

# Bank of Nova Scotia Jamaica Limited 1999

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## Notes to the Financial Statements

Year ended 31 October 1999

### 1. Identification

The Bank of Nova Scotia Jamaica Limited ('the Bank') is incorporated under the laws of Jamaica. It is a 70% subsidiary of The Bank of Nova Scotia, which is incorporated in Canada.

The Bank is licensed and these financial statements have been prepared in accordance with the provisions of the Banking Act, 1992.

The Bank's subsidiaries, which together with the Bank are referred to as 'the Group', are as follows:

	Holding	Financial Year End
Subsidiaries		
Scotiabank Jamaica Trust and Merchant Bank Limited	100%	31 October
Scotia Jamaica Investment Management Limited (Formerly 'The West India Company of Merchant Bankers Limited')	100%	*31 October
The Scotia Jamaica Building Society	100%	31 October
Scotia Jamaica Life Insurance Company Limited	100%	31 October
Scotia Jamaica Insurance Agency Limited	100%	31 October
Brighton Holdings Limited	100%	31 October

\*The company ceased merchant banking activities on 28 October 1998 and its license was returned to the Bank of Jamaica. On 19 January 1999 the company officially changed its name.

The principal activities of the Group are the provision of financial services, the administration of trust accounts and the provision of life insurance.

These financial statements are presented in Jamaican dollars.

## 2. Summary of Significant Accounting Policies

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Where necessary, certain comparative amounts have been reclassified to conform to current year presentation.

### (a) Accounting convention

These financial statements have been prepared under the historical cost convention, modified for the inclusion of certain fixed assets and investments at valuation.

### (b) Basis of consolidation

The consolidated financial statements combine the financial position and results of operations of the Bank and its subsidiaries, after eliminating inter-group balances.

### (c) Actuarial valuation

The policy reserves have been calculated using the Policy Premium Method (PPM) of valuation. Under this method explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates.

An actuarial valuation is prepared annually. The actuarial surplus, net of taxation, is transferred from the life assurance fund to the profit and loss account.

(d) Interest and Fees

Interest income and expense are recorded on the accrual basis except that, where collection of interest income is considered doubtful or payment is outstanding for more than 90 days, interest is taken into account on the cash basis.

Fee income is recognised as earned when due.

(e) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the exchange rates prevailing at the balance sheet date. That is, in the case of each currency, the mid-point between the buying and selling rates at that date.

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the revenue and expense statement.

(f) Investments

(i) Investments in Government of Jamaica securities are stated at cost plus accrued interest.

(ii) Quoted securities are -stated at the lower of cost and market value.

(iii) Unquoted securities are stated at cost.

(g) Assets purchased/sold under resale/repurchase agreements

The purchase and sale of securities under resale and repurchase agreements are treated as collateralised lending and borrowing transactions. The related interest income and interest expense are recorded on the accrual basis.

(h) Loans

Loans are stated net of any unearned income and of an allowance for credit losses.

A loan is classified as impaired when, in management's opinion there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such. Any credit card loan that has a payment that is contractually 90 days in arrears is written-off.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis.

(i) Provision for loan losses

The Bank maintains an allowance for credit losses, which in management's opinion, is adequate to absorb all credit related losses in its portfolio of both on and off-balance sheet items. The allowance consists of specific provisions and general provisions for doubtful credits.

Specific provisions are established as a result of reviews of individual loans and is based on an assessment which takes into consideration all factors, including collateral held and business and economic conditions.

Collateral held by the Bank is valued on the basis of guidelines issued by the Supervisor.

General provisions for doubtful credits are established against the loan portfolio in respect of the Bank's core business lines where a prudent assessment by the Bank of adverse economic trends suggests that losses may occur, but where such losses cannot yet be determined on an item-by-item basis. The Supervisor requires that such provision should not be less than 0.5% for certain residential mortgages and not less than 1% for all other credits.

