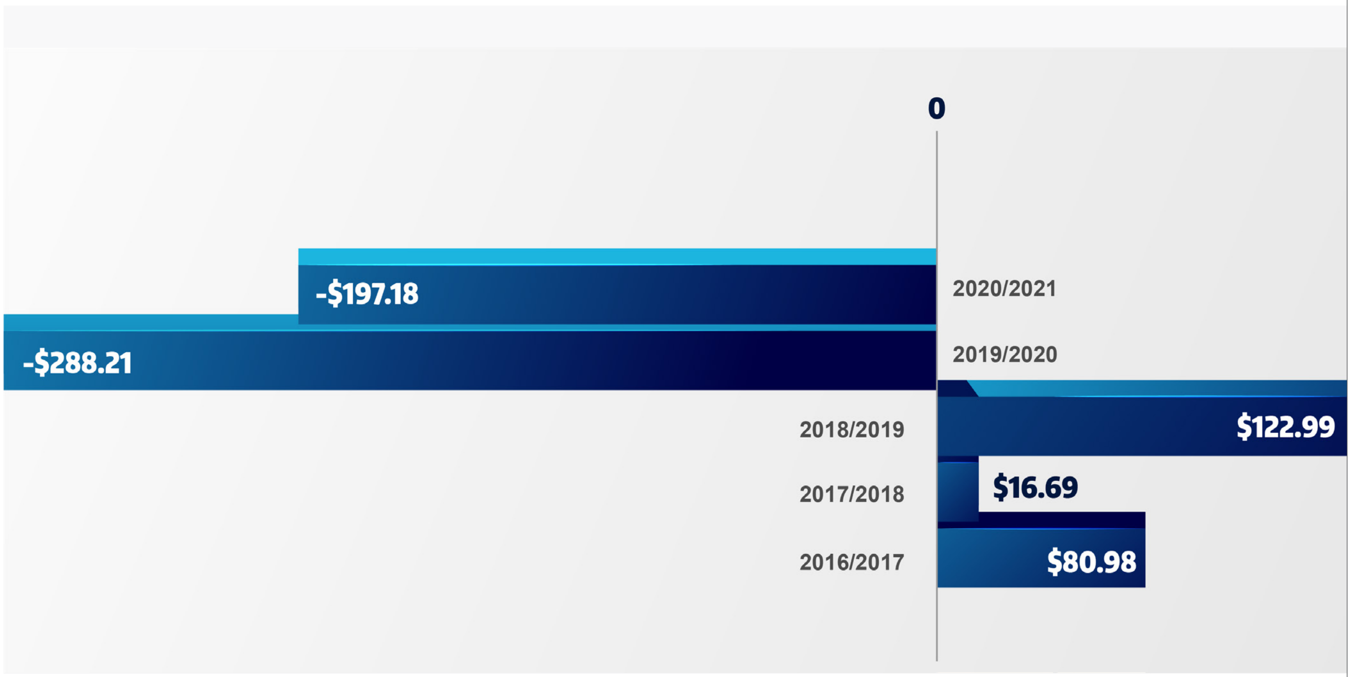
Operating Profit increased by 27% moving from J$191.85 million as at 31 March 2020 to J$243.69 million for the period ended 31 March 2021.

The Bank reported net loss of J$197.18 million for the financial year ended March 2021, an improvement over the loss of J$288.21 million recorded at year end March 2020. The main contributors for the improvement were revaluation of the investment property, foreign exchange gain and reduced Expected Credit Losses.

Total Revenues (J$M)



Capitalise Profit/Loss



Expected Credit Loss (ECL)

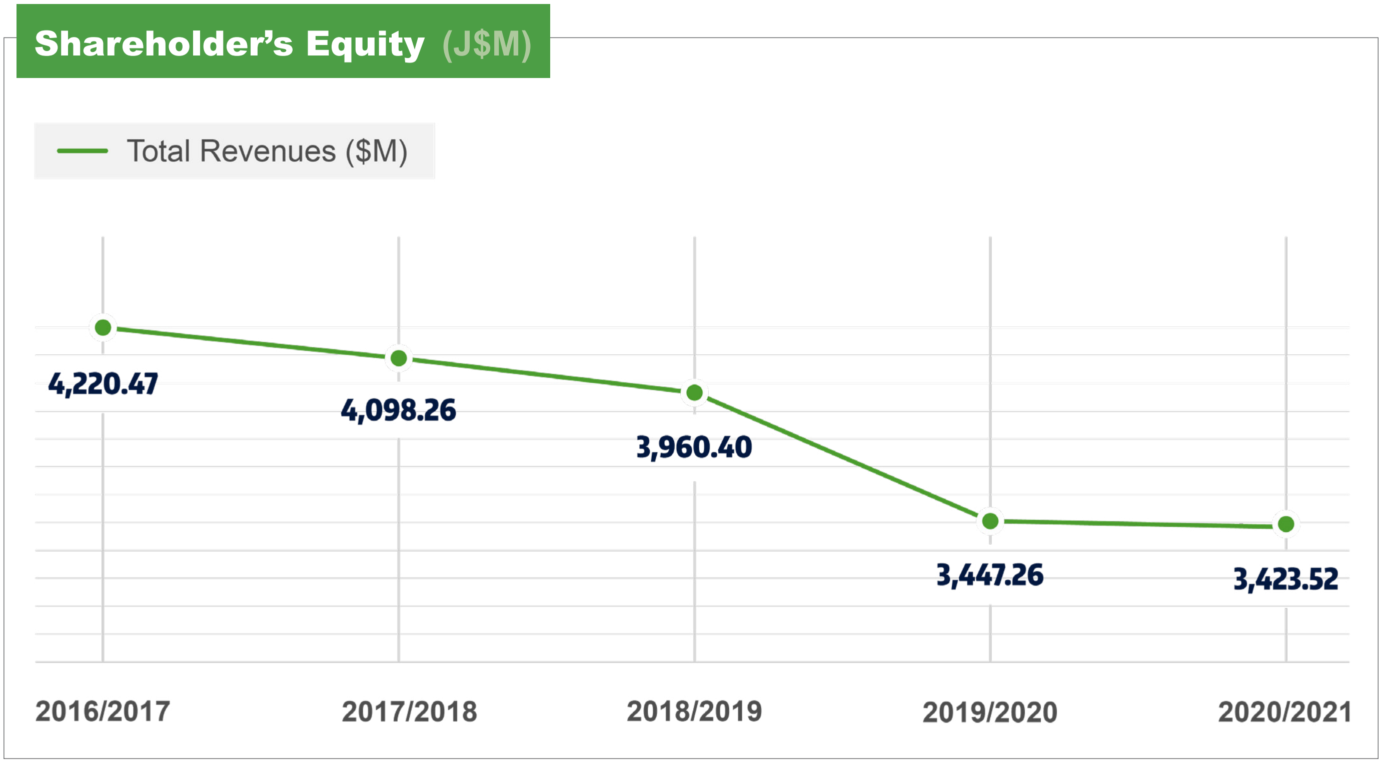
The Bank continues to maintain tight control over its credit assessment, risk management and loan monitoring processes and takes the necessary pro-active steps to ensure the quality of its loan book. As at 31 March 2021, the Bank's ECL provision ratio as a percentage of the total loan portfolio was recorded at 8.74%, against a target of 10.66%.

Total Assets

At year-end 31 March 2021, the Bank recorded total assets of J$8.1 billion, a 5% increase over the $7.7 billion recorded in the previous year. Noted drivers in this category were the revaluation of investment property, acquisition of the core banking system and a revaluation of the Bladex shares.

Shareholder's Equity

Shareholder's Equity decreased marginally from J$3.45 billion in March 2020 to J$3.42 billion for March 2021 owing to reduced retained earnings.



Lending Operations

Notwithstanding the contraction in the economy resulting from the pandemic, increased competition from the other players in the market and uncertainty in business environment, the EXIM Bank achieved loan utilization of J$4.2 billion (J$1.74 billion and US$17.15 million), which was 32.26% below the revised target of J$6.2 billion.

The Bank's support in providing financial solutions to SMEs continued to be its strategic focus with approximately 77.14% of its loan utilization being disbursed to that segment with the remaining 22.86% being disbursed to large corporates providing support to SMEs.

The Bank launched one new product during the financial year, EXIM Express Receivables Financing Facility, which is a non - revolving facility, which provides working capital support of up to 75% of outstanding receivables to a maximum of J$10 million for a period of up to 90 days and is repaid directly by the buyer to the EXIM Bank through an Assignment of Receivables. This facility provides much needed working capital support to the supplier thus ensuring continued viability of the business while it awaits the payment of receivables. The minimum amount allowed under this facility is J$2 million.

The Bank also launched a partnership with JAMPRO to provide financing to small exporters via a programme called EXPORT MAX. Under this initiative qualified exporters can access financing at a reduced interest rate and fees with expedited processing.

In the upcoming financial year, emphasis will continue to be placed on providing even greater levels of innovative financial solutions to support growth in the SME sector which is vital to employment and sustained economic growth.

Small and Medium Tourism Enterprise (SMTE) Loans

In September 2016, the Bank signed an agreement with the Tourism Enhancement Fund (TEF) for a J$1 billion Line of Credit to be made available to companies in the Tourism Sector including small accommodations, attractions, water sports, bike/car rentals, domestic tours and networks such as gastronomy, spa and wellness, shopping, sports and entertainment. Loans are provided at a competitively priced interest rate of 4.5% per annum repayable initially for 5 years, but which was expanded to 7 years by the TEF during the last financial year. The TEF has agreed for the Bank to on-lend the reflows from the Line of Credit to qualified beneficiaries in the interest of extending additional loan funds to SMTEs in the Tourism Sector.

To date, the Bank disbursed loans totaling J$1.3 billion to Small and Medium Sized Tourism Enterprises. Reflows as at 31 March 2021 totalled J$465.5 million which is available for on lending. The Bank continues to promote the loan programme using all forms of media as well as through stakeholder engagements and one and one meetings.

Trade Credit Insurance

The Bank's Trade Credit Insurance (TCI) product, provides policyholders with protection against the risk of non-payment by buyers and offers coverage at competitive premium rates. Under the TCI, policyholders can recover up to 85% (commercial risk) and 90% (political risk) of losses, occasioned by non-payment of receivables by approved buyers.

Total premium income reported at year-end March 2021, was J$8.56 million, 80.21% higher than the J$4.75 million recorded in the previous year. For the ensuing financial year, the insurance product will be repositioned and promoted in the commercial business space to offer a better understanding of the value of Trade Credit Insurance to secure market expansion and business development.

Cuban Line of Credit

The National Export-Import Bank of Jamaica Limited (EXIM Bank) has made available to the Banco Nacional de Cuba (BNC), Lines of Credit Facilities, in the amount of Ten Million Canadian Dollars (CDN$10,000,000.00), to be used to finance the export of Jamaican manufactured goods to Cuba. It is to be noted that CDN$5.0 million of the Line is financed by Bank of Nova Scotia Jamaica Limited and CDN$5.0 million by EXIM Bank.

The Cuban Line of Credit is used to finance the export of Jamaican manufactured goods to Cuba and allows Jamaican exporters to penetrate and expand their sales into the Cuban market. The Credit Facility has been used to facilitate the export of agricultural and industrial chemicals, fertiliser, paints & varnishes, automotive finishes, window frames, scrap metal, hair care products, leisure wear and animal feed. In the past four years, however, the Lines have been used mainly by clients for the export of agricultural chemicals. Since inception the Bank has cumulatively disbursed, under Letters of Credit to Jamaican exporters, amounts totalling CDN$70 million (approximately J$8.16 billion).

Key Stakeholders

LOCAL

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

Jamaica Manufacturers' & Exporters' Association (JMEA) – The Bank continued to work closely with the Jamaica Manufacturers' and Exporters' Association, an entity formed by the merging of the Jamaica Manufacturers' Association and the Jamaica Exporters' Association. The Bank generally provides sponsorship for activities geared towards the development of the productive sector and participates in workshops aimed at capacity building for global competitiveness. The Bank also provides specially designed financing packages, facilitating the purchase of light equipment and working capital for the Associations' membership.

