



THE NATIONAL COMMERCIAL BANK

OF GRENADA LIMITED

A Subsidiary of  Republic Bank Limited

The National Commercial Bank of Grenada Limited is focused on our customers, our employees and our shareholders. Our focus allows us to deliver results which add the best possible value for our shareholders and to provide superior services satisfying the distinctive needs of our diverse clientele. Our focus on the training and development of our staff is the foundation of our superior individual and corporate performance, and reflects our commitment to leadership in the delivery of the highest quality financial services.



Our Vision: To be the financial institution of choice in the Caribbean for customers, staff and shareholders.

We set the standard of excellence in:

Customer satisfaction

Employee satisfaction

Shareholder value



THE NATIONAL COMMERCIAL BANK

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Our Mission: To provide the highest quality financial services in the most efficient and effective manner, and to implement policies strategically aimed at benefiting all our stakeholders - shareholders, customers, employees and the communities in which we operate

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Corporate Information

DIRECTORS

Ronald F. deC. Harford, F.C.I.B. - Chairman
Daniel A. Roberts, - Managing Director / Secretary
Claudia E. Alexis, B.Sc. (Management), MBA
Allan H. Bierzynski, F.C.C.A.
Margaret A. Blackburn, L.L.B. (Honours)
Leon D. Charles, B.Sc. (Agri. Management), MBA
Hugh D. Dolland
Cheryl F. Greaves, B.Sc. (Management Studies), F.C.C.A., C.A.
Vans T. Le Blanc, BBA (Finance), MA (Econ)
Gregory I. Thomson, B.Sc. (Math & Physics), MBA

CORPORATE SECRETARY

Daniel A. Roberts

REGISTERED OFFICE

NCB House
P.O. Box 857, Grand Anse, St. George's, Grenada, West Indies

ATTORNEY-AT-LAW

Messrs. Renwick & Payne
Chambers
Church Street, St. George's
Grenada, W.I.

AUDITORS

Pannell Kerr Forster
Pannell House,
P.O. Box 1798,
Grand Anse, St. George's
Grenada, W.I.

REGISTRAR

Pannell Kerr Forster
Pannell House,
P.O. Box 1798,
Grand Anse, St. George's
Grenada, W.I.

Offices

OFFICE	DESIGNATION	NAMES
Head Office NCB House Grand Anse St. George's, Grenada West Indies P.O. Box 857 Telephone: 444-BANK (2265) Fax: 444-5501 Cable: NATBANK Email: ncbgnd@caribsurf.com	Managing Director General Manager, Credit General Manager, Operations General Manager, Operations Manager, Management Information Systems Manager, Commercial & Retail Credit Manager, Human Resources, Training & Development Manager, Retail Services	Daniel A. Roberts Harold A. Steele Dip. (Business Mgmt) Patricia A. Mendez (Mrs.) Dip. (Business Mgmt) Donna L.Y. Lander (Mrs.) A.I.C.B., EMBA (H.R. Mgmt) Garnet K. Ross (Mrs.) Marcia M. Le Gendre (Mrs.) Dip. (Business Mgmt) Winefred P. Logie (Ms.) Claire R. Wildman (Ms.) A.I.C.B.
NCB House Telephone: 444-BANK (2265) Fax: 444-5500/5501	Manager, Retail Services	Deon D. Moses B.Sc. (Mgmt Studies)
Grand Anse Telephone: 444-2627 Fax: 444-2835	Operations Officer	Jacqueline R. Byer (Mrs.)
St. George's Telephone: 440-3566 Fax: 440-6698 Fax - Loans: 440-6697	Operations Manager Manager, Retail Credit Operations Officer	Jocelyn M. McSween (Ms.) Valentine S. Antoine B.Sc. (Mgmt Studies), A.C.I.B. Maria A. Harris (Ms.)
Gouyave Telephone: 444-8888 Fax: 444-8899	Operations Officer	Diana L. Romney (Ms.)
Grenville Telephone: 442-7618 Fax: 442-8877	Manager (Ag.) Retail Services Operations Officer	Althea R. Roberts (Mrs.) Valerie H. Horsford (Mrs.)
St. David's Telephone: 444-6355 Fax: 444-6016	Officer-in-charge	Wendy L. Lambert (Ms.)
Sauteurs Telephone: 442-1045/1023 Fax: 442-1042	Officer-in-charge	Sherma M. Mitchell (Ms.)
Carriacou Telephone: 443-7289/7896 Fax: 443-7860	Officer-in-charge	Roger Patrice
Petite Martinique Telephone: 443-9005 Fax: 443-9013	Officer-in-charge	Roger Patrice

Financial Highlights

	2002 \$'000	2001 \$'000	% change
RESULTS FOR THE YEAR ENDED 30TH SEPTEMBER			
Profit Before Tax	11,082	9,646	14.9
Profit After Tax	9,862	8,102	21.7
AT YEAR END			
Assets	537,596	448,756	19.8
Deposits and Other Liabilities	479,054	408,937	17.1
Advances and Other Assets	290,032	289,724	0.1
Stated Capital	15,000	15,000	-
Total Shareholders' Equity	58,542	39,819	46.9
INFORMATION PER SHARE			
Earnings	\$6.57	\$5.40	21.7
Dividends based on the results of the financial year	\$2.65	\$2.20	20.5
Dividends paid during the year	\$2.25	\$1.95	15.4
Net Asset Value	\$39.03	\$26.55	46.9
OTHER STATISTICS AT YEAR END			
Number of shareholders	1,538	1,538	-
Number of branches	9	9	-
Number of employees	214	213	0.5

Financial Summary

	2002 \$'000	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
Current, Savings and Other Deposit Accounts	479,054	408,937	373,050	327,892	282,399
Advances & Other Assets	290,032	289,724	268,088	241,642	226,518
Stated Capital	15,000	15,000	15,000	15,000	15,000
Shareholders' Equity	58,541	39,819	32,617	28,465	25,061
Profit After Taxation	9,862	8,102	7,002	5,803	5,077
Dividends paid during the year	3,375	2,925	2,850	2,400	2,100
Earnings per Ordinary Share Unit	6.57	5.40	4.67	3.86	3.38

chairman



Ronald F. deC. Harford

Chairman's Review

I am pleased to announce that the financial year ended September 30, 2002, has been another successful one for the Bank. Profit after tax increased by 21.7 percent, from EC\$8.1 million in 2001 to EC\$9.9 million. This represents our tenth successive year of profitable growth.

