National Commercial Bank Jamaica Limited - 2000

Notes to the Financial Statements

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30 September 2000

1. Identification and Related Parties

   National Commercial Bank Jamaica Limited ("Bank" or "the Company") is incorporated in Jamaica and is a 60% owned subsidiary of N.C.B. Group Limited ("NCB Group") which is also incorporated in Jamaica. As of 1 January 1998, Financial Sector Adjustment Company Limited (FINSAC), a government owned company incorporated in Jamaica acquired 40% of the ordinary stock units of Bank. The major shareholder of NCB Group is FINSAC which owns 45% of the ordinary stock units. These stock units were purchased from The Jamaica Mutual Life Assurance Society in November 1997.

   See Note 31 for changes subsequent to 30 September 2000.

   Unless otherwise indicated, all amounts in these financial statements are stated in Jamaican dollars.

2. Banking Act

   At 30 September 2000, Bank was in breach of section 13(1)d which deals with unsecured lendings to connected persons, 4% of which is lending to group companies.

3. Significant Accounting Policies

   (a) Basis of preparation

These financial statements have been prepared in accordance with and comply with Jamaican Accounting Standards, and have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Consolidation

(i) The consolidated financial statements present the results of operations and financial position of Bank and its subsidiaries (collectively referred to as "the Group"). The excess of the cost of shares in subsidiaries over the value of the net assets acquired is classified as goodwill arising on consolidation and is dealt with in capital reserve. The subsidiaries consolidated are as follows:

	Percentage Ownership	Principal Activities
NCB (Cayman) Limited (incorporated in the Cayman Islands)	100	Commercial Banking
Epsom Holdings Limited (incorporated in Jamaica)	100	Real Estate

(ii) The financial statements of the foreign subsidiary are translated into Jamaican currency on the following bases:

At historical rate - share capital and reserves
At average rate - profit and loss items
At closing rate - all other items

Gains and losses arising on translation are reflected in capital reserve.

(d) Depreciation

Depreciation is calculated on the straight line basis at annual rates which will write off the carrying value of each asset over the period of its expected life. Annual depreciation rates are as follows:

Buildings	2%
Leasehold improvements	Period of lease
Computer equipment	33 1/3%
Furniture, fixtures and other equipment	10%
Motor vehicles	25%
Leased assets	Shorter of period of lease or useful life of asset

(e) Foreign currency balances

Foreign currency balances included in these financial statements have been translated at the rates of exchange ruling at the balance sheet date. These rates represent the average rates at which Bank trades in foreign currencies. Transactions during the year are at rates ruling on transaction dates. Gains or losses are credited or charged to the profit and loss
3 account.

(f) Investments

(i) Investments in subsidiaries are stated at valuation, based on the underlying values of the subsidiaries' net assets.

(ii) Financial Institutions Services Limited (FIS) and FINSAC bonds have been stated at cost plus interest earned up to the balance sheet date.

(iii) Investments in Government of Jamaica securities are stated at cost plus, in the case of Treasury Bills and Local Registered Stock, interest or premium earned up to the balance sheet date.

(iv) Unquoted securities are stated at cost less reductions to net realisable value where appropriate.

(v) Other investments are stated at cost less any provision for anticipated losses.

(g) Provision for loan losses

The provision for loan losses is determined in accordance with Section 17 of the Banking Act 1992 as amended, which requires that appropriate provision be made for loans which are in arrears in respect of interest and principal repayments for more than three months, past loan loss experience and other factors which, in management's judgement, required current recognition in estimating possible loan losses. Such other factors include the composition of the loan portfolio, the relationship of the provision to outstanding loans, current economic conditions and proposed Bank of Jamaica regulations.

(h) Finance leases

The fair values of the assets at the inception of the leases are capitalised as fixed assets and corresponding obligations to the lessor recorded. Interest expense is recognised over the term of the lease in a manner that produces a constant rate of charge on the lease obligation.

(i) Financial instruments

Financial instruments carried on the balance sheet include cash resources, fixed deposits, investments, loans, other assets, deposit liabilities, cheques and other instruments in transit acceptances, guarantees, letters of credit, securities sold under repurchase agreements, obligations under finance leases and other liabilities.

The fair values of financial instruments are discussed in Note 25.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at the Bank of Jamaica, fixed deposits and balances with banks and other financial institutions net of amounts due to other banks and financial institutions.

(k) Retirement plans
Bank and one subsidiary operate contributory and non-contributory retirement plans. Retirement benefits are actuarially determined based on career earnings. Employers' contributions to fund past service deficiencies and future service liabilities are charged to the profit and loss account (Note 29).

(l) Deferred taxation

Deferred taxation is recognised only to the extent that there is reasonable probability that a liability will arise in the foreseeable future.

(m) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of the following new Accounting Standards:

(i) JSSAP 3.29 - Financial Instruments: Disclosure and Presentation
(ii) JSSAP 3.30 - Presentation of Financial Statements

4. Staff Costs

	The Group	
	2000	1999
	$'000	$'000
Wages and salaries	1,559,593	1,565,479
Statutory contributions	142,087	166,343
Pension costs	50,278	107,312
Allowances and benefits	320,995	235,378
	2,072,953	2,074,512
Termination costs (Exceptional item - note 6)	18,188	270,278
	2,091,141	**2,344,790**

	The Company	
	2000	1999
	$'000	$'000
Wages and salaries	1,548,749	1,554,094
Statutory contributions	142,087	166,343
Pension costs	50,019	106,841
Allowances and benefits	316,802	234,528
	2,057,657	2,061,806
Termination costs (Exceptional item - note 6)	18,188	270,278

	2,075,845	**2,332,084**

The number of persons employed as at 30 September:

	The Group	
	2000	1999
	$'000	$'000
Full-time	1,847	1,852
Part-time	32	46
Contract	661	621
	2,540	**2,519**

	The Company	
	2000	1999
	$'000	$'000
Full-time	1,843	1,848
Part-time	32	46
Contract	661	621
	2,536	**2,515**

5. Profit before Exceptional Items and Taxation

The following have been charged:

	The Group		The Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Directors' emoluments -				
Fees	348	223	298	204
Management remuneration	10,696	10,471	10,696	10,471
Compensation for loss of office	18,895	-	18,895	-

Auditors' remuneration -

Current year	7,388	6,620	6,000	5,132
Prior year	268	1,000	268	1,000

6. Exceptional Items

	The Group and The Company	
	2000	1999
	$'000	$'000
Staff termination costs	(18,188)	(270,278)
Provision for restructuring cost	(240,000)	(55,000)
Year 2000 expenses and provisions	-	(232,751)
Reversal of year 2000 overprovision	118,823	-
	(139,365)	**(558,029)**

7. Taxation

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

	The Group and The Company	
	2000	1999
Income tax at 33 1/3%	225,018	-

(b) The income tax charge for the year ended 30 September 2000 has been computed with the inclusion of interest income on the Series 'A' and Series 'B' Financial Institutions Services Limited bonds (see note 10(a)). By an order dated 28 July 1998, the Minister of Finance remitted any income tax which may apply to or arise in respect of the "issue" or trading" of these bonds.

