Annual Report
2012

CAYMAN NATIONAL

Cayman National Corporation Ltd. is publicly owned, with its shares trading on the Cayman Islands Stock Exchange (CNC: KY). No single, or closely associated group of interests, may hold more than 10% of the Corporation's shares, as required by the Government of the Cayman Islands, which also requires control to remain in the Cayman Islands and a Caymanian majority on the Board of Directors.

As an integrated business, we aim to provide a wide range of financial services to local and international clients, currently from our locations in the Cayman Islands and the Isle of Man, with a representative office in Dubai.

Contents

President's Report

Although 2012 came with some challenges, we are still pleased that we turned in a Net Income (or profit) attributable to Cayman National of CI$3,002,037. This figure is down on the result of CI$5,664,258 achieved last year, with the reduction due mainly to the write down of CNC's investment in International Banking Group (IBG) and additional loan loss impairment provisions.

In reflecting upon the results, we are again aware that the general economic climate in all areas in which we operate remains difficult. Interest rates remain at historically low levels and regulatory and other costs continue to escalate.

Despite these factors, the core performance of the company was not dissimilar to 2011 with Net Interest Income at just over CI$25 million for both years, and other income of approximately CI$49 million for both periods. Charges in respect of the IBG position were

Stuart Dack, President and CEO

offset to some extent by the realisation of our investment in Visa shares and in an investment property. Expenses were up by 4.5% on 2011, primarily due to the increase in loan loss impairment.

The two areas of additional significant expense this year represented some difficult decisions. As far as IBG is concerned, more than seven years ago we became involved in the project to establish the new bank in the Turks & Caicos Islands (TCI). The studies and research at that time indicated that the new venture would be successful, but in more recent times a number of unforeseen circumstances arose like the downturn in economic conditions, the constitutional crisis in TCI, the bankruptcy of another bank in that jurisdiction coupled with the withdrawal of other investors. The factors created a "perfect storm" at the time the new bank opened and although all reasonable efforts were made to establish viability, in July 2012, CNC took the decision not to continue to fund IBG losses. In August 2012, the board of IBG took steps to wind down the new bank in the Turks & Caicos Islands to ensure all depositors were paid out in full and in an orderly fashion.

At the same time, CNC took steps to sell its shares in IBG. In November 2012, CNC entered into a share sale agreement which provides for consideration of over US$1 million if the acquirer of the shares receives approval from the authorities in TCI with a fallback position of under US$500,000 if their application were unsuccessful. Based on the reasonable expectation that the payment of over US$1 million would be forthcoming in the short-term we published our preliminary year-end figures in January to reflect the higher amount. Due to circumstances beyond our control, the process of approval has been delayed and we subsequently adjusted the 2012 results to take account of the lower valuation in the knowledge that if the contract is enforced at the higher amount, which is reasonable to expect, then the additional income will be accounted for at the appropriate time.

In addition, it was also prudent to increase significantly the loan impairment provisions. This primarily relates to one situation (and we are working diligently to improve the position), but does not reflect any general deterioration of our loan book. Indeed, although some of our competitors have suffered a general deterioration in their loans in recent years and months, our robust lending guidelines have generally protected our positions.

Subsequent to the end of our financial year, we also took the decision to close the Representative Office of Cayman National Bank in Panama. We keep all our operations under close assessment and we felt that our commitment to the Latin American market, which still remains important to us, can be served as effectively from our main offices in the Cayman Islands, where greater staffing numbers and support include extensive Spanish language capability.

The consistent performance of Cayman National Bank has again been acknowledged by the Banker Magazine

Cayman National Bank is presented with the Bank of the Year Award 2012 – Cayman Islands by The Banker Magazine (Financial Times)

Cayman National Bank Ltd. (CNB)

The Net Income for Cayman National Bank at CI$5,893,649 for 2012 was similar to that of 2011 when the result was CI$5,965,963. As mentioned previously the decision was taken to increase the loan impairment provision during the year and this was offset by gains on investments.

Although the provision for one specific loan was increased substantially, the overall performance of the loan book remains satisfactory and we continue to control closely our lending.

We also remain very vigilant in our investment procedures. Although it is tempting to pursue higher gains through more risky investment, CNB continues to pursue a cautious investment strategy preferring long-term security rather than higher risk short-term rewards.

The consistent performance of Cayman National Bank has again been acknowledged by the Banker Magazine (part of the Financial Times group) who for the third time presented CNB with the prestigious Bank of the Year award for the Cayman Islands. This award is based on a number of parameters and we are honoured to be recognised again in this way.

Cayman National Trust Co. Ltd. (CNT)

Cayman National Trust turned in a Net Loss of CI$406,656 in 2012 against the loss of CI$134,650 in 2011. This weakening position resulted from reduced volumes of business and some additional costs associated with a long-term strategy to return this business to profitability. Losses were curtailed late in the financial year and although general trading conditions in this sector of business remain challenging, we expect to achieve breakeven in the forthcoming coming year.

We are now developing our expertise in the area of financial services for the aircraft and shipping sectors.

Cheryl Birnie raised £214.60 in September 2012, when the World's Biggest Coffee morning campaign is run by the Macmillan Cancer Fund to encourage everyone, including schools and firms to participate, raising funds to help towards the cost of support staff for cancer patients.

Cayman National (Isle of Man)

In the prior year, our Isle of Man operations (both the bank and trust company, and the fund services company) posted a record Net Income equivalent to CI$1,169,60. Although in 2012 the Net Income reduced to CI$439,877, the result is still creditable, considering it was achieved without some of the exceptional income enjoyed in 2011.

With the appetite for products changing significantly in the Isle of Man, we are now developing our expertise in the area of financial services for the aircraft and shipping sectors. This will assist us in providing a wider range of products both in the Isle of Man and also the Cayman Islands.

Cayman National Securities Ltd. (CNS)

We mentioned in our 2011 report that conditions were very challenging for those in the securities business. Although the trading environment has remained difficult we have reduced costs and increased business so that this year we are able to report Net Income of CI$148,057 against the loss of CI$115,930 reported for 2011. We expect this trend of improvement to continue.

Cayman National Fund Services Ltd. (CNFS)

Cayman National Fund Services had a satisfactory year with Net Income of CI$879,568. Although down on the record profit of CI$1,204,504 achieved in the prior year, the result is sound at the time when the fund services industry is experiencing tighter margins and decreasing volumes.

We are also pleased to report that in 2012, CNFS achieved satisfactory SSAE 16 status following a report from Deloitte which verifies the suitability and effectiveness of controls. This report further enhances the position of CNFS as a well-respected fund services provider in the Cayman Islands.

Risk Control

Comprehensive risk control remains an important component of our long-term strategy for a successful and profitable business. With regulatory demands ever increasing, the costs of compliance and regulatory controls are now a substantial but a very necessary aspect of our operation.

The team of risk control specialists we have developed over the years has considerable knowledge and experience. The risk assessment team reports regularly to our Audit Committee which is comprised of non-executive Directors.

View of Laxey Wheel, isle of Man.

Community Support

Throughout the year Cayman National supported a number of community causes which included the Cayman Islands Seafarers Association, Flowers Sea Swim, Women of Valour Basketball and Grand Cayman Flag Football Association.

Community Support

We are very conscious that during times of economic pressure that support for the communities in which we operate becomes even more important. With this in mind, Cayman National has maintained its level of commitment to a wide range of worthy causes.

Some of the initiatives and organisations we supported during 2012 were:

- Eric Crutchley Memorial Tournament – a Special Olympic Benefit Event
- Feed Our Future
- Police Welfare and Awards Ceremony
- UCCI 50/50 Conference
- Cayman Islands Kidney Foundation
- George Town Primary School
- Cayman Invitational Track Meet
- Cayman Hospice Care
- International Day of the Older Person

Our annual Community and Customer event, "Home For Christmas," celebrated its 10th anniversary this year and once again a number of charities received donations at this event including:

- The ICCI Hugh Cummings Scholarship Fund
- Junior Achievement Programme of the Chamber Of Commerce
- The Cayman Islands Diabetes Charitable Trust Fund
- The Sunrise Adult Training Centre
- The Save Our Youth Organisation

In addition to the direct sponsorships and donations that we are privileged to provide, we are also grateful that so many of our staff continue to contribute their time and energy to so many community projects and causes, many without seeking recognition or reward other than the satisfaction of helping others. We applaud the important contributions they make to their communities.

Cayman National Supports the Lions Club of Grand Cayman Prostate and Colon Cancer 3 Day Journey for Life Walk/Run Event.

Cayman National supports Clifton Hunter Flight Club.

Aerial View of Emirates Towers, Downtown Dubai

Acknowledgement

2012 was another demanding year for the industry in which we operate. An important part of our strategy to maintain profitability is to keep costs tight and although Personnel Expenses were up in 2012, staff numbers were kept under close control. We are, however, pleased that during the recent economic downturn, no staff have been laid off, unlike the situation that faced many of our competitors. In our operations in the Cayman Islands, 98% of our staff are Caymanians. We continue to invest heavily in training and education for all employees, further improving our skills base and increasing productivity. We are grateful for the ongoing commitment and efforts of all of our staff.

Cayman National supports North Side Primary.

We recognise that there is strong competition in the financial services sector and that our customers and clients have a choice of providers. We work hard to meet the needs of those who choose us and we take this opportunity to thank the increasing number of customers that entrust us with their business.