The Directors have approved a final dividend of EC\$2.00 per share bringing the total dividend payable for the financial year ended September 30, 2002, to EC\$2.65. The total dividend payout of EC\$3.975 million, an increase of 20.5 percent over the previous year, represents a dividend payout of 40.3 percent of profit after tax.

The Bank's total assets increased by 19.8 percent from EC\$448.8 million in 2001, to EC\$537.6 million. Total deposits grew 15.7 percent to EC\$457 million and earnings per share increased from EC\$5.40 to EC\$6.57. During the year the Bank adopted the International Accounting Standard No. 39, the impact of which is an increase in the value of the Bank's financial investments of EC\$12.2 million and a similar increase in the Shareholders Equity. Shareholders' Equity is now EC\$58.5 million, representing an increase of 47.0 percent over the previous year, and a book value of EC\$39.03 per share.

Economy

The performance of the global economy was weaker than anticipated for most of the year. In spite of the considerable reductions in interest rates by the Federal Reserve there was relatively slow expansion in the United States economy during the first half of the year. Unemployment rates increased in the developed economies and so far this year, the major international stock markets have suffered large losses due, in part, to weak profitability and corporate malfeasance.

The slowdown in global economy has contributed to a 3.4 percent decline in Grenada's economic growth in 2001, following several years of strong growth. The Eastern Caribbean Central Bank estimates a further contraction of 0.7 percent in real GDP in 2002.

A current account surplus of EC\$48.9 million was achieved in 2001, the fifth consecutive year of surplus in the fiscal accounts. A revised surplus of EC\$10 million is projected for 2002, reflecting a weakening in Government's fiscal position. Unemployment levels which fell to 11 percent in 2000, rose slightly to 13 percent in 2001, while inflation increased to 2.8 percent mainly due to an increase in food prices.

The total country debt as a percentage of GDP continues to rise with 35 percent of the capital expenditure projected for 2002 coming from external loans. However, debt servicing

at current revenue levels remains relatively low. The recent US\$100 million Bond floated by Government, which was partly to restructure outstanding loans, will assist Government with its debt servicing obligations.

Recent statistics of the Grenada Board of Tourism indicate a weakened performance in the tourism sector during the first half of 2002 due to an overall decline of 4.96 percent in stay-over visitors. However, stay-over visitors from the USA which now account for 31 percent market share rose by 10.3 percent. Stay-over arrivals from the UK, whose market share is still strong at 25 percent, fell off by 1.4 percent while arrivals from other major European countries declined by 6.8 percent during the first half of 2002.

The cruise ship sub-sector continues to perform poorly as the number of cruise ship passenger arrivals suffered yet another decline, this time by 8 percent, during the first half of the year. This underscores the importance of the early construction of the proposed Cruise ship Complex. Some EC\$10 million has been allocated by Government to the Tourism Board for marketing and promotion of the Tourism sector.

Activity in the construction sector also decreased. According to government which has been the major player in this sector, a revenue shortfall of EC\$14 million for the first four months of the year, affected its ability to undertake planned capital expenditure programmes. Commercial bank lending for home construction and renovation fell during the first quarter of 2002 by 0.6 percent due to weak private sector demand, while retail sales of building materials also dropped by 12.7 percent.

The decline in agriculture, despite increases in output for cocoa and banana, is attributed to a drought experienced in 2001, which affected the production of nutmeg and mace. Official figures for fish production were unavailable but industry information reports lower catches and prices than in the same period last year. Hard data were also unavailable for the manufacturing sector but it is reported that electronic assembly, previously a major activity in the sector, decreased due to weak demand in its export market.

The Future

Notwithstanding ECCB estimates of a contraction in real GDP in 2002 of 0.7 percent, some increase in economic activity is expected during the latter part of 2002 helped along by growth in the tourism, construction and agriculture sectors.

The tourism sector is expected to record small growth next year, mainly a result of increases in stay-over visitors. Additional airlift capacity is expected to underpin the increase in arrivals, with some three new airlines scheduled to commence flights to Grenada; two from North America in December and one from the UK in May. Last year, I had indicated that the potential of the marina industry for generating foreign exchange and employment warranted the encouragement of Government. Since then we have seen the infrastructural development of the marina at True Blue, which, when added to already existing facilities, augurs well for the future of this sector.

Moderate growth in the construction sector in the new year will depend on early implementation of a number of public and private sector projects to supplement ongoing projects. New public sector projects include the proposed cruise ship terminal in St. George's capable of berthing the largest cruise ships, and enhancement of the physical infrastructure for education through the construction of new primary schools, expansion of several secondary schools and the T. A. Marryshow College.

shareholders

Shareholders' Equity is now EC\$58.5 million, representing an increase of 47.0 percent over the previous year, and a book value of \$39.03 per share.

Some private sector construction is expected to help things along in 2003, while work continues on the resorts in St. David's and Calivigny Island.

Performance in the agricultural sector should improve in 2003 as favourable weather conditions, currently being experienced, should benefit the major commodities.

Poverty alleviation is a major focus of Government, and after a long delay, a US\$8.0 million project funded by the Caribbean Development Bank and the International Fund for Agricultural Development has commenced. This multi-faceted project is expected to directly benefit the rural poor through micro-enterprise programmes. The successful implementation of this project should go some way to alleviate poverty levels.