Clarification has been sought as to whether the remission of income tax under the order includes tax relating to interest income from these bonds. Full provision has been made for the income tax liability pending receipt of this clarification.

(c) There is no tax charge on the profits of NCB (Cayman) Limited as the Cayman Islands currently do not levy taxes on income or capital gains and the subsidiary has been granted an exemption until February 2013 on any such taxes which may be introduced.

(d) The tax charge is disproportionate to the reported profit due primarily to the utilisation of tax losses brought forward.

8. Earnings Per Ordinary Stock Unit

The earnings per ordinary stock unit is based on 418,333,333 ordinary stock units at the end of both years and is calculated on the net profit attributable to shareholders, after deducting preference dividends payable, if any.

No preference dividends were payable in respect of the years ended 30 September 1999 and 2000.

9. Statutory Reserves and Deposits

Cash includes $6,717,851,000 (1999: $7,795,942,000) held on special deposit accounts at the Bank of Jamaica as cash reserves. The Jamaican dollar cash reserve of $5,057,895,000 (1999: $5,918,342,000) is non-interest bearing and like the foreign currency cash reserve is not available for investment or other use by Bank. At 30 September 2000 the required ratio was 13% of prescribed liabilities.

10. Investments

	The Group		The Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Unquoted	11,479	11,479	11,479	11,479
Government of Jamaica:				
Local registered stock				
(1998-2002)				
17.54% - 19.96%	467,264	1,855,230	467,264	1,855,230

Treasury bills (2000 - 2001)				
16.65%-20%	583,468	515,773	583,468	515,773
Investment debenture				
2001) 21.75%	195,300	279,676	195,300	279,676
US$ floating rate debentures				
(1995 - 2000)	-	239,724	-	239,724
239,724				
US$ Tranche 'A' and 'B' debt				
(1994 - 2004)				
7.5% - 7.5625%	74,943	91,828	74,943	91,828
US$ bond (1999 -2002)				
9.625%	136,278	106,103	136,278	106,103
	1,457,253	3,088,334	1,457,253	3,088,334
Foreign securities	344,628	850,856	52,383	610,119
Others	395,307	265,938	395,307	265,938
Carried Forward	2,208,667	4,216,607	1,916,422	3,975,870

	The Group		The Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Brought Forward	2,208,667	4,216,607	1,916,422	3,975,870
FINSAC -				
Bonds:				
Principal (1998 - 2013)	25,668,618	24,763,256	25,668,618	24,763,256
Interest (1998 - 2013)	16,450,399	8,671,696	16,450,399	8,671,696
Promissory notes				
(1998 - 2006) 21.63%:	286,725	230,795	286,725	230,795
	42,405,742	33,665,747	42,405,742	33,665,747
Interest Accrued	1,894,253	1,709,753	1,894,253	1,709,753
	44,299,995	35,375,500	44,299,995	35,375,500
FIS -				

Bonds 1998 - 2004)	4,654,073	5,236,451	4,654,073	5,236,451
Promissory note 1998 - 2007)	450,000	450,000	450,000	450,000
Interest accrued	185,412	227,703	185,412	227,703
	5,289,485	5,914,154	5,289,485	5,914,154
	51,798,147	**45,506,261**	**51,505,902**	**45,265,524**

(a) The FIS bonds are negotiable and are guaranteed by the Government of Jamaica (GOJ). They were issued as consideration for the deposit liabilities of Century Financial Entities ($5.04 billion) and Partner Merchant Bank ($19.72 million) which were assumed by Bank.

The bonds are issued in Jamaican dollar (Series 'B') and United States dollar (Series 'A') denominations. The bonds denominated in Jamaican dollars bear interest at one percent above the weighted average yield rate applicable to the most recent six month treasury bill tender, while the foreign currency bonds bear interest at 9.625 percent per annum. Interest on the bonds is payable semi-annually in cash. These bonds have been designated liquid assets in accordance with Section 15 of the Banking Act.

The FIS bonds are due to mature on the first 30 June or 31 December to occur after the expiration of six years from the issue date.

(b) The FINSAC bonds were issued pursuant to an undertaking by the GOJ and represent:

(i) bonds issued on 1 February and 1 October 1998 as consideration for the injection of capital (Note 17). These bonds have been designated liquid assets in accordance with Section 15 of the Banking Act.

(ii) bonds issued on 1 February 1998 with respect to purchase of a part of the loan portfolio of Bank.

(iii) bonds issued on 16 December 1997, 28 December 1998 and 15 May 1999 with respect to the repayment of two customers' debts owed to Bank.

(iv) bonds received as part proceeds on redemption of investment in fellow subsidiary. These bonds were issued on 28 September 1999.

The bonds held are issued in Jamaican dollar and United States dollar denominations. The bonds denominated in Jamaican dollars attract interest at the rate of the aggregate of the weighted average yield applicable to the latest six month treasury bill tender plus one percent, while the United States dollar denominated bonds bear interest at 9 percent per annum. The interest is receivable semi-annually. Interest payments due, may, at the promissor's option, be satisfied by payment in cash or by the issue of further bonds. These interest bonds bear interest at the rate applicable to the principal bonds.

The bonds issued in consideration for the injection of capital and the purchase of loans mature on 31 December 2013 and 12 December 2012. The bonds issued for the purchase of equity have been designated liquid assets in accordance with Section 15 of the Banking Act.

