Our Vision

To be a world-class bank

Our Mission

To create wealth for all stakeholders by providing world-class financial services.

Contents

Notice of Meeting

Notice is hereby given that the Sixteenth Annual General Meeting of the Bank of Nevis Limited will be held at Old Manor Hotel on Thursday, January 30, 2003 at 5:00 p.m.

AGENDA

1. To approve Minutes of the Fifteenth Annual General Meeting held on January 3, 2002.
2. To receive the Report of the Directors.
3. To receive and consider the Accounts for the year ended June 30, 2002.
4. To elect Directors. Messrs Richard Lupinacci and Hanzel Manners retire by rotation and, being eligible, offer themselves for re-election.
5. To declare a dividend of 12.50 cents per share.
6. To appoint Auditors for the year ending June 30, 2003. PricewaterhouseCoopers, Chartered Accountants, retire and, being eligible, offer themselves for reappointment.
7. Any other business.

BY ORDER OF THE BOARD

LYRA RICHARDS (MISS)
Secretary

Notes

1. **All shareholders of record as at December 31, 2002, will be entitled to receive a dividend with respect to the financial year ended June 30, 2002.**

2. **A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him/her. No person shall be appointed by proxy who is not a member of the company and qualified to vote, save that a corporation being a member of the Company (Article 79).**

3. **No person not being a retiring Director shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any General Meeting unless he, or some other member intending to propose him, has at least seven clear days before the meeting left at the office a notice in writing, duly signed, specifying his candidature for the office and the intention of such member to propose him (Article 97).**

Corporate Information

DIRECTORS

Reginald L. Kawaja	Barrister-at-Law / Chairman
Rawlinson Isaac, B.A. (Hons), MBA, AFA, Dip FS, DTEP, FCIB	General Manager
Hanzel Manners, B.A. (Hons), FCCA, ACIB	Chartered Accountant / Chief Financial Officer
Richard Lupinacci, B.A.	Hotelier
Spencer Howell, SCV, RIM	Real Estate Agent
Joseph Parry, B.A. (Hons), JP, Notary Public	Businessman
Daniel Arthurton, Dip. Agric., B.Sc. (Hons), M.Sc.	Consultant
Wendell Huggins, B.A. (Hons)	Businessman

Secretary — Lyra P.S. Richards, Dip. FSM

Registered Office
Bank of Nevis Building
Main Street, Charlestown,
Nevis, West Indies.

Auditors
PricewaterhouseCoopers
11 Old Parham Road,
PO Box 1531,
St. John's, Antigua, West Indies.

Legal Counsel
Kawaja, Gordon & Associates
Barristers-at-Law & Solicitors
Chambers
The Courtyard, Bank of Nevis Bldg.,
Nevis, West Indies

Subsidiary — Bank of Nevis International Ltd.

Correspondent Banks

Antigua	Antigua Commercial Bank
Barbados	Barbados National Bank
Canada	Toronto Dominion Bank
St. Kitts	SKNA National Bank
St. Kitts	Royal Bank of Canada
St. Lucia	Bank of St. Lucia
St. Maarten	Windward Island Bank
St. Vincent	National Commercial Bank
United Kingdom	ABN-AMRO (London)
United States	Bank of America
United States	ABN-AMRO (New York)

Investment Brokers
Bear Stearns
Charles Schwab

Group's Financial Highlights [1998-2002]

(Amounts expressed in Eastern Caribbean dollars)

	2002 (000)	2001 (000)	2000 (000)	1999 (000)	1998 (000)
Total Assets	228,726	201,027	230,995	177,428	91,929
Total Deposits	203,976	175,914	209,725	156,800	81,208
Loans & Advances (Net)	58,674	49,776	44,602	34,384	30,610
Cash & Short Term Funds	104,324	121,238	122,594	69,300	55,624
Short-Term Investment	12,284	2,948	2,948	2,948	1,965
Investment Securities	46,051	18,522	53,059	64,329	-
Premises & Equipment (Net)	3,579	3,605	3,783	3,907	3,163
Gross Operating Income	13,909	15,150	15,639	11,189	6,679
Earnings before taxation	2,301	5,390	6,506	5,139	2,338
Total Expense/Provisions	11,608	9,759	9,133	6,051	4,341
Interest Expense	4,748	4,325	3,286	2,562	2,077
Provision for Income Tax	421	475	332	344	694
Net Earnings	1,880	4,915	6,174	4,795	1,644
Paid-up Share Capital	7,478	7,478	7,478	4,985	4,979
Revenue & Capital Reserves	9,296	12,248	7,332	5,984	2,097
Shareholders' Equity	16,774	19,726	14,811	10,880	7,076
Return on Assets (%)	0.87	2.28	3.02	3.56	2.04
Return on Equity (%)	10.30	28.46	48.86	53.41	27.90
Earnings per share ($)	0.25	0.66	0.83	0.64	0.40
Dividend per share ($)	0.125	0.30	0.30	0.20	0.10
Number of Employees	36	32	30	26	20

Chairman's Report

I am pleased to welcome you to this year's Annual General Meeting and to introduce and report on the financial statements and affairs of the Bank.

The financial statements and record will show the following:

Current:

1. A net profit of $1.88 million in 2002 (compared to $4.9 million for 2001); a $28 million increase in assets from $201 million to $229 million with shareholders' equity of $16.7 million (compared to $19.7 million in 2001).