Although Government's fiscal position will be impacted by lower than projected revenue, the macro-economic fundamentals remain firm. Government's efforts at maintaining a manageable level of external debt, sound fiscal management, and promoting investment, particularly in tourism infrastructure and agriculture, should enable Grenada to deal with what could be a difficult year ahead.

Acknowledgements

I thank the management and staff for their dedication and hard work over the year, my fellow Directors for their guidance, and our customers and business partners for their loyal support.



Daniel A. Roberts

Managing Director's Review

The Bank has recorded another successful year with profit after tax increasing by 21.7 percent over the previous year to EC\$9.9 million. Earnings per share have increased from EC\$5.40 to EC\$6.57. These good results were achieved in spite of unfavourable economic conditions which resulted in weak demand for credit, excess liquidity in the banking system and increased provisions for bad debts.

The Directors have approved a final dividend of EC\$2.00 per share bringing the total dividend for the year ended September 30, 2002 to EC\$2.65 per share, an increase of 20.5 percent over the previous year.

Financial Review

There was growth of 19.8 percent in the Bank's total assets which now stands at EC\$538 million, however, loans and advances remained virtually unchanged from a year ago at EC\$284 million as weak demand for credit was experienced. Investments in dated securities increased by 21.5 percent. EC\$12.2 million of this increase is attributed to revaluation of these investments to their fair value based on market values at September 30, 2002 in accordance with International Accounting Standard 39. Cash and other liquid assets increased to over EC\$74 million evidencing the level of excess liquidity in the system. On the funding side customer deposits increased by EC\$62 million or 15.7 percent to EC\$457 million.

Net interest income in 2002 increased by EC\$1.7 million or 7.5 percent to EC\$24.5 million but net interest margin which averaged 5.25 percent in 2001 retreated to 5.0 percent due to the excess in liquidity. The contribution of non interest income to total income increased from 22.9 percent in 2001 to 23.2 percent with all categories of revenue recording improvements over the previous year.

The control of operating cost remains a key focus of management and in 2002 the increase in operating expenses was contained at 1.6 percent. The Bank absorbed loan losses of EC\$1.21 million in 2002 compared to EC\$0.65 million in 2001 thereby increasing loan loss provisions to EC\$5.9 million.

Financial Sector

The commercial banking system in Grenada experienced an increase in liquidity during the first half of 2002 as deposits grew at a much faster rate than credit. According to data from the Eastern Caribbean Central Bank the loans to deposit ratio of commercial banks decreased from 79.2 percent at the end of December 2001 to 77.7 percent by the end of June 2002. While more recent ECCB data is unavailable all indications are that, when published, the ratio for the end of September 2002 will show even more liquidity in the system.

The impact of this liquidity is seen in the continuing decline in interest rates on deposits and the reduction of approximately 100 basis points in the prime rate of the commercial banks

management

Management Team



(left to right) **Harold A. Steele**, General Manager, Credit • **Daniel A. Roberts**, Managing Director • **Donna Lander**, General Manager, Operations



(left to right) **Marcia M. Le Gendre**, Manager, Commercial & Retail Credit • **Claire R. Wildman**, Manager, Special Projects, (Head Office) • **Jocelyn M. Mc Sween**, Operations Manager, (St. George's)



(left to right) • **Garnet K. Ross**, Manager, Management Information Systems • **Deon D. Moses**, Manager, Retail Services (NCB House) • **Winefred P. Logie**, Manager, Human Resources, Training & Development • **Valentine S. Antoine**, Manager, Retail Credit (St. Georges)

customers

The delivery of superior customer service continues to be the cornerstone of our strategy with emphasis being placed on training and development of staff and enhancing our products and delivery channels.

in September 2002. We expect this liquidity situation to remain for most of the first half year of 2003.

The off-shore financial sector suffered further contraction during the year as the Regulators dealt with many off-shore banks which failed to comply with tough regulations designed to clean up the sector. The authorities are confident that there is still scope for promoting a well regulated off-shore financial sector.

Service Excellence

The delivery of superior customer service continues to be the cornerstone of our strategy with emphasis being placed on training and development of staff and enhancing our products and delivery channels.

This year many of our managers and senior staff completed a number of modules of a business management programme, which was specifically designed for our needs and facilitated by UWI, St. Augustine, Institute of Business. The Participants are now better equipped to handle many of the key challenges of management. Frontline staff received training in product knowledge and customer contact skills, while several others attended regional training programmes to strengthen a wide range of technical skills. During the year two of our supervisors successfully completed the Professional examinations of the Canadian Institute of Banking at the Associate Level and many others continue to pursue self development programmes.

Earlier this year we completed enhancements at two of our branches. Carriacou branch was extended to make it more comfortable for both customers and staff. An Automatic Banking Machine was also installed in response to requests for this service, both from our customers as well as visitors to Carriacou. At our St. George's branch we remodeled one of the floors to provide more privacy and comfort for customers.

We continue to conduct surveys to gather data from our customers concerning our service and to assess how our service ranks among commercial banks. During the first quarter of the financial year the independent agency that was commissioned to conduct the customer service survey reported that for the second consecutive year NCB achieved the first place ranking in overall customer service in the industry. This is a fine tribute to our dedicated staff.

Outlook

The last year saw weaknesses in the major economies of the world and the forecast by experts for global economic growth in 2003 is put at approximately two percent. While Grenada undertakes tourism promotion to support a planned increase in airlift in December and again in May 2003, the threat of war in the Middle East looms large with its attendant consequences for our tourism industry and increases in the price of fuel. The many challenges the global economy will present may result in little growth for businesses and possibly increased unemployment in the country. The next year therefore could be a difficult one and continuing prudent financial management will be necessary to ensure that the challenges are effectively managed.