These bonds are carried at cost plus accrued interest. GOJ has assured the Board of Bank that, as of 1 April 2001, it will make cash interest payments on FINSAC bonds. These will be replaced by Local Registered Stock instruments, the terms of which will be negotiated with the Ministry of Finance and Planning. In the interim, GOJ has undertaken to provide liquidity to Bank where a shortfall is anticipated. This will be from budgetary funds set aside by the Government and the sale of FINSAC bonds to provide the institution with a minimum amount of liquidity in order to avoid overdrafts at the BOJ. This will be implemented through the buyback of FINSAC's notes presently held by Bank. Bank's Board is of the view that an adequate assurance has been received from GOJ to ensure sufficient liquidity of the FINSAC bonds held so as to provide Bank with sufficient liquidity for its operations.

(c) The FINSAC promissory notes are negotiable and were issued on 1 September 1998 pursuant to an undertaking by GOJ as consideration for Bank assuming the deposit liabilities of Caribbean Trust and Merchant Bank Limited and Buck Securities Merchant Bankers Limited.

The notes bear interest at one percent above the weighted average yield applicable to the latest six month treasury bill tender. The interest is receivable semi-annually. Interest payments due, may, at the promisor's option, be satisfied by payment in cash or by the issue of notes. During the year, Bank received promissory notes of approximately $12,637,000 in settlement of interest due which matures on the same date as the original bonds.

The notes will go towards the determination of liquid assets in accordance with Section 15 of the Banking Act.

The notes mature between 31 December 2003 and 31 December 2005.

(d) The FIS promissory note was issued as consideration for the purchase of $450,000,000 redeemable convertible zero-coupon preference shares in Bank (Note 17). Under the terms of the financing agreement, if certain conditions for redemption are not met, then FIS becomes entitled to convert the preference shares in Bank into ordinary shares in NCB Group. In the event that FIS becomes entitled to convert the preference shares in Bank into ordinary shares in NCB Group, the conversion will take place as follows:

The number of ordinary shares in NCB Group to be issued to FIS is equal to the total par value of the preference shares being converted, divided by the price at which ordinary shares in NCB Group last traded on the Jamaica Stock Exchange prior to the date of the notice by which the conversion right is exercised. These new shares would then rank pari passu with the existing ordinary shares of NCB Group.

The note is guaranteed by the GOJ, is non-interest bearing and is payable on or before 14 November 2007.

(e) Included in investments are amounts totalling $1,600,000,000 (1999 - $336,000,000) that are being held by BOJ, in accordance with its normal practices, as collateral for Bank's potential indebtedness to BOJ and actual indebtedness to other parties respectively.

At the 30 September 2000, Bank's operating account at BOJ was not overdrawn.

(f) The FINSAC bonds issued to Bank as the subscription consideration for the ordinary shares, the Bank's 12 1/2% Preference Shares and the Zero Coupon Preference Shares have been designated by the Minister of Finance and Planning as liquid assets within the meaning of Section 15 of the Banking Act.

(g) For the year ended 30 September 2000, $7.6 billion, being 68% of the income from securities and loans, consisted of interest on FINSAC bonds and promissory notes. This interest was paid by issue of further FINSAC bonds except for $1.9 billion which was accrued at the year end and may be paid for in FINSAC bonds and promissory notes subsequent to the year end.

At 30 September 2000, FINSAC bonds and promissory notes, including accrued interest, amounted to $44.3 billion and accounted for 68% of income earning assets.

The liquidity of Bank and its ability to fund its operations and achieve profitability are largely contingent on the receipt of FINSAC interest, which the GOJ has undertaken to pay in cash to the extent required (Note 10(b)) by Bank at its request.

11. Provision For Loan Losses

Movements during the year were as follows:

	The Group		The Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Non-Performing Loans - Interest not being accrued	2,730,745	3,301,728	2,728,608	3,298,942
Balance at beginning of year	2,737,904	1,545,938	2,735,118	1,543,152
Provided during the year	1,388,264	1,140,983	1,388,243	1,140,983
Reclassifications	-	94,703	-	94,703
Amounts written off	(627,301)	(43,720)	(627,301)	(43,720)
Balance at end of year	3,498,867	2,737,904	3,496,060	2,735,118
This comprises:				
Specific provision	3,423,305	2,589,556	3,420,498	2,589,556
General provision	75,562	148,348	75,562	145,562

At 30 September 2000, specific provision has been made for all loans which are in arrears in respect of interest and principal repayments for more than three months. No interest is accrued in respect of these loans. Specific provision has also been made for loans which, although performing, exhibit signs of credit weakness and non-performing loans in

respect of which Bank is a guarantor. General provision represents one percent of the performing loan portfolio.

12. Fixed Assets

The Group

	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Furniture, Fixtures & Equipment $'000	Assets Capitalised Under Finance Leases $'000	Motor Vehicles $'000	Construction in progress $'000	Total $'000
Cost or Valuation -							
At 1 October 1999	1,022,283	277,572	578,232	696,371	19,377	17,689	2,611,524
Additions	87,810	841	128,824	104,525	8,958	19,095	350,053
Disposals	(9,924)	-	(2,562)	(62,191)	(9,420)	-	(84,097)
Transfers	35,969	(29,852)	337	1,959	-	(8,413)	-
Reclassification	-	-	-	-	-	(1,034)	(1,034)
At 30 September 2000	1,136,138	248,561	704,831	740,664	18,915	27,337	2,876,446
Depreciation -							
At 1 October 1999	102,503	177,326	285,049	412,165	17,518	-	994,561
Charge for the year	22,118	37,867	63,856	152,579	1,194	-	277,614
On disposals	(993)	-	(1,407)	(60,731)	(9,112)	-	(72,243)
Transfers	22,008	(22,008)	-	-	-	-	-
At 30 September 2000	145,636	193,185	347,498	504,013	9,600	-	1,199,932
Net Book Value -							
30 September 2000	**990,502**	**55,376**	**357,333**	**236,651**	**9,315**	**27,337**	**1,676,514**
30 September 1999	**919,780**	**100,246**	**293,183**	**284,206**	**1,859**	**17,689**	**1,616,963**