2. A proposed dividend of 12.5 cents per share compared to 30 cents per share in 2001.

Of Record:

3. Cash dividends to shareholders totalling approximately $8.0 million have been paid to shareholders in the past 10 years (including approx. $935,000 for 2002).

4. Some 533 shareholders now own the 7.48 million ordinary shares of the company, approximately 4.06 million of which were issued as bonus shares; the balance of approximately 3.42 million shares were subscribed and paid for at $1.00 cash each, contributing to shareholders' equity only a total of $3.42 million, now standing at $16.7 million.

The above clearly shows an exceptional growth rate and return on shareholders' investment.

"9/11" intervened and impacted negatively on the above earnings record for 2002, with a decrease in the value of certain of our investments and a decrease in interest earnings (of the subsidiary BONI), the latter resulting from income interruptions due to frequent changes in correspondent banking relationships caused by blacklisting of the jurisdiction (now removed).

Future

We expect that the financial climate will soon fully normalise and enable us to continue to pursue our goal of satisfactory returns to our shareholders.

The increase of $28 million in assets is important and encouraging and we shall continue to build on this and other areas of the Bank's activity.

The Company and its Stakeholders

We continue to play a role in community affairs as we recognise that in one way or another the Bank's activities have touched the lives of a significant number of our citizens.

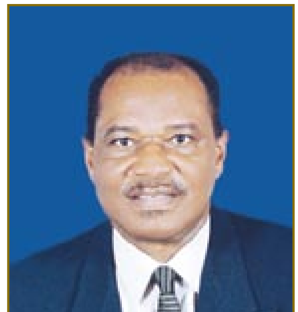
In closing I thank my fellow Directors, management and staff of the Bank for their hard work and continuing commitment to the objectives and mission of the Bank, and our customers and shareholders for their support, loyalty and encouragement.

Reginald Kawaja
Chairman

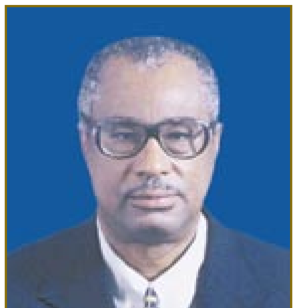
Board of Directors

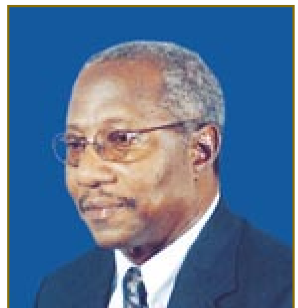

Mr. Richard S. Lupinacci

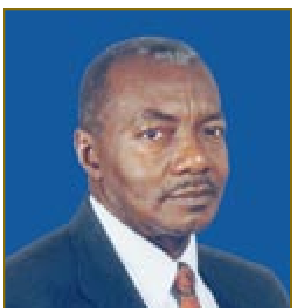

Mr. Daniel Arthurton

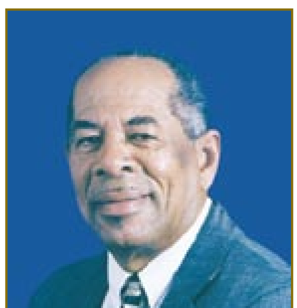

Mr. R. Wendell Huggins


Mr. Reginald L. Kawaja


Mr. Joseph Parry


Mr. Hanzel Manners


Mr. Rawlinson Isaac


Mr. Spencer H. Howell


Ms. Lyra P.S. Richards
(Secretary)

The year under review presented new challenges to the Bank as we were forced to grapple with the effects of the downward trends in the global economy. To put the overall performance of the Bank into perspective, we have focused on the salient features of the Domestic and International operations, where necessary.

Our International operation was affected by a fall in US interest rates from 3.75% in July 2001 to 1.75% in June 2002 as the Federal Reserve Board (the Fed) continued to cut rates to stimulate the United States economy. These falling rates resulted in a dramatic decline in interest income from our United States Dollar deposits. Coupled with the fall in interest rates, we witnessed an erosion in the value of our US investments as the US securities market continued to under-perform.

Despite the unfavourable external conditions, the domestic economy performed satisfactorily. The Nevis Island Government continued its infrastructural development programme with the renovation of schools, the Alexandra Hospital, the island main road resurfacing project, and the construction of the new airport terminal building. The construction sector continued to show signs of growth, while the hotel and tourism sector showed some decline, especially after the 9/11 crisis.

It is within the context of the aforementioned economic conditions that we present to you, our shareholders, the performance of the Bank for the financial year ended June 30, 2002.

GROUP FINANCIAL REVIEW

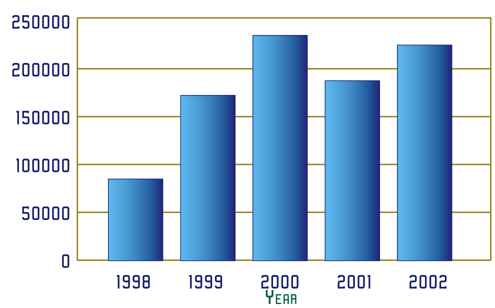
Balance Sheet Performance

The Group's Total Assets grew by $27,698,853 or 13.8% to reach $228,725,873 in 2002 compared with a decline of $29,927,846 or 13.0% in 2001.