Acknowledgement

I wish to thank management and staff for their commitment and hard work throughout the year, our Chairman and Directors for their guidance and counsel and our customers for their unswerving loyalty to the Bank.

making a difference



culture

Imogene Howard,
Pannist,
NCB Angel Harps

education

2002 NCB Scholarship Recipient
Rachel Roberts



sport

2001 NCB Republic Cup winners
Presentation Boys College



outreach

2001 Youthlinker gives
donation to a student



Focused... On Our Community

The National Commercial Bank (NCB) recognizes the importance of being a good corporate citizen and our philanthropic efforts have always been focused on projects which truly make a difference at the community level. During 2002, we invested substantially in a spectrum of community service projects from educational development, to culture, to sports, to environmental awareness, all with one goal in mind – to fulfill our mandate to be **Always There for You!**

In 2002, we contributed EC \$25,000.00 to the National Action Campaign to assist the tourism sector in meeting airlift requirements, marketing, hospitality training and public awareness.

At the heart of the Bank's community-focused activities are projects coordinated and implemented by the employees of our branches. From the donation of a refrigerator to the School for Special Education, to the provision of furniture for the Carriacou hospital, employees of The National Commercial Bank have joined with the members of their community in providing assistance where it is most needed.

Focused on Culture: For the 20th year running, the Bank has maintained its sponsorship of the award-winning steel orchestra, NCB Angel Harps. NCB Angel Harps placed 4th in the August 2002 National Panorama Competition. We continue to support the Annual Carriacou Regatta, which highlights Carriacou's and Petit Martinique's rich cultural heritage of boat building and displays the passion of the residents of the sister islands for racing all types of boats.

Focused on Youth Education: NCB's Youth Link Apprenticeship Programme has completed its sixth year and continues to be a valuable tool for developing the skills and professionalism of these high school graduates as they bridge the gap between school and work. Since the programme started in 1996, a total of 58 students have graduated from the programme and over that period NCB has employed 38 Youth Link graduates – a firm sign of our commitment to Grenada's young people.

In 2002, the Bank awarded an EC\$15,000.00 NCB Scholarship to deserving UWIDITE student, Rachel Roberts, who will soon complete her Baccalaureate programme at the University of the West Indies, Cave Hill campus, Barbados. This is the eighth such scholarship awarded since the programme began in 1994.

Focused on Sport: NCB has continued its sponsorship of the NCB Republic Cup Youth Football Tournament, a project introduced in 2001. Sixteen schools took part in the Inaugural National Secondary Schools 7-a-Side Tournament, and the winner was Presentation Brothers College. NCB's involvement in other sporting initiatives includes the donations of several sets of golf clubs to the Grenada Golf & Country Club for use in their youth golf program.

The National Commercial Bank's programme of community activities in 2002 has strengthened our ties with the communities in which we live and do business. Our focus on culture, on youth empowerment through education, and on sport, coupled with the healthy and interactive relationship our employees have maintained with their communities, helps us to build a stronger Grenada, Carriacou and Petite Martinique. We intend to stay focused... on you!

community

The Bank partners with communities across Grenada to implement outreach, cultural, business, sport and education initiatives and programmes.

Board of Directors



Ronald F. deC. Harford, F.C.I. B

Ronald F. deC. Harford, Managing Director of Republic Bank Limited is a Fellow of the UK Chartered Institute of Bankers. He is Chairman of Republic Finance & Merchant Bank Limited (Fincor), The National Commercial Bank of Grenada Limited, Republic Bank Trinidad & Tobago (Cayman) Limited, Republic Insurance Company (Cayman) Limited, Republic Securities Limited, Republic Bank Trinidad & Tobago (Barbados) Limited, London Street Project Company Limited, University of the West Indies (UWI) Development and Endowment Fund, St Augustine, and a member of the Board of Directors of the National Bank of Industry & Commerce Limited (Guyana), Republic Nominees Company Limited and University of the West Indies (UWI) Institute of Business, St. Augustine. He is currently the President of the Bankers Association of Trinidad & Tobago.



Daniel A. Roberts

Daniel A. Roberts is the Managing Director/Corporate Secretary of The National Commercial Bank of Grenada Limited. Mr. Roberts joined NCB in 1983, bringing with him ten years of experience in the field of Banking and Finance. His senior managerial positions at NCB have included that of General Manager Credit, and Senior Manager, Retail Services and Marketing. Mr. Roberts has completed the Senior Management Financial Services Programme of the Canadian Institute of Bankers.



Claudia E. Alexis, B.Sc. (Mgmt. Studies), MBA

Claudia E. Alexis is a Corporate Services Manager and the Corporate Secretary at Grenada Electricity Services Limited. She holds a Certificate in Public Administration from the University of the West Indies and is a Registered Nurse in Grenada. She is a member of the Board of Directors of the Bel-Air Home and the Communal Cooperative Credit Union.



Allan H. Bierzynski, F.C.C.A

Certified Accountant with the Chartered Certified Accounts of Canada since 1980, Allan H. Bierzynski has served on the Board of Jonas Browne and Hubbards Grenada Ltd. for the past 15 years. He is also on the Board of the Grenada Community Development Association and Grenada Planned Parenthood Association. He completed his studies for the FCCA professional qualification in London.



Margaret A. Blackburn, LL.B. (Honours)

A Barrister-At-Law, Margaret Blackburn is a Senior Partner at the law firm of Renwick and Payne, Attorneys-at-Law. She earned her qualifications in London in 1975 and returned to Grenada in 1990.

directors



Leon D. Charles, B.Sc. (Agri. Management), MBA

Leon D. Charles hold a Bachelor of Science degree in Agricultural Management from the University of the West Indies, a Master of Business Administration (MBA) from the University of Western Ontario.

Leon D. Charles is a Management Consultant specializing in issues on social development and poverty reduction. He is a Member of the American Management Association and the American Society for Training & Development. He serves on the Board of the National Development Foundation.