The Company

	Freehold Land and Buildings	Leasehold Improvements	Furniture, Fixtures & Equipment	Assets Capitalised Under Finance Leases	Motor Vehicles	Construction in progress	Total
Cost or Valuation -							
At 1 October 1999	992,283	275,302	570,544	696,371	17,885	17,689	2,570,074
Additions	87,810	841	128,699	104,525	8,959	19,095	349,929
Disposals	(9,924)	-	(2,056)	(62,191)	(9,420)	-	(83,591)
Transfers	35,969	(29,852)	337	1,959	-	(8,413)	-
Reclassification	-	-	-	-	-	(1,034)	(1,034)
At 30 September 2000	1,106,138	246,291	697,524	740,664	17,424	27,337	2,835,378
Depreciation -							
At 1 October 1999	102,504	175,356	279,738	412,165	16,816	-	986,579
Charge for the year	22,118	37,631	62,599	152,579	619	-	275,546
Disposals	(993)	-	(901)	(60,731)	(9,112)	-	(71,737)

Transfers	22,008	22,008	-	-	-	-	-
At 30 September 2000	145,637	190,979	341,436	504,013	8,323	-	1,190,388
Net Book Value -							
30 September 2000	**960,501**	**55,312**	**356,088**	**236,651**	**9,101**	**27,337**	**1,644,990**
30 September 1999	**889,779**	**99,946**	**290,806**	**284,206**	**1,069**	**17,689**	**1,583,495**

The company's freehold land and buildings were revalued at open market value by The C.D. Alexander Company Realty Limited on 30 June 1990. The surplus arising has been credited to capital reserve. The freehold land of one of the subsidiaries was revalued at open market value by Allison, Pitter and Company on 22 September 1998.

13. Amounts Due to Other Banks and Financial Institutions

In 1994, Bank entered into an arrangement for the sale of future accounts receivable amounting to US$60,300,000 in respect of credit card and cash advance transactions in Jamaica between Visa International Service Association and Master Card International Incorporated and cardholders holding cards issued by banks outside of Jamaica (primarily in the U.S.A.). This took the form of Participation Certificates placed privately by Citibank N.A. repayable quarterly commencing in November 1994 and ending in August 2000 that were offered at a price discounted from the Face Amount to allow the investors the offered rate of return on the investment, being approximately 8.44%. The prior year balance of $603,403,928 included in amounts due to other banks was repaid during the year.

14. Obligations under Finance Leases

Future payments under finance lease commitments are as follows:

	The Group and The Company	
	$'000	$'000

Total minimum lease payments	257,418	347,984
Less: Future interest payments	(55,560)	(79,213)
Net obligations under finance leases	**201,858**	**268,771**

Payable in the year ending -	
2001	156,143
2002	82,071
2003	19,204

15. Long Term Liability

	2000 $'000	1999 $'000
IBM Canada 1998/2002 US$1,316,848 (1999: US$2,851,885)	56,942	114,318

This comprises a series of loans which are secured by various charges over computer equipment costing US$3,507,265. Each loan is repayable over thirty six months.

16. Special Debentures

As permitted by Section 46(5) of the Banking Act 1992, as amended, these debentures form part of the amount for the purpose of determining the maximum deposit liabilities which Bank may incur under subsection (1) of Section 9 of the Banking Act. The debentures, which were held by a fellow subsidiary NCB Trust and Merchant Bank Limited, were repaid during the year.

17. Share Capital

	2000 $'000	1999 $'000
Authorised -		
Ordinary shares of $1 each	467,333	467,333
Redeemable convertible preference shares of $1 each	450,000	450,000
Zero coupon redeemable preference shares of $1 each	1,162,667	1,162,667
12 1/2% Redeemable non-cumulative preference shares of $1 each	3,670,000	3,670,000
	5,750,000	**5,750,000**
Issued and Fully Paid Up Capital -		
Ordinary shares of $1 each	418,333	418,333
Redeemable convertible preference shares of $1 each	450,000	450,000
Zero coupon redeemable preference shares of $1 each	1,162,667	1,162,667

12 1/2% Redeemable non-cumulative preference shares of $1 each (The Bank's preference shares)	3,670,000	3,670,000
	5,282,667	5,282,667
	5,701,000	**5,701,000**

During 1999, the company's authorised share capital was increased by $5,000,000,000 being the creation of:

(i) 167,333,333 ordinary shares of $1 each to rank pari passu in all respects with the existing ordinary shares in issue.

(ii) 1,162,666,667 30 year Zero Coupon Redeemable Preference shares of $1 each.

(iii) 3,670,000,000 12 1/2 % Redeemable Non-cumulative Preference shares of $1.

These shares were then issued to FINSAC as part of the Financial Assistance Agreement with the GOJ.

(a) The zero coupon redeemable preference shares are redeemable at Bank's option at any time and rank for repayment after the redeemable convertible preference shares and the 12 1/2% redeemable non-cumulative preference shares. At the end of each financial year that the shares are outstanding, Bank is required to transfer a portion of its adjusted net profits, to a Zero Coupon Preference Share Redemption Fund to be used for the purpose of redeeming the shares. No such transfer has been made for the year ended 30 September 2000 in light of the Scheme of Arrangement pursuant to which the preference shares are to be converted into ordinary shares (note 31).

(b) The 12 1/2% Redeemable non-cumulative preference shares have been designated "The Bank's Preference Shares" and confer the right to dividends at 12 1/2% up to the financial year 30 September 2002 and thereafter at the weighted average yield rate applicable to the latest 6-month Treasury Bill tender. At the end of each financial year that the shares are outstanding, Bank is required to transfer a portion of its adjusted net profits, to a "Bank's Preference Share Redemption Fund" to be used for the purpose of redeeming the shares. No such transfer has been made for the year ended 30 September 2000 in light of the Scheme of Arrangement pursuant to which the preference shares are to be converted into ordinary shares (note 31).

The dividend on these preference shares will be paid out of net profits (as defined in

Section 8(4) of the Banking Act) of NCBJ after the recognition of:

(i) Any exceptional or extraordinary items (if and to the extent that such items were not taken into account in determining net profits).

(ii) The sum transferred or required to be transferred to the banking reserve fund as required by the Banking Act or any other law or regulation for the time being in force.

(iii) Any sum to be transferred or required to be transferred to the Retained Earnings Reserve in accordance with any written directives or instruction from the Bank of Jamaica or other competent authority.

(iv) The sum transferred or required to be transferred to the Bank's Preference Share Redemption Fund in respect of the outstanding 1997 Preference Shares.

(v) The sum transferred or required to be transferred to the Bank's Preference Share Redemption Fund in accordance with the terms and conditions of the Bank's Preference Shares.

(vi) All losses made by Bank in any previous financial year or years to the extent that such losses have not been made good out of the profits subsequently earned by Bank, being profits which remain unappropriated in the books of Bank.