The Domestic Bank accounted for $18,278,242 or 66% of the increase, with 34% being attributed to the International Bank.

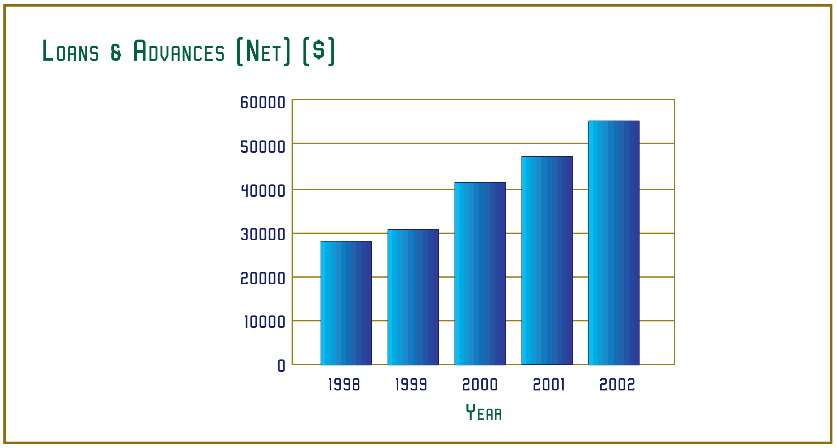
Cash and Balances due from Banks of $104,324,083 or 45.6% represent the dominant share of the Total Assets compared with $121,237,807 or 60.3% in 2001. This position reflects the soundness of our liquidity policy to meet the likely demands of customers in search of higher returns on their funds in a declining interest rate environment.

Group Total Assets ($)

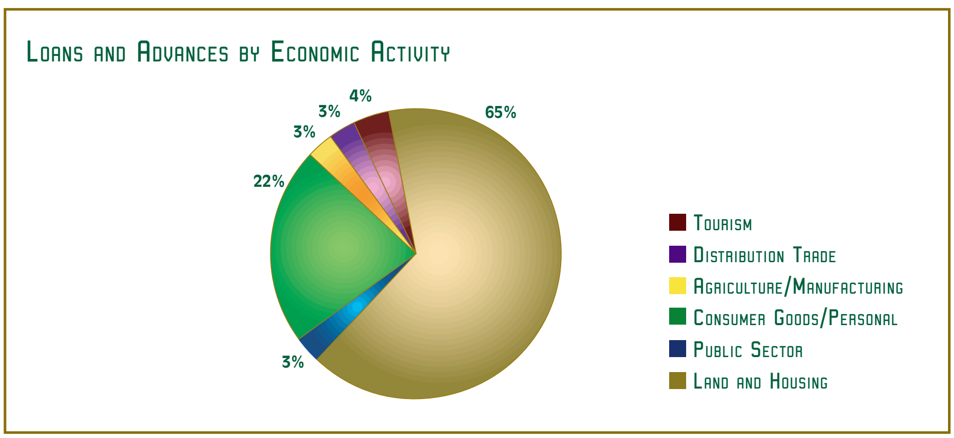


Loans and Advances (Net)

Net loans and advances grew by $8,897,651 or 17.9% to $58,673,739, compared with an increase of $5,174,219 or 11.6% in 2001. Non-performing loans and advances increased by $979,829 or 12.0% from $7,709,245 (2001) to $8,689,074 (2002).



Loans and advances are primarily assets of the Domestic Bank and reflect our contribution to the social and economic advancement of the local community. The chart below shows a loans/advances distribution by economic activity.



From the chart it is clear that the Bank has been true to its guiding principles of "Improving the Quality of Life". 65% of the total loan portfolio is represented by investments in land and housing. It is also important to note the significance of the Eastern Caribbean Home Mortgage Bank in providing a secondary market for mortgages should a liquidity problem arise.

Non-performing loans are a major concern for management and the Board, and we continue to monitor the portfolio closely and to intensify our collection efforts. They represent 13.8% of the total loans portfolio compared with 14.5% in 2001. According to the ECCB prudential guidelines, loans must be classified as non-performing if they are more than ninety days in arrears. Further interest cannot be taken to income until the arrears are brought within approved levels. This condition impacts negatively on the portfolio's average interest yield.

Most of our non-performing loans are secured, and we should not experience any significant loss given the current valuation of the securities. However, security values can decline, particularly where there is a very weak market for auctioned properties.

Loan loss provision increased by $909,045 or 25.6% to $4,463,223 compared with an increase of $736,878 or 26.2% in 2001. Loan loss provision represents 51.4% of non-performing loans in 2002.

Investment Securities

Investment securities represent securities available for sale, quoted and unquoted, plus originated debts and are classified as follows:

	$	%
Held to maturity	1,000,000	2.2
Available for sale (quoted)	38,391,661	83.3
Available for sale (unquoted)	898,240	2.0
Originated debt	5,761,073	12.5
TOTAL	**46,050,974**	**100.0**

These represent 20.1% of Total Assets compared with 9.2% in 2001 and showed a marked increase of $27,528,889 or 148.6% over the previous year. Quoted securities are measured based on quoted bid prices and the accounting treatment is indicated under Significant Accounting Policies [Note 2 (g)]. The net unrealised losses arising from changes in the fair value of securities classified as available for sale ($2,588,697) are recognised under Equity–see Note 13 to the accounts.

