

# Fourth Quarter Report

Results for the 12 month period ending 30 September 2009



**CAYMAN  
NATIONAL**

## Consolidated Balance Sheet

As of 30 September 2009

(Unaudited Figures Expressed in Cayman Islands Dollars)



Assets	30 Sept 2009	30 Sept 2008
Cash and due from banks	\$362,082,654	\$472,029,262
Investments	21,576,161	18,528,068
Financial assets designated at fair value	2,949,912	3,451,858
Loans and overdrafts	492,267,016	418,151,775
Interest receivable	1,659,092	2,757,622
Accounts receivable	5,905,244	7,108,178
Fixed assets	27,680,010	28,450,949
Goodwill	4,045,051	4,054,229
<b>Total Assets</b>	<b>\$918,165,140</b>	<b>\$954,531,941</b>
<b>Liabilities</b>		
Depositors' accounts		
Current	\$140,566,884	\$129,248,690
Savings	213,112,091	157,737,879
Fixed deposits	465,060,639	558,764,931
<b>Total</b>	<b>\$818,739,614</b>	<b>\$845,751,500</b>
Interest payable	632,342	1,522,563
Accounts payable & accrued expenses	17,006,392	23,222,239
<b>Total Liabilities</b>	<b>\$836,378,348</b>	<b>\$870,496,302</b>
<b>Shareholders' Equity</b>		
Share capital	\$42,350,731	\$42,372,201
Share premium	5,031,897	5,052,677
General reserve	7,486,050	7,486,050
Retained earnings	24,637,263	24,779,261
Reserve for dividends	2,117,537	2,966,054
Net unrealized appreciation/(depreciation) on investments available for sale	657,659	1,277,655
Equity adjustment from foreign currency translation	(494,345)	101,741
<b>Total Shareholders' Equity</b>	<b>\$81,786,792</b>	<b>\$84,035,639</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$918,165,140</b>	<b>\$954,531,941</b>

## Consolidated Statement of Income

For the 12 month period ending 30 September 2009

(Unaudited Figures Expressed in Cayman Islands Dollars)



	30 Sept 2009	30 Sept 2008
<b>Income</b>		
Interest income	\$29,350,060	\$46,416,992
Interest expense	6,393,987	18,303,768
<b>Net Interest Income</b>	<b>\$22,956,073</b>	<b>\$28,113,224</b>
<b>Other Income</b>		
Foreign exchange fees and commissions	\$5,378,528	\$4,682,949
Banking fees and commissions	7,503,085	8,644,223
Trust and company management fees	6,750,365	6,046,283
Brokerage commissions and fees	2,591,535	2,759,603
Gain on value of shares received in IPO	-	2,410,410
Income received from VISA share redemption	-	3,090,880
Realized gains on available for sale securities	70,594	60,166
Gain on disposal of fixed assets	2,185,220	-
(Loss)/Income from financial instruments designated at fair value	(501,946)	(406,150)
Gain on sale of investment available for sale	446,200	-
Impairment on investment held to maturity	(200,000)	-
<b>Total Other Income</b>	<b>\$24,223,581</b>	<b>\$27,288,364</b>
<b>Total Income</b>	<b>\$47,179,654</b>	<b>\$55,401,588</b>
<b>Expenses</b>		
Personnel	\$23,272,535	\$23,753,454
Other operating expenses	13,630,207	15,229,957
(Decrease)/Increase in reserve for loan losses	-	(558,582)
Premises	3,314,322	3,214,626
Depreciation	2,859,262	2,831,385
Goodwill impairment	9,179	817,002
<b>Total Expenses</b>	<b>\$43,085,505</b>	<b>\$45,287,842</b>
<b>Net Income before Taxation</b>	<b>\$4,094,149</b>	<b>\$10,113,746</b>
<b>Taxation</b>	<b>992</b>	<b>(3,345)</b>
<b>Net Income</b>	<b>\$4,095,141</b>	<b>\$10,110,401</b>

Key Performance Ratios	30 Sept 2009	30 Sept 2008
Earnings Per Share	\$0.10	\$0.24
Price Earnings Ratio	21.51	13.79
Return on Assets	0.44%	1.10%
Return on Equity	4.94%	12.33%
Book Value per Share	\$1.93	\$1.98
Dividend Yield per Share	6.25%	4.86%

Some performance ratios are computed using 12 month trailing earnings and average asset balances.