Hugh D. Dolland

A Former President of the Chamber of Industry and Commerce, Hugh D. Dolland is an experienced businessman with over twenty-three (23) years experience. He is a Rotarian and has served as Honorary Council for Sweden for the last two years. He has also been on the National Cricket Team.



Cheryl F. Greaves, BSc. (Mgmt Studies), F.C.C.A., C.A.

Cheryl F. Greaves, Managing Director of Republic Finance and Merchant Bank Limited is a Fellow of the U.K. Institute of Certified Chartered Accountants and a Member of the Institute of Chartered Accountants of Trinidad and Tobago. Mrs. Greaves also holds a Bachelor of Science Degree in Management Studies from the University of the West Indies. She is also a graduate of the Harvard Business School Advanced Management Program for Senior Executives.

She has been a Director of The National Commercial Bank of Grenada Limited since 1998. Mrs. Greaves also serves on the Board of Directors of London Street Project Company Limited, Botanical Gardens Project Company, The Home Mortgage Bank and Republic Securities Limited.



Vans T. LeBlanc, BBA (Finance), M.A. (Economics)

Vans T. LeBlanc is the General Manager of the National Commercial Bank of Dominica. Prior to this, Mr. LeBlanc was Manager - Mortgage Centre, Maple Ridge, BC. He has extensive career experiences holding positions at the Western Indian Lending Association, Vancouver, BC, AID Bank, Dominica and General Electric Credit Corporation, Stamford, USA.



Gregory I. Thomson, B.Sc. (Maths & Physics), MBA

Gregory Thomson is the Executive Director of Republic Bank Limited. A career banker, he has over twenty-five years experience in banking and finance in Trinidad. He joined the Republic Bank Group in 1993 and has held several senior management positions within the Group prior to his appointment. He holds a Bachelor of Science Degree in Mathematics and Physics from The University of the West Indies and a Master of Business Administration Degree (MBA) from the University of Western Ontario. Mr. Thomson is presently a member of the Board of Directors of Republic Bank Limited, Republic Finance and Merchant Bank Limited, Republic Securities Limited, Republic Nominees Company Limited, The National Commercial Bank of Grenada Limited, The Trinidad and Tobago Centralised Depository Limited, and The National Flour Mills Limited.

Auditors' Report

REPORT OF THE AUDITORS TO THE MEMBERS OF THE NATIONAL COMMERCIAL BANK OF GRENADA LIMITED

We have audited the accompanying balance sheet at 30th September, 2002 and the related statements of income, and changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above as set out on pages 3 to 16 present fairly in all material respects, the financial position of the Bank at 30th September, 2002 and the results of its operations and cash flows for the year then ended in conformity with approved accounting standards.

GRENADA:

10th October, 2002



Chartered Accountants:

Balance Sheet

at 30th September, 2002

	notes	2002 \$	2001 \$
ASSETS			
Cash on hand		7,627,131	6,283,997
Statutory deposits with central bank		27,825,000	23,382,000
Due from banks		66,084,109	7,270,913
Treasury bills		794,210	794,210
Investments	5 & 9	131,967,517	107,754,040
Advances	4 & 9	284,197,083	285,131,467
Accrued interest receivable		4,576,297	2,189,223
Other receivables		1,259,184	2,403,670
Premises and equipment	8	13,265,305	13,546,489
Total Assets		\$537,595,836	\$448,756,009
LIABILITIES & SHAREHOLDERS' EQUITY			
LIABILITIES			
Current, savings, and deposits accounts	7 & 9	457,103,851	395,012,693
Due to banks		521,920	75,983
Taxation	13	-	81,455
Accrued interest payable		2,207,592	2,173,633
Other liabilities		19,220,631	11,593,353
		479,053,994	408,937,117
SHAREHOLDERS' EQUITY			
STATED CAPITAL	11	15,000,000	15,000,000
STATUTORY RESERVE	2(h)	15,000,000	11,123,619
OTHER RESERVE	2(m)	12,235,966	-
RETAINED EARNINGS		16,305,876	13,695,273
		58,541,842	39,818,892
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$537,595,836	\$448,756,009

The notes on pages 22 to 28 form part of these financial statements

Ronald F. deC. Harford : Director

Daniel A. Roberts : Director

financials

Statement of Income

for the year ended 30th September, 2002

	notes	2002 \$	2001 \$
Interest Income	3(a)	40,040,090	37,483,708
Interest Expense	3(b)	15,575,238	14,726,041
Net interest income		24,464,852	22,757,667
Other income	3(c)	7,402,713	6,761,292
		<u>31,867,565</u>	<u>29,518,959</u>
Less: Provision for loan losses		1,211,235	653,394
Operating expenses (Note 3)	3(d)	18,853,554	18,563,335
		<u>20,064,789</u>	<u>19,216,726</u>
Operating profit		11,802,776	10,302,233
Staff profit sharing		721,182	655,941
Profit before taxation		<u>11,081,594</u>	<u>9,646,289</u>
Deduct: Provision for Taxation			
Income Tax - current	13	849,603	1,202,028
General consumption tax		370,007	342,732
Total taxation expense		<u>1,219,610</u>	<u>1,544,760</u>
Net profit after taxation		<u>\$9,861,984</u>	<u>\$8,101,529</u>

Statement of Changes in Shareholders' Equity

for the year ended 30th September, 2002

	Stated Capital	Statutory Reserves	Other Reserves	Retained Earnings	Total
Balance at 30 th September, 2000	15,000,000	9,503,313	-	8,114,050	32,617,363
2001 net profit	-	-	-	8,101,529	8,101,529
Transfers to statutory reserve	-	1,620,306	-	(1,620,306)	-
Dividends	-	-	-	(900,000)	(900,000)
Balance at 30 th September, 2001	15,000,000	11,123,619	-	13,695,273	39,818,892
2002 net profit	-	-	-	9,861,984	9,861,984
Transfer to statutory reserve	-	3,876,381	-	(3,876,381)	-
Dividends	-	-	-	(3,375,000)	(3,375,000)
Investment revaluation	-	-	12,235,966	-	12,235,966
Balance at 30 th September, 2002	<u>\$15,000,000</u>	<u>\$15,000,000</u>	<u>\$12,235,966</u>	<u>\$16,305,876</u>	<u>\$58,541,842</u>