The quoted securities represent a significant constituent of the total investment portfolio of the International Bank and the unrealised losses reflect the adverse US Securities Market condition at the end of the financial year. The primary reason for the significant increase in these securities has been a move away from low interest bearing deposits with US Banks to direct investments in the US fixed income securities.

Treasury Bills

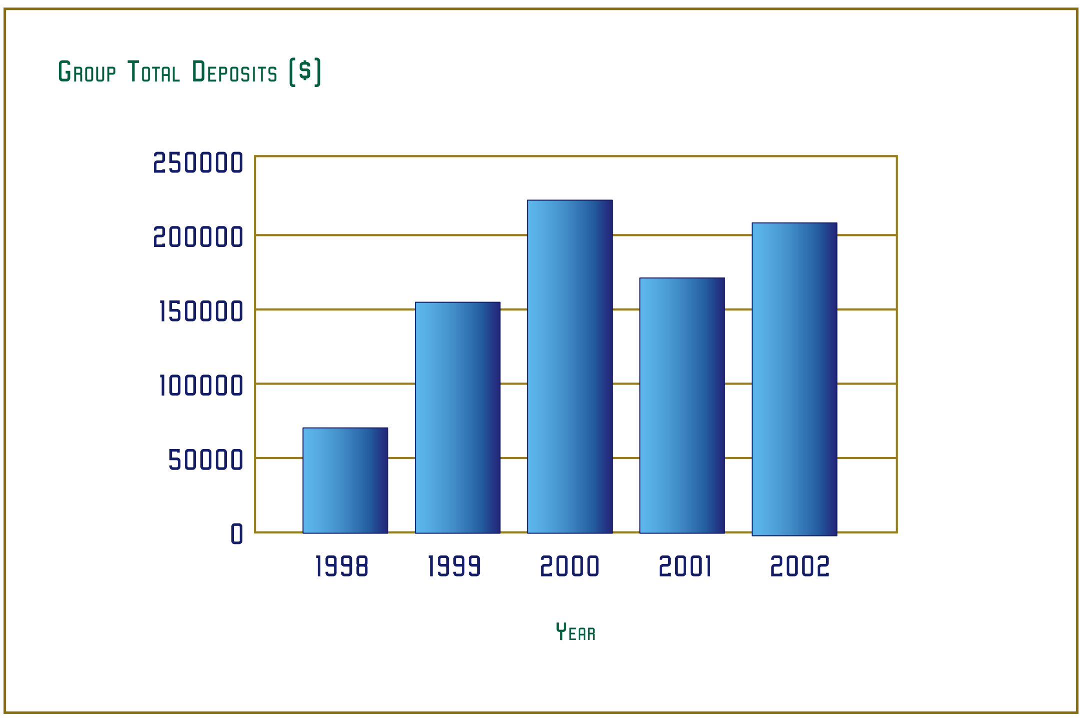
Treasury Bills increased by $9,336,227 or 316.8% to $12,283,727 in 2002 in keeping with our policy of obtaining higher yield for your short-term funds.

Deposits

Deposits grew by $28,062,533 or 16.0% in 2002 compared with a decline of $33,811,843 or 16.1% in 2001. The Domestic Bank accounted for $20,370,546 of the increase or 72.6%, with the International Bank accounting for $7,691,987 or 27.4%.

The Group now controls 13.6% of the deposits of the Banking Sector in St. Kitts-Nevis compared with 12.6% in 2001 – up 1%.

The average cost of funds to the Group was 2.5% in 2002, compared with 2.2% in 2001. Cost to the Domestic Bank was 5.7% in 2002, down from 7.7% in 2001. Our Domestic deposit rates were reduced during the year in response to a decline in interest earned on investments, fixed deposits and other short-term funds.



Shareholders' Equity

Shareholders' equity declined by $2,951,992 or 15.0% in 2002 compared with an increase of $4,915,177 or 33.2% in 2001. This significant decline was due mainly to three (3) factors:

1. Accounting treatment of investment securities based on the new International Accounting Standard No.39, resulting in an adjustment to Retained Earnings for unrealised losses on investment, totalling $2,588,697.

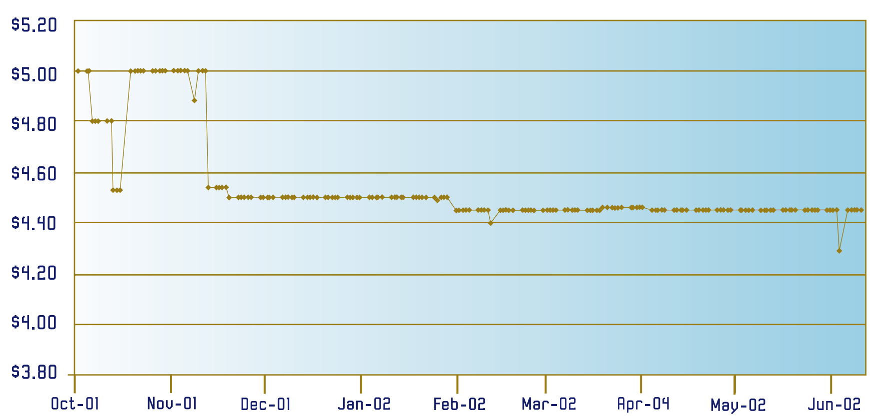
2. New treatment of Dividends. According to newly adopted International Accounting Standard No.10, dividends are no longer shown as a provision in the year to which they relate, but as an appropriation of Retained Earnings in the year in which they are paid. The 2001 dividends were deducted from Retained Earnings during the year ended June 30, 2002.