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

INTERNATIONAL

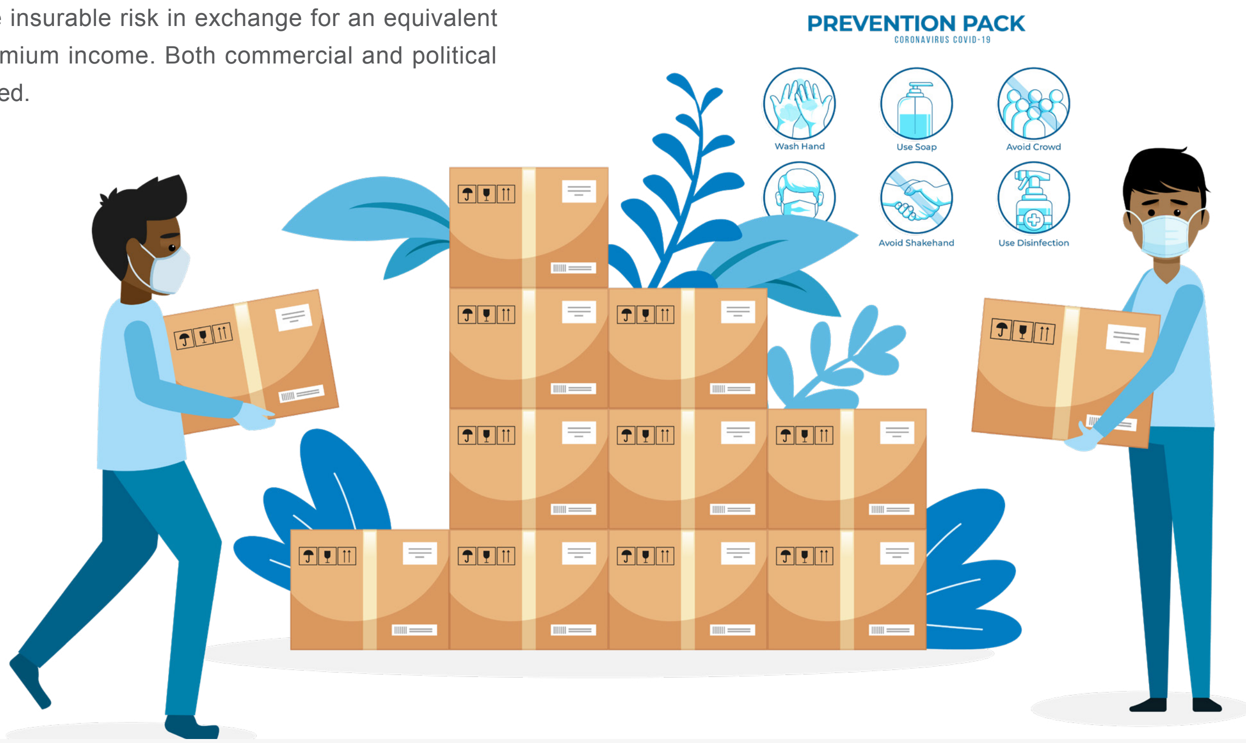
BERNE Union - The Bank remains a member of the International Union of Credit and Investment Insurers (BERNE Union) which represents Export Credit Agencies from around the World and continues to benefit from this affiliation. The Bank remains the only English-speaking Caribbean country to hold membership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

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

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

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

Multi-National Partners - The Bank has engaged both the Inter-American Development Bank (IADB) and the International Finance Corporation (IFC), a division of the World Bank, for financial and technical support from time to time. They are considered important partners as the Bank seeks to deepen and strengthen its relationship with the key sectors of the Jamaican economy.



Risk Management

Guided by two of the most widely used risk management frameworks, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Australia/ New Zealand Standard on Risk Management (ASNZS31000:2009), the Bank continues to espouse a strong risk management tradition. Risks are evaluated by considering their likelihood and impact and are managed and mitigated by internal controls which are established in response. The structure requires that risks are detailed in a risk register which is a key component of the management process. Thereafter, key risks are discussed and agreed with regularity by an Executive Risk Management Committee and are cascaded to the business units which are spearheaded by Risk Owners and Risk Champions who manage and report on these key risks as well as other significant business unit risks. Primary risks are discussed and evaluated through regular meetings with senior management. The Board of Directors provide effective oversight of the Bank's risk management activities and ensure that they remain managed and relevant.

The Bank remains committed to continuous improvement of its risk management systems and regular risk assessments of key activities are performed. Several principal risks were identified during FY (Financial Year) 20/21 and appropriate mitigation strategies were implemented. Primary focus was directed towards four critical areas:

SUMMARY OF KEY RISKS 20/21

Risk	Risk Mitigation Strategies	Impact
Increased threat of disruption due to government lockdown and employee exposure to Covid 19. Trend : ▲	• Implementation of a Work from Home Policy which allows for majority of employees to work from home.	High
Increased risk of probability of default in loan book due to economic downturn because of the pandemic. Trend : ▲	• Implementation of proactive strategies to restructure and reschedule loans ahead of default. • Proactive engagement with funders to lobby for interventions. • Increased internal monitoring and controls in credit adjudication.	Very High
Increased risk to employee health and operational effectiveness due to rising COVID 19 positivity rates . Trend : ▶	• Implementation of WFH (Work From Home) policy to reduce the number of employees in office. • Deployment of a staff transportation system to limit exposure to public transportation.	High
Delays and missed deadlines resulting from the remote implementation of a new core banking system Trend: ▶	• Training of key personnel. • Engagement of a project consultant. • Continuous engagement with vendor to address fixes.	High

KEY	
Risk is increasing	▲
Risk is stable	▶

Several activities have been undertaken by the Bank to minimize the impact of risks attributable to the COVID-19 pandemic. The Bank has ensured that its cybersecurity plan is updated and has enforced measures responsive to security threats that could arise from employees working from home. The implementation of these plans is monitored, and the appropriate guidance provided to employees. Additionally, safety standards have been reviewed and updated to include COVID-19 specific policies that are compliant with GOJ guidelines. Other steps taken include the ongoing monitoring of the media and ensuring that areas of concern highlighted are communicated to employees.

The Bank's risk management efforts are evident in its achievements. EXIM won the award for Risk Measurement, Management & Internal Controls at the PSOJ's 2020 Public Bodies' Corporate Governance Awards which seeks to buildout a more robust corporate governance framework in the country. The Bank also successfully passed its first surveillance audit since the 2019 implementation of the ISO 9001:2015 Standard. No major non-conformities were identified in the audit.

The focus for the coming year will remain on the risks emanating from the effects of the COVID- 19 pandemic and minimizing the expected impact through continued monitoring and established controls.

OUR PEOPLE

The Bank took a decision to start the year with a drive to focus on our continuing internal campaign - **#LevelUp**, which started in the previous year and was geared at grooming team members to strive to new heights of excellence. This was primarily directed towards improving internal operational delivery, customer service and fostering a culture of continuous self-improvement. Despite the pandemic, we continued to meet our clients where they were, pivoting to a virtual environment where required.

Transformational Leadership for the Management Team

The Bank continued to focus on effective leadership at all levels of the organization, a critical component in managing the ongoing staff turnover issues which continue to remain prevalent. Our focus on leadership development contributed to our ISO 9001 recertification, which was earned in 2020, due to our strong emphasis on high governance standards.

Professional Development of Graduate Level Students

EXIM Bank continues to promote the development of talented young Jamaicans through its Internship programme. Enterprising, energetic, and ambitious are just a few words to describe the cadre of interns who currently benefit from the 2-year programme. Throughout their tenure, they have been able to not only secure professional experience, but also to hone the vital skills required in the corporate arena. This has allowed us to see them transition successfully to both private and public sector entities throughout Jamaica.

Rewards, Recognitions and Employee Engagement

The Bank continues to highlight the high performers throughout the organization and takes an active step in rewarding and promoting excellence. The Pandemic did not allow for a traditional function, but instead called for an innovative approach, which saw us focusing on the strength of not only our employees, but the teams they engage in to provide the critical services we deliver.

Health and Wellness

The pandemic highlighted the need to prioritize health, safety, and wellness. The Bank was very active in disseminating information provided by the Ministry of Health and Wellness, as well as promoting positive behaviour to mitigate against the spread of Covid-19. We ensured that, despite the challenges, staff members were equipped with the knowledge to keep them and our clients safe. We pivoted to smaller exercise groups, promoted social distancing, mental health awareness, good hygiene practices and assisting staff with transportation to and from the office.

Training and Development

Despite the budgetary constraints, the Bank was able to maintain an average twenty (20) hours training hours per employees. Online training options were prioritized to keep team members as safe as possible, without reducing the quality of development opportunities that they benefited from. The Bank prioritized training in Anti-Money Laundering, Customer Service, Core Banking Software Training, Cyber Security, ISO Documentation, and Sales Techniques.


EX IM BANK JAMAICA
Expect to SUCCEED


KEYAPTIN (Captain)

CORPORATE SOCIAL RESPONSIBILITY

Year in Review – 2020-2021

Nearing the beginning of the Financial Year 2020/2021, the COVID-19 pandemic unfortunately arrived in Jamaica. Due to the social distancing constraints, this impacted some of the usual calendar of events that our Corporate Social Responsibility arm would have enacted.

As time progressed, the tide took a different direction in the schools as classes were now being held remotely and those who were able to still have physical classes, had to observe extremely strict health and safety measures, particularly in the areas of social distancing and sanitization. For students to participate in virtual classes, they were now required to be equipped with internet capable devices, i.e., laptops, tablets, or desktops, further compounded by an additional expense to be incurred for internet connections.

These unbudgeted expenses negatively impacted some students due to their economic limitations. Schools also had to adapt an overwhelming budget to retrofit their facility in keeping with the COVID-19 restrictions. We refused to allow this force majeure to derail our Corporate Social Responsibility efforts and remained focused on our children, and in particular those found to be in underserved and in vulnerable circumstances.

Consideration was given to the three (3) recipients – Best Care Foundation, Salvation Army School for the Blind and Wareika Hill Basic School. *Caroling in the Courtyard* was then conceptualized as the event where the EXIM family would share in the experience of camaraderie and their philanthropic thrust in the form of "corporate gift giving". For the Christmas season, on 22 December 2020, we all gathered with those considered for donations, to join in the festivities at the office. As the name of the event suggests, this was held in the courtyard where not limited to the EXIM family, the neighboring offices were also invited. Our gifts in the form of cheque presentations were as follows:

- **Best Care Foundation** who caters for children with special needs, were awarded Thirty Thousand Dollars **($30,000)** towards their annual fund raiser. Proceeds from which were used to replenish their supplies and sustain their operations in keeping with the new COVID-19 stipulations.
- **The Salvation Army School for the Blind.** Over the years, we have continued to maintain a close relationship with this institution, as while the students have a visual disability, they continue to exhibit the spirit of resilience and determination throughout their academic pursuits and talents. Among them, five students who were found to be faced most with economic hardships, were handpicked, and gifted with a stipend, a Samsung Galaxy Tab A and a one (1) year 25GB Data Plan. This was to the tune of Three Hundred and Ten Thousand Dollars **($310,000)**.
- **Wareika Hill Basic School**, an early childhood institution located in a volatile area, continues to make efforts to remain resilient within the community and provide the children with the opportunity to learn. Financial constraints with the new stipulations however, posed a great strain on the school's resources and after careful evaluation of their needs to remain compliant with the Ministry of Education's mandate, found us donating One Hundred and Seventy Thousand Dollars **($170,000)** to aide in sustaining their viability.