Cayman National now has more than 1600 shareholders. Many are long-standing but we are also pleased to welcome a number of new investors. We appreciate the confidence that all our shareholders have in the Company and are pleased that we are able to continue to provide a divided yield that equates to a return of more than 4%.

Although 2012 was a challenging year for us, our business remains solid and profitable. Our prospects are good, and as we approach our 40th year of operation, we are confident of our continued success.

Stuart Dack
President and Chief Executive
Cayman National Corporation Ltd.

Cayman National supports Feed Our Future.

Waterside View of the Port Area, Grand Cayman., Cayman Islands

Board of Directors

Peter Tomkins

Truman Bodden

Stuart Dack

Peter Tomkins

MBE

Peter Tomkins, founder of Cayman National Corporation Ltd. and its subsidiaries, began his working life in the Merchant Marine. He entered commercial banking with Barclays Bank in 1951. Resigning from Barclays in 1969, he took up the position of Executive Vice President with Mercantile Bank & Trust Co. (Cayman) Ltd., until 1973. From 1973 to 1994 he held the position of President and Chief Executive Officer of Cayman National Corporation Ltd. and its subsidiaries. Now retired, Mr. Tomkins remains on the Board of Directors of Cayman National. Mr. Tomkins has held a number of public appointments during his career, including past President of the Cayman Islands Bankers' Association and a former Director of the Cayman Islands Monetary Authority.

Hon. Truman Bodden

OBE, LLB (Hons), ACIB, JP, Chairman

Truman Bodden is an Attorney-at-Law, as well as a former member of the Cayman Islands Legislative Assembly from 1976 – 1984 and 1988 – 2000, former Leader of Government Business and acting Attorney General. Mr. Bodden is an ACIB, LLB (Hons) London, FICM, FFA, MCMI, ACIARB, and Barrister at Law. He has been the Minister for Health, Education and Social Services and the Minister of Education, Aviation and Planning and is a member of the Financial Services Council, Cayman Islands Law Society and Bar Association. He is also a former Director of Barclays Private Bank and Trust Cayman Ltd., a founding director of Cayman National and a senior partner of the law firm of Truman Bodden & Company from 1974 – 2008.

Stuart Dack

ACIB, MBA, President and Chief Executive

Stuart Dack entered banking in 1971, and obtained the ACIB qualification with distinction. Mr. Dack worked for the Midland Bank Group in the UK for 22 years where he held a number of managerial roles at branch, area, and regional levels. He joined Cayman National as Internal Auditor in 1992 and in 1998 was promoted to Executive Vice President of Cayman National Corporation. In 2001, he was awarded an MBA with Merit from Southampton University. In April 2004 he was appointed President and Chief Executive of Cayman National.

Sherri Bodden-Cowan

MBE, LLB (Hons)

Sherri Bodden-Cowan was educated in the Cayman Islands and the United Kingdom, and gained an LLB (Hons) from Bristol University, England. She was subsequently called to the Bar of England & Wales in 1986 and the Cayman Islands in 1987. Mrs. Bodden-Cowan has worked for the Cayman Islands Government, the law firm Hunter & Hunter, and was an Associate and Partner in the firm of Boxalls. Mrs. Bodden-Cowan owns her own law firm, Bodden & Bodden, and is a Director of Bodden Corporate Services.

Mrs. Bodden-Cowan has served in numerous capacities as Chairman or Director of various Cayman Islands Statutory Boards and Authorities.

Sherri Bodden-Cowan

Clarence Flowers

Bryan Hunter

Nigel Wardle

Clarence Flowers Jr.

Clarence Flowers Jr. is the Managing Director of Orchid Development Ltd., and a Director of the Flowers Group and Cayman Water Company. He is a well-respected member of Cayman's business community and has spearheaded several projects in the Cayman Islands, including the construction and management of Cricket Square Development on Elgin Avenue.

Bryan A. Hunter

BA, LLB

Bryan Hunter is the Managing Partner and the Head of the Corporate and Commercial Practice in the Cayman office of the law firm Appleby. He has extensive experience in the structuring and formation of hedge funds, funds of funds and private equity funds and regularly advises on various operational and regulatory issues in relation to these funds. His practice also includes general corporate matters, project finance, corporate finance and merger and acquisition transactions.

Bryan was admitted as an Attorney in the Cayman Islands in 1997. He is a Notary Public in the Cayman Islands, has served as a board member of the Civil Aviation Authority, the Caymanian Bar Association (of which he is a past President) and the Chamber of Commerce and has served as a member of the Financial Services Council.

Nigel Wardle

BA, CA

Mr. Wardle is Vice President of WRB Enterprises Inc. the ultimate parent company of Turks and Caicos Utilities, Grenada Electricity Services and Dominica Electricity Services Ltd. He serves on the Boards of Directors of each of those entities and is Chairman of Marpin 2K4 Ltd, a leading telecommunications company in Dominica. He has also held several positions in the Caribbean, including Managing Director of Turks and Caicos Utilities and General Manager of Grenada Electricity Services Ltd shortly after the privatisation of that entity. He 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 a former Chairman of the Society of International Business Fellows, which selects, educates, and connects business leaders around the world.

Mr. Wardle earned his CA designation in 1980.

Financial Summary

Total Deposits remained above the US$1 billion mark.

The Year in Review

Net Income attributable to the equity holders of Cayman National for the year to 30 September 2012 was CI$3,002,037 against CI$5,664,258 for the same period for the previous year.

Although interest rates remained at historically low levels throughout the year, Net Interest Income remained similar to 2011 at CI$25,097,688. Total income amounted CI$49,854,853, just 1.6 % down on 2011.

Total Expenses including a 98% increase in the charge for Loan Impairment Provision went up by 4.5%.

Total Deposits remained above the US$1 billion mark at CI$867,673,189 and Shareholders' Equity although down 1.3% is at US$98.2 million or CI$81,855,847 equivalent.

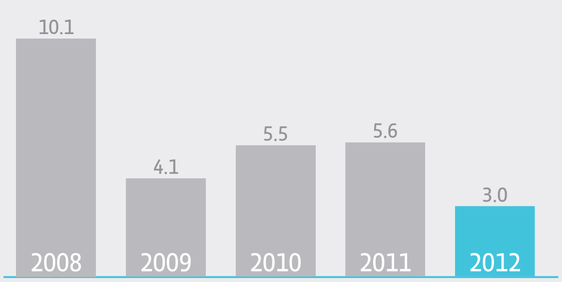
An interim dividend of 5 cents per share was approved by Directors and paid to shareholders in October 2012.

Based on the strength of the financial position coupled with present and past profitability, the Board of Directors is recommending to shareholders that a final dividend of 5 cents per share be paid to shareholders of record as at 21 March 2013. This recommendation will be considered by shareholders at the forthcoming Annual General Meeting and if approved will result in a total dividend payment of ten (10) cents per share for the year.

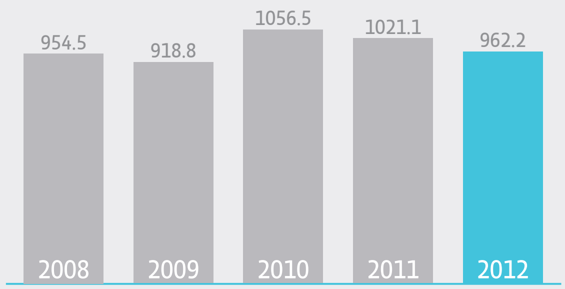
Summarised Financial Details

	2012	2011	Change 2012/2011
Net Income	3,002,037	5,664,258	–89%
Total Income	49,154,853	49,933,567	–2%
Total Assets	962,220,574	1,021,107,253	–6%
Total Deposits	867,673,189	923,977,076	–6%
Total Equity	81,855,847	82,904,687	–1%
Earnings Per Share	$0.07	$0.13	–83%
Book Value Per Share	1.93	1.96	–1%
Return on Assets	0.30%	0.57%	–89%
Return on Equity	3.64%	6.83%	–87%
Price Earnings Ratio	32.87	17.62	46%
Dividend Yield Per Share	4.29%	4.37%	–2%
Dividend Per Share	$0.10	$0.10	0%

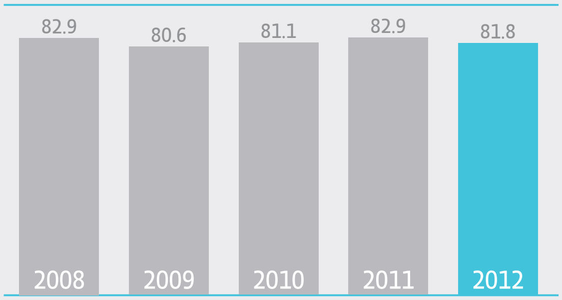
Net Income *in Millions of Dollars*



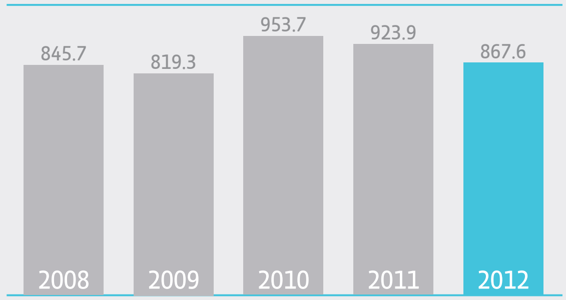
Total Assets *in Millions of Dollars*



Shareholders' Equity *in Millions of Dollars*



Total Deposits *in Millions of Dollars*



Heads of Businesses

Ormond A. Williams

Christopher Lumsden

Ormond A. Williams

FIFS, FCMI, FCABFI

President, Cayman National Bank

Ormond Williams is a Fellow of the Institute of Financial Services, UK, a Fellow of the Chartered Management Institute, UK and a Fellow of the Caribbean Banking and Finance Institutes. His banking career spans over 30 years with 21 of these years with Barclays Bank Plc where he worked in St. Vincent and the Grenadines, Barbados, Belize and the United Kingdom. He was Executive Vice President of CNB from 2002 – 2003 before taking on the responsibilities of President. Mr. Williams is an Accredited Lay Preacher in the Methodist Church in the Caribbean and the Americas (MCCA), an Elder in the John Gray United Church (West Bay) and Lay Pastor in the William Pouchie Memorial United Church (North Side), Cayman Islands.