Loans that are secured by a guarantee or irrevocable undertaking of the Government of Jamaica are classified as sovereign risk and are not considered to be impaired if they are contractually in arrears.

(j) Fixed assets

Land and buildings are stated at an independent valuation obtained in 1994, with subsequent additions at cost.

Other fixed assets are shown at cost. Depreciation and amortization are calculated by the straight-line method

at rates estimated to write off the assets over their expected useful lives as follows:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	5 years
Motor vehicles	5 years
Leasehold improvements	Period of lease

(k) Deferred taxation

Taxation payable due to timing differences between charges allowed for taxation purposes and those shown in these

financial statements is provided for only to the extent that there is a reasonable probability that the liabilities

will arise in the foreseeable future.

(l) Pension plan costs

Ordinary contributions by the Group to fund benefits under the pension plan operated by trustees for employees of the Group are charged as an expense in the year in which they are due. Special contributions are charged as an expense when paid.

(m) Finance leases

Assets that are financed by leasing agreements that give rights approximating to ownership are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation on the relevant assets is charged to operating profit. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the annuity method.

Income from finance leases is credited to the profit and loss account on the interest method. The gross investments in finance leases net of unearned income is recorded as a receivable balance.

(n) Premium income

Premiums are recognised as earned when due.

(o) Assets held in trust

Assets held in trust, other than deposits, which are beneficially owned by the Group but for which the Group has responsibility in accordance with trust agreements are excluded from the balance sheet.

(p) Acceptances

The Group's potential liability under acceptances is reported as a liability in the Balance Sheet. The Group has

equal and offsetting claims against its customers in the event of a call on these commitments, which are reported as an asset.

3. Other Revenue

	The Group		The Bank	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Retail banking fees	157,402	108,397	158,146	107,814
Credit related fees	224,210	167,242	220,798	162,328
Commercial and depository fees	385,749	340,740	316,945	282,959
Gain on foreign exchange trading	355,586	256,286	355,520	256,201
Premium income	1,345,948	373,253	-	-
<b>Total</b>	<b><u>2,468,895</u></b>	<b><u>1,245,918</u></b>	<b><u>1,551,409</u></b>	<b><u>809,302</u></b>

4. Exceptional Item

	The Group		The Bank	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Gain on sale of investment	183,620	186,743	183,620	86,743

These represent current and prior years gains on disposals of the Bank's total investment in Sigma Unit Trust.

5. Profit before Taxation

In arriving at the profit before taxation, the following have been charged/ (credited):

	The Group		The Bank	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Directors' Emoluments				
Fees	2,216	1,390	1,431	834
Other	12,520	17,145	12,520	17,145
Auditors' remuneration				

Current year	8,396	7,826	5,060	4,600
Prior year	( 78)	156	-	151
Depreciation	<u>179,823</u>	<u>153,157</u>	<u>173,326</u>	<u>144,757</u>

#### 6. Taxation

Income tax is computed on the profit for the year as adjusted for tax purposes. The charge for taxation comprises:

	The Group		The Bank	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
Current income tax -				
Charge for the current year	888,317	816,159	797,966	751,105
Adjustment for (over)/ under provision of prior year's charge	-402	-	-	-
Tax credit on bonus issue of shares	-850	-	-	-
Deferred income tax	<u>28,357</u>	<u>-3,324</u>	<u>25,858</u>	<u>3,083</u>
	915,422	812,835	823,824	754,188

#### 7. Statutory Reserves

Cash includes \$9,390,710,000 (1998: \$10,639,226,000) for the Group and \$8,706,076,000 (1998: \$10,143,226,000) for

the Bank. This amount is held, under section 14 (i) of the Banking Act, 1992, substantially a non-interest-bearing

basis at Bank of Jamaica as a cash reserve; accordingly, it is not available for investment or other use by the Bank.