Our children's education, health, and safety, continue to remain a part of our ethos and for the upcoming financial year, we will only continue to do our endeavour best to honour our mantra – *to nurture the children in need.*

DIRECTORS' COMPENSATION

APRIL 1, 2020 - MARCH 31,2021

Directors	Gross Fees ($)	Motor Vehicle Upkeep/ Mileage Travelling or Value of Assignment of Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non- Cash Benefits as applicable ($)	Total ($)
Gary Hendrickson	276,000.00	0.00	0.00	0.00	**276,000.00**
Wade Mars	39,800.00	0.00	0.00	0.00	
Geoffrey Zaidie	162,200.00	0.00	0.00	0.00	**162,200.00**
Bevan Callam	249,400.00	0.00	0.00	0.00	**249,400.00**
Norman Reid	241,700.00	61,340.00	0.00	0.00	**303,040.00**
Albert Webb	119,500.00	0.00	0.00	0.00	**119,500.00**
Lacey Ann Bartley	191,300.00	3,847.20	0.00	0.00	**195,147.20**
Racquell Brown	175,300.00	1,008.00	0.00	0.00	**176,308.00**
Guna Muppuri	15,900.00	0.00	0.00	0.00	**15,900.00**
Lisa Bell	0.00	0.00	0.00	0.00	**0.00**
Total Remuneration for 2020/2021	1,471,100.00	66,195.20	0.00	0.00	**1,497,495.20**
					1,497,495.20

Notes

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

EXECUTIVE MANAGEMENT COMPENSATION

Position of Senior Executive 2019 / 2020	Salary ($)	Gratuity ($)	Traveling Allowance/ Mileage / Value of Assignment of Motor Vehicle ($)	Honorarium	Pension or Other Retirement Benefits ($)	Clothing / Blazer Payment ($)	Non-Cash Benefits/ Lunch/ LNINC/Accrued Vac. Leave Cost ($)	Other Cash Benefits - Incentive ($)	Total ($)
Managing Director	12,694,288	3,258,217	1,297,977	0	0	0	115,067	156,621	**17,522,170**
Fad General Manager (1)	7,084,798	0	2,022,523	0	0	39,000	820	0	**9,147,141**
General Manager CSD (1)	6,325,712	0	2,022,523	0	0	67,553	820	0	**8,416,608**
General Manager Trade (1)	6,072,683	0	2,022,523	0	0	0	2,420	0	**8,097,626**
General Manager Trade (2)	1,566,367	0	417,346	0	0	0	0	0	**1,983,713**
General Manager - Legal	7,590,854	1,892,369	2,022,523	0	0	52,000	107,847	0	**11,665,593**
General Manager - Risk Mgmt (1)	7,590,854	0	2,022,523	0	0	40,575	0	0	**9,653,952**
Total	48,925,555	5,150,586	11,827,938	0	0	199,129	226,974	156,621	**66,486,803**

Notes

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

AUDITED FINANCIALS

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

(Expressed in Jamaican dollars unless otherwise indicated)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Index to the Financial Statements
31 March 2021

Building a better
working world

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

Tel: 876 925 2501
Fax: 876 755 0413
http://www.ey.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Export-Import Bank of Jamaica Limited (the Bank), which comprise the statement of financial position as at 31 March 2021 and the statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2021, and of the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Bank incurred a net loss after taxation for the year of $197.18 million (2020: net loss after taxation of $288.21 million). As stated in Note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Bank's financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Report on the Audit of the Financial Statements (Continued)

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

Report on Additional Matters as requirements by the Jamaican Companies Act

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

Ernst & Young
Chartered Accountants
Kingston, Jamaica

20 July 2021

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED

Statement of Comprehensive Loss

Year ended 31 March 2021

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Interest and fee income:			
Loans		383,978	399,576
Investments		22,974	18,790
		406,952	418,366
Interest and fee expense:			
Loans		(191,594)	(133,939)
Lines of credit		596	(4,296)
		(190,998)	(138,235)
Net interest income		215,954	280,131
Credit losses	3(a)	(114,475)	(167,959)
		101,479	112,172
Other income:			
Dividend income		20,131	28,582
Fees and other charges		1,314	1,390
Gain on revaluation of investment property	18	65,000	-
Insurance premium		8,558	4,753
Other	5	47,206	44,958
		142,209	79,683
Operating Profit		243,688	191,855
Administration expenses (operating)	6	(603,419)	(563,154)
Foreign exchange gains		244,672	53,238
Loss before taxation		(115,059)	(318,061)
Taxation	8	(82,124)	29,850
Net loss for the year		(197,183)	(288,211)
Other Comprehensive Income/(Loss):			
Items that will not be reclassified to profit or loss:			
Remeasurement of pension and other employment benefit obligation, net of taxes	8	81,832	(96,871)
Net fair value gains/(losses) on securities measured at fair value through other comprehensive income	8	71,771	(139,898)
Foreign exchange gains on securities measured at fair value through other comprehensive income	8	19,836	11,836
Total Other Comprehensive Income/(Loss)		173,439	(224,933)
Total Comprehensive Loss		(23,744)	(513,144)

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Statement of Financial Position
As at 31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
ASSETS			
Cash and deposits	9	1,601,596	1,150,402
Notes and other receivables	10	724,631	630,269
Notes discounted	11	1,170,974	1,460,869
Medium-term loans receivable	12	1,602,556	1,714,633
Demand and non-accrual loans	13	1,678,116	1,638,139
Investments	14	334,246	235,143
Long-term loans receivable	15	11,842	13,245
Income tax recoverable		200,110	168,613
Deferred tax assets	19	-	109,401
Post-employment benefit asset	16(a)	129,707	43,156
Property and equipment	17	102,628	47,795
Right of use assets	30	219,697	246,327
Investment property	18	300,000	235,000
Total Assets		8,076,103	7,692,992
LIABILITIES			
Payables		110,143	72,240
Lease liability	30	252,136	263,833
Current loans payable	27	1,004,224	938,212
Long-term loans payable	20	2,985,635	2,690,485
Post-employment benefit obligation	16(b)	300,447	280,960
Total Liabilities		4,652,585	4,245,730
EQUITY			
Share capital	21	2,066,824	2,066,824
Capital reserve	22	352,626	352,626
Reserve fund	23	227,098	227,098
Reserve for trade credit insurance	24	7,802	7,802
Investment revaluation reserve	25	111,665	20,058
Property revaluation reserve		55,795	55,795
Retained earnings		601,708	717,059
Total Equity		3,423,518	3,447,262
Total Liabilities and Equity		8,076,103	7,692,992

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

Approved for issue on the Board of Directors on 20 July 2021 and signed on its behalf by:

Gary Hendrickson — Chairman

Lisa Simone Bell — Managing Director

Norman Reid — Audit Committee Chairman

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Statement of Changes in Equity
Year ended 31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

	Share Capital $'000 (Note 21)	Capital Reserve $'000 (Note 22)	Reserve Fund $'000 (Note 23)	Reserve for Trade Credit Reserve $'000 (Note 24)	Investment Revaluation Reserve $'000 (Note 25)	Property Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 31 March 2019	2,066,824	352,626	227,098	7,802	148,120	55,795	1,102,141	3,960,406
Net loss	-	-	-	-	-	-	(288,211)	(288,211)
Other comprehensive (loss)/income, net of taxes:								
Net fair value losses on securities measured at fair value through other comprehensive income	-	-	-	-	(139,898)	-	-	(139,898)
Foreign exchange gains on securities measured at fair value through other comprehensive income	-	-	-	-	11,836	-	-	11,836
Remeasurement of pension and other employment benefit obligation	-	-	-	-	-	-	(96,871)	(96,871)
Balance at 31 March 2020	2,066,824	352,626	227,098	7,802	20,058	55,795	717,059	3,447,262
Net loss	-	-	-	-	-	-	(197,183)	(197,183)
Other comprehensive income, net of taxes:								
Net fair value gains on securities measured at fair value through other comprehensive income	-	-	-	-	71,771	-	-	71,771
Foreign exchange gains on securities measured at fair value through other comprehensive income	-	-	-	-	19,836	-	-	19,836
Remeasurement of pension and other employment benefit obligation	-	-	-	-	-	-	81,832	81,832
Balance at 31 March 2021	2,066,824	352,626	227,098	7,802	111,665	55,795	601,708	3,423,518

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Statement of Cash Flows
Year ended 31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Cash Flows from Operating Activities			
Net loss after taxation		(197,183)	(288,211)
Adjustments for:			
Depreciation	17	15,992	11,821
Amortisation right of use asset	30	26,630	26,630
Loss on disposal of property and equipment		-	394
Gain on revaluation of investment property	18	(65,000)	-
Foreign exchange gains		58,601	(53,238)
Interest and fee income		(406,952)	(418,366)
Dividend income		(20,131)	(28,582)
Interest and fee expense		190,998	138,235
Lease interest expense		17,934	18,668
Pension expense		62,043	44,876
Expected credit losses	3(a)	114,475	167,959
Taxation	8	82,124	(29,850)
		(120,469)	(409,664)
Changes in operating assets and liabilities:			
Notes and other receivables		(154,398)	438,739
Notes discounted		322,893	681,502
Medium-term loans receivables		105,360	265,662
Demand and non-accruals loans		(113,417)	(858,123)
Long-term loans receivable		1,428	9,664
Post-employment benefit		(19,998)	(17,588)
Payables		37,903	(10,957)
		59,302	99,235
Income tax paid and increase in withholding tax recoverable		(31,497)	(38,060)
Interest and fees received		399,163	434,643
Dividend received		20,131	28,582
Interest and fees paid		(6,747)	(29,709)
Net cash provided by operating activities		440,352	494,691
Cash Flows from Investing Activities			
Purchase of property and equipment	17	(70,825)	(2,513)
Lease payments		(29,631)	(27,792)
Investments		(5,253)	40,537
Net cash (used in) provided by investing activities		(105,709)	10,232
Cash Flows from Financing Activities			
Short-term loans and lines of credit		-	(343,025)
Long-term loans payable		176,913	142,973
Net cash provided by (used in) financing activities		176,913	(200,052)
Net increase in cash and cash equivalents for year		511,556	304,871
Effect of foreign exchange rate changes on cash and cash equivalents		(62,676)	48,158
Cash and cash equivalents at beginning of year		1,150,402	797,373
Cash and Cash Equivalents at End of Year	9	1,599,282	1,150,402

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

1. Identification and Principal Activity

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

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

2. Significant Accounting Policies

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

(a) Basis of preparation

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

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

Going Concern

The Bank has incurred a net loss after taxation for the year of $197.18 million. The Bank is expected to continue in the foreseeable future as a going concern, as the Government of Jamaica has approved a budget showing a growth of $1 billion in total assets and total liabilities for FY21/22. This projected growth is expected to be achieved by the Bank receiving loans from other government entities in the amount of $1.156 billion to be taken up and on lent based on demands from customers. The Bank is also dependent on the Government of Jamaica, assisting them with the early settlement of the Cuban Line of Credit as well as the restructuring of the Petro-Caribe loan facilities as these two transactions have affected the performance of the Bank in a negative way and resolution of these, will assist the Bank in returning to a profitable position while continuing to operate under the core mandate it was created for.

Subsequent to the financial year ended 31 March 2021, the Bank has signed a Memorandum of Agreement with its parent Ministry of Industry, Investment and Commerce (MIIC) for $656.8 million at a rate of 1.5% per annum. This is a MSME Capital and Business Fund, designed to provide affordable financing to the Sector. The first tranche of $197.4 million was transferred to the Bank on 6 July 2021.

In addition, a Special Loan Facility from the Development of Bank of Jamaica has been offered to the Bank at 5% at an amount of $500 million. This facility will be utilized during the FY21/22 based on expected demands for loan from the Bank's customers.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year
Certain new and amended standards and interpretations to existing standards became effective during the current financial year. These standards and interpretations did not have an impact on the Bank's accounting policies and or the presentation and disclosures in these financial statements**.** The pronouncements were effective from 1 April 2020, unless otherwise indicated. These standards have been summarised in the table below:

Amendments to Standards		Effective for annual periods beginning on or after
IAS 1 and IAS 8	Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
IFRS 3	Definition of a Business – Amendments to IFRS 3	1 January 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
	The Conceptual Framework for Financial Reporting	1 January 2020

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

New and Revised Standards		Effective for annual periods beginning on or after
IAS 1	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2023
IFRS 3	Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
IFRS 16	Covid-19-Related Rent Concessions – Amendment to IFRS 16	1 June 2020
IFRS 17	Insurance Contracts	1 January 2023
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16	1 January 2022

(Expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

New and Revised Standards		Effective for annual periods beginning on or after
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
IFRS 9 and IAS 41	Amendments arising from 2018-2020 Annual Improvements to IFRS	1 January 2022
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
IAS 2	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Effective date deferred indefinitely

Amendments to Standards in issue not yet effective that are relevant
The Bank has assessed the impact of all standards and interpretations in issue not yet effective and has concluded that the following are relevant to the operations of the Bank and are likely to impact amounts reported in the financial statements:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Bank has not yet assessed the impact of the application of this amendment on the financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Bank has not yet assessed the impact of the application of this amendment on its financial statements.