(b) The redeemable convertible preference shares were issued as part of a financing agreement between FIS and Bank. Under the terms of the financing agreement, if certain conditions for redemption are not met, then FIS becomes entitled to convert the preference shares into ordinary shares in NCB Group. These new shares would then rank pari passu with the existing ordinary stock units of NCB Group (Note 10(d)).

(c) The Zero Coupon Preference Shares and the Bank's Preference Shares qualify as Tier 1 Capital for the purposes of capital adequacy determination.

(d) The Bank's Preference Shares rank before the Zero Coupon Preference Shares in all respects.

18. Share Premium

The premium of $74.60 per share on the issue to NCB Group of 1,000,000 ordinary shares of

$1 each, pursuant to the Deed of Amalgamation, has been included in the share premium account.

19. Prior Year Adjustment

As shown in the statement of Changes in Equity, this represents the write back of the amount transferred in the year ended 30 September 1999 to the Share Redemption Reserve fund in respect of the Bank's Preference shares and Zero Coupon Preference Shares.

In accordance with the Financial Assistance Agreement, transfers to these Share Redemption Reserve Funds should be made from the Adjusted Net Profits, which consist of profits after the recognition of all losses made by Bank in any previous financial years to the extent that these losses have not been made good out of the profits earned subsequently by Bank. No Adjusted Net Profits were available in the year ended 30 September 1999.

20. Capital Reserve

	The Group		The Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Opening Balance:				
Unrealised surplus on revaluation of freehold land and buildings	35,696	35,696	35,696	35,696
Revaluation of investment in subsidiaries	-	-	144,202	107,708
Translation gains	75,596	54,925	-	-
Goodwill arising on consolidation	(1,544)	(1,544)	-	-
	109,748	89,077	179,898	143,404
Movement during the year:				
Translation gain	26,134	20,671	-	-
Gain on revaluation of investments in subsidiaries	-	-	28,330	36,494
	135,882	**109,748**	**208,228**	**179,898**
Comprised of:				
Unrealised surplus on revaluation of freehold land and buildings	35,696	35,696	35,696	35,696

Revaluation of investments in subsidiaries	-	-	172,532	144,202
Translation gains	101,730	75,596	-	-
Goodwill arising on consolidation	(1,544)	(1,544)	-	-
	135,882	**109,748**	**208,228**	**179,898**

21. Banking Reserve Fund

	The Group and The Company 2000	1999
	$'000	$'000
Balance at start of year	373,000	342,000
Transfer from profit and loss account	145,000	31,000
Balance at end of year	518,000	373,000
	=======	=======

The fund is maintained in accordance with the Banking Act 1992 as amended, which requires that a minimum of 15% of net profits, as defined by the Act, be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid up capital of Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid up capital of Bank.

22. Retained Earnings Reserve

	The Group and The Company 2000	1999
	$'000	$'000
Retained earnings reserve	1,361,897	1,361,897

Section 2 of the Banking Act 1992 as amended permits the transfer of any portion of net profit to a retained earnings reserve. This reserve constitutes a part of Bank's capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

The deposit liabilities of Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty five times its capital base.

23. Undertaking to Bank of Jamaica

Bank, under an agreement dated 10 May 1999, gave an undertaking to the BOJ with regard to the conduct of its affairs. Bank agreed to guidelines governing, inter alia, credit, capital expenditure, treasury management, and senior staff compensation. These guidelines reflect Bank's commitment to prudent behaviour in its operations as it endeavours to achieve rehabilitation. The undertaking remains effective until released by the BOJ.

24. Risk Exposure

(a) Liquidity risk

	The Group					
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	2000	2000	2000	2000	2000	2000
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash resources	12,672,915	1,885,057	98,279	-	-	14,656,251
Securities purchased under agreement to resell	660,707	1,162,906	-	-	-	1,823,613
Investments in Government of Jamaica and other securities	117,175	465,099	797,790	5,304,310	45,113,773	51,798,147
Loans and advances less provisions for losses	3,395,344	42,489	929,303	1,094,296	1,816,074	7,277,506

Customers' liabilities on acceptances, guarantees, and Ex-Im Bank discount	89,553	1,661,939	1,022,195	367,757	-	3,141,444
Fixed assets		30,000	-	274,613	1,371,901	1,676,514
Other assets	114,624	208,012	125,184	187,066	-	634,886
Total assets	17,050,318	5,455,502	2,972,751	7,228,042	48,301,748	81,008,361
Liabilities						
Deposits and current accounts of customers	46,680,733	3,910,494	2,064,662	882,943	-	53,538,832
Amounts due to other banks and financial institutions	699,594	27,141	277,844	626,431	586,705	2,217,715
Cheques and other instruments in the course of payment	-	710,476	-	-	-	710,476
Obligations under repurchase agreements	4,402,623	6,557,933	16,273	-	-	10,976,829
Liability on acceptances, guarantees, & Ex-Im Bank discount	89,553	1,661,939	1,022,195	367,757	-	3,141,444
Other liabilities	105,846	365,447	964,593	711,711	223,223	2,370,820
Total liabilities	**51,978,349**	**13,233,430**	**4,345,567**	**2,588,842**	**809,928**	**72,956,116**
Net Liquidity Gap	**(34,928,031)**	**(7,777,928)**	**(1,372,816)**	**4,639,200**	**47,491,820**	**8,052,245**
Cumulative Liquidity Gap	**(34,928,031)**	**(42,705,959)**	**(44,078,775)**	**(39,439,570)**	**8,052,245**	**-**

The Company

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	2000	2000	2000	2000	2000	2000
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash resources	12,559,193	1,831,790	98,279	-	-	14,489,262
Securities purchased under agreement to resell	500,000	1,162,906	-	-	-	1,662,906
Investments in Government of Jamaica and other securities	-	465,099	755,590	5,209,878	45,075,335	51,505,902
Loans and advances less provisions for losses	3,384,539	30,203	871,882	1,040,230	1,776,342	7,103,196
Customers' liabilities on acceptances, guarantees, and Ex-Im Bank discount	89,553	1,661,939	1,022,195	367,757	-	3,141,444
Fixed assets	-	-	-	274,613	1,370,377	1,644,990
Other assets	114,624	208,012	119,371	187,066	344,097	973,170
Total assets	16,647,909	6,359,949	2,867,317	7,079,544	48,566,151	80,520,870

