

Interim Report



**CAYMAN
NATIONAL**

Consolidated Statement of Financial Position

As of 31 March 2011
(Unaudited Figures Expressed in Cayman Islands Dollars)

Assets	31 Mar 2011	31 Mar 2010
Cash and due from banks	\$401,570,373	458,339,201
Investments	36,224,379	21,898,559
Loans and overdrafts	572,420,373	524,476,657
Interest receivable	1,611,344	1,421,950
Accounts receivable	9,159,879	7,055,437
Fixed assets	24,753,266	28,385,280
Investment Property	2,277,475	-
Goodwill	3,231,442	4,045,049
Total Assets	1,051,248,531	\$1,045,622,133
Liabilities		
Depositors' accounts		
Current	\$169,978,241	\$162,913,435
Savings	296,098,515	238,223,997
Fixed deposits	485,102,400	544,588,641
Total	\$951,179,156	\$945,726,073
Interest payable	651,580	544,144
Accounts payable & accrued expenses	13,307,641	18,158,601
Total Liabilities	\$ 965,138,377	\$ 964,428,818
Shareholders' Equity		
Share capital	\$42,350,731	\$42,350,731
Share premium	5,031,897	5,031,897
General reserve	7,486,050	7,486,050
Retained earnings	29,735,010	26,799,329
Net unrealised appreciation/(depreciation) on investments available-for-sale	(114,894)	295,416
Equity adjustment from foreign currency translation	(530,307)	(770,108)
Total Shareholders' Equity	\$83,958,487	\$81,193,315
Non Controlling Interest	\$2,151,667	-
Total Liabilities & Shareholders' Equity	\$1,051,248,531	\$1,045,622,133

Key Performance Ratios	31 Mar 2011	31 Mar 2010
Earnings Per Share	\$0.15	\$0.13
Price Earnings Ratio	12.71	21.15
Return on Assets	0.62%	1.04%
Return on Equity	7.91%	8.09%
Book Value Per Share	\$1.98	\$1.92
Dividend Yield Per Share	5.10%	3.64%

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

Consolidated Statement of Comprehensive Income

For the 6 month period ending 31 March 2011
(Unaudited Figures Expressed in Cayman Islands Dollars)

Income	31 Mar 2011	31 Mar 2010
Interest income	\$13,853,934	\$12,649,791
Interest expense	1,284,862	1,144,285
Net Interest Income	\$12,569,072	\$11,505,506
Other Income		
Foreign exchange fees and commissions	\$2,756,065	\$2,573,901
Banking fees and commissions	5,071,198	4,335,787
Trust and company management fees	4,820,751	3,612,190
Brokerage commissions and fees	913,740	1,234,598
Realised gains on available-for-sale investment	-	910,555
Loss on financial instruments recognised at fair value	-	(56,729)
Total Other Income	\$13,561,754	\$12,609,802
Total Income	\$26,130,826	\$24,115,308
Expenses		
Personnel	\$12,061,335	12,087,684
Other operating expenses	6,792,246	5,724,620
Premises	1,693,393	1,752,934
Depreciation	1,359,527	1,332,367
Goodwill impairment charge	123,788	-
Total Expenses	\$22,030,289	\$20,897,605
Net Income before Taxation	\$4,100,537	\$3,217,703
Taxation	-	-
Net Income	\$4,100,537	\$3,217,703
Net Income Attributable to:		
Equity Holders of the Parent (CNC)	4,579,949	3,217,703
Non Controlling Interest	(479,412)	-
	\$4,100,537	\$3,217,703
Net realised gains on available-for-sale investments	\$-	\$ (910,055)
Change in unrealised appreciation	(410,310)	319,214
	\$ (410,310)	\$ (590,841)
Equity adjustment from foreign currency translation	\$239,801	\$255,000
Total other Comprehensive Loss	\$ (170,509)	\$ (335,841)
Total Comprehensive Income for the Period	\$3,930,028	\$2,881,862

Interim Report for Period to 31 March 2011

We are pleased that the satisfactory performance of Cayman National continues with Net Income attributable to the company for the half-year to 31 March 2011 of CI\$4,579,949. This is a very sound result and represents a 42% increase on the result for same period last year. We are particularly pleased as the Net Income figure again reflects the ability of our business to produce good results despite the ongoing difficult economic environment in which we operate and the continuing climate of historically low interest rates in our areas of operation.

For this past half year, our Net Income included a 9% gain in Net Interest Income and an 8% increase in Other Income over the prior year, which is an even better result given that during the same period last year we recorded at \$910,055 one time gain not repeated during this period.

The Balance Sheet remains strong with Total Assets over CI\$1 billion, and our Total Deposits are consistent with the record levels achieved a year ago. Total investments increased by 65% while Loans and overdrafts grew by 9% compared to 31 March 2010.

Our strategy continues to be one of managing our Balance Sheet by investing in lower risk investments as well as maintaining our conservative approach to lending.

As we have mentioned in our previous reports, in difficult economic times the quality of the loan book for banks remains an important issue. We continue to maintain close and careful control of our lending and report that our portfolio remains satisfactory, with trends and statistics remaining consistent with recent years—a good position given the economic pressures in our areas of operation.

Our performance for the first half of this financial year has enabled us to give preliminary consideration to the Interim Dividend that will be payable later this year in September 2011, to shareholders of record as at 30 June 2011. Although a final decision on the Interim Dividend will be made once the Board of Directors has received the third quarter results, at this stage we expect that the Interim Dividend will be 5 cents per share, which is consistent with that paid in 2010. The Board's aim is to maintain a sensible return for shareholders, and at this level we believe the yield of approximately 5% is attractive at a time of generally low investment returns.

We are also pleased to announce the appointment by the Board of a new Director, Mr. Nigel Wardle. Nigel qualified as a Chartered Accountant in the UK in 1980 and since has gained considerable business experience in the Caribbean region. He is currently Vice President of WRB Enterprises Inc. the ultimate parent company of Turks and Caicos Utilities, Grenada Electricity Services and Dominica Electricity Services Ltd. and serves on the Boards of Directors of each of these entities. He has also held several other positions in the Caribbean, including Managing Director of Turks and Caicos Utilities and General Manager of Grenada Electricity Services Ltd. He also served as Chairman of the Caribbean Electricity Utility Services

Corporation (CARILEC) from 1999 to 2001 and was a Director of CARILEC from 1990 through 2003.

He is also a former Chairman of the Society of International Business Fellows, which selects, educates and connects business leaders around the world. We know that Mr. Wardle will make an important contribution to the CNC Board.

Our 2011 Interim Results again reflect the sound performance of our business in difficult times. As mentioned in our reports to shareholders earlier this year, we expect our business to continue to develop profitably and we remain optimistic for the future. Staff throughout our Group continue to work hard and professionally with a strong collective commitment to our organization and we are grateful for their dedication.

In our recent reports we have spoken about reducing costs within the International Banking Group (TCI) Ltd in which CNC has a substantial stake. The proposed cost reductions have been implemented and we are now working on other actions to improve the viability of this new business.

As always, we also extend our gratitude to our loyal shareholders, customers and clients.

Truman M. Bodden
Chairman of the Board of Directors
Cayman National Corporation Ltd.

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