(b) Foreign currency translation

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

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

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

(c) Financial assets

Initial recognition and measurement

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

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

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

2. Significant Accounting Policies (Continued)

(c) Financial assets (continued)

Classification and subsequent measurement

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

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

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

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

- the stated policies and objectives for the group of assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets with the duration of any related liabilities or expected cash outflows or realising cash flows through sale of the assets;

- how performance of the group of assets is evaluated and reported to management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

2. Significant Accounting Policies (Continued)

(c) Financial assets (continued)

Business model assessment (continued)

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

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

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

Equity instruments

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

Derecognition of financial assets

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

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

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

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

2. Significant Accounting Policies (Continued)

(c) Financial assets (continued)

Derecognition of financial assets (continued)

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

Impairment of assets

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

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

(d) Fair value measurement

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

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

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

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

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

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

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. See Note 28.

2. Significant Accounting Policies (Continued)

(e) Customers' liability under letters of credit

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

(f) Property and equipment

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

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

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

(g) Investment property

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

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

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

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

(h) Leases

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

Bank as a lessee

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

i. Right-of-use assets

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

- Building 10 years

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

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

2. Significant Accounting Policies (Continued)

(h) Leases (continued)

Bank as a lessee (continued)

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

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

(i) Securities purchased under resale agreements

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

(j) Cash and deposits

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

(k) Staff loan receivables

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

(l) Borrowings

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

2. Significant Accounting Policies (Continued)

(m) Payables

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

(n) Employee benefits

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

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

(o) Income and expense recognition

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

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

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

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

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

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

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

(p) Income taxes

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

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

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

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

2. Significant Accounting Policies (Continued)

(p) Income taxes (continued)

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

(q) Trade credit insurance

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

(r) Financial liabilities

Financial liabilities - Initial recognition and measurement
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and accounts payable, net of directly attributable transaction costs. The Bank's financial liabilities include accounts payable, long-term debt and lease liability.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Bank has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost
This is the category most relevant to the Bank. After initial recognition, interest-bearing accounts payable, long-term debt and lease liability are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
The Bank derecognises financial liabilities when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of comprehensive loss.

2. Significant Accounting Policies (Continued)

(s) Financial instruments

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

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

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

The fair values of the Bank's financial instruments are discussed in Note 28.

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

3. Financial Risk Management

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

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

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

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

The Board's Enterprise Risk Management Committee (ERMC) is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The ERMC is assisted in these functions by the Risk and Compliance Division along with Internal Audit, that undertake both regular and ad hoc reviews of risks, management controls and procedures, the results of which are reported to the ERMC.

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

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

(a) Credit risk

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

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

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

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

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

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

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

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

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

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

The Trade and Commercial Lending division (TCLD) is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Board of Directors.

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

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

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

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

	Maximum exposure	
	2021	**2020**
	$'000	**$'000**
Cash and deposits (Note 9)	1,601,596	1,150,402
Notes receivable (excluding prepayment)	690,200	621,106
Notes discounted (Note 11)	1,170,974	1,460,869
Medium-term loans receivable (Note 12)	1,602,556	1,714,633
Demand and non-accruals loans (Note 13)	1,678,116	1,638,139
Investments (Note 14)	67,461	59,966
Long-term loans receivable (Note 15)	11,842	13,245
Other receivables (Note 10)	484	538
	6,823,229	6,658,898

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

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

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

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

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

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

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

Loans

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

- Arithmetic average
- Weighted average
- Geometric average

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

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

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Risk Rating Probability (continued)

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

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

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Risk Rating Probability (continued)

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

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

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

Stage 3 Loans that are considered credit impaired and an allowance for lifetime is expected as credit losses. Loans are in default over ninety (90) days and have a credit risk rating of five (5), six (6) or nine (9).

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

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

Economic Indicators
An analysis of the correlation of the probabilities of default with key economic indicators was performed as follows:
- Growth in respective industries
- Gross domestic product
- Gross national income levels in Jamaica
- Leading five (5) nations that directly contribute to tourist arrival in Jamaica.
- Jamaica’s annual inflation rate
- Value of United States dollar versus Jamaican dollar
- National employment rate

Credit Risk Grade
Pertinent information is collected on the borrower at the time of application. Some of these include the following:
a. Industry Status
b. Management of Company
c. Financial Performance
d. Environmental Risk
e. Value & Saleability of Collateral
f. Analysis of Debt
g. Repayment History

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

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

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

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

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

Experiencing an historic economic decline, Jamaica's growth projection for the FY 2021/22 is expected in the range of 4% - 6%, as the demand for goods and services increase over their 2020-21 fiscal year levels. Additionally, the Country's projected inflation rate is earmarked between the range of 5% - 6%. (Ministry of Finance and the Public Service. Mar 2021). Such projections have coincided with the timely news that the Country's Long -Term Foreign-Currency Issuer Default Rating (IDR) remains stable with a 'B+' outlook as reported by International Ratings Agency – Fitch; substantiated by the World Bank Governance Indicators, suggesting that Jamaica was still a favourable country to do business with. Considering the foregoing, the expectations of the business owners, policy makers and technocrats spaced across the Country is that the Country can recover stronger. This, however, can only be achieved through an engineered rebooting of the economy; with specific focus given to the productive and value-added sectors of the economy such as Tourism, Manufacturing, Mining & Quarrying, Agriculture, and the Services industries.

Within the context of the impact of COVID-19 on the local economy, the Jamaican economy contracted in the range of 10-12% for FY 2020/21, with a specific contraction of 11% for the fiscal year. The contraction manifested in hotels and restaurants, mining, wholesale and retail, transportation, storage and communication, and other services. Manufacturing and distribution have also experienced a decline due to local measures implemented to contain the COVID-19 virus. The Bank considered loan beneficiaries in the hotel and tourism sectors, its linkages along with those involved in mining at higher risk for business failure and consequently an increased probability of default (PD) for the following reasons:

Research conducted internally by the Bank's Strategic Planning & Research Unit in April 2021 informed that:

- **TOURISM Sector & its linkages:** This industry has suffered the most since the onset of the pandemic and has truly had to be resilient. Visitor arrivals and cruise ship stopovers screeched to a grinding halt for the greater part of the year, and with that came the downturn in the Hotel, Restaurants and Entertainment spaces. The falloff was precipitous, as total foreign national arrivals fell by 74%, total stopover arrivals decreased by 72% and total visitor expenditure fell by 62%.

  However, twelve months later, there is great optimism for the future. Estimated gross earnings for the fiscal year 2021/2022 are projected at US$1.87 billion, with corresponding visitor arrivals of 1.6 million projected as follows: stopover, 1.043 million, representing a 117 % increase, and cruise shipping at 570,000, which would be a 100% increase over the previous period". (Jamaica Observer, Saturday March 06, 2021)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Research conducted internally by the Bank's Strategic Planning & Research Unit in April 2021 informed that: (continued)

- **TOURISM Sector & its linkages: (continued)**
  Fuelled by the Jamaica Cares Programme, the sector has sought to employ every effort in encouraging visitors to come to Jamaica as they would be in the "resilient corridor" with special emphasis placed on global health and safety standards. It is expected that for the 2021/22 financial year, new infrastructural frontiers will be explored with the South Coast Development Plan expected to continue, and the eastern end of the island also targeted for improvement.

  With the global vaccination programme being adopted, augmented by the local efforts, key initiatives to reconnect with our main markets (United States, United Kingdom and Canada) will be determined by the success of the relevant control measures implemented and enforced by the Government and industry players.

- **MANUFACTURING:** 2020 has been a year like no other in recent history, and the Jamaican Manufacturing industry felt the impact of this "black swan". Along with declines in production, forced shutdowns in the early days of the pandemic resulted in a significant dip in manufacturing employment productivity levels. Real Value Added for the sector decreased by an estimated 3.4% for the third quarter of the financial year 2020/21.

  Results from the Oxford Economic Model (OEM), corroborated by local industry players in various pronouncements, estimated that the sector is expected to have a slight rebound of approximately 3% - 4% for 2021/22 FY, with the rate of growth predicated on a few key variables. These were: forecasting challenges, supply chain interruptions, digital revolution, and workforce agility.

  Being able to solve forecasting challenges caused by disruptions (natural or man-made) is critical to the stability of the sector. Such challenges are brought to bear on the sector as global and local supply chain uncertainties is now a critical agenda item that should be constantly risk assessed. Manufacturers ought to expand their options to reduce exposures to trade and other disruptions, as they recalibrate their production footprint using enabling digital infrastructure. Additionally, the need for workforce agility is critical to the resilience and sustenance of the sector. Local manufacturers will now have to seek ways to re-engineer workflow and the workforce in order to better manage any future disruption and uncertainty while maintaining relevancy and viability.

- **AGRICULTURE:** Crippled by climate change realities and infrastructural stagnation, the sector has also felt the ill-effects of the pandemic, with a recorded 6.1% contraction in output for the Oct-Dec 2020 quarter. This performance largely reflected the impact of heavy rainfall at the start of the quarter which led to crop damage as well as the reduction in demand associated with the decline in tourist arrivals.

  Notwithstanding, sector leaders are cautiously expressing confidence in the sector's ability to rebound for the FY 2021/22. A growth rate within the range of approximately 3% - 5% is expected over the short to medium term for the sector; a projection supported by the positive third-quarter outputs in the Food, Beverages & Tobacco sub-industry. Poultry Meat, Animal Feeds, Cornmeal, Sugar and Bakery Products all registered growth figures; with the Beverages & Tobacco component supported by an increase in the production of Rum & Alcohol and Carbonated Beverages.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Research conducted internally by the Bank's Strategic Planning & Research Unit in April 2021 informed that: - (continued)

- **AGRICULTURE: (continued)**
  The Ministry of Agriculture and Fisheries have recently reported an increased demand for bananas, pineapples, tilapia, tubers and even milk, resulting in increased consumption and exports for the country. The stabilisation of the supply chains associated with irrigation, post harvesting, distribution and logistics will be key in the future growth of the sector; therefore, with the continuation of Government Initiatives for the upcoming financial year such as the Production Incentive Programme (PIP), it is anticipated that the sector will be well on the road to recovery.

- **MINING & QUARRYING:** Having experienced declines over the first and second quarter of the financial year 2020/21, the mining and quarrying sector experienced a momentum shift for the third moving into the fourth quarter, recording growth figures of approximately 6% as published by the Planning Institute of Jamaica (PIOJ).

  Triggered by the temporary suspension of JISCO's (Alpart) operation, the sector had experienced two consecutive years of decline, with a dip in production and capacity utilization for alumina and crude bauxite, however, increases in operational efficiencies at the two other operating refineries have resulted in a positive outturn for the sector.

  With the expansion works and plant upgrades of JISCO expected to be completed by the end of 2022, capacity utilization and production numbers for the sector are projected to significantly improve, reflecting a short to medium sector growth average of 7% over the next year.

- **SERVICES:** The Services Industry contracted by approximately 11.5% for the quarter ended December 2020, reflecting lower real value added in all industries. All but one (Government Services) of the subsectors within the Services Industry have experienced a reduction in output ascribed to a multiplicity of factors.

  Reductions in electricity consumption in all categories (residential, small, and large businesses, streetlights, and other sources) were evidence over the period with Trelawny and St. James experiencing the greatest declines. Water consumption also declined. Even though there was a slight increase on Eastern Division of the island, the dip in consumption on the Western Division, reflected by the pause on Tourism, most affected the parishes of Hanover, St. James, Trelawny and St. Ann.

  Transportation and storage, wholesale and retail trade, real estate, renting finance and insurance services all had unimpressive output numbers over the past three quarters, due to lower consumption patterns driven by a contraction in air, sea and land transportation activities.

  Nevertheless, annual projections for the FY 2021/22 are reflecting a turnround for the sector. The projected average growth rate for the sector is slated to be between 6% - 8%; with visitor arrivals expected to recover by the third quarter of the 2021/22 financial year, manufacturing and agricultural activities also is expected to improve and the services industry and its sub-sector players all expected to benefit from the linkages effects.