3. The lower level of net income achieved in financial year 2002.

Shareholders' Funds to Total Assets as at June 30, 2002 stood at 7.3% down from 9.8% in 2001. Net Asset Backing (Net Book Value) stood at $2.24 in 2002 compared with $2.64 in 2001 – a decline of $0.40 or 15.2%.

At the end of June 2002, the Bank shares traded on the ECSE at $4.45 compared with the initial opening price of $5.00, on October 19, 2001. This represents a fall in share price for that period of $0.55 or 11%. The market capitalisation of the Bank's shares at year end was $33,277,768.

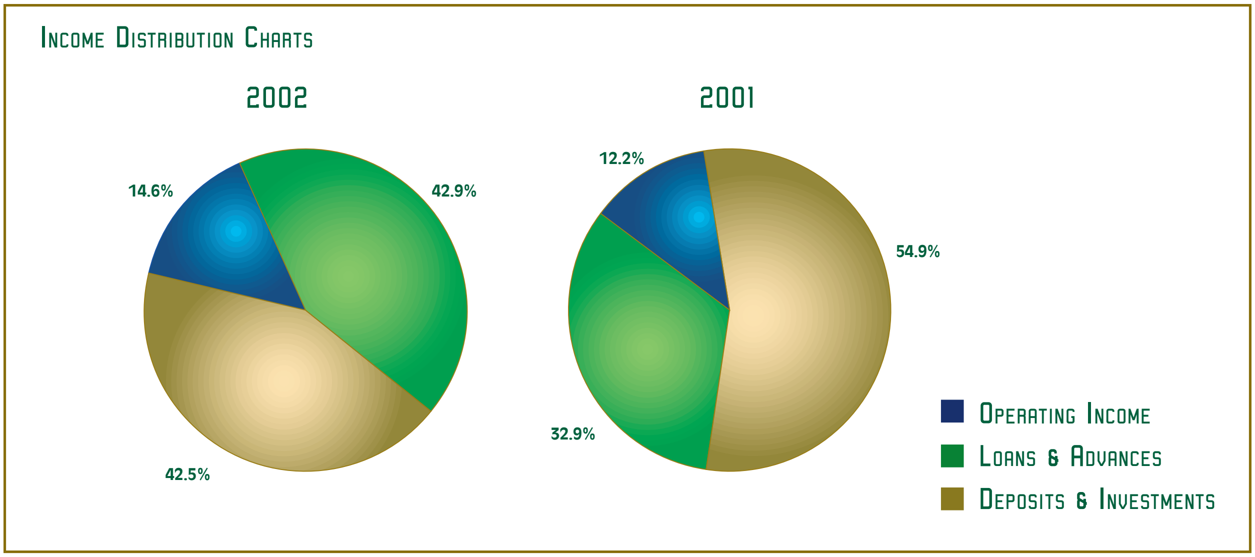
CHANGES IN MARKET PRICE OF BON COMMON SHARES
OCT 19, 2001-JUNE 30, 2002



Profitability

Gross income for the year declined by $1,240,720 or 8.2% from $15,149,664 in 2001 to $13,908,944 in 2002 compared with a decline of $489,694 or 3.1% over the previous year.

The sources of income can be seen from the income distribution chart below:



In 2002 loans and advances accounted for the largest share of the income stream of 42.9%, whereas in 2001 interest on deposits and investments was the main source of income. Interest on deposits and investments fell by $2,403,320 or 28.9% from $8,312,614 to $5,909,294, while interest on loans and advances increased by $979,340 or 19.6% during the same period.

Interest yield on loans and advances for the year under review was 10.25%, up from 9.9% in 2001.

Expenses as a percentage of total revenues were as follows:

	2002 %	2001 %
General and Administrative Expenses	34.1	23.7
Other Expenses	8.7	7.3
Interest Expense	34.1	28.6
Loan loss provision	6.5	4.9
Taxation	3.1	3.1
	86.5	67.6
Profit Margin (%)	13.5	32.4
	100.0	**100.0**

Profitability *... continued*

General and Administrative expenses increased by $1,157,399 or 32.3% from $3,584,337 in 2001 to $4,741,736 in 2002, compared with an increase of $315,435 or 9.7% during the previous period.

The significant increase was influenced by the following items:

- Investment securities write-off $386,228
- Credit Card development project $256,517
- Increase in merchant processing provision $758,698

Staff and related costs fell by $304,017 or 16.2% from $1,875,962 in 2001 to $1,571,945 in 2002. Staff costs represent 33.2% of general and administrative expenses compared with 52.3% in 2001.