Christopher Lumsden

BA, ACA

President, Cayman National Fund Services,
Senior Executive Officer, Cayman National Securities

Christopher Lumsden joined Cayman National in 2004 and is the President of Cayman National Fund Services Ltd., and the Senior Executive Officer of Cayman National Securities. He has been a member of the Institute of Chartered Accountants in England and Wales since 1993. From 2000 until joining Cayman National, he was a hedge fund analyst based in the Bermuda office of Union Bancaire Privee, one of the world's largest allocators of alternative investment capital. Previously, he was an Account Manager in the Bank of Bermuda's fund administration business in Bermuda. Prior to moving to Bermuda, Mr. Lumsden worked for 5 years in the financial services industry in the United Kingdom, with Edinburgh Fund Managers and with Hill Samuel Commercial Finance. Mr. Lumsden earned his BA in Accounting in 1990.

Michael L. Hodgson

Ian M.E. Bancroft

Naiem A. Qadir

Michael L. Hodgson

Hons BA, MBA, TEP

President, Cayman National Trust Co.

Michael Hodgson has almost 35 years in the financial services industry, including 24 years with RBC where he had board appointed executive officer roles in Canada, Taiwan, Singapore, and Hong Kong. He then joined Ansbacher Group as a main board director responsible for their Caribbean offices before relocating to the Isle of Man and heading up Abacus Trust Company Limited for more than 4 years as Managing Director.

In addition to 2 undergraduate university degrees, Mike has an MBA from Ivey Business School and is a member of the Society of Estate and Trust Practitioners (TEP).

Ian M.E. Bancroft

MBA, ACIB, FCMI

Managing Director, Isle of Man

Ian Bancroft holds an MBA with distinction, and is an Associate of the Chartered Institute of Bankers and a Fellow of the Chartered Management Institute. He has over thirty five years experience in private banking and wealth management. Prior to joining the Cayman National Group, Mr. Bancroft worked for National Westminster Bank; PK English Trust; Rea Brothers Group Plc, where he served as Group Head of Banking; and Senior Executive Director of its Isle of Man operations, and Managing Director of Close Private Bank, Isle of Man. Mr. Bancroft is a council member of the Isle of Man Bankers' Association, and sits on a number of Government working parties. He is a past council member of the Chamber of Commerce and past chairman of its Finance Sector Committee.

Naiem A. Qadir

MBA, CA, CFA

Senior Executive Officer, Cayman National (Dubai).

Naiem Qadir is Senior Executive Officer of Cayman National (Dubai) Ltd. He holds an MBA from the University of Toronto, is a Chartered Accountant with the Canadian Institute of Chartered Accountants, and a Chartered Financial Analyst with the CFA Institute. Mr. Qadir started his career in Canada with Deloitte & Touche before joining Cayman National Securities Ltd. in 1999. In 2003, Mr. Qadir was appointed as Head of Cayman National Securities, and in 2009, moved to Dubai to open Cayman National's Office.

Financial Solutions with Global Reach

CAYMAN ISLANDS | ISLE OF MAN | DUBAI

Independent auditor's report

To the Shareholders of Cayman National Corporation Ltd:

We have audited the accompanying consolidated financial statements of Cayman National Corporation Ltd. and its subsidiaries, which comprise the consolidated statement of financial position as at September 30, 2012 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cayman National Corporation Ltd. and its subsidiaries as at September 30, 2012, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

February 14, 2013

PricewaterhouseCoopers , 5th Floor Strathvale House, P.O. Box 258, Grand Cayman, KY1- 1104, Cayman Islands, T: +1 (345) 949 7000, F: +1 (345) 949 7352, www.pwc.com/ky

Cayman National Corporation Ltd.

Consolidated Statement of Financial Position

30 September 2012 (expressed in Cayman Islands dollars)

Assets	2012	2011
Cash and due from banks (Note 3)	$297,109,187	$298,460,250
Short term placements	42,501,859	60,322,674
Investments (Notes 4 and 14)	30,385,788	58,492,866
Assets held for sale (Note 31)	449,286	–
Loans and overdrafts (Notes 5 and 14)	558,905,432	568,282,624
Interest receivable	1,834,444	1,283,141
Accounts receivable (Notes 10 and 14)	5,880,804	4,909,184
Fixed assets (Note 6)	20,686,875	24,114,420
Investment Property (Note 7)	1,592,885	2,337,475
Goodwill (Note 8)	2,874,014	2,904,619
Total Assets	**$962,220,574**	**$1,021,107,253**
Liabilities		
Customers' accounts (Note 14)		
Current	$152,264,039	$163,363,860
Savings	292,854,920	286,436,041
Fixed deposits (Note 9)	422,554,230	474,177,175
Total Deposits	**$867,673,189**	**$923,977,076**
Interest payable	555,865	669,516
Accounts payable and other liabilities (Note 29)	8,961,951	9,454,904
Liabilities held for sale (Note 31)	344,398	–
Provisions (Note 17)	14,167	50,000
Deferred revenue	2,814,602	3,103,530
Total Liabilities	**$880,364,172**	**$937,255,026**
Equity Attributable To Owners Of The Parent		
Share capital (Note 12)	$42,350,731	$42,350,731
Treasury stock (Note 12)	–	(72,885)
Share option reserve (Note 19)	79,052	–
Share premium (Note 12)	5,031,898	5,031,898
General reserve (Note 12)	7,486,050	7,486,050
Accumulated retained earnings	25,091,926	26,324,963
Reserve for dividends (Note 18)	2,117,537	2,117,537
Net unrealised holding gain investments available-for-sale (Note 4)	217,288	410,185
Equity adjustments from foreign currency translation (Note 13)	(518,635)	(743,792)
	$81,855,847	$82,904,687
Non-Controlling Interest (Note 30)	555	947,540
Total Liabilities And Equity	**$962,220,574**	**$1,021,107,253**

Approved for issuance on behalf of Cayman National Corporation Ltd.'s Board of Directors by:

Director ______________ Truman Bodden, Chairman

Director ______________ S. J. Dack

Date: 14 February 2013

See notes to consolidated financial statements

Cayman National Corporation Ltd.

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

Interest	2012	2011
Interest income (Note 25)	$27,759,312	$28,319,183
Interest expense (Note 25)	2,661,624	2,854,094
Net Interest Income	$25,097,688	**$25,465,089**
Other Income		
Banking fees and commissions	$9,497,510	$9,239,848
Trust and company management fees	6,911,067	7,846,696
Foreign exchange fees and commissions (Note 26)	5,883,429	5,412,514
Brokerage commissions and fees	1,919,172	1,994,719
Realised gain/(loss) on available for sale securities (Note 4)	85,841	(27,171)
Impairment of fixed assets (Note 6 and 31)	(582,284)	–
Impairment of assets held for sale (Note 31)	(1,468,428)	–
Impairment loss on available for sale investment (Note 4)	(555,558)	(138,889)
Gain on sale of investment Visa shares (Note 27)	1,686,683	–
Gain on sale of held to maturity investment (Note 4)	–	73,187
Gain on sale of investment property (Note 7)	965,410	–
(Loss)/gain on sale of fixed assets (Note 6)	(285,677)	7,574
Income from repossessed collateral	–	60,000
Total Income	**$49,154,853**	**$49,933,567**
Expenses		
Personnel (Note 28)	$25,004,829	$24,341,675
Other operating expenses	13,174,605	12,699,126
Increase in loan impairment provision (Note 5)	2,475,034	1,249,279
Premises	3,742,813	3,687,582
Depreciation (Note 6)	2,647,098	2,621,522
Goodwill impairment charge (Note 8)	30,605	450,611
Total Expenses	**$47,074,984**	**$45,049,795**
Net Income Before Taxation	**$2,079,869**	$4,883,772
Taxation	(24,817)	(44,797)
Net Income	**$2,055,052**	**$4,838,975**
Net Income/(Loss) Attributable To:		
Equity Holders of the Parent	**$3,002,037**	$5,664,258
Non-Controlling Interests	**(946,985)**	(825,283)
	$2,055,052	**$4,838,975**
Other Comprehensive Income		
Net realised impairment of available-for-sale investments (Note 4)	$555,558	$138,889
Change in unrealised appreciation (Note 4)	$1,024,069	$388,911
Net reclassification adjustment for realised net gains	(1,772,524)	–
Net (loss)/gain on available-for-sale investments	(192,897)	527,800
Foreign currency translation differences	$225,157	$(114,028)
*Total Other Comprehensive Income	$32,260	$413,772
Total Comprehensive Income For The Year	**$2,087,312**	**$5,252,747**
Earnings Per Share (Note 12)	**$0.07**	**$0.13**
Diluted Earnings Per Share (Note 12)	**$0.07**	**$0.13**

*There is no other comprehensive income attributable to Non-controlling interests.
See notes to consolidated financial statements

Cayman National Corporation Ltd.