The notes on pages 22 to 28 form part of these financial statements

Statement of Cash Flows

for the year ended 30th September, 2002

	2002 \$	2001 \$
OPERATING ACTIVITIES		
Profit before taxation for the year	11,081,594	9,646,289
Adjustments for:		
Depreciation	1,645,617	1,536,874
Provision for loan losses	1,211,235	653,394
Increase/(decrease) in customers' loans	(276,851)	(22,886,828)
Increase in customers' deposits	62,091,158	38,008,274
Increase in statutory deposits with Central Bank	(4,443,000)	(2,165,000)
Increase/(decrease) in other assets	(1,053,240)	597,271
Increase/(decrease) in other liabilities	7,209,775	(2,662,055)
Income taxes paid	(1,038,276)	(1,080,000)
	<u>76,428,012</u>	<u>21,648,219</u>
Cash provided by operating activities		
INVESTING ACTIVITIES		
Purchase of investments - net	(24,213,477)	(15,147,291)
Additions to fixed assets	(1,608,813)	(2,473,310)
Disposal of fixed assets	244,380	95,447
	<u>(25,577,910)</u>	<u>(17,525,154)</u>
Cash used in investing activities		
FINANCING ACTIVITIES		
Dividends paid on share capital	(3,375,000)	(2,925,000)
Increase/(decrease) in balances due to other banks	445,937	(1,292,109)
Other reserve	12,235,966	-
	<u>9,306,903</u>	<u>(4,217,109)</u>
Cash provided by/(used in) financing activities		
Increase/(decrease) in cash and cash equivalents	60,157,005	(94,044)
Cash and cash equivalents at beginning of year	14,349,120	14,443,164
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$74,506,125</u>	<u>\$14,349,120</u>
REPRESENTED BY:		
Cash on hand	7,627,131	6,283,997
Due from banks	66,084,109	7,270,913
Treasury bills and bills discounted	794,885	794,210
	<u>\$74,506,125</u>	<u>\$14,349,120</u>

The notes on pages 22 to 28 form part of these financial statements

Notes to Financial Statements

for the year ended 30th September, 2002

1. PRINCIPAL ACTIVITY

The Bank is a public company providing commercial banking services through branches in St. George's, Grenville, Gouyave, Sauteurs, St. David's, Carriacou, Petit Martinique and Grand Anse. The Bank was continued in accordance with the Company's Ordinance Section 365. It is a subsidiary of Republic Bank Limited of Trinidad and Tobago.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These financial statements are expressed in Eastern Caribbean Currency Dollars and are prepared on the historical cost convention. The accounting policies conform with International Accounting Standards in all material respects.

(b) Depreciation

Depreciation, except in the case of land and buildings is provided on the fixed instalment basis at rates expected to apportion the cost of the assets over their estimated useful lives. Freehold land and buildings are not depreciated, while leasehold buildings are depreciated over the period of the lease. The rates used are as follows:

Motor vehicles	20%
Furniture, fixtures and equipment	20%
Air-conditioning units	16 2/3%
Computer - hardware	25%
- software	33 1/3%

(c) Investments

International Accounting Standard No. 39 relating to financial instruments was implemented during the current year. Investments in dated securities are therefore stated at their fair value. Prior year figures were not amended.

(d) Foreign Currencies

Assets and liabilities in foreign currencies are expressed in Eastern Caribbean Currency Dollars at rates of exchange ruling at the date of the Balance Sheet. Profits and losses on exchange are dealt with in arriving at the profit before taxation.

(e) Advances and Other Assets

Performing advances and other assets are stated at principal outstanding, net of unearned interest. Non-performing advances are amounts for which interest no longer continues to be accrued and taken into income on an ongoing basis because there is doubt as to the recoverability of the advances. Income from non-performing advances is taken into income on a cash basis, but only after prior specific provisions for losses have been recovered.

For non-performing advances, specific provisions are made for the unsecured portion of the loan.

Advances are stated net of any unearned income and of allowances for credit losses. Interest income is accounted for on the accrual basis for all loans other than classified debts and other non-performing advances. Accrued interest is included in advances in the balance sheet.

Notes to Financial Statements

for the year ended 30th September, 2002 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Employee benefits – Pension Plan

The company maintains a defined benefit pension plan for all permanent employees in accordance with International Accounting Standard 19 – Employee Benefits. The company contributes 9.3% of the employees' base pay. Average contributions per month amount to \$51,669.

The pension accounting costs are assessed using the projected unit credit method where the cost of providing pensions is charged to the statement of income so as to spread regular costs over the service lives of employees in accordance with the advice of qualified actuaries. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10% of the defined benefit obligation and the fair value of plan assets. The unrecognized actuarial gain of \$0.244 million is within the prescribed 10% corridor and is therefore not recognized in the financial statements.

(g) Use of estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Statutory Reserves

The Banking Act of Grenada 1988, requires that a minimum of 20% of the net profit after deduction of taxes in each year, be transferred to a statutory reserve fund until the balance on this reserve is equal to the paid-up capital. These reserves are not available for distribution or any other form of appropriation.

(i) Taxation

Deferred taxes are provided for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using current corporation tax rates.

(j) Reserve Deposit

Pursuant to the Banking Act of Grenada 1988, The Bank is required to maintain specified assets as a reserve requirement to its deposit liabilities.

(k) Revenue recognition

Interest income is recognized in the statement of income for all interest bearing instruments on an accrual basis. Fees and commissions are generally recognized on an accrual basis. Dividend income is recognised in income when received.