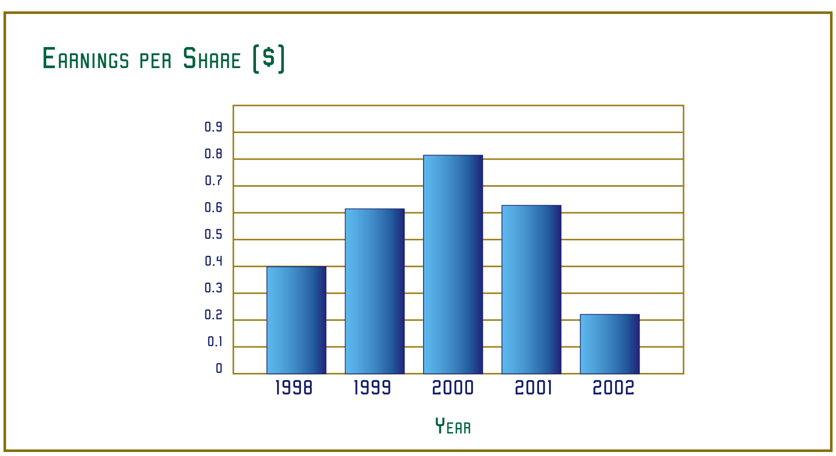
Operating expenses as a percentage of total assets stood at 2.6% compared with 2.3% in 2001.

Interest expense increased by $422,872 or 9.8% compared with $1,039,341 or 31.6% in 2001, and interest expense ratio stood at 0.40 compared with 0.33 in 2001. The increase in ratio is indicative of the benefits received by our depositors, our main suppliers of funds.

Generally, the profitability of the Bank fell below expectation as indicated by the following performance measures:

	2002	2001
Return on Average Equity (ROE) %	10.30	28.46
Return on Average Assets (ROA) %	0.87	2.28
Profit Margin (PM) %	13.52	32.44
Earnings per share (EPS) $	0.25	0.66
Net Asset Backing (NBV) $	2.24	2.64

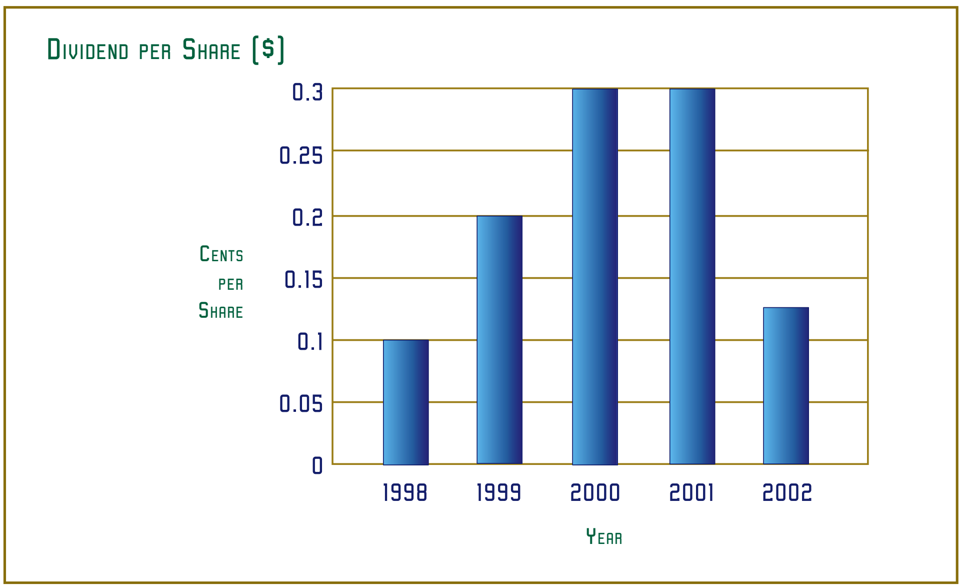
The shares of the Bank at the end of the financial year traded at a price earning (PE) multiple of 17.8, and approximately twice (2x) book value of $2.24.



Dividends

The Board is mindful of the adverse economic climate in which the Bank operated during the year, and its negative impact on earnings, and has accordingly decided to propose a cash dividend of 12.5¢ per share, down from 30¢ per share paid in 2001.

This amounts to $934,769 ($2,243,445 in 2001) and represents a payout ratio of 49.7% compared with 45.6% in 2001. A return of 12.5¢ per share is considered satisfactory in light of the current return on investments, and the interest rate climate, both locally and internationally.



Human Resource Development

Investment in human capital continues to be a priority of the Bank. During the year staff participated in several training programme and seminars, including risk management, anti-money laundering, time management, human resource management, fraud prevention, credit card operations and corporate governance.

At present, several staff are vigorously pursuing examinations with highly recognised institutions in computer technology, accounting, banking, finance and management. We continue to encourage and support staff in advancing personal growth and development and acquiring the skills required to improve operational efficiency and the quality of customer service. We are satisfied that our investment in training is bearing fruit.

Directorate

Messrs Richard Lupinacci and Hanzel Manners retire by rotation and, being eligible, offer themselves for re-election. Both Directors have contributed to the growth and development of the Bank over the past seventeen (17) years and are deserving of their re-election. Both are founding Directors of the Bank, and we support their re-appointment.

At the 15th Annual General Meeting of the Bank, Mr. Wendell Huggins of Vervain, Gingerland, Nevis, was elected to the Board of Directors. Mr. Huggins brought to the Board thirteen (13) years of invaluable experience with another local financial institution, together with management skills as a Permanent Secretary with the Nevis Island Government.