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

	Share Capital	Share Premium	Treasury Shares	Share Option Reserve	General Reserve	Retained Earnings	Reserve for Dividends	Net unrealised holding loss/ gains on Available-for-sale Financial Assets	Foreign Currency Translation Reserve	Total	Non Controlling Interests	Total
Balance at 30 September 2010	**$42,350,731**	**$5,031,898**	**$–**	**$–**	**$7,486,050**	**$24,895,779**	**$2,117,537**	**$(117,615)**	**$(629,764)**	**$81,134,616**	**$1,397,823**	**$82,532,439**
Issuance of shares – IBG (Note 30)	–	–	–	–	–	–	–	–	–	–	375,000	375,000
Treasury shares	–	–	(72,885)	–	–	–	–	–	–	(72,885)	–	(72,885)
Net income	–	–	–	–	–	5,664,258	–	–	–	5,664,258	(825,283)	4,838,975
Other Comprehensive Gain/(Loss)	–	–	–	–	–	–	–	527,800	(114,028)	413,772	–	413,772
Total Comprehensive Income	$–	$–	$–	$–	$–	$5,664,258	$–	$527,800	$(114,028)	$6,078,030	$(825,283)	$5,252,747
2010 proposed dividend paid (Note 18)	–	–	–	–	–	–	(2,117,537)	–	–	(2,117,537)	–	(2,117,537)
2011 interim dividend paid (Note 18)	–	–	–	–	–	(2,117,537)	–	–	–	(2,117,537)	–	(2,117,537)
Final dividend proposed (Note 18)	–	–	–	–	–	(2,117,537)	2,117,537	–	–	–	–	–
Balance at 30 September 2011	**$42,350,731**	**$5,031,898**	**$(72,885)**	**$–**	**$7,486,050**	**$26,324,963**	**$2,117,537**	**$410,185**	**$(743,792)**	**$82,904,687**	**$947,540**	**$83,852,227**
Sale of Treasury shares	–	–	72,885	–	–	–	–	–	–	72,885	–	72,885
Issuance of share options	–	–	–	79,052	–	–	–	–	–	79,052	–	79,052
Net income	–	–	–	–	–	3,002,037	–	–	–	3,002,037	(946,985)	2,055,052
Other Comprehensive Gain/(Loss)	–	–	–	–	–	–	–	(192,897)	225,157	32,260	–	32,260
Total Comprehensive Income	$–	$–	$–	$–	$–	$3,002,037	$–	$(192,897)	$225,157	$3,034,297	$(946,985)	$2,087,312
2011 proposed dividend paid (Note 18)	–	–	–	–	–	–	(2,117,537)	–	–	(2,117,537)	–	(2,117,537)
2012 interim dividend paid (Note 18)	–	–	–	–	–	(2,117,537)	–	–	–	(2,117,537)	–	(2,117,537)
Final dividend proposed (Note 18)	–	–	–	–	–	(2,117,537)	2,117,537	–	–	–	–	–
Balance at 30 September 2012	**$42,350,731**	**$5,031,898**	**$–**	**$79,052**	**$7,486,050**	**$25,091,926**	**$2,117,537**	**$217,288**	**$(518,635)**	**$81,855,847**	**$555**	**$81,856,402**

See notes to consolidated financial statements

Cayman National Corporation Ltd.

Consolidated Statement of Cash Flows

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

Cash Provided By/(Used In):	2012	2011
Operating Activities		
Net income (including non controlling interest)	$2,055,052	$4,838,975
Adjustments for items not involving cash:		
Depreciation	2,647,098	2,621,522
Impairment of goodwill	30,605	450,611
Amortisation of premium/discount on investments held-to-maturity	872,567	721,674
(Gain)/Loss on available for sale investments	(85,841)	27,171
Gain on held-to-maturity investments	–	(73,187)
Gain on sale of investment property	(965,410)	–
Impairment of fixed assets	582,284	–
Impairment of asset held for sale	1,468,428	–
Increase in loan impairment provision	2,475,034	1,249,279
Gain on sale of VISA shares	(1,686,683)	–
Impairment loss on investments held for sale	555,558	138,889
Loss/(Gain) on sale of fixed assets	285,677	(7,574)
Foreign exchange gain on investments	(92,571)	–
Income from repossessed collateral	–	(60,000)
Share option expense	79,052	–
	$8,220,850	$9,907,360
Changes in non-cash working capital items:		
Interest receivable*	(551,459)	197,419
Accounts receivable*	(1,191,513)	2,179,933
Depositors' accounts*	(56,130,906)	(29,765,415)
Interest payable*	(112,054)	251,548
Accounts payable and other liabilities*	(647,894)	(7,237,870)
Adjustments from foreign currency translation	225,157	(114,028)
Net advances for loans and overdrafts*	6,851,703	11,072,478
Net Cash Generated From (Used In) Operating Activities:	$(43,336,116)	$(13,508,575)
Investing Activities		
Short term placements	17,820,815	32,320,445
Proceeds on redemption of investments available-for-sale	34,002,323	38,816
Proceeds on sale of investments held-to-maturity	–	3,317,738
Purchase of investments available-for-sale	(5,651,173)	(33,871,737)
Purchase of investments held-to-maturity	–	(31,947,662)
Proceeds from sale of investment property	1,710,000	–
Proceeds on maturity of investments held-to-maturity	–	21,325,471
Purchase of additions to fixed assets	(1,529,355)	(1,116,403)
Proceeds on disposal of fixed assets	12,000	21,030
Net Cash Generated From (Used In) Investing Activities:	46,364,610	(9,912,302)
Financing Activities		
Dividends paid (Note 18)	(4,235,074)	(4,235,074)
Proceeds from subsidiary's share issuance to NCI	–	275,000
Treasury shares (Note 12)	72,885	(72,885)
Net Cash Generated From (Used In) Financing Activities	(4,162,189)	(4,032,959)
Decrease In Cash And Cash Equivalents	(1,133,695)	(27,453,836)
Cash And Cash Equivalents, Beginning Of Year	298,460,250	325,914,086
Cash And Cash Equivalents, End Of Year**	$297,326,555	$298,460,250
Supplemental information:		
Interest received	$27,207,853	$28,516,602
Interest paid	$2,773,678	$2,602,546

* See Note 31. Including adjustments for assets and liabilities held for sale.
** Including Cash and Due from banks as part of assets held for sale.
See notes to consolidated financial statements

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

1. Incorporation and Background Information

Cayman National Corporation Ltd. (the “Corporation” or “CNC”) was incorporated on 4 October 1976 and operates subject to the provisions of the Companies Law of the Cayman Islands. The Corporation is a holding company for the companies referred to in Note 2 (collectively, the “Group”), all of which are incorporated in the Cayman Islands except where otherwise indicated. Through these companies the Corporation conducts full service banking, company and trust management, mutual fund administration, stock brokering, and formerly insurance brokerage (see Note 10) in the Cayman Islands and the Isle of Man. The Corporation also operates a representative office in Dubai and in the Republic of Panama. The Panama representative office is subject to the provisions of law No.9 of 1988 of that country. Through its subsidiary, International Banking Group (TCI) Ltd., the Corporation provided full banking services in the Turks and Caicos Islands (“TCI”) up until July 2012 (see Note 31), and it is subject to the regulations of the Financial Services Commission in TCI. The Corporation is listed and its shares trade on the Cayman Islands Stock Exchange. The registered office of the Corporation is 200 Elgin Avenue, George Town, Grand Cayman.

The Corporation is not liable for taxation in the Cayman Islands as there are currently no income, profits or capital gains taxes in the Cayman Islands. The Corporation is also not liable for taxation in respect of its Panama, Dubai, or TCI operations. Two of the Corporation’s subsidiaries are liable for Isle of Man income tax, which is reflected in these consolidated financial statements.

2. Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets and financial assets held at fair value through profit or loss in accordance with International Financial Reporting Standards (“IFRS”), which includes International Accounting Standards and Interpretations issued by the International Accounting Standards Board. The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below in Note 2. The significant accounting policies adopted by the Group are as follows:

Standards and amendments to existing standards effective 1 October 2011

The Group has adopted the following new and amended IFRS standards as of 1 October 2011:

- IAS 24 Related Party disclosures. The amendment to the standard clarifies the definitions of a related party. The new definition clarifies in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment also introduces an exemption from the general related–party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

- IFRS 7 (amendment) Financial Instruments: Disclosures. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The adoption of this amendment did not have an impact on the Group's financial position or performance.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 October 2011 and not early adopted

The Group's assessment of the impact of these new standards and interpretations is set out below:

- IFRS 9 Financial Instruments. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The new standard is not effective until tentatively 2015 and management does not expect it to have a significant impact on the Group's financial position or performance when it is adopted in 2015.