(l) Comparative figures

Certain changes in presentation have been made during the year and comparative figures have been restated accordingly. These changes include the non-recognition of proposed dividends in accordance with International Accounting Standard no. 10.

(m) Other Reserves

This reserve of \$12,235,966 arose upon revaluation of investments in dated securities to their fair value based on market values at 30th September, 2002, (note 4), in accordance with the provisions of IAS 39.

Notes to Financial Statements

for the year ended 30th September, 2002 (continued)

3. OPERATING PROFIT	2002 \$	2001 \$
a) Interest income		
Loans and advances	30,102,857	29,206,006
Investment income	9,937,233	8,277,702
	<u>40,040,090</u>	<u>37,483,708</u>
b) Interest expense		
Customers' deposits	14,817,759	13,152,950
Other	757,479	1,573,091
	<u>15,575,238</u>	<u>14,726,041</u>
c) Other income		
Fee and commission income	3,729,473	3,661,273
Exchange earnings	3,182,585	2,747,761
Other operating income	490,655	352,258
	<u>7,402,713</u>	<u>6,761,292</u>
d) Operating expenses		
Depreciation	1,645,617	1,536,874
Directors' fees and expenses	88,637	82,470
Staff costs	9,609,798	9,440,961
Property related	703,152	698,868
General administrative expenses	6,317,245	6,224,871
Advertising and public relations	489,105	579,291
	<u>18,853,554</u>	<u>18,563,335</u>
4. ADVANCES		
a) Net advances		
Performing advances	280,073	284,086
Non performing advances	14,503	13,760
	<u>294,576</u>	<u>297,846</u>
Unearned interest	(5,289)	(7,947)
Accrued interest	826	1,108
	<u>290,113</u>	<u>291,007</u>
Provision for loan losses	(5,916)	(5,875)
	<u>284,197</u>	<u>285,132</u>
b) Provision for loan losses		
Balance brought forward	5,875	6,543
Specific charge against profits	2,392	2,617
Charge-offs and write-offs	(1,131)	(1,492)
Recoveries	(1,220)	(1,793)
	<u>5,916</u>	<u>5,875</u>

Notes to Financial Statements

for the year ended 30th September, 2002 (continued)

4. ADVANCES (continued)	2002 \$	2001 \$
c) Maturity profile of Advances		
Within one year	52,037	63,354
One to five years	54,821	72,188
Over five years	177,339	149,590
	<u>284,197</u>	<u>285,132</u>
5. INVESTMENTS		
Investments in dated securities (Notes 2 & 14)	124,088,496	102,162,790
Short term investments	6,057,151	3,916,250
Other investments	2,074,570	1,927,700
	<u>132,220,217</u>	<u>108,006,740</u>
Less: Provision for diminution in investment value	252,700	252,700
	<u>\$131,967,517</u>	<u>\$107,754,040</u>
<p>Included in dated securities investments is a buy and sell back agreement in the amount of EC \$10.8M with the bank's parent Company - Republic Bank Limited.</p>		
6. DIVIDENDS		
<p>The board of directors has declared a final dividend of \$2.00 per share for the year ended 30th September, 2002. This dividend amounting to \$3 million is not recorded as a liability in the balance sheet. This is in accordance with IAS 10. (Note 2 (l)).</p>		
7. CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS		
	2002 \$	2001 \$
Current accounts credit balances	96,208,613	62,060,120
Foreign currency accounts	49,676,023	54,065,408
Savings	241,372,706	214,738,718
Time deposits	69,846,509	64,148,447
	<u>\$457,103,851</u>	<u>\$395,012,693</u>

financials

Notes to Financial Statements

for the year ended 30th September, 2002 (continued)

8. FIXED ASSETS	Land	Commercial Building & Residence	Leasehold	Furniture, fixtures & equipment	Motor vehicles	Total
Costs						
Balance at October 1 st , 2001	525,125	8,741,992	3,379,665	14,981,692	1,159,043	28,787,517
Additions for the year	-	59,907	305,459	1,010,086	233,360	1,608,812
Sales/Disposals	-	(190,171)	-	(189,212)	(285,875)	(665,258)
Balance at September 30 th , 2002	525,125	8,611,728	3,685,124	15,802,566	1,106,528	29,731,071
Accumulated Depreciation						
Balance at October 1 st , 2001	-	-	2,295,291	12,507,275	438,462	15,241,028
Charge for the year	-	-	367,705	1,061,218	216,694	1,645,617
Written back on sales/disposals	-	-	-	(177,863)	(243,016)	(420,879)
Balance at September 30 th , 2002	-	-	2,662,996	13,390,630	412,140	16,465,766
NET BOOK VALUE 2002	\$525,125	\$8,611,728	\$1,022,128	\$2,411,936	\$694,388	\$13,265,305
NET BOOK VALUE 2001	\$525,125	\$8,741,992	\$1,084,374	\$2,474,417	\$720,581	\$13,546,489

9. CONCENTRATION OF ASSETS AND LIABILITIES	2002 \$	2001 \$
a) Advances		
Agriculture	7,330	5,914
Fisheries	1,796	2,324
Mining and quarry	1,000	1,000
Manufacturing	7,626	6,313
Energy	1,599	2,424
Construction and real estate	11,031	10,102
Distributive trades	33,260	33,922
Hospitality	18,816	19,005
Transportation and storage	10,378	14,767
Financial services	1,636	934
Professional and other services	12,992	10,315
Public administration	13,701	12,829
Personal	163,032	165,283
	<u>284,197</u>	<u>\$285,132</u>
b) Investments		
Central government securities	35,335	39,031
Statutory board securities	46,524	7,931
Corporate bonds and debentures	13,146	8,495
Other	36,962	52,297
	<u>\$131,967</u>	<u>\$107,754</u>

Notes to Financial Statements

for the year ended 30th September, 2002 (continued)

9. CONCENTRATION OF ASSETS AND LIABILITIES (continued)	2002 \$	2001 \$
c) Customers' current, savings and deposit accounts		
State sector	60,803	43,204
Corporate and commercial sector	49,668	44,192
Personal sector	265,642	239,483
Other financial institutions	11,606	12,751
Other	69,385	55,383
	<u>\$457,104</u>	<u>\$395,013</u>

10. UNDRAWN COMMITMENTS

Loans and overdraft facilities committed but not yet drawn total approximately \$27,839,933 (2001: \$33,379,110).