#### 8. Investments

Carrying Value	The Group				Carrying Value
	Within 3 Months	3 to 12 Months	Remaining 1 to 5 Years	Term of Maturity Over 5 Years	



					1999
1998	\$'000	\$'000	\$'000	\$'000	\$'000
13,770,588	3,590,161	12,338,339	6,502,274	1,205,509	23,363,283
144,905	184,785	-	-	-	184,785
99,586	10,615	118,467	500	185	129,767
<u>14,015,079</u>	<u>3,785,561</u>	<u>12,456,806</u>	<u>6,502,774</u>	<u>1,205,694</u>	<u>23,950,835</u>

Carrying Value	The Bank				Carrying Value
	Within 3 Months	Remaining Term of 3 to 12 Months	of Maturity 1 to 5 Years	Over 5 Years	
1998	\$'000	\$'000	\$'000	\$'000	1999
11,586,399	3,072,141	10,472,040	4,807,223	1,205,509	19,556,913
144,905	184,785	-	-	-	184,785
99,586	10,615	-	500	50	11,165

Subsidiaries	-	-	-	264,238	264,238
<u>264,238</u>	<u>3,267,541</u>	<u>10,472,040</u>	<u>4,807,723</u>	<u>1,469,797</u>	<u>20,017,101</u>
<u>12,095,128</u>					

(i) Included in the Government of Jamaica balance, is a US\$20,000,000 Bond due in year 2005 @ 10.875%, fixed. The Bond, which was issued on the international capital market is currently trading at between 93% - 94%. No provision has been made in the financial statements to reflect the current market value of this investment as the Bond was acquired in June 1998 with the intention of holding it to maturity.

(ii) The total market value of other investments amounted to \$17,524,067 (1998: \$267,223,568).

#### 9. Loans

Carrying Value	The Group				Carrying Value
	Remaining Term of Maturity				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Business and Government	10,350,608	294,694	2,082,128	850,242	13,577,672
Personal and credit cards	1,160,320	430,495	3,313,555	-	4,904,370
Residential mortgages	17,962	-	30,356	1,022,555	1,070,873
Government securities purchased under					

	resale agreements	<u>7,952,837</u>	<u>2,216,936</u>	<u>46,593</u>	<u>-</u>	<u>10,216,366</u>
<u>7,908,520</u>						
<b>26,904,340</b>		<b><u>19,481,727</u></b>	<b><u>2,942,125</u></b>	<b><u>5,472,632</u></b>	<b><u>1,872,797</u></b>	<b><u>29,769,281</u></b>
	Less: Provision for loan losses					<u>1,248,709</u>
<u>661,032</u>						<u>28,520,572</u>
<u>26,243,304</u>						

		The Bank				
		Remaining Term of Maturity				
Carrying		Within 3	3 to 12	1 to 5	Over 5	Carrying
Value		Months	Months	Years	Years	Value
1998						1999
\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
	Business and Government	10,340,471	294,569	2,061,877	520,697	13,217,614
12,359,732						
	Personal and credit cards	1,160,320	430,495	3,313,555	-	4,904,370
5,521,915						
	Government securities purchased under resale agreements	<u>2,072,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,072,017</u>
<u>2,901,885</u>						
		<u>13,572,808</u>	<u>725,064</u>	<u>5,375,432</u>	<u>520,697</u>	<u>20,194,001</u>
20,783,530						
	Less: Provision for loan losses					<u>1,161,997</u>
<u>617,715</u>						<u>19,032,004</u>
<u>20,165,817</u>						

10. Provision for Loan Losses

	The Group		The Bank	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
Total Non-Performing Loans	<u>1,324,321</u>	<u>1,237,930</u>	<u>1,217,280</u>	<u>1,126,533</u>
Provision at beginning of year	661,032	488,032	617,715	467,715
Charged against revenue during the year	952,964	248,649	906,212	225,649
Bad debts written off	(268,710)	(94,004)	(266,195)	( 94,004)
Recoveries of bad debts	( 96,577)	18,355	( 95,735)	18,355
At end of year	<u>1,248,709</u>	<u>661,032</u>	<u>1,161,997</u>	<u>617,715</u>
These comprise:				
Specific provisions	950,041	285,729	883,637	261,705
General provisions	298,668	375,303	278,360	356,010
	<u>1,248,709</u>	<u>661,032</u>	<u>1,161,997</u>	<u>617,715</u>