- IFRS 10 Consolidated Financial Statements. This is effective for annual periods beginning on or after 1 January 2013 and builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not expected to change any present consolidation conclusions made by the Group.

- IFRS 11 Joint Arrangements. This standard supersedes IAS 31 and SIC 13, and impacts the accounting for all joint arrangements. A joint arrangement is an arrangement of which two or more parties have joint control. The standard classifies joint arrangements into two types – joint operations and joint ventures, and specifies separate accounting guidance for each of these types. The new standard is not effective until 2013 and is not expected to impact the Group as the Group presently is not involved in any joint arrangements.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

- IFRS 12, Disclosures of Interests in Other Entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013 and includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not likely to impact the Group's level of disclosures.

- IFRS 13 Fair Value Measurement is effective for annual periods beginning on or after 1 January 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. Although the new guidance changes some fair value measurement principles and disclosure requirements, the new standard is not expected to significantly impact the Group's fair value measurement decisions and disclosures. The Group is currently assessing the impact of this standard on its investments and related disclosures.

- IAS 32 Financial Instruments: Presentation amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. In connection therewith, IFRS 7, 'Financial instruments: Disclosures' amendments were also issued. These new IFRS 7 disclosures are intended to facilitate comparison between IFRS and US GAAP preparers. The converged offsetting disclosures in IFRS 7 are to be retrospectively applied, with an effective date of annual periods beginning on or after 1 January 2013. The IAS 32 changes are to be retrospectively applied, with an effective date of annual periods beginning on or after 1 January 2014. Master netting agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements. The disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The new amendments are not expected to have any impact on the Group's financial position or performance.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Group.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

(b) Joint Ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

(c) Nominee Companies

The following seven subsidiaries earned no fee income and incurred no expenses during the years ended 30 September 2012 and 2011; in addition they had no assets or liabilities as at these dates.

Cayman National (Nominees) Ltd.
CNT (Nominees) Ltd.
Cayman National Nominees Ltd. (regulated and incorporated in the Isle of Man)
Cayman National Secretarial Ltd. (regulated and incorporated in the Isle of Man)
CN Director Limited
Beeston Management Limited
Beeston Administration Limited

OPERATING COMPANIES:

Entity	% Owned	Principal activity
Cayman National Bank Ltd. ("CNB") and its wholly owned subsidiary Cayman National Property Holdings Ltd. ("CNP"), and Cayman National S.A. (incorporated in Panama)	100%	Banking and property holding subsidiaries respectively
Cayman National Trust Co. Ltd. ("CNT")	100%	Company and trust management
Cayman National Fund Services Ltd. ("CNFS")	100%	Mutual fund administration
Cayman National Securities Ltd. ("CNS")	100%	Securities brokerage and wealth management
Cayman National Bank & Trust Company (Isle of Man) Limited ("CNB&T" (IOM)), (incorporated and regulated in the Isle of Man) and its wholly owned subsidiary Global Life Trust Company Ltd.	100%	Banking, company and trust management
Cayman National Fund Services (Isle of Man) Limited ("CNFS" (IOM)), (incorporated and regulated in the Isle of Man)	100%	Mutual fund administration
International Banking Group (TCI) Ltd. ("IBG") (incorporated and regulated in Turks and Caicos*)	79.45%	Banking services (operations commenced July 2010) (See note 31)
Cayman National (Dubai) Ltd. (incorporated in Dubai, UAE)	100%	Representative Office

** 20.55% non-controlling interest was subscribed as of 30 September 2012 (See Note 30)*

2. Significant Accounting Policies (continued)

Business Combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest' proportionate share of the acquiree's net assets.

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest, if any, in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs") that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Acceptances

Acceptances comprise undertakings by the Group to pay letters of credit and guarantees drawn on customers. Management expects substantially all acceptances to be settled simultaneously with the reimbursement from its customers. Acceptances for standby letters of credit and guarantees are accounted for as off-balance sheet transactions and are disclosed as commitments.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

Foreign currency translation

a) Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ("the Functional Currency"). The consolidated financial statements are presented in Cayman Islands dollars (KYD), which is the Corporation's functional and presentation currency. The Corporation's functional currency in the current and prior year, is set at a fixed exchange rate to the United States Dollars of USD1.2 to KYD1.0.

(b) Transactions and balances

Revenue and expense transactions involving currencies other than the functional currency have been translated at exchange rates ruling at the date of those transactions. Monetary assets and monetary liabilities are translated at the closing rate in effect at the balance sheet date.

Non–monetary assets and liabilities are translated at historical rates. Gains and losses on exchange are credited or charged in the consolidated statement of comprehensive income.

(c) Group Companies

The results and financial position of the Group's Isle of Man entities (which does not have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised in the consolidated statement of comprehensive income.

Fixed Assets

Fixed assets are recorded at cost less accumulated depreciation and impairment losses. Fixed assets are depreciated in accordance with the straight line method at the following rates, estimated to write–off the cost of the assets over the period of their expected useful lives:

Computer hardware and software	Variously over 3 to 7 years
Freehold buildings	Over 50 years
Freehold land	N/A
Furniture and equipment	Variously over 2 to 10 years
Leasehold improvements	Over the terms of the leases
Leasehold property	Shorter of terms of leases or 20 years
Motor vehicles	Over 4 years

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

Fixed Assets (continued)

Fixed assets are reviewed annually at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses, if any, are recorded in the consolidated statement of comprehensive income.

Loans and provision for loan impairment

Loans are recognised at fair value when cash is advanced to the borrowers. Loans are carried at amortised cost using the effective interest yield method.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Loan impairment provisions are charged and impairment recoveries credited to the provision for loan impairment. The loan impairment provision includes an amount deemed appropriate by management to cover known and incurred risks in the loan portfolio, which have not been specifically identified.

Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When an account receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income.

Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from vendors. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

Provisions

Provisions for legal claims or restructuring costs are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions may comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Director benefits

Share options are, from time to time, offered to directors as an incentive in consideration for the carrying out of their duties in addition to directors' fees or other emoluments. The fair value of the options are recorded as compensation costs on the date at grant with a corresponding credit to equity.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company will purchase shares in the market. The proceeds received net of any transaction costs are credited to share capital (par value) and the surplus to share premium.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

Non-current assets (or disposal groups) held for sale

Non-current assets or disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probably. They are stated at the lower of carrying amount and fair value less cost to sell.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those designated at fair value through profit and loss, are recognised within 'interest income' and 'interest expense' in the consolidated statement of comprehensive income using the effective interest method.

Fees and commissions

Fees and commissions for services are recognised on an accrual basis over the period that the services are provided. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective interest rate on the loan over the average life of the related loans.

Pension obligations

The Group employees participate in a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid. Payments to defined contribution retirement plans are charged as and when the service is provided by the employee. The Group does not operate any defined benefit plans.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, the Group considers all cash at banks, cash in hand and short term placements with original maturities of three months or less from date of placement as cash or cash equivalents.

Short term placements

Short term placements principally represent deposits and placements with other banks with original maturities of greater than three months but less than twelve months.

Assets under administration

Securities, cash and other assets held in a trust, agency or fiduciary capacity for customers are not included in these consolidated financial statements as such assets are not the property of the Group.

Share Purchase Scheme

Employees and directors are entitled to participate in the Share Purchase Scheme (the "Scheme"). Employees make cash contributions which are matched by the Group; these funds are used to purchase shares from the open market. The Group recognises, within personnel costs, the cost of its matched contributions to the Scheme.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

Leases

The leases entered into by the Group are primarily operating leases. The total payments made under operating leases are charged to premises expense in the consolidated statement of comprehensive income on a straight line basis over the period of the leases.

Investments

The Group classifies its investments in the following categories: available for sale, held to maturity and financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition. Purchases and sales of investments available for sale, held to maturity and at fair value through profit or loss are recognised on trade date basis, which is the date the Group commits to purchase or sell the investment. Investments are initially recognised at fair value plus transaction costs for all investments not carried at fair value through profit or loss. Investments carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available–for–sale

Available–for–sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates and equity prices. Available for sale investments are subsequently carried at fair value. The Group's available–for–sale investments are comprised mainly of equity investments, preference shares and bonds.

For publicly traded securities fair value is based on quoted bid prices of these securities. The fair value of non–exchange traded mutual funds is determined based on the net asset value per share provided by the administrators of the funds. In cases where there is no quoted market price for equity securities, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions and reference to other instruments that are substantially the same. The fair value of bonds and other debt securities are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining maturity. If the Group is not able to estimate the fair value, the investment is valued at cost subject to impairment recognition.

Gains and losses on disposal are calculated on gross proceeds less the original cost of securities sold on a specific identification basis, and are included in income. Unrealised appreciation and depreciation on available–for–sale investments is reported as a separate component of shareholders' equity, until the investment is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the consolidated statement of comprehensive income.

2. Significant Accounting Policies (continued)

Investments (continued)

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held to maturity assets, the entire category would be reclassified as available for sale.

Held-to-maturity investments are recorded on a trade date basis and are subsequently carried at amortised cost, using the effective interest method, less any impairment loss recognised to reflect unrecoverable amounts. Premiums and discounts arising on acquisition are amortised over the period remaining to maturity using the effective yield basis and are included in the consolidated statement of comprehensive income within interest income.

Financial assets at fair value through profit and loss

Financial assets may be designated by management at fair value through profit or loss if:

- Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss; and
- Financial instruments, such as debt securities held, contain one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit and loss.