11. STATED CAPITAL

	2002	2001
Authorised 2,500,000 ordinary shares of no par value		
Issued and fully paid 1,500,000 ordinary shares of no par value	<u>\$15,000,000</u>	<u>\$15,000,000</u>

12. CONTINGENT LIABILITIES

Customers' liability under acceptances, guarantees, indemnities and letters of credit

The bank has a potential liability under acceptances, guarantees, indemnities and letters of credit and an equal and offsetting claim against its customers in the event of a call on those commitments.

	2002	2001
Guarantees and indemnities	11,101,496	10,572,292
Letters of credit	528,837	1,292,582
	<u>\$11,630,333</u>	<u>\$11,864,874</u>
Sectoral information		
State sector	-	421,928
Corporate and commercial sector	11,622,833	11,440,446
Personal sector	7,500	2,500
	<u>\$11,630,333</u>	<u>\$11,864,874</u>

Notes to Financial Statements

for the year ended 30th September, 2002 (continued)

13. TAXATION

Reconciliation

Income taxes in the statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

	2002 \$	2001 \$
Accounting profit	11,081,594	9,646,289
Tax at applicable statutory rate	3,324,478	2,893,887
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt - income on investments	(2,475,020)	(1,709,932)
Other	145	18,073
Taxation expense	\$849,603	\$1,202,028

14. FINANCIAL INSTRUMENTS

The estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require considerable judgment in interpreting market data and developing estimates. Accordingly the estimates contained herein are not necessarily indicative of the amounts that the Bank could realize in a current market exchange. The use of different assumptions and/ or estimation methodologies may have a material effect on the estimated fair values.

The fair value information is based on information available to management as of the dates presented. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, the current estimates of fair value may differ significantly from the amounts presented herein.

Financial instruments where carrying value is equal to fair value:- Due to their short-term maturity, the carrying value of certain balance sheet financial instruments is assumed to approximate their fair values. These include cash and cash equivalents, accrued interest receivable, deposits and other assets and other liabilities.

Loans:- The estimated fair value for performing loans is assumed to be equal to the carrying values as the inherent rates of interest in the portfolio approximate market conditions and yield cash flow values which are substantially equal to the carrying value.

Investments:- These investments include equity instruments, bonds and other securities which have been evaluated by the Bank, and their fair values are assumed to be equal to their carrying values.

Notice of Meeting

Notice is hereby given that the Annual Meeting of the Members of The National Commercial Bank of Grenada Limited will be held at the Spice Island Beach Resort, Grand Anse, St. George's, on Thursday the Twelfth day of December, 2002, at the hour of 10:00 a.m. to:

1. Receive the Annual Report, the Financial Statement for the year ended 30th September, 2002 and the Report of the Auditors
2. Announce Dividends
3. Elect Directors
4. Appoint auditors and authorise the Directors to fix the remuneration of such auditors
5. Any other business

By order of the Board.

DANIEL A. ROBERTS
SECRETARY

PROXIES

Members of the Company who are unable to attend and vote at the meeting may complete, date, sign and return the enclosed form of proxy in order to appoint one or more proxies to attend and, in a poll, vote instead of them. A proxy need not be a member. To be effective, the completed form of proxy must be received by the Secretary of the Company not less than forty-eight hours before the time fixed for the meeting. Members who return complete proxy forms are not precluded, if subsequently they so wish, from attending the meeting instead of their proxies and voting in person. In the event of a poll their proxy votes lodged with the Directors of the Company will be excluded.

DOCUMENTS AVAILABLE FOR INSPECTION

There are no Service Contracts granted by the Company, to any Director or Proposed Director of the Company.

proxy form

Proxy Form

I/We being a member/members of The National Commercial Bank of Grenada Limited, hereby appoint Mr. Ronald F. deC Harford, or failing him, Mr. Daniel A. Roberts, Directors of the Company or

as my/our proxy to vote for me/us on my/our behalf as indicated below on the Resolutions to be proposed at the Annual Meeting of the Company to be held on the 12th day of December, 2002 and at any adjournment thereof.

Dated this _____ day of _____ 2002

Signature

Name(s) in Block Capitals

Please indicate with an 'X' in the spaces provided how you wish your proxy to vote on the Resolutions referred to. If no such indication is given, the proxy will exercise his discretion as to how he votes or whether he abstains from voting.

	FOR	AGAINST
RESOLUTION 1 To receive the Annual Report, the Financial Statements and Report of the Auditors		
RESOLUTION 2 To elect Directors: Gregory Thompson Hugh Dolland Cheryl Greaves Vans LeBlanc		
RESOLUTION 3 To appoint Auditors - Pannell Kerr Forster and authorise Directors to fix their remuneration		

Notes:

1. If it is desired to appoint a proxy other than the named Directors, the necessary deletion must be made and initialled and the name inserted in the space provided.
2. In the case of joint holders, the signature of any holder is sufficient but the names of all joint holders must be stated.
3. If the appointer is a Corporation, this form must be under its Common Seal or under the name of an Officer of the Corporation duly authorised in this behalf.
4. To be valid, this form must be completed and deposited with the Secretary, The National Commercial Bank of Grenada Limited, NCB House, Grand Anse, St. George's, Grenada at least 48 hours before the time appointed for holding the Meeting or adjourned Meeting.

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