11. Leased Assets

	1999	1998
	\$'000	\$'000
Gross investment in finance leases	53,835	120,159
Less: Unearned income	<u>7,540</u>	<u>22,325</u>
Net investment in finance leases	46,295	97,834
Interest accrued	841	1,490
	<u>47,136</u>	<u>99,324</u>

1999  
\$'000

Minimum lease payments are receivables as follows:

In year ending	2000	44,616
	2001	6,681

2002	2,246
2003	<u>292</u>

12. Fixed Assets

Total	<b>The Group</b>			
	Freehold Land and Buildings	Leasehold Improvements	Furniture, Fixtures Motor Vehicles & Equipment	Capital Work-in Progress
\$'000	\$'000	\$'000	\$'000	\$'000
At Cost or Valuation - 1 November 1998	1,079,815	36,676	912,038	101,525
2,130,054				
Additions	8,309	-	228,550	263,490
500,349				
Disposals	(243)	-	(76,280)	-
(76,523)				
Transfers	1,580	8,160	14,689	(24,429)
=				
31 October 1999	<u>1,089,461</u>	<u>44,836</u>	<u>1,078,997</u>	<u>340,586</u>
2,533,880				
Depreciation -				
1 November 1998	89,952	18,690	447,350	-
555,992				
Charge for the year	21,613	9,270	148,940	-
179,823				
On disposals	(172)	-	(58,334)	-
(58,506)				
31 October 1999	<u>111,393</u>	<u>27,960</u>	<u>537,956</u>	<u>-</u>
<u>677,309</u>				
Net Book Value -				

<u>1,876,571</u>	31 October 1999	<u>978,068</u>	<u>16,876</u>	<u>541,041</u>	<u>340,586</u>
<u>1,574,062</u>	31 October 1998	<u>989,863</u>	<u>17,986</u>	<u>464,688</u>	<u>101,525</u>

		<b>The Bank</b>			
		Freehold Land and Buildings	Leasehold Improvements	Furniture, Fixtures & Motor Vehicles & Equipment	Capital Work-in Progress
		\$'000	\$'000	\$'000	\$'000
Total					
\$'000					
	At Cost or Valuation -				
	1 November 1998	972,674	36,309	877,826	101,525
1,988,334	Additions	8,309	-	226,501	263,490
498,300	Disposals	(243)	-	(76,189)	-
(76,432)	Transfers	1,580	8,160	14,689	(24,429)
<u>        </u>					
	31 October 1999	<u>982,320</u>	<u>44,469</u>	<u>1,042,827</u>	<u>340,586</u>
<u>2,410,202</u>					
	Depreciation -				
	1 November 1998	78,943	18,614	434,743	-
532,300	Charge for the year	19,059	9,231	145,036	-
173,326	On disposals	(172)	-	(58,290)	-
(58,462)					
	31 October 1999	<u>97,830</u>	<u>27,845</u>	<u>521,489</u>	<u>        </u>
<u>647,164</u>					
	Net Book Value -				
	31 October 1999	<u>884,490</u>	<u>16,624</u>	<u>521,338</u>	<u>340,586</u>
<u>1,763,038</u>					

31 October 1998	893,731	17,695	443,083	101,525
<u>1,456,034</u>				

Land and buildings were professionally valued as at 31 March 1994 by Property Consultants Limited, Real Estate

Brokers and Appraisers, of Kingston, Jamaica - land at fair market value and buildings at depreciated replacement cost (note 20).