Financial assets are initially designated at fair value through profit and loss by management on inception. Gains and losses arising from changes in the fair value of these financial assets are included in the statement of comprehensive income within (loss)/gain from financial assets designated at fair value through profit and loss.

Investment Properties

Investment properties that are not occupied by the Group and are held for long term rental yields or capital appreciation or both are classified as investment property. Investment property comprises principally of land which is not depreciated. Investment properties are measured initially at cost, including transaction costs and are subsequently measured at depreciated cost less any accumulated impairment losses. Valuations for investment property will be performed every three years for disclosure purposes.

Financial Liabilities

The Group classifies its financial liabilities as either financial liabilities at fair value through profit and loss "FVTPL" or as other liabilities. Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated at FVTPL. Management determines the classification of its financial liabilities at initial recognition.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

Financial Liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category if acquired principally for the purpose of repurchasing in the short term or if it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of comprehensive income. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transactions costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Critical Accounting Estimates and Judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis or when an indicator of impairment is present. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income on these loans, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the discounted collateral and estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or local economic conditions that correlate with defaults on assets in the group. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of recoverable collateral differs by +/–10 percent, the provision would change by +/– $858,000 (2011: $990,000). Additionally, the Group periodically reviews its provisions for losses incurred in the performing loan portfolio but not specifically identifiable at year end. In determining the provision for loan losses management makes certain judgments regarding the extent to which historical loss trends and current economic circumstances impact their best estimate of losses that exist in the performing loan portfolio at the balance sheet date.

2. Significant Accounting Policies (continued)

Critical Accounting Estimates and Judgments (continued)

Loan origination fees

There are significant balances in the financial statements relating to loan origination fees which require management to exercise judgment in determining the estimates which impact these balances. Based on historical data and management's knowledge and experience of the current portfolio, management estimates that the aggregate portfolio of loan balances has an average maturity period of 12 years (2011: 12 years) and that, annually, 5% (2011: 5%) of loan balances are repaid before the maturity date. These estimates have an impact on loan origination fees recorded within interest income in the consolidated statement of comprehensive income and deferred loan origination fees recorded in the statement of financial position.

A 1 year increase in the average maturity period results in a decrease in loan origination fee revenue recognised of approximately $49,825 (2011: $45,619). A 1 year decrease in the average maturity period has an effect on loan origination fee revenue recognised of approximately $62,285 (2011: $56,050). A 1% change in the level of loans repaid prior to the scheduled maturity date has an effect of approximately +/– $5,119 (2011: $5,863) on loan origination fees revenue recognised.

Estimated goodwill impairment

The Group reviews its goodwill annually to assess impairment or when there is an indicator of impairment. In assessing impairment, the Group evaluates among other factors any adverse change in the number of clients, or size of assets under management that correlates with a decrease in revenue for the Group. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the purchased portfolio and operational and financing cash flows.

Management uses estimates based on historical loss experience for client assets when projecting its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows for the acquired business differs by +/–5 percent the impairment charge would change by $224,653 (2011: $192,850).

Impairment of available–for–sale equity investments

The Group determines that available–for–sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price/ fair value. In addition, impairment may be appropriate when there is evidence of a significant deterioration in the financial health of the investee, industry and sector performance and operational and financing cash flows. Management has determined that there has been a prolonged and significant decline in the value of one of its equity investments. Management has reviewed the financial health of the investee, its share price, the industry of the investee, and its operational and financing cash flows and accordingly recorded an impairment charge on the investment during the year. See Note 4.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

Critical Accounting Estimates and Judgments (continued)

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances – for example, selling an insignificant amount close to maturity – it will be required by IAS 39 to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. As of 30 September 2011 there were no held-to-maturity investments. See Note 4.

Impairment of assets carried at amortised cost

Other assets carried at amortised cost include accounts receivable, interest receivable and other receivables. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor.

(b) a breach of contract, such as default or delinquency in interest or principal payments.

(c) the disappearance of an active market for that financial asset because of financial difficulties.

(d) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.

The estimated period between a loss occurring and its identification is determined by management using periods between 3 months and 12 months.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held to maturity investment has a variable interest rate the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a

2. Significant Accounting Policies (continued)

Critical Accounting Estimates and Judgments (continued)

Impairment of assets carried at amortised cost (continued)

practical expedient the Group may measure impairment of investments on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of comprehensive income.

3. Cash And Due From Banks

Cash and due from banks comprise cash on hand, placements with original maturities of three months or less and nostro accounts with banks.

Cash and Due from Banks Comprise:	2012	2011
Cash in hand and current accounts	**$97,668,720**	$62,633,811
Operating accounts	**16,692,112**	16,514,185
Money market accounts	**355,066**	21,657
Deposits with other banks	**182,393,289**	219,290,597
	$297,109,187	**$298,460,250**

Deposits with other banks attracted interest of between 0.01% to 4.75% during the financial years ended 2012 and 2011.

4. Investments

Investments Comprise:	2012	2011
Available-for-sale at fair value	$30,385,788	$58,492,866

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

4. Investments (continued)

The cost and estimated fair value of investments held as available-for-sale are as follows:

	Market	Cost	Gross unrealised holding gains (losses)	Impairment of investment	Estimated fair value
30 September 2012					
Ordinary shares	listed	$–	$–	$–	$–
	unlisted	1,111,116	–	(555,558)	555,558
Preference Shares	listed	–	–	–	–
	unlisted	40,885	21,615	–	62,500
Government agency bonds		23,835,097	162,928	–	23,998,025
Regional corporate & government bonds		4,051,277	6,784	–	4,058,061
International corporate bonds		1,685,683	25,961	–	1,711,644
		$30,724,058	**$217,288**	**$(555,558)**	**$30,385,788**
30 September 2011					
Ordinary shares*	listed	$843,638	$880,722	$–	$1,724,360
	unlisted	1,250,010	(555,563)	(138,889)	555,558
Preference Shares	listed	–	–	–	–
	unlisted	40,885	21,615	–	62,500
Mutual Funds**	listed	–	–	–	–
	unlisted	500,000	(40,666)	–	459,334
Government agency bonds		47,409,761	74,421	–	47,484,182
Regional corporate & government bonds		5,717,362	(6,702)	–	5,710,660
International corporate bonds		2,459,914	36,358	–	2,496,272
		$58,221,570	**$410,185**	**$(138,889)**	**$58,492,866**

*As at 30 September 2011 costs of $1,250,008 net of impairment of $138,889.

4. Investments (continued)

Equity shares and some of the corporate and regional bonds do not have a readily available market. The absence of a liquid market for these securities may restrict the Group's ability to dispose of these investments and amounts ultimately realised may differ materially from the carrying values. Due to a prolonged and significant decline in value of one of these investments, management assessed the investment as impaired and accordingly $555,558 (2011: $138,889) in unrealised losses previously recorded in net unrealised appreciation on investments available-for-sale in the statement of equity was recorded as an impairment charge in the consolidated statement of comprehensive income.

The issuers of the regional, corporate and government bonds are domiciled in Barbados, and the Cayman Islands. Coupon rates for the above debt instruments range from 3.15% to 7.25% (2011: 0% to 9.5%).

During the year ended 30 September 2011, the Group sold $3,244,550 (amortised cost) of previously designated held to maturity regional corporate bonds for sales proceeds of $3,317,738 resulting in a realised gain of $73,187 prior to its maturity. This resulted in tainting the entire remaining held-to-maturity portfolio of $22,545,218 (amortised cost) being reclassified as available for sale and measured at fair value. The fair value of these bonds at the date of reclassification was $22,685,504 resulting in an unrealised gain of $140,286 being subsequently recorded in shareholders' equity.

Included in regional corporate and government bonds in 2011 was a 0%, 20 year government of the Republic of Trinidad and Tobago note which has replaced the CLICO investment previously held. The CLICO investment was written down by $1,006,200 during 2009 and 2010 due to significant financial difficulty of the issuer (which led to control of the Company being assumed by the Government of the Republic of Trinidad and Tobago (GORTT) in January 2009) and delinquency in interest and principal payments.

Based on that information at 30 September 2010 and in accordance with IAS 39, Management determined that the note from the Government of Trinidad represented a new investment and accordingly derecognised the CLICO bonds, and recorded a new investment by performing a discounted cash flow analysis, using a discount rate of 5.5% (approximate yield on similar GORTT bond, 20 payments and a period of one year). For the year ended 30 September 2011 management again assessed the investment for impairment as initial payment on the new note was not received. However, no further impairment of the note was required.

During the year ended 30 September 2012, the GORTT notes valued at $1,493,800 were sold. Proceeds on sale of notes of $1,606,818 resulted in a gain on sale of $113,018.

Net amortisation of discounts/premiums on purchase of debt securities of $872,567 (2011: $721,674) is included within interest income.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

5. Loans And Overdrafts

Composition and aging of the loan portfolio are as follows:

	Period from year end to maturity				
	Under one year	Within two to five years	Within six to ten years	Over ten years	Total
	(all figures in $000's)				
At 30 September 2012					
Commercial	$60,203	$25,088	$54,329	$94,762	$234,382
Personal	33,684	22,598	39,888	229,697	325,867
Corporate	4,349	–	–	–	4,349
Total	**$98,236**	**$47,686**	**$94,217**	**$324,459**	**$564,598**
Provision for loan impairment					(5,693)
					$558,905
At 30 September 2011					
Commercial	$73,301	$25,588	$54,452	$92,275	$245,616
Personal	34,768	23,776	42,600	219,508	320,652
Corporate	4,824	–	727	–	5,551
Total	**$112,893**	**$49,364**	**$97,779**	**$311,783**	**$571,819**
Provision for loan impairment					(3,536)
					$568,283

Substantially all of the Group's loans and overdrafts are advanced to customers in the Cayman Islands. Loans to clients in other geographical areas do not exceed 10%.