(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Probability of default adjustment

In order to arrive at a recommendation for an adjustment to the existing PDs to reflect the impact of COVID 19 on the loan portfolio, EXIM considered the following:

a) Changes in Non–performing loans & Delinquency statistics throughout the FY 20/21
b) Sectors impacted by COVID-19
c) Impact of support given to these customers
d) Outlook for the sectors concerned

Thereafter, the existing input PD's in the Model were increased by the average change in PDs calculated using PD's from April 2020 to February 2021 for the selected sectors highlighted.

Non- Performing Loans

Month	**Non-Performing Loans as a % of Total Loan Portfolio**	**Month**	**Non-Performing Loans as a % of Total Loan Portfolio**
April	29.76	October	29.55
May	31.12	November	30.13
June	31.80	December	32.12
July	30.82	January	28.31
August	32.16	February	33.52
September	31.07		

Delinquency

All statistics are expressed as a percentage of the respective loan portfolios.

Month	**Delinquency % - J$**	**Delinquency % - US$**	**Month**	**Delinquency % - J$**	**Delinquency % - US$**
April	38.49	33.85	October	37.63	36.22
May	39.45	35.17	November	39.46	40.35
June	37.84	40.42	December	39.54	35.03
July	36.70	42.35	January	38.24	35.33
August	37.16	41.81	February	38.07	48.02
September	38.20	38.37			

The above do not include or reflect the impact of Cuban Line of Credit Loans. Additionally, a spike in the delinquency ratio for the US$ portfolio was reflected in February 2021 due to a US$3.75 million month over month (m/m) decline in loan receivables because of loan repayment, while loan delinquency remained constant.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Probability of default adjustment (continued)

SECTORS MOST IMPACTED BY COVID-19

EXIM's experience over the last financial year shows that loan beneficiaries in the tourism sector and its linkages were most impacted by COVID-19. Linkage companies fall into the services, manufacturing, apparel, and agro-processing sectors. PD comparison 19/20 v 20/21 supports the impact to EXIM customers in these sectors which all saw an increase in PD relative to FY 19/20. Based on our analysis, this position would be further impaired if Government support in the form of a moratorium program/payment holiday was not available.

See table below extracted from IFRS 9 model for the pre and post COVID-19 PDs.

Average PDs derived from IFRS 9 Model

Group	SECTOR	FY18/19 March	FY19/20 9 Month Average	FY20/21 11-month Average	19/20-20/21 Variance%
1	Services	0.6608	0.5716	0.8198	43.42%
1	Tourism	0.7089	0.6841	0.8239	20.43%
1	ICT	1.000	0.8990	1.000	11.23%
1	Cuba	0.1639	1.000	1.000	0.00%
2	Manufacturing	0.5626	0.5619	0.6427	14.37%
5	Mining	0.6277	0.7557	0.8018	6.11%
5	Food & Beverage	0.5836	0.4834	0.2446	-49.39%
5	Apparel	0.6071	0.7268	0.8353	14.93%
4	Agro-Processing	0.6565	0.7362	0.8686	17.99%
3	Distribution	0.6529	0.5996	0.6146	2.49%

SUPPORT TO CUSTOMERS IN TOURISM AND LINKAGES

A moratorium program was offered to tourism and tourism linkage customers benefiting under the Bank's SMTE loan facility, by the Tourism Enhancement Fund (TEF), the entity that funds the program. The moratorium was extended for the entire FY 20/21 on principal and interest payments. Medium Term SMTE facilities were also extended by two years as a part of efforts to provide support to the sector due to the impact of COVID-19. The value of the SMTE loan book that accepted the moratorium as at April 2020 stood at $387.12m (33 customers) and moved to $496.44m (39 customers) by March 2021. The SMTE program accounted for 14% of the total J$ loan receivables at financial year end 20/21. For the initial quarter of the moratorium program ended 30 June 2020, only three (3) customers did not accept the moratorium and renegotiated terms offer. As at 31 March 2021, as the industry began to show slow signs of recovery, this number increased to a total of eight (8) customers. These customers have been making payments as agreed.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Probability of default adjustment (continued)

SUPPORT TO CUSTOMERS IN TOURISM AND LINKAGES (continued)

The payment holiday was offered only to SMTE beneficiaries with Medium Term loan facilities. Beneficiaries under the SMTE short term (ST) revolving facility did not benefit under the moratorium. A total of five (5) customers falls in this category, and with one exception, all have been timely in the settlement of loans, with some even paying prior to loan maturity dates. An extension on due date was approved for the exception, and the loan was settled upon expiry of the loan extension period. Of note is that four (4) of the five (5) ST loan beneficiaries are not solely dependent on the tourism sector for income.

After heavy investment in vaccine development and the administration of doses, air travel globally is on the rebound, with many countries beginning to ease border restrictions and reopen for international tourists. The US cruise ship industry is expected to resume activities in the summer of 2021, with the Carnival Cruise shipping line advertising cruises from the southern United States docking at Montego Bay beginning 13 July 2021 and continuing for the rest of the calendar year. As is demonstrated by the Ministry of Tourism (MOT) statistics, it is not expected that the local tourism industry will recover fully during 2021. At this point, projections are for this to occur by Q1 2023.

Sector	Prior year Input PD's	Adjusted Input PD's
Services	0.52620	0.75468
Manufacturing	0.44620	0.51032
Agro-Processing	0.23130	0.27291
Apparel	0.38780	0.44570
Tourism	0.19230	0.23159

It is to be noted that in addition to the foregoing adjustment, the Bank has also examined each account in its portfolio of loans to determine at the individual level, if there is likely to be a significant increase in credit risks (SICR) over the next 12 months. In these instances, appropriate adjustments were made to the loan staging to reflect the increased credit risk projected.

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

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

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Incorporation of Forward-Looking Information (continued)
The Bank uses three Quantitative and Qualitative criteria to determine whether there has been a significant increase in credit risk.

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

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

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

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

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Incorporation of Forward-Looking Information (continued)

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

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

Write-off policy—

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

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

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

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

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Incorporation of Forward-Looking Information (continued)

The credit quality of loans is summarised as follows:

	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Loans receivable (Gross) as				
at 31 March 2021	1,596,304	947,637	3,094,721	5,638,662
Expected credit losses	(15,709)	(23,527)	(411,307)	(450,543)
Loans receivable as at 31 March 2021	1,580,595	924,110	2,683,414	5,188,119

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

Included in the analysis above are renegotiated loans of $38,492,000 (2020 - $20,871,000).

The fair value of collateral that the Bank held as security for individually impaired loans was $1,335,630,178 (2020 - $1,340,079,556).

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

Analysis of Expected Credit Losses

	2021			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Notes and other receivables	253	980	174,051	175,284
Notes discounted	86	153	34,963	35,202
Medium-term loans receivable	15,314	22,394	12,519	50,227
Demand and non-accrual loans	-	-	189,774	189,774
Long-term loans receivables	56	-	-	56
	15,709	23,527	411,307	450,543

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Analysis of Expected Credit Losses (continued)

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

Expected Credit Loss Model

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

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

Industry Groupings

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

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

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

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

	2021 $'000	2020 $'000
Agro Processing	1,415,913	1,607,071
Food and Beverage	68,125	62,601
Textiles and Apparel	6,546	8,866
Manufacturing	1,636,372	1,291,554
Distribution	248,011	370,338
Mining	491,050	481,498
Services and ICT	1,168,368	1,125,450
Tourism	124,248	470,238
Other	29,486	30,914
	5,188,119	5,448,530

Movement in the provision for probable loan losses:

	2021 $'000	2020 $'000
At beginning of year	339,352	177,340
IFRS 9 – Increase in provision	111,191	167,774
	450,543	345,114
Provision/adjustments written-off	-	(5,762)
	450,543	339,352

	2021 $'000	2020 $'000
IFRS 9 – Increase in provision for Loans receivable	111,191	167,774
IFRS 9 – Increase in provision - others	3,284	185
	114,475	167,959

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Provision for probable loan losses comprises:

	2021 $'000	2020 $'000
Notes discounted (Note 11)	35,202	67,735
Demand and non-accrual loans (Note 13)	189,774	116,334
Medium-term loans receivable (Note 12)	50,227	48,150
Notes receivable (Note 10)	175,284	107,069
Long-term loans receivable (Note 15)	56	64
	450,543	339,352

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

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

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

	2021 $'000	2020 $'000
Government of Jamaica (Note 14)	11,548	11,282
Securities purchased under agreements to resell (Note 14)	56,104	48,767
Short-term deposits (Note 9)	1,179,225	748,166
	1,246,877	808,215

	$'000
Debt securities (Gross) as at 31 March 2020	808,215
Expected credit losses	(619)
Debt securities as at 31 March 2020	807,596
Debt securities (Gross) as at 31 March 2021	1,246,877
Expected credit losses	(2,047)
Debt securities as at 31 March 2021	1,244,830

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk

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

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

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

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

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

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

	2021				
	Within 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
Payables	80,743	-	-	-	80,743
Current loans payable	472,790	699,785	-	-	1,172,575
Long-term loans payable	3,892	10,357	1,857,060	1,056,000	2,927,309
Lease liability	2,502	9,301	112,198	128,135	252,136
Total financial liabilities	559,927	719,443	1,969,258	1,184,135	4,432,763

	2020				
	Within 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
Payables	44,013	-	-	-	44,013
Current loans payable	443,674	648,991	-	-	1,092,665
Long-term loans payable	3,892	10,357	1,857,060	1,056,000	2,927,309
Lease liability	2,502	9,301	112,198	139,832	263,833
Total financial liabilities	494,081	668,649	1,969,258	1,195,832	4,327,820

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

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

(c) Market risk

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

Currency risk

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

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

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

	JA$ J$000	**US$ J$000**	**CAD$ J$000**	**TOTAL J$000**
Financial assets		**2021**		
Cash and deposits	786,134	813,722	1,740	1,601,596
Notes and other receivables	90,693	161,987	471,951	724,631
Notes discounted	481,484	689,490	-	1,170,974
Medium-term loans receivable	1,570,306	32,250	-	1,602,556
Demand and non-accrual loans	549,226	572,902	555,988	1,678,116
Investments	17,648	316,598	-	334,246
Long-term loans receivable	11,842	-	-	11,842
Total financial assets	3,507,333	2,586,949	1,029,679	7,123,961
Financial liabilities				
Current loans payable	76,718	927,506	-	1,004,224
Long-term loans payable	1,368,705	1,616,930	-	2,985,635
Lease liability	252,136	-	-	252,136
Payables	110,143	-	-	110,143
Total financial liabilities	1,807,702	2,544,436	-	4,352,138
Net financial position	1,699,631	42,513	1,029,679	2,771,823

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

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

Foreign currency sensitivity

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

	Change in Currency Rate	Effect on Pre-tax Profit	Change in Currency Rate	Effect on Pre-tax Profit
	2021		2020	
Currency	%	$'000	%	$'000
		Devaluation		
USD	6	2,551	6	20,033
CAD	6	61,781	6	50,753
		Revaluation		
USD	2	(850)	2	(6,678)
CAD	2	(20,594)	2	(16,918)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk

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

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

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

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

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Rate Sensitive $'000	Total $'000
				2021		
Cash and deposits	1,601,596	-	-	-	-	1,601,596
Notes and other receivables	105,302	148,697	-	-	470,632	724,631
Notes discounted	209,056	957,405	-	-	4,513	1,170,974
Medium-term loans receivables	38,187	284,084	1,275,299	-	4,986	1,602,556
Demand and non-accrual loans	-	-	-	-	1,678,116	1,678,116
Investments	-	55,913	11,548	-	266,785	334,246
Long-term loans receivable	-	536	-	11,306	-	11,842
Total financial assets	1,954,141	1,446,635	1,286,847	11,306	2,425,032	7,123,961
Current loans payable	298,846	705,378	-	-	-	1,004,224
Long-term loans payable	-	-	1,951,317	1,034,318	-	2,985,635
Lease liability	2,502	9,301	112,198	128,135	-	252,136
Payables	110,143	-	-	-	-	110,143
Total financial liabilities	411,491	714,679	2,063,515	1,162,453	-	4,352,138
Total interest repricing gap	1,542,650	731,956	(776,668)	(1,151,147)	2,425,032	2,771,823
Cumulative gap	1,542,650	2,274,606	1,497,938	346,791	2,771,823	

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

3. **Financial Risk Management (Continued)**

(c) **Market risk (continued)**

Interest rate risk (continued)

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

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

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

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

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

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Price risk

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

The impact of a 10% change in the quoted prices for these equities would be an increase or decrease in the carrying value of $26,678,000 (2020 - $17,517,000) in equity, through other comprehensive income (loss).