## Fourth Quarter Report to 30 September 2009

Cayman National has had another successful year with Net Income of C\$4,095,141 recorded for our financial year to 30 September 2009. Given the difficult global and local economic conditions, we are pleased with our performance for this period.

Our Net Income is significantly down on the previous year primarily because, as previously explained to shareholders, our strategy of investing largely in cash has been directly impacted by the historically low interest rates that currently prevail. At the same time, we have also stressed that it is this conservative investment strategy that has protected us from the significant problems endured by so many organisations in the financial sector.

In comparing this year's performance with that of 2008, we also remind shareholders that our results last year were bolstered by C\$5.4 million of additional gains achieved through our investments in VISA.

This year we were successful in disposing of some land assets that became surplus to our future building requirements. This follows the recent acquisition of further land which is more suitable for our needs. The asset sales were timely as they counterbalanced the cost of fully providing for the potential and maximum liability that could result from the warranties pursuant to Cayman National's sale in 2005 of shares in Sagico General Insurance (Cayman) Limited, (SGI), formerly known as Cayman General Insurance Company Ltd.

As previously reported, SGI is still involved in court cases which could generate warranty claims and our position under the warranties was explained in Note 16 on page 47 of our 2008 Annual Report. We again reiterate that any liability under the warranties is capped at the level of provisions now held.

We are pleased that we have maintained strength in our Balance Sheet when so many other financial institutions have seen substantial reductions in their Balance Sheet and deposit positions.

Although our Total Deposits dipped by 3% when compared with last year, this reduction compares very favourably with most in our industry. We believe that our deposits will show growth next quarter as we are already seeing a good inflow of new funds.

We are also pleased to have been able to increase the level of loans over a year ago. We continue with a very cautious approach to lending but have gained some good quality business that has enabled us to grow the loan book safely, while still ensuring a very low default rate and robust levels of loan provisioning.

On the expense side, tight controls and economies have had the desired result of reducing Total Expenses by 4% this year. In achieving this goal, we have also been careful to ensure that services standards have not been compromised.

In September, an interim dividend of 5 cents per share was paid to shareholders

of record as at 30 June 2009. Taking all factors into consideration, at this time, the Board of Directors recommends to shareholders that a final dividend of 5 cents per share be considered at the Annual General Meeting to be held in March 2010. The final dividend is due for payment in March 2010 to shareholders of record as at 31 December 2009. If this level of dividend is approved, the total dividend for the year would be 10 cents per share. In all of the circumstances, we feel this dividend is a sensible return to shareholders.

Shareholders will, of course, receive the full Annual Report prior to the Annual General Meeting, but we feel that shareholders also welcome this short-form report at this time.

In recent times, Cayman National's share price has performed well with the last traded price at the time of writing this report at US\$3.90. Earlier in the year we saw some modest selling of shares, apparently more as a result of the vendors' economic requirements than a

desire to dispose of shares. In more recent times, we are aware of interest shown on the buy-side.

We remain pleased with the performance of Cayman National with our results again emphasising the robust nature of our Group. We continue to keep our strategy under close review but are committed to maintaining a prudent and conservative approach to our businesses.

We remain confident that we will provide stable returns in the forthcoming months, and when interest rates rise, so will our profitability.

During the last twelve months, our staff has worked diligently to ensure the ongoing strength of our business, for which we are most grateful.

We are also grateful that we enjoy the loyal support of a substantial and increasing client base, which coupled with the support and loyalty of our shareholders, continues to underpin the success of Cayman National.

Stuart J. Dack  
President and Chief Executive  
Cayman National Corporation Ltd.

Benson O. Ebanks, Jr.  
Chairman of the Board of Directors  
Cayman National Corporation Ltd.