Movements in the provision for loan impairment are as follows:

	2012	2011
Provision for loan impairment, beginning of year	**$3,535,677**	$2,882,448
Increase charged to income	**2,475,034**	1,249,279
Loans written off	**(318,151)**	(596,050)
Provision for loan impairment, end of year	**$5,692,560**	**$3,535,677**

Included in the 2012 impairment provisions is $4,612,550 (2011: $2,590,551) in respect of loans and credit cards classified as delinquent. The aggregate amount included in the impairment provision for loans and overdrafts classified as delinquent is $4,535,128 (2011: $2,448,249). Recoveries for loans previously written–off were $137,737 (2011: $180,468). See Note 20 for discussion on credit risk.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

6. Fixed Assets

30 September 2012	Freehold land and buildings	Leasehold property and improvements	Computers, software, furniture and equipment	Motor Vehicles	Total
Cost:					
At 30 September 2011	$20,574,584	$7,354,591	$26,982,625	$319,485	$55,231,285
Additions	69,613	85,649	1,287,293	86,800	$1,529,355
Disposals	(219,927)	–	(215,120)	(53,286)	$(488,333)
At 30 September 2012	**$20,424,270**	**$7,440,240**	**$28,054,798**	**$352,999**	**$56,272,307**
Accumulated depreciation:					
At 30 September 2011	$5,724,497	$3,735,387	$21,457,185	$199,796	$31,116,865
Charge for year	487,946	488,786	1,620,769	49,597	$2,647,098
Disposals	–	–	(137,371)	(53,286)	$(190,657)
At 30 September 2012	**$6,212,443**	**$4,224,173**	**$22,940,583**	**$196,107**	**$33,573,306**
Net book value:					
At 30 September 2012	**$14,211,827**	**$3,216,067**	**$5,114,215**	**$156,892**	**$22,699,001**
Impairment *					$(582,284)
Assets held for sale (Note 31)					$(1,429,842)
					$20,686,875

During the year ended 30 September 2012, fixed assets with a cost of $354,675 (2011: $99,448), and a net book value of $297,676 (2011: $13,456) were disposed resulting in a loss on sale of $285,677 (2011: gain of $7,574). Proceeds of $12,000 (2011: $21,030) were received on disposal of these assets.

*As of 30 September 2012, management of IBG determined that fixed assets were impaired by $582,284 (2011: $nil). Refer to Note 31 for circumstances which led IBG management to undertake an impairment assessment. Management utilised information from the sales agreement referred to in Note 31 to estimate the impairment charge.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

6. Fixed Assets (continued)

30 September 2011	Freehold land and buildings	Leasehold property and improvements	Computers, software, furniture and equipment	Motor Vehicles	Total
Cost:					
At 30 September 2010	20,542,396	$7,317,184	$26,006,212	$348,538	$54,214,330
Additions	32,188	37,407	1,006,907	39,901	$1,116,403
Disposals	–	–	(30,494)	(68,954)	(99,448)
At 30 September 2011	**$20,574,584**	**$7,354,591**	**$26,982,625**	**$319,485**	**$55,231,285**
Accumulated depreciation:					
At 30 September 2010	$5,204,211	$3,189,835	$19,965,581	$221,708	$28,581,335
Charge for year	520,286	545,552	1,520,862	34,822	$2,621,522
Disposals	–	–	(29,258)	(56,734)	(85,992)
At 30 September 2011	**$5,724,497**	**$3,735,387**	**$21,457,185**	**$199,796**	**$31,116,865**
Net book value:					
At 30 September 2011	**$14,850,087**	**$3,619,204**	**$5,525,440**	**$119,689**	**$24,114,420**

7. Investment Property

Investment Property at depreciated cost is as follows:

	2012	2011
Cost	$1,592,885	$2,337,475

During the year ended 30 September 2012, investment property with a cost of $744,590 was sold (2011: $nil); proceeds received from the sale were $1,710,000 resulting in a gain on sale of $965,410 (2011: $nil).

There were no impairment charges on investment properties. Investment property is comprised principally of land which is not depreciated. As of September 2012, the fair value of investment property was assessed at $1,593,000 (2011: $3,367,000) by an independent appraiser with an MRICS designation. New property was acquired during the year ended 2011 as a result of repossessed collateral at a cost of $60,000.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

8. Goodwill

	2012	2011
Cost:		
Balance at beginning of year	**7,209,874**	7,209,874
Purchase consideration paid in year	–	–
Balance at end of year	**7,209,874**	**7,209,874**
Accumulated amortisation and impairment:		
Balance at beginning of year	**4,305,255**	3,854,644
Impairment charge for the year	**30,605**	450,611
Balance at end of year	**4,335,860**	**4,305,255**
Goodwill at end of year	**$2,874,014**	**$2,904,619**

Business acquired:	Year of acquisition	Original cost	Cumulative impairment charge	Carrying value
Cayman National Insurance Brokers and Cayman National Insurance Managers	1998	$299,755	$(299,755)	$–
Fiduciary Trust (Cayman) Limited	2003	1,543,550	(550,356)	993,194
Cayman Islands Securities Ltd.	2003	378,011	(313,010)	65,001
Aall Trust & Bank (“ATB”)	2005–2012	4,988,558	(3,172,739)	1,815,819
		$7,209,874	**$(4,335,860)**	**$2,874,014**

The main factors contributing to the impairment were:

- early repayment of loans by customers which were not reinvested;
- the continued decline in interest earned on deposits and loss of a few large deposits which were not renewed; and
- lower growth in other fees and commissions expected from these relationships and the subsequent decline in profit margins associated with the business.

9. Fixed Deposits

Substantially all fixed deposits have a maturity of less than one year and bear fixed rates of interest. Interest is recognised on deposits using the effective yield method.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

10. Joint Venture

Effective 1 October 2006, CNC entered into a 50% joint venture agreement; AON/CNIB, which provided insurance brokerage services. Effective 31 March 2010, the Group sold its 50% interest in the joint venture to Aon Insurance Managers (Cayman) Ltd. As agreed, Aon owes CNC a remaining balance of $nil (2011: $265,181) in settlement of the sale, which was included in accounts receivable as of 30 September 2011; this balance was paid May 2012.

11. Taxation

The asset / liability for taxation comprises:

	2012	2011
Deferred tax asset / (liability)	$(9,155)	$(6,293)

Under current laws of the Cayman Islands, there is no income, estate, corporation, capital gains or other taxes payable by the Corporation.

12. Share Capital, General Reserve And Earnings Per Share

	2012	2011
Authorised:		
200,000,000 shares of $1 par value each		
(2011 and 2010: 200,000,000)		
Issued and fully paid:		
Shares (2011 and 2010: 42,350,731)	**$42,350,731**	**$42,350,731**

Share Premium

Share premium represents the amount by which the proceeds for shares issued exceeded the par value of $1 per share. Under Cayman Islands law, the use of the share premium account is restricted.

General reserve

The general reserve represents amounts appropriated by the directors, from retained earnings to a separate component of shareholders' equity, for dividend equalisation and general banking risks including potential future losses or other unforeseeable risks. To the extent that the general reserve is considered by the directors to be surplus to requirements, the reserve is distributable at the discretion of the directors.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

12. Share Capital, General Reserve And Earnings Per Share (continued)

Earnings and Diluted Earnings Per Share:

Earnings per share is calculated by dividing the net income attributable to shareholders of the company by the weighted average number of ordinary shares in issue during the year excluding the average number of ordinary shares purchased by the company and held as treasury shares. Diluted earnings per share is calculated by dividing net income attributable to shareholders by the diluted weighted average number of ordinary shares in issue and the total amount of exercisable stock options which the directors can exercise during the year (see Note 2).

For share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Corporation's shares) based on the monetary value of the subscription price attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2012	2011
Net income attributable to equity holders of the Corporation	$3,002,037	$ 5,664,258
Weighted average number of shares in issue	42,346,007	42,319,589
Diluted weighted average number of shares issue	42,360,878	42,319,589
Earnings per share	$0.07	$0.13
Diluted earnings per share	$0.07	$0.13

Treasury Shares:

During the year ended 30 September 2011, one of the Group companies received Cayman National Corporation shares in lieu of fees due. On consolidation these shares were recorded as treasury shares and as such were presented in the statement of shareholders' equity. These shares were sold on 23 November 2011 through the Cayman Islands Stock Exchange.

13. Equity Adjustments From Foreign Currency Translation

Equity adjustments from foreign currency translation represent the unrealised exchange gain or loss arising from the translation of the financial statements of CNB&T (IOM) and CNFS (IOM) from pounds sterling to Cayman Islands dollars.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

14. Related Party Balances And Transactions

The Group enters into various transactions with related parties in the normal course of business. Related parties are entities that are controlled by or maybe significantly influenced by Cayman National Corporation either directly or indirectly through its subsidiaries, the Board of Directors and key employees of the Corporation. Directors include individual directors of CNC and its subsidiaries and also corporations, partnerships, trusts or other entities in which a director or directors collectively, have direct or indirect significant shares or interest in such entities.