Liabilities

Deposits and current accounts

of customers	46,484,144	3,878,822	2,046,386	882,943	-	53,292,295
Amounts due to other banks and financial institutions	699,594	11,780	77,000	626,431	586,705	2,001,510
Cheques and other instruments in the course of payment	-	710,476	-	-	-	710,476
Obligations under repurchase agreements	4,402,623	6,557,933	-	-	-	10,960,556
Liability on acceptances, guarantees, and Ex-Im Bank discount	89,553	1,661,939	1,022,195	367,757	-	3,141,444
Other liabilities	105,844	363,390	964,466	711,711	216,933	2,362,344
Total liabilities	51,781,758	13,184,340	4,110,047	2,588,842	803,638	72,468,625
Net Liquidity Gap	**(35,133,849)**	**(7,824,391)**	**(1,242,730)**	**4,216,089**	**48,037,126**	**8,052,245**
Cumulative Liquidity Gap	**(35,133,849)**	**(42,958,240)**	**(44,200,970)**	**(39,984,881)**	**8,052,245**	**-**

The tables above analyse assets and liabilities of the Group and Company into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

(b) Interest rate risk

The Group and the Company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Group's exposure to interest rate risks.

Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The Group

	Within 1 Month	1 to 3 Months	3 to12 Months	1 to 5 Years	Over 5 Years	Non-interest Bearing	Total
	2000	2000	2000	2000	2000	2000	2000
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash resources	5,387,420	2,106,605	98,278	-	-	7,063,948	14,656,251
Securities purchased under agreement to resell	660,707	1,162,906	-	-	-	-	1,823,613
Investments in Government of Jamaica and other securities	86,303	23,919,522	27,167,101	94,432	38,438	492,351	51,798,147
Loans and advances less provisions for losses	6,853,970	16,850	167,754	213,458	9,570	15,904	7,277,506
Customers' liabilities on acceptances, guarantees,							

and Ex-Im Bank discount	-	-	-	-	-	3,141,444	3,141,444
Fixed assets	-	-	-	-	-	1,676,514	1,676,514
Other assets	-	-	-	-	-	634,886	634,886
Total assets	**12,988,400**	**27,205,883**	**27,433,133**	**307,890**	**48,008**	**13,025,047**	**81,008,361**

The Group

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Interest Bearing	Total
	2000	2000	2000	2000	2000	2000	2000
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Deposits and current accounts of customers	32,594,189	3,910,494	2,064,662	882,943	-	1,408,6544	53,538,832
Amounts due to other banks and financial institutions	699,594	900,065	220,163	306,872	91,021	-	2,217,715
Cheques and other instruments in the course of payment	-	-	-	-	-	710,476	710,476
Obligations under repurchase agreements	4,402,623	6,557,933	16,273	-	-	-	10,976,829
Liability on acceptances, guarantees, and Ex-Im							

Bank discount	-	-	-	-	-	3,141,444	3,141,444
Other liabilities	-	-	-	258,800	-	2,112,020	2,370,820
Total liabilities	37,676,406	11,368,492	2,301,098	1,448,615	91,021	20,050,484	72,956,116
On balance sheet Interest sensitivity gap	**(24,708,006)**	**15,837,391**	**25,132,035**	**(1,140,725)**	**(43,013)**	**(7,025,437)**	**8,052,245**
Cumulative Interest Sensitivity Gap	**(24,708,006)**	**(8,870,615)**	**16,261,420**	**15,120,695**	**15,077,682**	**8,052,245**	**-**

The Company

	Within 1 Month 2000 $'000	1 to 3 Months 2000 $'000	3 to12 Months 2000 $'000	1 to 5 Years 2000 $'000	Over 5 Years 2000 $'000	Non Interest Bearing 2000 $'000	Total 2000 $'000
Assets							
Cash resources	5,273,699	2,053,336	98,278	-	-	7,063,949	14,489,262
Securities purchased under agreement to resell	500,000	1,162,906	-	-	-	-	1,662,906
Investments in Government of Jamaica and other							

securities	-	23,919,522	27,124,901	-	-	461,479	51,505,902
Loans and advances less provisions for losses	6,843,165	4,564	18,669	213,458	9,570	13,770	7,103,196
Customers' liabilities on acceptances, guarantees, and Ex-Im Bank discount	-	-	-	-	-	3,141,444	3,141,444
Fixed assets	-	-	-	-	-	1,644,990	1,644,990
Other assets	-		-	-	-	973,170	973,170
Total assets	12,616,864	27,140,328	27,241,848	213,458	9,570	13,298,802	80,520,870
Liabilities							
Deposits and current accounts of customers	32,398,111	3,878,822	2,046,386	882,943	-	14,086,033	53,292,295
Amounts due to other banks and financial institutions	699,594	884,704	19,319	306,872	91,021	-	2,001,510
Cheques and other instruments in the course of payment	-	-	-	-	-	710,476	710,476
Obligations under repurchase agreements	4,402,623	6,557,933	-	-	-	-	10,960,556
Liability on acceptances, guarantees, and Ex-							

Im Bank discount	-	-		-		3,141,444	3,141,444
Other liabilities	-	-	-	258,800	-	2,103,544	2,362,344
Total liabilities	37,500,328	11,321,459	2,065,705	1,448,615	91,021	20,041,497	72,468,625
On balance sheet interest sensitivity gap	**(24,883,464)**	**15,818,869**	**25,176,143**	**(1,235,157)**	**(81,451)**	**(6,742,695)**	**8,052,245**
Cumulative Interest Sensitivity Gap	**(24,883,464)**	**9,064,595**	**16,111,548**	**14,876,391**	**14,794,940**	**8,052,245**	**-**

The table below summarises the effective interest rate by major currencies for monetary financial instruments of the Group.

	J$	US$	CAN$	GBP
Assets				
Cash resources	1.0%	6.1%	-	3.6%
Securities purchased under agreement to resell	18.3%	9.8%	-	-
Investments in Government of Jamaica and other securities	22.1%	8.0%	5.5%	5.8%
Loans and advances less provisions for losses	30.5%	12.9%	12.0%	-
Liabilities				
Deposits and current accounts of customers	8.9%	4.5%	2.3%	3.0%
Amounts due to other banks and financial institutions	-	8.0%	-	-
Obligations under repurchase agreements	20.9%	-		

(c) Foreign exchange risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to this risk are the United States dollar, Canadian dollar and the British Pound.