(d) Operational risk

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

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

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

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

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

3. Financial Risk Management (Continued)

(e) Capital management

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

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

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

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

The capital structure of the Bank consists of share capital, capital reserve, reserve fund, reserve for trade credit insurance, investment revaluation reserve, property revaluation reserves and retained earnings.

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

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Income taxes
Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. (Notes 8 and 19).

Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Bank uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. For investment securities that are not traded in active markets, the Bank used valuation techniques that include inputs for the instrument that are based on observable market data. Changes in assumptions used in valuations could affect reported fair value of financial assets. Key assumptions are based on current market yields. (Note 28).

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

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

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

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

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

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

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

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

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

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

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

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

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

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

5. Other Income

	2021 $'000	2020 $'000
Rental income (Strata and Training rooms) and Strata maintenance	29,388	33,194
Interest on bank account	331	537
Other income	15,797	10,838
Income from loans written off	1,690	389
	47,206	44,958

6. Expenses by Nature

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

	2021 $'000	2020 $'000
Auditors' remuneration	4,524	4,294
Depreciation	15,992	11,821
Right of use – finance lease interest expense	17,934	18,668
Right-of-use – amortisation expense	26,630	26,630
Directors' emoluments-		
Fees	1,495	1,257
Management (included in staff costs-Note 7)	23,318	19,254
Other staff costs (included in staff costs-Note 7)	367,798	333,896
Other operating expenses	145,728	147,334
	603,419	563,154

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

7. Staff Costs

	2021 $'000	2020 $'000
Salaries and wages	271,943	256,529
Statutory payroll taxes-employer portion	28,016	24,952
Pension asset (Note 16)	31,173	22,167
Pension obligation (Note 16)	30,870	22,709
Other staff costs	29,114	26,793
	391,116	353,150

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

	2021	2020
Trade	15	14
Administration	44	49
	59	63

8. Taxation

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

	2021 $'000	2020 $'000
Current tax	-	-
Deferred tax credit (Note 19):		
Origination and reversal of temporary differences	82,124	(29,850)
	82,124	(29,850)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

8. Taxation (Continued)

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

	2021 $'000	2020 $'000
Losses before tax	(115,059)	(318,061)
Tax calculated at a rate of 25%	(28,765)	(79,515)
Adjustment for the effects of:		
Income not taxable	-	(2,344)
Expenses not deductible for tax purposes	641	54,598
Prior year adjustment	-	(1,946)
Deferred tax not recognised	109,401	-
Other	847	(643)
	82,124	(29,850)

Subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses aggregating approximately $194.90 million (2020: $101.18 million) are available for a set off against future taxable profits. The amounts that can be utilised in any one assessment year is restricted to 50% of chargeable income (before utilising any prior year losses). A deferred tax asset of approximately $89.08 million (2020: Nil) had been recognised in respect of these tax losses.

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

	2021		
	Before tax $'000	Tax charge $'000	After tax $'000
Items that will not be reclassified to profit or loss:			
Net fair value gains on securities measured at fair value through other comprehensive income	71,771	-	71,771
Foreign exchange gains on securities measured at fair value through other comprehensive income	19,836	-	19,836
Remeasurement of pension and other employment benefit obligation	109,109	(27,277)	81,832
	200,716	(27,277)	173,439

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

9. Cash and Deposits

	2021 $'000	2020 $'000
Cash	422,371	402,236
Short-term deposits – 90 days or less (excluding interest receivable)	1,176,911	747,287
Cash and cash equivalents	1,599,282	1,149,523
Interest receivable	2,314	879
	1,601,596	1,150,402

	$'000
Cash and deposits (Gross) as at 31 March 2021	1,603,452
Expected credit losses	(1,856)
Cash and deposits as at 31 March 2021	1,601,596

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

Included in short-term deposits above is interest receivable amounting to $2,314,000 (2020 - $879,000). Average interest rates – local 1.91% and foreign 1.96% (2019 – local 2.14% and foreign 1.94%).

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

	$'000
Expected credit losses – 1 April 2019	(330)
Net movement during current year	(206)
Expected credit losses – 31 March 2020	(536)
Net movement during current year	(1,320)
Expected credit losses – 31 March 2021	(1,856)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

10. Notes and Other Receivables

Commitments

Assumptions

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

	2021 $'000	2020 $'000
Notes receivable	899,431	736,800
Premiums receivable	484	538
	899,915	737,338

	$'000
Notes and other receivables (Gross) at 31 March 2021	899,915
Expected credit losses	(175,284)
Notes and other receivables as at 31 March 2021	724,631
	$'000
Notes and other receivables (Gross) at 31 March 2020	737,338
Expected credit losses	(107,069)
Notes and other receivables as at 31 March 2020	630,269

The staging analysis of notes and other receivables at the end of the reporting period is as follows:

	2021			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Notes and other receivables	140,265	113,213	646,437	899,915
Expected credit losses	(253)	(980)	(174,051)	(175,284)
	140,012	112,233	472,386	724,631

	2020			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Notes and other receivables	105,754	113,999	517,585	737,338
Expected credit losses	(929)	-	(106,140)	(107,069)
	104,825	113,999	411,445	630,269

10. Notes and Other Receivables (Continued)

Movement in expected credit losses on notes and other receivables is as follows:

	$'000
Expected credit losses – 1 April 2019	(1,311)
Net movement during current year	(105,758)
Expected credit losses – 31 March 2020	(107,069)
Net movement during current year	(68,215)
Expected credit losses – 31 March 2021	(175,284)

Maturing as follows:

	2021 $'000	2020 $'000
In less than 12 months	724,631	630,269

Included in notes and other receivables above is interest receivable amounting to $41,533,000 (2020 - $33,354,000).

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

Receivable EXBED loans were repaid during the 2020 period, and represented amounts advanced to the Jamaica Exporters' Association and the Jamaica Manufacturers' Association for on-lending to their members. Interest on this facility was at a rate of 11%. These loans were unsecured.

Cuban Line of Credit

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

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

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

Towards the end of 2018 calendar, as a result of worsening economic conditions in Cuba, the Cuban Government indicated its intention to default on certain loan repayments during 2019. As at 31 March 2020 and 31 March 2021, the Cuban Line of Credit reflected an outstanding balance of CAD$10.3 million (J$1 billion) and BNC affirmed its commitment to honoring the debt and indicated that EXIM would be appropriately advised when it was in a position to do so. In the meantime, EXIM Bank is awaiting feedback from the Ministry of Finance to have this debt settled and the Bank's liquidity position replenished as it is functionally a National Interest Account.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

10. Notes and Other Receivables (Continued)

Cuban Line of Credit (continued)
As at 31 March 2020, the Bank recorded an Expected Credit Loss amounting to J$106.2 million for the Cuban Line of Credit. The recovery rate being maintained at 100% and 82% for the two tranches (CAD$5 million for each tranche) respectively. The provision made is based on the Bank's best estimate at this time. Also refer to Note 13 for a portion of the Cuban Line of Credit transferred to Demand and Non-Accrual Loans.

As at 31 March 2021, the Bank recorded an Expected Credit Loss amounting to J$146.28 million for the Cuban Line of Credit with the recovery rate being maintained at 100% and 79.5% for the two tranches respectively. The provision made is based on the Bank's best estimate at this time. Also refer to Note 13 for a portion of the Cuban Line of Credit transferred to Demand and Non-Accrual Loans.

11. Notes Discounted

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

	Principal $'000 2021	Interest Receivables $'000 2021	Expected Credit Losses $'000 2021	Carrying Value $'000 2021	Principal $'000 2020	Interest Receivables $'000 2020	Expected Credit Losses $'000 2020	Carrying Value $'000 2020
(a) Insurance Policy Discount Facility (IPDF)	-	23	-	23	143,832	3,071	(7,624)	139,279
(b) Pre-Shipment Facility (PSF)	676,814	12,675	-	689,489	795,096	2,715	(11,105)	786,706
(c) Jamaican Dollar Short-Term Loans	37,047	452	(549)	36,950	17,000	149	-	17,149
(d) Development Bank of Jamaica Limited Loan (DBJ#3)	-	45	-	45	7,586	63	-	7,649
(e) J$ Working Capital Facility	413,147	7,798	(33,233)	387,712	525,531	14,519	(46,237)	493,813
(f) Tourism Enhancement Fund	46,086	283	(1,338)	45,031	18,709	309	(1,389)	17,629
(g) Jamaica Export Manufacturing Association	466	5	-	471	-	24	(1,380)	(1,356)
(h) Exim Express	11,301	34	(82)	11,253	-	-	-	-
	1,184,861	21,315	(35,202)	1,170,974	1,507,754	20,850	(67,735)	1,460,869

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

11. Notes Discounted (Continued)

Maturing as follows:

	2021 $'000	2020 $'000
In less than 12 months	1,170,974	1,453,461
In greater than 12 months	-	7,408
	1,170,974	1,460,869

The staging analysis of notes discounted at the end of the reporting period is as follows:

	2021			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Notes discounted	612,552	289,905	303,719	1,206,176
Expected credit losses	(86)	(153)	(34,963)	(35,202)
	612,466	289,752	268,756	1,170,974

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

Movement in expected credit losses on notes discounted is as follows:

	2020 $'000
Expected credit losses – 1 April 2019	(56,445)
Net movement during current year	(11,290)
Expected credit losses – 31 March 2020	(67,735)
Net movement during current year	32,533
Expected credit losses – 31 March 2021	(35,202)

	Interest Rate 2021	2020
(a) Insurance Policy Discount Facility (IPDF) - Secured by insurance policy	12%	12%
(b) Pre-shipment Facility (PSF) – Secured	8%-12%	8%-12%
(c) Jamaican Dollar Short-Term Loans – Secured	8%-12%	8%-12%
(d) Development Bank of Jamaica Limited Loan (DBJ#3) -Secured	10%	10%
(e) J$ Working Capital Facility	8%-12%	8%-12%
(f) Tourism Enhancement Fund (SMTE)	4.5%	4.5%
(g) Jamaica Export Manufacturing Association (JMEA)	12%	12%
(h) Exim Express	11%	-

11. Notes Discounted (Continued)

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

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

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

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

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

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

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

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

h) EXIM EXPRESS
"EXIM Express" which is a receivables financing solution geared to Small and Medium-sized Entities (SMEs) seeking working capital support. It will allow small companies to leverage their receivables from Government entities and publicly traded entities to release resources needed to finance the day to day operations of the business. **EXIM Express** covers 75% of receivables with a maximum tenure of 90 days. Businesses can borrow up to $10 million with a turnaround time of 7 working days if all conditions are met. All entities must have a valid Tax Compliance Certificate to access the loan facility.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

11. Notes Discounted (Continued)

h) EXIM EXPRESS (continued)

Interest Rate:
2.75% per 90 days
1.12% per 90 days (Small & Medium-sized Tourism Enterprises)

Eligibility:
- Tourism linkage entities
- SMEs in the productive sector with good credit standing
- SMEs with Government contracts

12. Medium-Term Loans Receivable

	Principal $'000 2021	Interest Receivables $'000 2021	Expected Credit Losses $'000 2021	Carrying Value $'000 2021
(a) Modernisation Fund for Exporters	154,022	303	-	154,325
(b) National Insurance Fund SME (Note 21 (e))	617	19	-	636
(c) US Dollar Medium-Term Loans	32,643	20	(412)	32,251
(d) Other Medium-Term Loans	16,291	-	-	16,291
(e) SME Growth Initiative Loans (SME) formerly (SBDF)	866,917	3,289	(20,578)	849,628
(f) Tourism Enhancement Fund (TEF)	578,334	328	(29,237)	549,425
	1,648,824	3,959	(50,227)	1,602,556

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

Maturing as follows:

	2021 $'000	2020 $'000
In less than 12 months	327,257	33,416
In greater than 12 months	1,275,299	1,681,217
	1,602,556	1,714,633

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

12. Medium-Term Loans Receivable (Continued)

The staging analysis of medium-term loans receivable at the end of the reporting period is as follows:

	2021			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Medium-term loans receivables	831,588	544,519	276,676	1,652,783
Expected credit losses	(15,314)	(22,394)	(12,519)	(50,227)
	816,274	522,125	264,157	1,602,556

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

Movement in expected credit losses on notes discounted is as follows:

	$'000
Expected credit losses – 1 April 2019	(27,047)
Net movement during current year	(21,103)
Expected credit losses – 31 March 2020	(48,150)
Net movement during current year	(2,077)
Expected credit losses – 31 March 2021	(50,227)

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

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

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

(d) Other Medium-Term Loans include loans to staff members which bear interest at 3% per annum, and a loan facility which bears interest at 0.5%. These loans are for a period of up to five years. Included in this amount is an adjustment of $751,349 (2020 - $1,803,426) representing the difference between the total principal amount outstanding and the carrying amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings.