Included in fixed assets of the Bank and the Group are motor vehicles with a net book value of \$48,046,000 (1998 - \$Nil) which have been acquired under finance leases (note 15).

### 13. Deposits

Carrying Value	<b>The Group</b>				
	Within 3 Months	Remaining Term of Maturity			Carrying Value
		3 to 12 Months	1 to 5 Years	Over 5 Years	
1998					1999
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Personal	36,143,752	1,557,265	73,867	-	37,774,884
29,689,654					
Banks and financial institutions	395,142	38,424	652,358	110,218	1,196,142
726,583					
Due to parent	420	51,648	484,552	254,488	791,108
765,895					
Other	16,545,145	362,970	14,921	-	16,923,036
<u>16,653,149</u>					

<u>47,715,281</u>	<u>53,084,459</u>	<u>2,010,307</u>	<u>1,225,698</u>	<u>364,706</u>	<u>56,685,170</u>
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**The Bank**

Carrying Value	Remaining Term of Maturity				Carrying Value
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Personal	32,358,250	1,519,771	73,867	-	33,951,888
26,009,006 Banks and financial institutions	393,467	36,897	642,059	-	1,072,423
639,476 Due to parent	420	51,648	484,552	254,488	791,108
765,895 Other	16,355,274	306,980	14,921	-	16,677,175
<u>16,390,025</u>	<u>49,107,411</u>	<u>1,915,296</u>	<u>1,215,399</u>	<u>254,488</u>	<u>52,492,594</u>
<u>43,804,582</u>					

14. Due to Parent Company

This is a US\$ denominated ten year, non-revolving, term loan from the parent company for onlending. The principal is repayable in ten installments commencing 31 December 1998. Interest on the loan is at 30 day LIBOR +

1% - The Bank earns a margin of approximately 2-3% when these funds are on-lent.

15. Lease Obligations

Future payments under finance lease obligations are as follows:



		1999
		\$'000
In the year ending:		
	2000	35,223
	2001	13,866
	2002	7,872
	2003	<u>563</u>
Total minimum lease payments.		57,524
Less: Future finance charges		<u>15,250</u>
Present Value of minimum lease payments		<u>42,274</u>

#### 16. Dividends

Dividends comprise:

	1999	1998
	\$'000	\$'000
Interim dividends paid, \$0.375 (1998 - \$0.30)	548,856	439,085
Interim dividends payable, \$0.275 (1998 - \$0.24)	<u>402,494</u>	<u>351,268</u>
	<u>951,350</u>	<u>790,353</u>

Tax of \$112,888,470 (1998: \$91,890,552) has been withheld from the interim dividends paid and the dividend payable is subject to the deduction of withholding tax.

#### 17. Capital

	1999	1998
	\$'000	\$'000
Authorised:		
Ordinary shares of \$1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
Ordinary stock units of \$1 each	<u>1,463,616</u>	<u>1,463,616</u>

18. Reserve Fund

	The Group		The Bank	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
At beginning of year	1,730,090	1,621,140	1,467,000	1,467,000
Transfer to unappropriated profits	(10,626)	-	-	-
Transfer for year	<u>15,400</u>	<u>108,950</u>	<u>-</u>	<u>-</u>
At end of year	<u>1,734,864</u>	<u>1,730,090</u>	<u>1,467,000</u>	<u>1,467,000</u>

The amount transferred to unappropriated profits relates to a subsidiary, which ceased its banking activities on 28 October 1998 (note 1).

As required by the relevant Acts, the Group makes transfers of a minimum of 15% or 10% of net profits, depending on the circumstances, to the reserve fund. Transfers made during the year were at the discretion of the Board, as all members of the Group have attained the required statutory levels.