The Group ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible.

Total foreign currency assets/(liabilities) were as follows:

	The Group		
	US$	CAN$	GBP
Total assets	341,134,268	30,384,587	5,991,501
Total liabilities	325,581,503	29,465,335	4,844,937

	The Company		
	US$	CAN$	GBP
Total assets	322,350,033	30,384,587	5,991,501
Total liabilities	314,131,306	29,465,335	4,844,937

(d) Credit exposure

The following table summarizes the credit exposure of the Group to businesses and governments by sector:

The Group

	Loans and acceptances $'000	Guarantees and letters of credit $'000	Total 2000 $'000	Total 1999 $'000
Agriculture, fishing and mining	253,388	91,083	344,471	740,714
Construction and real estate	671,941	323,344	995,285	1,001,476
Distribution	847,433	266,311	1,113,744	933,262
Financial institutions	718,943	107,122	826,065	830,391
Government and public entities	898,057	118,143	1,016,200	815,605

Manufacturing	475,711	1,310,626	1,786,337	1,913,136
Personal	2,717,011	336,362	3,053,373	3,616,353
Professional and other services	1,438,590	228,464	1,667,054	1,925,913
Tourism and entertainment	2,169,876	283,543	2,453,419	1,825,999
Other	585,423	76,446	661,869	468,232
Total	10,776,373	3,141,444	13,917,817	14,071,081
Total provision	3,498,867	-	3,498,867	2,737,904
Net	**7,277,506**	**3,141,444**	**10,418,950**	**11,333,177**

The following table summarizes the credit exposure of the Company to businesses and governments by sector:

The Company

	Loans and acceptances $'000	Guarantees and letters of credit $'000	Total 2000 $'000	Total 1999 $'000
Agriculture, fishing and mining	253,388	91,083	344,471	740,714
Construction and real Estate	646,664	323,344	970,008	1,001,476
Distribution	847,433	266,311	1,113,744	933,262
Financial institutions	718,943	107,122	826,065	830,391
Government and public entities	898,057	118,143	1,016,200	815,605
Manufacturing	475,711	1,310,626	1,786,337	1,913,136
Personal	2,568,580	336,362	2,904,942	3,616,353
Professional and other services	1,438,590	228,464	1,667,054	1,925,913
Tourism and entertainment	2,169,876	283,543	2,453,419	1,825,999
Other	582,014	76,446	658,460	266,011
Total	10,599,256	3,141,444	13,740,700	13,868,860
Total provision	3,496,060	-	3,496,060	2,735,118

Net	**7,103,196**	**3,141,444**	**10,244,640**	**11,133,742**

25. Fair Value of Financial Instruments

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Many of the Group's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realizable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

Changes in interest rates are the main cause of changes in the fair value of the Group's financial instruments. The majority of the Group's financial instruments are carried at historical cost and are not adjusted to reflect increases or decreases in fair value due to market fluctuations, including those due to interest rate changes.

The following tables set out the fair values of on-balance sheet financial instruments of the Group and the Company using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments, such as land, buildings and equipment.

Fair values were estimated as follows:

The fair values of cash resources, other assets, cheques and other instruments in transit, acceptances, guarantees and letters of credit, securities sold under repurchase agreements and other liabilities are assumed to approximate their carrying values, due to their short-term nature.

The fair value of investments is assumed to be equal to the estimated market value of investments provided in tables below. These values are based on quoted market prices, when available; when not available other valuation techniques are used. For FINSAC bonds, fair values have been determined using discounted cash flow techniques, assuming that interest on these bonds will be received in cash as of 1 April 2000 (note 1O(g)).

The estimated fair value of loans reflects changes in the general level of interest rates that have occurred since the loans were originated. The particular valuation methods used are as follows:

(i) For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically reprice to market.

(ii) For match funded loans the fair value is assumed to be equal to their carrying value as gains and losses offset each other.

(iii) For all other loans, fair value is ascertained by discounting the expected future cash flows of these loans at current market rates for loans with similar terms and risks.

The fair values of deposits which are payable on demand or notice are assumed to be equal to their carrying values. Fair values of fixed rate deposits with a remaining term to maturity exceeding six months or term deposits payable within six monins are determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms and risks.

	The Company			
	Carrying Value 2000 $'000	Fair Value 2000 $'000	Carrying Value 1999 $'000	Fair Value 1999 $'000
Financial Assets				
Cash resources	14,489,262	14,489,262	13,688,452	13,688,452
Investments	53,512,905	52,984,105	45,950,291	45,414,391
Loans	7,103,196	7,103,196	7,918,887	7,918,887
Customers' liabilities on acceptances, guarantees and Ex-Im Bank discount	3,141,444	3,141,444	3,214,855	3,214,855
Other assets	629,073	629,073	1,293,350	1,293,350
	78,875,880	78,347,080	72,065,835	71,529,935

Financial Liabilities

Deposits	53,292,295	53,292,295	46,842,359	46,842,359
Amount due to other banks	2,001,510	2,001,510	2,792,141	2,792,141
Cheques and other instruments in transit	710,476	710,476	689,361	689,361
Acceptances, guarantees and Ex-Im Bank discount	3,141,444	3,141,444	3,214,855	3,214,855
Securities sold under repurchase agreements	10,960,556	10,960,556	10,744,738	10,744,738
Obligations under finance leases	201,858	201,858	268,771	268,771
Other liabilities	2,160,486	2,160,486	2,038,495	2,038,495
	72,468,625	72,468,625	66,590,720	66,590,720

26. Related Party Transactions

Balances and transactions with subsidiaries and other connected parties are as fo11ows:

	The Group		**The Company**	
	2000	1999	2000	1999
Loans and advances	752,306	1,874,430	752,306	1,874,430
Other assets	6,118	388,301	6,118	388,301
Deposit liabilities	813,714	535,143	796,418	519,293
Obligations under repurchase agreements	10,139,702	10,124,820	10,139,702	10,124,820
Obligations under finance leases	121,616	145,436	121,616	145,436
Interest and other income earned	316,805	451,037	316,805	444,568
Interest expense	2,205,847	2,058,348	2,204,698	2,048,583
Lease expense	41,367	33,004	41,367	33,004

27. FINSAC Agreement

Based on the terms of the financial assistance agreement dated 14 April 1998, FINSAC is entitled to require, at anytime after the expiration of the three years from the date of the agreement to apply to the Jamaica Stock Exchange for a listing of Bank's ordinary shares.