Mr. Huggins owns and operates a small business on Nevis and we look forward to his continued contribution to the development of the Bank as a Director.


MR. MARTIN DALGLEISH

Also, during the year the Board appointed Mr. Martin Dalgleish as a Director of the Bank of Nevis International Limited, our wholly owned subsidiary. Mr. Dalgleish is a retired lecturer in the Department of Management Studies at the St. Augustine Campus of the University of the West Indies where he taught courses in finance, business strategy and international business.

He holds a Masters degree (MA) in Economics and Law from Cambridge University, U.K., and a Masters of Business Administration (MBA) from Darden Graduate School of Business Administration, University of Virginia. He is a Fellow of the Institute of Chartered Accountants (FCA).

Mr. Dalgleish brings to the Board over 25 years of experience as an international business consultant.

In keeping with its management function and responsibility, the Board operates through the following committees:

- Audit and Compliance
- Loans and Advances
- Building and Infrastructure
- Human Resources
- Risk and Investment

All committees meet regularly and work closely with management in meeting the many challenges facing the financial services industry in general and the Bank in particular.

Strategic Plan

In light of the new challenges, the directors of the Bank, along with top and middle management, held a two-day retreat at the Mount Nevis Hotel in September 2002 to redefine the Bank's vision, mission, goals, objectives and values. The two-day strategic planning session was facilitated by Dr. Aubrey Armstrong of Aubrey Armstrong & Associates (AAA) of Barbados.

We hope to report on the results of the Strategy Planning process in the next Directors' Report.

It is hoped that, in time, the whole organisation will be transformed into a service-oriented culture, with emphasis on the customer being first.

Anti-Money Laundering Regulations

The Proceeds of Crime Act 2000 and the Anti-Money Laundering Regulations of 2001 have been enacted in an attempt to define money laundering and impose civil and/or criminal penalties against violators. The Bank has therefore adopted a sound "Know Your Customer" policy, with appropriate standards and procedures to establish the true identity of customers and their activities.

The regulation imposes a duty on the Bank to appoint a Compliance Officer with responsibility for monitoring and enforcement of compliance procedures, the training of staff and the reporting of suspicious transactions.

In October 2001, the United States Government passed the Patriot Act, which has become the cornerstone of US anti-money laundering efforts. It lays out a comprehensive national strategy to attack the financing of terrorist groups. The Patriot Act has threatened our correspondent banking relationships and has led one international bank to cease doing business with the region.

During the year, St. Kitts-Nevis was removed from the "blacklists of non-cooperative countries and territories" published by the Financial Action Task Force (FATF) and the Organisation for Economic Co-operation and Development (OECD). The blacklisting had a negative impact on the jurisdiction while it lasted, and led to a steady decline in offshore company registration and other business activity. The Nevis Island Government, through its Financial Services Department, is redoubling its efforts to recover lost ground.

Broker/Dealer Unit

The Bank's Broker/Dealer Unit is now fully operational and has participated in the buying and selling of shares and government securities through the Eastern Caribbean Securities Exchange (ECSE). We continue to train staff within the Unit in the evaluation of new products, investment advice, and the preparation of companies for launching initial public offerings (IPOs). The role of the Broker/Dealer Unit will be pivotal to the future development of the ECSE and the regional securities market.

Conclusion

The year under review was a difficult and challenging one for the Bank and our net earnings were down significantly.

The performance of the Bank was directly affected by global events. The fall in interest rates, the decline in the U.S. securities market, the impact of 9/11 on the tourism and other sectors, the effect on the business climate of corporate crime in the United States, and the impact of new International Accounting Standards all contributed to the disappointing results of the regional financial services sector.

The situation will require new creative energy, innovation and bold leadership from management, as we pool our collective wisdom to improve profitability in the short-term.

We must continue to look for new products, new strategic partners, as well as other income-generating activities, while at the same time increasing operational efficiency and effectiveness, and the management of risk.

Congratulations to the Board, Management and staff for their loyalty, resolve and dedication in tough economic times.

Sincere appreciation and thanks to our shareholders and customers for their support over the years, and we look forward to working together in achieving our corporate mission and objectives.

We take this opportunity to extend best wishes for health and prosperity in 2003.

On behalf of the Board,

Lyra P. S. Richards
Company Secretary

To the Shareholders of The Bank of Nevis Limited

We have audited the accompanying consolidated balance sheet of **The Bank of Nevis Limited** as of June 30, 2002 and the related consolidated statements of income, changes in 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 International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
St. John's, Antigua
October 30, 2002

Consolidated Balance Sheet

As of June 30, 2002

(Expressed in Eastern Caribbean Dollars)

	2002 $	2001 $
Assets		
Cash and due from other banks (note 3)	**104,324,083**	121,237,807
Treasury bills (note 4)	**12,283,727**	2,947,500
Investment securities (note 5)	**46,050,974**	18,522,085
Interest receivable	**2,521,718**	3,351,806
Loans and advances (note 6)	**58,673,739**	49,776,088
Other assets (note 7)	**1,292,364**	1,586,825
Property, plant and equipment (note 8)	**3,579,268**	3,604,909
Total assets	**228,725,873**	201,027,020
Liabilities		
Customer deposits (note 9)	**203,976,109**	175,913,576
Other liabilities and accrued expenses (note 10)	**5,743,021**	3,441,311
Provision for income tax	**712,751**	806,512
Interest payable	**1,374,939**	994,576
Deferred income tax (note 11)	**145,326**	145,326
Total liabilities	**211,952,146**	181,301,301
Shareholders' Equity		
Share capital (note 12)	**7,478,150**	7,478,150
Revaluation (deficit) surplus (note 13)	**(2,513,742)**	74,955
Reserve fund (note 14)	**4,155,460**	3,852,618
Retained earnings	**7,653,859**	8,319,996
Total shareholders' equity	**16,773,727**	19,725,719
Total liabilities and shareholders' equity	**228,725,873**	201,027,020