(e) SME Growth Initiative Loan programme – (SME)-(formerly Small Business Discount Facility SBDF)– Secured 8%-12% (2020 - 8%-12%) – Under this Medium-Term loan facility customers can borrow up to Jamaican equivalent of US$500,000 to access working capital, purchase equipment, improve and upgrade existing facilities. Loans are normally for 48 months but in exceptional circumstances may be extended for 5 years. The loan facility can be accessed directly or via Approved Financial Institutions (AFIs).

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

12. Medium-Term Loans Receivable (Continued)

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

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

13. Demand and Non-Accrual Loans

	2021 $'000	2020 $'000
Demand loans (J$)	739,000	778,134
Demand loans (US$)	572,902	536,591
Demand loans (CAD$) (transferred from Note 10) – Cuban Line of Credit	555,988	439,748
Expected credit losses	(189,774)	(116,334)
	1,678,116	1,638,139

Movement in expected credit losses on demand and non-accrual loans receivable is as follows:

	$'000
Expected credit losses – 1 April 2019	(92,462)
Net movement during current year	(23,872)
Expected credit losses – 31 March 2020	(116,334)
Net movement during current year	(73,440)
Expected credit losses – 31 March 2021	(189,774)

14. Investments

	Number of shares held 2021	Number of shares held 2020	FVOCI 2021 $'000	FVOCI 2020 $'000
Bladex:				
Class 'A' common stock	107,065	107,065	204,028	133,980
Class 'B' common stock	28,971	28,971	62,757	41,197
			266,785	175,177

	Amortised Cost 2021 $'000	Amortised Cost 2020 $'000
Securities purchased under resale agreements	56,104	48,767
Government of Jamaica securities (FRANS)	11,548	11,282
Expected credit losses	(191)	(83)
	67,461	59,966
	334,246	235,143

14. Investments (Continued)

The movement is expected credit losses at the end of the reporting period is as follows:

	$'000
IFRS 9 Expected credit losses – 1 April 2019	(105)
Net movement during current year	22
IFRS 9 Expected credit losses – 31 March 2020	(83)
Net movement during current year	(108)
IFRS 9 Expected credit losses – 31 March 2021	(191)

	2021	2020
Securities purchased under resale agreements	1.91%	2.14%
Government of Jamaica securities (FRANS)	10%	10%

	2021 $'000	2020 $'000
Remaining term to maturity:		
From three months to one year	55,913	48,684
Over five years	11,548	11,282
	67,461	59,966

Included in investments is interest receivable amounting to $2,717,000 (2020 - $367,000).

The fair value of the underlying securities held as collateral for securities purchased under resale agreements at 31 March 2021 was $1,333,191,000 (2020 - $635,948,000).

15. Long-Term Loans Receivable

Long-term loans receivable represents staff loans which bear interest at 1% to 3% per annum and are for periods of up to twenty-five years. The amount due at 31 March 2021 includes $437,053 (2020 - Nil) receivable within twelve months.

Included in this amount is an adjustment of $3,077,000 (2020 - $3,374,000), representing the difference between the amortised cost and the net present value, as required under IFRS.

Probability of Default Staff Loans

In the ten (10) years under review, there were no defaults on staff loans. Staff loans do not necessarily have zero credit risks but based on the method of repayment being salary deductions, another method was used to assess its credit risk. It was assumed that staff loans would only be in default if staff was not paid their salaries. EXIM being owned by the Government of Jamaica (GOJ), the Standard and Poor (S & P) default rate was assumed as the probability of default on staff loans.

Expected credit losses on staff loans for 2021 is assessed to be $56,000 (2020 - $81,000).

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits

The Bank operates a non-contributory, defined benefit pension plan for permanent employees who are employed directly by the Bank. The assets of the plan are held independently of the Bank in a separate trustee administered fund. The Bank has recognised as an expense for the year in the profit or loss in the statement of comprehensive income (loss) of $62,043,000 (2020 - $44,876,000). The employer's contribution paid for the year amounted to $14,015,000 (2020 - $12,953,000).

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

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

	2021 $'000	2020 $'000
Assets/(liabilities) recognised in the statement of financial position –		
Post-employment benefit asset	129,707	43,156
Post-employment benefit obligations	(300,447)	(280,960)
Amounts recognised in other comprehensive income (loss)		
Post-employment benefit asset	103,709	(65,102)
Post-employment medical benefit obligation	5,400	(64,060)
Tax effect	(27,277)	32,291
	81,832	(96,871)

(a) Post-employment benefit asset

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

	2021 $'000	2020 $'000
Present value of funded obligations	(1,052,086)	(1,090,361)
Fair value of plan assets	1,181,793	1,133,517
Asset recognised in statement of financial position	129,707	43,156

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits (Continued)

(a) Post-employment benefit asset (continued)

The movement in the defined benefit obligation was as follows:

	2021 $'000	2020 $'000
At beginning of year	1,090,361	959,286
Interest cost	69,694	65,743
Current service cost	33,206	27,747
Voluntary contributions	5,888	5,930
Benefits paid during year	(34,655)	(41,510)
Remeasurements:		
(Gains) losses from changes in financial assumptions	(116,313)	64,785
Losses from changes in demographic assumptions	-	7,336
Experience adjustment	3,905	1,044
At end of year	1,052,086	1,090,361

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

	2021 $'000	2020 $'000
At beginning of year	1,133,517	1,076,758
Interest income on plan assets	72,954	74,254
Contributions paid	19,903	18,883
Benefits paid	(34,655)	(41,510)
Administrative expense	(1,227)	(2,931)
Remeasurement of plan assets	(8,699)	8,063
At end of year	1,181,793	1,133,517

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

	2021 $'000	2020 $'000
At beginning of year	43,156	117,472
Pension cost	(31,173)	(22,167)
Employer's contributions	14,015	12,953
Remeasurements recorded in other comprehensive income (loss)	103,709	(65,102)
At end of year	129,707	43,156

16. Post-Employment Benefits (Continued)

(a) Post-employment benefit asset (continued)

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

	2021 $'000	2020 $'000
Current service cost	33,206	27,747
Interest cost	69,694	65,743
Interest income on plan assets	(72,954)	(74,254)
Administrative expense	1,227	2,931
Total included in staff costs (Note 7)	31,173	22,167

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

The Bank expects that it will contribute $14,420,000 to the plan in respect of the year ending 31 March 2022.

The distribution of the plan assets was as follows:

	2021		2020	
	$'000	%	$'000	%
Equities	607,584	51.4	606,118	53.5
Debt securities	428,169	36.3	420,862	37.1
Repurchase agreements	100,777	8.5	91,193	8.0
Other	45,263	3.8	15,344	1.4
	1,181,793	100	1,133,517	100

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

	2021 years	2020 years
Active members	18.3	19.2
Deferred pensioners	18.0	19.4
Retirees	10.2	11.0

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

	2021	
	1% Increase $'000	1% Decrease $'000
Present value of defined benefit obligation	916,656	1,222,056

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits (Continued)

(a) Post-employment benefit asset (continued)

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

	2021		
	Impact on defined benefit obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(135,430)	169,970
Salary escalation rate	1%	34,056	(30,397)
Pension increases	1%	128,431	(107,539)

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

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

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Fair value of plan assets	1,181,793	1,133,517	1,076,758	925,009	806,110
Defined benefit obligations	(1,052,086)	(1,090,361)	(959,286)	(799,629)	(506,339)
Surplus	129,707	43,156	117,472	125,380	299,771
Experience adjustments -					
Fair value of plan assets –					
decrease/(increase)	8,699	(8,063)	123,704	52,971	195,332
Defined benefit obligations	3,905	1,044	(10,674)	150,692	(13,253)

The principal actuarial assumptions used were as follows:

	2021 %	2020 %
Discount rate	8.50	6.50
Future salary increases	7.50	5.00
Pension increases	4.00	3.00

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits (Continued)

(b) Other post-employment benefit obligations

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

	2021 $'000	2020 $'000
Present value of obligation	300,447	280,960

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

	2021 $'000	2020 $'000
At beginning of year	280,960	198,826
Current service cost	12,789	8,910
Interest cost	18,081	13,799
Benefits paid	(5,983)	(4,635)
Remeasurements:		
Changes in demographic assumptions	40,651	36,766
(Gains) losses from changes in financial assumptions	(52,286)	21,701
Experience losses	6,235	5,593
At end of year	300,447	280,960

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

	2021 $'000	2020 $'000
Current service costs	12,789	8,910
Interest cost	18,081	13,799
Total included in staff costs (Note 7)	30,870	22,709

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

	2021 years	2020 years
Active members	20.6	21.8
Retirees	11.8	12.7

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

	2021	
	1% Increase $'000	1% Decrease $'000
Present value of defined benefit obligation (medical/life benefits)	259,526	(351,912)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits (Continued)

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

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

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

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

	2021		
	Impact on other benefit obligations		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(40,920)	51,466
Medical and dental trend rate	1%	49,993	(40,412)
Expected pension increase	1%	413	(394)

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

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

	2021 $'000	**2020 $'000**	**2019 $'000**	**2018 $'000**	**2017 $'000**
Defined benefit obligations	300,447	280,960	198,826	197,130	172,516
Experience adjustments	6,235	5,593	(26,653)	(4,261)	(4,754)

The principal actuarial assumptions used were as follows:

	2021 %	**2020 %**
Discount rate	8.5	6.5
Future salary increases	6.5	5.0
Medical/ dental cost inflation	7.0	6.0

16. Post-Employment Benefits (Continued)

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

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

	2021	2020
Male	25.0	24.9
Female	27.3	27.2

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

	2021 Impact on defined benefit obligations – Post-employment benefit assets	
	Increase in Assumption by One Year	Decrease in Assumption by One Year
	$'000	$'000
Life expectancy	22,000	(22,800)

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

	2021 Impact on defined benefit obligations – Other post-employment benefit obligations	
	Increase in Assumption by One Year	Decrease in Assumption by One Year
	$'000	$'000
Life expectancy	11,060	(10,950)

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

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

16. Post-Employment Benefits (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

16. Post-Employment Benefits (Continued)

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

Life expectancy (continued)

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

The weighted average duration of the defined benefit obligation is 15.8 years (2020: 15.1 years) for the Pension Fund and 17.1 years (2020: 16.9 years) for post-employment medical and life benefits.