28. Capital Commitments

	The Group and The Company	
	2000	1999
	$'000	$'000
Capital expenditure authorised but not contracted for	-	193,674
Capital expenditure authorised and contracted for	**158,285**	**29,876**

29. Retirement Plans

Bank operates two pension schemes covering permanent employees as follows:

	NCBJ Contributory (1999) Fund	NCBJ Contributory (1986) Fund
Employer's contributions for year	50,019	-
Employees' contributions for year	34,059	-
Total assets	97,042	5,089,873
Number of persons in fund	1,893	1,668

(a) Non-Contributory Fund

This scheme provides pension benefits calculated by reference to salaries in the five years prior to retirement for members retiring with pensionable service of at least 10 years but not exceeding 20 years and final salaries for those retiring with a minimum of 20 years pensionable service. It is funded by company contributions as determined by independent actuaries.

The most recent actuarial valuation which was carried out as at 30 June 1998 revealed that past service benefits were adequately funded as at that date.

The actuaries have recommended that the employer's contributions be reduced to 8 1/4% of record pensionable salaries until the next actuarial review of the fund.

(b) Contributory Funds

(i) Bank operates a contributory pension fund which covers employees of Bank, NCB Group and several subsidiaries. This fund covers permanent employees joining on or after 1 January 1986. It is funded by members at a rate of 6% of salaries, with the Employer being responsible for meeting the balance of the costs of the benefits. Pensions are linked to salaries in the last 3 years for members with service of more than 10 years. The employer contributes at the rate of 10% of salaries. The actuarial valuation as at 30 June 1998 reported that past service benefits were adequately funded. The actuaries have recommended that employer's contributions be reduced to 5% of salary.

(ii) Bank also operates the Mutual Security Bank Limited (MSB) Pension Scheme for eligible former employees of MSB who are presently employed to Bank. Employees are required to make compulsory contributions to the scheme of 6% of their pensionable salaries less their contributions to NIS whilst Bank's contribution, which is also based on a percentage of salary, is determined by triennial actuarial valuations of the scheme. The actuarial valuation done as at 30 June 1998 indicated that past service benefits were adequately funded. The actuaries have recommended that employer's contributions be reduced to 5% of salary.

(c) One subsidiary operates a defined contribution pension plan for its employees. Employees and employer contribute at the rate of 5% of employees' earnings.

(d) Total contributions by Bank to the pension funds for the year ended 30 September 2000 amounted to $50,278,000 (1999 - $107,312,000).

(e) The trustees of the National Commercial Bank Non-Contributory Fund, the National Commercial Bank Staff Pension Fund (1986), and the Mutual Security Bank Pension Scheme Limited approved the merger of these funds into the 1986 Fund as at 1 October 1999, and the merger of the Computer Service and Programming Limited Pension Fund with the 1986 Fund as at 1 March 2000.

30. Litigation and Contingent Liabilities

(a) Suit has been filed by a customer of Bank against the Attorney General of Jamaica, Mr. Dunbar McFarlane and Bank claiming damages arising out of an alleged breach of a contract between the customer and the National Insurance Fund of which Mr. McFarlane, a director of Bank, is chairman, for the sale of certain premises which were mortgaged to Bank. The customer also claims special damages amounting to approximately $110 million. In the opinion of Bank's attorneys the plaintiff's claims against Mr. McFarlane and Bank are unlikely to succeed. Consequently, no provision has been made for the claims in these financial statements.

(b) Suit has been filed against Bank by a customer for breach of contract and/or negligence for debiting the plaintiffs account by $33.35 million. The claim is for $33.35 million with interest on the said sum at commercial bank rates as from 16 May 1997 until date of payment.

No provision has been made in these financial statements for this claim.

(c) Several financial institutions have made claims against Bank for unauthorised acts committed by an ex-employee. A number of the claims were settled by Bank and adequate provision has been made for any anticipated losses.

(d) A number of other suits claiming damages in excess of $5m each have been filed. These sums claimed totalled $61.8 million. In some instances, counter claims have been filed by Bank. No provision has been made for the claims in these financial statements.

31. Subsequent Events

16 November 2000, the Supreme Court approved a Scheme of Arrangement pursuant to section 192 of the Companies Act between NCB Group, Bank and their shareholders. The Scheme will become effective on the date upon which a copy of the Court Order approving it is delivered to the Registrar of Companies for registration. Under the Scheme:

Ordinary shareholders of NCB Group will be entitled to one ordinary share in Bank for each ordinary share held in NCB Group;

The 12 1/2% redeemable non-cumulative preference shares and zero coupon redeemable preference shares with a total par value of $5.3 billion held by FINSAC will be converted into 940,151,975 new ordinary shares in Bank;

The redeemable convertible preference shares with a par value of $450 million held by FIS will be redeemed using a non-interest bearing promissory note that was issued by FIS as consideration for the shares;

FINSAC (through its subsidiaries) will hold 76% of the ordinary shares in Bank and non FINSAC shareholders will hold 24%;

NCB Group will become a wholly owned subsidiary of FINSAC and its shares will be delisted from the Jamaica Stock Exchange. A listing will be sought for Bank's ordinary shares;

The shares in N.C.B. (Investments) Limited, OMNI Insurance Services Limited, Edward Gayle & Company Limited, West Indies Trust Company Limited, Data-Cap Processing Limited and N.C.B. Jamaica (Nominees) Limited (collectively referred to as the "New Core Subsidiaries") held by NCB Group will be transferred to Bank for nominal consideration;

Various investment properties held by N.C.B. (investments) Limited will be transferred to NCB Group at their book values;

Out of FINSAC's 76% holding in Bank, 1 % less one share will be offered to permanent full time staff of Bank and the New Core Subsidiaries;

If within 3 years, FINSAC has not entered into an agreement for the sale of at least 67% of the shares in Bank or has entered into an agreement for the sale of less than 73% plus one share in Bank, FINSAC will, if requested by the Board of Bank offer 2% of the shares in Bank to non-FINSAC shareholders; and

The reasonable costs, charges and expenses of Bank and its agents in the course of exercising or performing its functions, powers and duties will be borne by FINSAC.