Approved by the Board of Directors on October 30, 2002

Director
Richard S. Lupinacci

Director
Rawlinson Isaac

Consolidated Statement of Income

For the year ended June 30, 2002

(Expressed in Eastern Caribbean Dollars)

	2002	2001
	$	$
Interest income		
Income from loans and advances	**5,966,605**	4,987,265
Income from deposits with other banks and investments	**5,909,294**	8,312,614
	11,875,899	13,299,879
Interest expense		
Savings accounts	**862,571**	704,761
Time deposits and current accounts	**3,885,907**	3,620,845
	4,748,478	4,325,606
Net interest income before loan loss provision	**7,127,421**	8,974,273
Provision for loan losses (note 6)	**(909,045)**	(742,598)
	6,218,376	8,231,675
Other operating income (note 15)	**2,033,045**	1,849,785
	8,251,421	10,081,460
Operating expenses		
General and administrative expenses	**4,741,736**	3,584,337
Directors' fees and expenses	**477,260**	432,676
Depreciation (note 8)	**328,243**	312,636
Correspondent bank charges	**270,957**	218,988
Audit fees and expenses	**132,043**	142,603
	5,950,239	4,691,240
Income before taxation	**2,301,182**	5,390,220
Taxation (note 11)		
Current tax expense	**421,032**	492,759
Deferred taxes	**–**	(17,716)
	421,032	475,043
Net income for the year	**1,880,150**	4,915,177
Earnings per share (note 17)	**0.25**	0.66

Consolidated Statement of Changes in Equity

For the year ended June 30, 2002
(Expressed in Eastern Caribbean Dollars)

	Share capital $	Revaluation (deficit) $	Reserve fund $	Retained earnings $	Total $
Balance, June 30, 2000	7,478,150	74,955	3,285,597	3,971,840	14,810,542
Net income for the year	–	–	–	4,915,177	4,915,177
Transfer to reserve fund (note 14)	–	–	567,021	(567,021)	–
Balance, June 30, 2001	7,478,150	74,955	3,852,618	8,319,996	19,725,719
Transitional adjustment on implementation of IAS 39 (note 2(a))	–	(1,380,365)	–	–	(1,380,365)
Net income for the year	–	–	–	1,880,150	1,880,150
Depreciation in market value of investment securities	–	(1,208,332)	–	–	(1,208,332)
Transfer to reserve fund (note 14)	–	–	302,842	(302,842)	–
Dividends (note 19)	–	–	–	(2,243,445)	(2,243,445)
Balance, June 30, 2002	**7,478,150**	**(2,513,742)**	**4,155,460**	**7,653,859**	**16,773,727**

Consolidated Statement of Cash Flows

2002 Annual Report

For the year ended June 30, 2002
(Expressed in Eastern Caribbean Dollars)

	2002 $	2001 $
Cash flows from operating activities		
Income for the year before taxation	**2,301,182**	5,390,220
Items not affecting cash		
Provision for loan losses	**909,045**	742,598
Depreciation	**328,243**	312,636
Loss on disposal of property, plant and equipment	**11,636**	–
Interest income	**(11,875,899)**	(13,299,879)
Interest expense	**4,748,478**	4,325,606
Operating losses before changes in operating assets and liabilities	**(3,577,315)**	(2,528,819)
Changes in operating assets and liabilities		
Increase in other assets	**294,461**	119,301
Increase in loans and advances	**(9,806,696)**	(5,916,817)
Increase (decrease) in customer deposits	**28,062,533**	(33,811,843)
Increase in other liabilities and accrued expenses	**2,301,710**	703,758
Cash generated from (used in) operations	**17,274,693**	(41,434,420)
Interest paid	**(4,368,115)**	(4,262,142)
Interest received	**12,705,987**	11,638,066
Income tax paid	**(514,793)**	(30,000)
Net cash from (used in) operating activities	**25,097,772**	(34,088,496)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(314,238)**	(134,215)
Increase in investment securities	**(30,117,586)**	(1,784,940)
Decrease (increase) in fixed deposits	**38,923,500**	(3,528,575)
Net cash from (used in) investing activities	**8,491,676**	(5,447,730)
Cash flows used in financing activities		
Dividends paid	**(2,243,445)**	(2,243,445)
Increase (decrease) in cash and cash equivalents	**31,346,003**	(41,779,671)
Cash and cash equivalents, beginning of year	**83,761,807**	125,541,478
Cash and cash equivalents, end of year	**115,107,810**	83,761,807
Represented by:		
Cash and due from other banks	**102,824,083**	80,814,307
Treasury bills	**12,283,727**	2,947,500
	115,107,810	83,761,807