17. Property and Equipment

	Office Improvements	Motor Vehicles	Equipment Furniture and Fixtures	Computers	Total
	$'000	$'000	$'000	$'000	$'000
Cost -					
1 April 2019	37,420	20,938	37,906	41,855	138,119
Additions	-	-	2,441	72	2,513
Disposals	(406)	-	(797)	(2,016)	(3,219)
31 March 2020	37,014	20,938	39,550	39,911	137,413
Additions	-	-	899	69,926	70,825
31 March 2021	37,014	20,938	40,449	109,837	208,238
Depreciation -					
1 April 2019	15,142	7,637	19,225	38,618	80,622
Charge for the year	3,712	3,090	3,322	1,697	11,821
Disposals	(176)	-	(703)	(1,946)	(2,825)
31 March 2020	18,678	10,727	21,844	38,369	89,618
Charge for the year	3,701	3,090	3,469	5,732	15,992
31 March 2021	22,379	13,817	25,313	44,101	105,610
Net Book Value -					
31 March 2021	14,635	7,121	15,136	65,736	102,628
31 March 2020	18,336	10,211	17,706	1,542	47,795

18. Investment Property

(a) These comprise:

Fair Value of Land and Buildings:

	$'000
Balance as at 1 April 2018	190,427
Gain on revaluation of investment property	44,573
Balance as at 31 March 2019 and 31 March 2020	235,000
Balance as at 1 April 2020	235,000
Gain on revaluation of investment property	65,000
Balance as at 31 March 2021	300,000

i. The fair value of the property amounting to $300 million was arrived at on the basis of valuations carried out by external independent valuators, David Thwaites & Associates. The property was valued at fair value considering the income approach and sales comparables, which is defined by the Internal Valuation Standards 2011, 9th Edition. Site inspection and associated market analyses were undertaken and completed on the 5th February 2021. Discount rates applied to the model in 2021 ranging from 7.0% to 9.0% were deemed most appropriate by the valuator. The valuator is accredited in Jamaica specializing in the valuation of commercial, residential and mixed-use properties. The surplus arising on the property revaluation was credited to profit or loss in the statement of comprehensive income (loss).

ii. Rental income in relation to investment property amounted to $21,502,000 (2020 - $20,313,000). Direct expenses incurred in relation to these properties totalled $5,004,000 (2020 - $5,017,000).

iii. With regards to loan received, Note 20 (c), Petrocaribe Development Fund has a lien on property; stamped initially to cover US$1 million.

19. Deferred Taxation

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

	2021 $'000	2020 $'000
At beginning of year	(109,401)	(47,260)
Recognised in the profit or loss in the statement of comprehensive loss (Note 8)	-	(29,850)
Recognised in the other comprehensive income (loss) (Note 8)	27,277	(32,291)
Reversal of deferred tax assets	82,124	-
At end of year	-	(109,401)

19. Deferred Taxation (Continued)

Deferred income tax arises as follows:

	2021 $'000	2020 $'000
Deferred income tax assets –		
Accrued vacation	7,092	4,913
Insurance provision	777	777
Accelerated tax depreciation	8,110	1,025
Tax losses	25,296	25,296
Foreign exchange loss	14,650	17,939
Post-employment benefit obligation	75,112	70,240
	131,037	120,190
Deferred income tax liabilities –		
Accelerated tax depreciation	(1,421)	-
Post-employment benefit asset	(32,427)	(10,789)
	(33,848)	(10,789)
	97,189	109,401
Less Valuation allowance	(97,189)	-
	-	109,401

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

	2021 $'000	2020 $'000
Accrued vacation	(2,179)	(727)
Foreign exchange loss	3,289	4,187
Accelerated tax depreciation	(5,664)	(1,193)
Statutory loss	-	(25,296)
Post-employment benefit asset	(4,289)	(2,303)
Post-employment benefit obligation	(6,222)	(4,518)
	(15,065)	(29,850)

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

	2021 $'000	2020 $'000
Post-employment benefit asset	25,927	(16,276)
Post-employment benefit obligation	1,350	(16,015)
	27,277	(32,291)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

20. Long-Term Loans Payable

	2021 $'000	2020 $'000
(a) PetroCaribe Development Fund (12 & 6)	784,705	726,540
(b) PetroCaribe Development Fund	331,055	303,807
(c) PetroCaribe Development Fund	832,225	629,071
(d) Development Bank of Jamaica Limited (DBJ)	4,024	11,330
(e) Tourism Enhancement Fund (TEF)	1,034,318	1,020,318
	2,986,327	2,691,066
Deferred commitment fees	(692)	(581)
	2,985,635	2,690,485

Included in long-term loans is interest payable amounting to $306,136,119 (2020 - $121,885,000).

The amount due at 31 March 2021 includes $1,004,224 (2020 - $938,212,000) payable within twelve months.

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

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

(c) The Bank entered into a loan agreement with the PetroCaribe Development Fund to borrow US$20 million. The loan has a rate of interest of 3% and tenure of 10 years. The loan was fully drawn down as at the reporting date. The loan is secured by assignment over the portfolio of loans extended under this facility, and equitable mortgage over property located at Norwood Avenue, Kingston 5. This loan is due to be repaid by March 2022. (See Note 27).

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

(e) The Bank has entered into a loan agreement with the Tourism Enhancement Fund (TEF) for on lending to Small and Medium Enterprise's organizations within the Tourism sector. This facility represents a Jamaica dollar pool of approximately J$1Billion. The loan is unsecured and ceiling per customer is J$25 million. As at 31 March 2021, the Bank had received NIL (2020 – NIL).

The Bank has loan commitments amounting to $1.156 billion being offered to it as at 31 March 2021.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

21. Share Capital

	Number of Shares Issued and Fully Paid	Share Capital $'000
Authorised-		
2,613,688 ordinary shares as at 31 March 2020 and 31 March 2021		
Balance as at 31 March 2020 and 31 March 2021 ($1,000 per share)	2,066,824	2,066,824

22. Capital Reserve

	2021 $'000	2020 $'000
GOJ budgetary support	150,000	150,000
Apparel sector facility	45,842	45,842
JECIC grant	148,574	148,574
Gain on sale of assets	8,210	8,210
	352,626	352,626

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

The apparel sector facility represents a non-reimbursable grant from the Government of Jamaica, to be on-lent at an interest rate of 11% (2020 - 11%) per annum to the apparel sector under the Apparel Sector Financing Scheme.

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

23. Reserve Fund

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

24. Reserve for Trade Credit Insurance

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

25. Investment Revaluation Reserve

This reserve comprises the fair value gains or losses recognised for financial instruments carried at fair value through other comprehensive income (loss). There was fair value and foreign exchange gains during the year amounting to $97.61 million (2020: net losses on fair value loss and foreign exchange gains of $128.06 million).

26. Related Party Balances and Transactions

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

	2021 $'000	2020 $'000
GOJ, entities owned by the GOJ and affiliates-		
Notes and other receivables	11,640	19,701
Investments (Note 14)	11,548	11,282
Long-term loans payable (Note 20 and Note 27)	(3,989,859)	(3,628,697)

Transactions with related parties were as follows:

	2021 $'000	2020 $'000
GOJ entities owned by the GOJ and affiliates-		
Interest income	11,328	19,369
Interest expense	(191,594)	(133,828)

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

	2021 $'000	2020 $'000
Salaries and wages	52,307	61,245
Directors' emoluments-		
Fees	1,495	1,257
Other remuneration	23,318	19,254

27. Reclassification of Long-term Loan

As at 31 March 2021 and 31 March 2020, the Bank maintained the agreed Liquidity ratio, that is, investments to be maintained in cash and marketable securities at 5% of total assets.

During the financial year ended 31 March 2021 and 31 March 2020, the Bank failed to meet its loan repayments on eight (8) of its obligations (June 2019, September 2019, December 2019, March 2020, June 2020, September 2020, December 2020 and March 2021). This did not result in a reclassification of the loan but was treated as an arrears based on correspondence received from the Ministry of Finance and the Public Service regarding the PetroCaribe Development Fund Loan amount. No timeline was issued to the Bank for the settlement of these arrears.

This resulted in the reclassification of this loan from Long-term loans payable to Current loans payable.

28. Fair Values

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

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

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

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

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

(iv) The fair value of loans payable which were obtained at concessionary rates (Note 20) has not been estimated as these loans are available to the Bank due to its special circumstances. Adequate market information is not available to determine the fair value of such loans.

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

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

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

28. Fair Values (Continued)

	2021			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Unquoted investments (Note 14)	-	-	266,785	266,785
Government of Jamaica securities	-	11,548	-	11,548
Investment property (Note 18)	-	-	300,000	300,000
	-	11,548	566,785	578,333

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

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

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

	2021 $'000	**2020 $'000**
At start of year	410,177	538,239
Gain on revaluation of investment property recognized in profit or loss	65,000	-
Net fair value gains/(losses) on securities measured at fair value through other comprehensive income (loss)	71,771	(139,898)
Foreign exchange gains on securities measured at fair value through other comprehensive income	19,836	11,836
At end of year	566,784	410,177

29. Commitments

Loan commitments under the various loan programmes totaled $227,011,000 at 31 March 2021 (2020 - $469,850,000).

Operating lease - Bank as lessor

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

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

29. Commitments (Continued)

Operating lease - Bank as lessor (continued)

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

	2021 $'000	2020 $'000
Within one year	23,007	20,892
After one year but not more than five years	13,954	12,187
	36,961	33,079

During the year ended 31 March 2021, $21,502,000 (2020 - $20,313,000) of lease payments was credited to net income.

30. Leases

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

Set out below are the carrying amounts of right of use assets recognized and the movement during the period:

	$'000
Statement of Financial Position:	
Right-of-use asset	
Effect of IFRS 16 adoption as at 1 April 2019 (Property Building/Land)	272,957
Accumulated depreciation	(26,630)
Balance as at 31 March 2020	246,327
Accumulated depreciation	(26,630)
Balance as at 31 March 2021	219,697

Set out below are the carrying amounts of lease liabilities and movements during the period:

	$'000
Lease liabilities	
Balance as at 1 April 2019	(272,957)
Interest expense on lease liabilities	(18,668)
Principal payments	27,792
Balance as at 31 March 2020	(263,833)
Interest expense on lease liabilities	(17,934)
Principal payments	29,631
Balance as at 31 March 2021	(252,136)

Current lease liability as at 31 March 2021	(14,818)
Non-current lease liability as at 31 March 2021	(237,318)
	(252,136)

Current lease liability as at 31 March 2020	(11,803)
Non-current lease liability as at 31 March 2020	(252,030)
	(263,833)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Notes to the Financial Statements
31 March 2021
(Expressed in Jamaican dollars unless otherwise indicated)

30. Leases (Continued)

The maturity analysis of lease liabilities is disclosed in Note 3.

The following amounts are recognized in the statement of profit or loss:

Amounts recognized in the statement of profit and loss for the year ended 31 March 2021	
Amortization of right-of-use assets	26,630
Interest on lease liabilities	17,934
Amounts recognized in the statement of profit and loss for the year ended 31 March 2020	
Amortization of right-of-use assets	26,630
Interest on lease liabilities	18,668

The Bank had total cash outflows for leases of $29.63 million in 2021 and ($27.79 million in 2020). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 29.

31. COVID 19 Update

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

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

Based on the feedback on the negative impact of COVID-19 on the MSMEs, it was expected that there will be very low inflows from scheduled payments that would further affecting the Bank’s cash flow position. The Bank, through the Ministry of Tourism has suspended all payments on (SMTE) loans to the tourism sector (from 1 April 2020 to 30 June 2021) and rescheduled all medium-term facilities for an additional two years.

It is anticipated that there will be an increased demand for new loans or disbursement of approved commitments over the next 90 days due to an approved funding injections in the FY 2021/22 from the Ministry of Industry, Investment and Commerce of approximately J$650m from the MIDA funds, to support MSMEs Capital and Business activities. This include recovery efforts for MSMEs in the productive sectors, that will support and expand inclusive growth, drive economic diversification, and promote alternative livelihood.

The continued impact of COVID 19 on the Bank’s operational and financial performance will depend on certain developments, including the Government of Jamaica Covid-19 Vaccination Programme in the coming months.

EXIM **EXPRESS**

EXIM Express is a loan facility for small and medium-sized businesses who need working capital to continue operations. If all conditions are met, it will allow companies to leverage their receivables by releasing resources needed to finance the daily activities of the business.

With a **turnaround time of 7 working days**, businesses may receive up to 75% of receivables for up to 90 days. Businesses may borrow as low as $2 million and up to $10 million.

Benefits of EXIM Express.

- No Traditional Collateral required.
- No financial statements needed
- 7-Days turnaround time
- Competitive Interest rates

  Financing available for up to 75% of receivables.

BY HELPING BUSINESSES WE SAVE LIVES & LIVELIHOOD

OFFICE

National Export-Import Bank of Jamaica Limited

85 Hope Road, Kingston 6

St Andrew, Jamaica

West Indies

Phone: 876 630 1400

Email: info@eximbankja.com

Website: www.eximbankja.com

PRIMARY BANKER
BANK OF JAMAICA

Nethersole Place

P.O. Box 621, Kingston

Jamaica, West Indies

AUDITORS

Ernst & Young Chartered Accountants

8 Oliver Road, Kingston 8
Jamaica, West Indies