19. Retained Earnings Reserve

	The Group		The Bank	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
At beginning of year	1,870,384	1,146,384	1,669,384	995,384
Transfer to unappropriated profits	(12,000)	-	-	-
Transfer for year	<u>790,000</u>	<u>724,000</u>	<u>750,000</u>	<u>674,000</u>
At end of year	<u>2,648,384</u>	<u>1,870,384</u>	<u>2,419,384</u>	<u>1,669,384</u>

The amount transferred to unappropriated profits relates to a subsidiary, which ceased its banking activities on 28 October 1998 (note 1).

Transfers to the retained earnings reserve are made at the discretion of the Board, such transfers must be notified to the Bank of Jamaica.

## 20. Capital Reserves

	The Group		The Bank	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
At beginning of year	513,493	510,085	475,503	476,245
Movements during the year				
Realised gain on sale of fixed assets transferred to unappropriated profits	-	(742)	-	(742)
Reserve of subsidiary capitalised through bonus issue of shares	-	4,150	-	-
At end of year	<u>513,493</u>	<u>513,493</u>	<u>475,503</u>	<u>475,503</u>
These comprise:				
Unrealised surplus on revaluation of fixed assets -	500,143	500,143	475,503	475,503
Capital reserve arising on consolidation, net				
Reserves of subsidiary capitalised through bonus issue of shares	67	67	-	-
	13,148	13,148	-	-
Unrealised gain on revaluation of Investments	135	135	-	-
	<u>513,493</u>	<u>513,493</u>	<u>475,503</u>	<u>475,503</u>

## 21. Earnings per Stock Unit

The earnings per stock unit calculation is based on the profit after taxation and 1,463,616,000 ordinary stock units in issue at the end of both years.

## 22. Pension Plan

Trustees administer a contributory pension plan for employees of the Group. Benefits to members are based on the

highest 60 consecutive months' salary, subject to a maximum salary of \$1,250,000 per annum for service before 1

November 1987 and 2/3 of final salary for service thereafter.

An actuarial valuation of the fund as of 31 October 1998 disclosed a surplus in respect of past services. The

employers contribute at 11 1/4% of salary plus a special contribution of \$11,800,000 per annum for ten years

commencing 31 October 1996.

The employers' contributions for the year were as follows:

	The Group		The Bank	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Ordinary contributions	127,482	77,180	121,753	72,090
Special contributions	<u>11,800</u>	<u>11,800</u>	<u>11,800</u>	<u>11,800</u>
	139,282	88,980	133,553	83,890

#### 23. Commitments

	The Group		The Bank	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Capital expenditure:				
Authorised and contracted for	208,656	6,984	208,656	6,984

#### 24. Assets held in Trust

At 31 October 1999, assets held in trust, which are beneficially owned by the Group, but for which the Group has

responsibility in accordance with trust agreements amounted to \$8,331,187,000 (1998 - \$5,739,068,000).

#### 25. Related Party Transactions

In the ordinary course of business, the Bank provides to its connected persons normal banking services on terms similar to those offered to persons not connected to the bank.

Balances and transactions with connected parties are as follows:

	The Group		The Bank	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
Loans outstanding	1,582,967	1,138,306	1,582,967	1,122,686
Deposits	1,997,978	676,719	1,997,978	676,719
Leases	-	898	-	-
Interest and other income earned	305,493	193,691	305,397	190,252
Interest paid	<u>36,188</u>	<u>15,770</u>	<u>36,188</u>	<u>15,770</u>

Certain loans to connected persons are secured by a guarantee from the parent company.

## 26. Contingencies

(i) On 7 April 1999, a writ was filed by National Commercial Bank Jamaica Limited ("NCB") in which they set out a claim for payment of the sum of US\$13,286,000 in connection with an alleged undertaking given to NCB by Scotiabank Jamaica Trust and Merchant Bank Limited (SJTMB). Legal Opinion has been obtained which states that SJTMB has a strong defence to the claim. Consequently, no provision has been made for this amount in these financial statements.

(ii) The Group is also involved in certain other legal proceedings incidental to the normal conduct of its business. Management believes that none of these legal proceedings, individually or in the aggregate, will have a material effect on the Group.

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