Included in the consolidated statement of financial position are the following related party balances:

	2012	2011
Accounts receivable:		
Affiliated companies	$165,039	$184,966
Directors	–	83,333
	$165,039	$268,299
Loans and overdrafts:		
Affiliated companies	$2,514,141	$2,519,543
Directors and key management	9,183,592	8,173,586
	$11,697,733	$10,693,129
Investments (Note 4):		
Affiliated companies	$–	$459,334
Directors	555,558	555,558
	$555,558	$1,014,892
Customers' accounts:		
Affiliated companies	$47,767,163	$63,262,374
Directors and key management	1,246,976	1,151,522
	$49,014,139	$64,413,896

Included in the consolidated statement of comprehensive income are the following related party balances:

Included within interest income is interest of $171,511 (2011: $180,482) on loans and overdrafts to directors and key management (see Note 19).

Included within interest expense is interest of $190,962 (2011: $396,479) on deposits to affiliated companies.

Staff loans, which totalled $44,829,316 (2011: $44,611,770) at the balance sheet date, are at rates varying between 3.25% and 6% p.a. (2011: 3.25% and 6% p.a.). Employees of a former associated company continue to receive loans at rates consistent with staff loans.

Customers' accounts with affiliated companies represent deposits from clients, trusts and companies managed by CNT.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

14. Related Party Balances And Transactions (continued)

The Group owns the sponsor's shares totalling US$100 in Cayman National Mortgage Fund Ltd. ("CNMF"), a fund for which the Group provides the banker and mortgage advisor services and is remunerated by way of commitment fees negotiated between the Group and the individual mortgagors. In addition, the Group provides the administration, registrar and transfer agent services and receives a fee amounting to 1.75% p.a. of the daily net assets of the fund.

The Group also provides administration services for CNB Money Market Fund ("CMMF") and the Cayman National Master Series Trust ("CNMST") and receives an annual fee amounting to 1% of the daily net assets of CMMF. Management has waived the fees for the year ended 30 September 2012 and 2011 in respect of the management of CNMST. The Group provides the trustee of both CMMF and CNMST. Additionally, the Group provides certain financial, accounting, administrative and other services on behalf of Cayman National Pension Fund ("CNPF") and receives an annual fee amounting to 2% of annual contributions into CNPF plus 0.25% of CNPF's net assets at the end of the year.

For its custody and management services of the Cayman National Mutual Funds, the Group receives a management fee amounting to 2% p.a. of the Cayman National US Equity Fund, 2.25% p.a. of the Cayman National International Equities Fund and 1.25% p.a. of the Cayman National US Bond Fund.

The following is a summary of the fees received from these related parties:

	2012	2011
Cayman National Mortgage Fund	$446,279	$ 660,237
CNB Money Market Fund	334,614	393,183
Cayman National Securities Mutual Funds	197,058	165,224
Cayman National Pension Fund	150,063	144,109
	$1,128,014	$1,362,753

All other transactions with related parties are conducted on normal commercial terms and at non-preferential interest rates.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

15. Commitments

In the normal course of business there are various commitments on behalf of customers to extend credit. Commitments to extend credit totalled $13,330,473 at 30 September 2012 (2011: $11,078,848) of which $1,026,706 are commitments to staff members. No material losses are anticipated by management as a result of these transactions.

The Group has entered into various commitments in respect of operating leases for equipment and premises. The total lease expense for the year was $3,793,447 (2011: $3,270,323). The total annual commitments are as follows:

Year ended 30 September	Annual* commitment
2013	$3,234,776
2014	$3,324,955
2015	$3,420,988
2016	$3,617,081
2017 or greater	$10,148,619

*Included in the lease commitments above are the following commitments relating to IBG (see Note 31), which is held for sale as at 30 September 2012:

Year ended 30 September	Annual commitment
2013	$577,665
2014	$592,542
2015	$609,318
2016	$626,598
2017 or greater	$1,587,356

There are two lease commitments which extend beyond five years from the balance sheet date.

On expiry of the existing premises commitments, the Group has the option to extend the lease contracts for a further period of five years. The software operating lease is annual and the Group has the option to renew this contract for a further one year period on each anniversary.

16. Pension Obligations

The Cayman National Corporation Pension Fund ("the Fund" or "CNPF") is a defined contribution pension scheme which became effective on 1 July 1997. The Fund is administered by Cayman National Trust Co. Ltd. and is available for participation by Group and third party employees. Membership is mandatory for all Group employees between the ages of 18 and 60, with contributions from both employer and employees. The required contribution is 5% of employees' salary matched by the employer on a maximum salary of $60,000 per annum. Included in personnel expense is an amount of $685,595 (2011: $520,346) representing the Group's contribution to the Fund.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

17. Contingent Liabilities

A subsidiary of the Group has guaranteed $400,000 for future possible liabilities of CNT (Directors) Ltd. and CNT (Nominees) Ltd. This guarantee specifically covers the possibility that the company be unable to meet its liabilities to clients', trustees, customers or other creditors arising from carrying on its business as a corporate director, officer or nominee in the Cayman Islands.

Guarantees of $200,000 have been issued to the Government of the Cayman Islands in support of the subsidiary, Cayman National (Nominees) Ltd.

The Group has issued letters of credit, acceptances and guarantees to third parties totalling $7,284,127 (2011: $4,320,617) on behalf of customers. The Group holds customer assets as security for substantially all of these instruments.

The Group is routinely involved in a number of claims or potential claims arising from its operations. Where appropriate, management establishes provisions after taking into consideration the advice of attorneys and other specialists. It is management's policy to rigorously assert its position in such cases.

Management's best estimate of provisions for incurred liabilities comprises:

	2012	2011
Claims		
Provision	**$14,167**	$50,000
Total provisions	**$14,167**	**$50,000**

During the financial year ended 30 September 2009, CNB sold property held by its subsidiary, CNPH. Included in the sale agreement is a warranty to the purchaser that CNB shall hold harmless the purchaser for a period of five years from the date of completion of the sale if the purchaser is unable to develop the property solely as a result of the restrictive agreements registered on title to the property. Management continues to believe that this warranty will not have a material adverse effect on CNB's (or the Group's) financial position, as no claim in respect of this warranty has been reported during the year, nor is expected.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

18. Dividends Per Share

Final proposed dividends (Note 32) are presented as a separate component of Shareholders' Equity until they have been formally ratified at the Annual General Meeting ("AGM").

	2012
2011 proposed dividend paid in 2012	**$2,117,537**
Interim 2012 dividend declared and paid in 2012	**2,117,537**
Total dividend paid out of 2012 earnings	**$4,235,074**
Final proposed dividend – $0.05 per share	**$2,117,537**

	2011
2010 proposed dividend paid in 2011	$2,117,537
Interim 2011 dividend declared and paid in 2011	2,117,537
Total dividend paid out of 2011 earnings	$4,235,074
Final proposed dividend – $0.05 per share	**$2,117,537**

19. Directors and Officers Remuneration

During the year ended 30 September 2012, the Corporation had a total of 7 directors (2011: 9) of whom 1 is an executive officer (2011: 1). For the financial year ended September 2012, the aggregate compensation for directors' services was $254,443 (2011: $248,836).

Salaries and other short term employee benefits for key management (being those executives with the authority to direct the Group's operating policy) of $1,852,663 (2011: $1,730,395) are included within personnel expenses.

During the year ended 30 September 2011, total share options of 690,000 were granted to directors and executive management on 20 September 2011 at a strike price of US$2.50 per share. The options expire five years after the authorisation date of each director's option agreement. The options vest immediately as each year of service is performed, however, a minimum of 1,000 options could be exercised at any one time and a maximum, ranging between 10,000 to 20,000 options, could be exercised per director per year, cumulative. At 30 September 2012, 256,000 (2011:138,000) options were exercisable.

Movements in the number of share options outstanding were as follows:

	2012	2011
Beginning balance	**690,000**	–
Granted	–	690,000
Exercised	–	–
Forfeited	**50,000**	–
At 30 September	**640,000**	**690,000**
Exercisable	**256,000**	138,000

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

19. Directors and Officers Remuneration (continued)

The option price is $0.25 as determined using the Black Scholes model; the calculation included the US Treasury on the run risk free rate of .82%, the exercise price at $2.50, stock volatility rate of 20%, the current stock price adjusted for present value of dividends over the next five years of $2.16, and time to maturity of the options of five years.

A stepped approach to determine the expense associated with the options was calculated and a total of $79,052 was expensed in the statement of comprehensive income in 2012 with a credit to equity.

Directors held 6,169,713 (2011: 6,171,535) of the Corporation shares as at 30 September 2012 of which 4,803,299 (2011: 4,805,121) were beneficially owned and 1,366,414 (2011: 1,366,414) were non-beneficially owned.

20. Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial services business, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

Financial risk management is carried out by various operating units under policies approved by the Board of Directors. The Board provides written policies for overall risk management as well as specific policies covering credit risk, interest rate risk, foreign exchange risk, use of derivative and non-derivative financial instruments, liquidity risk and investment of excess liquidity. The most important types of risk are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and other price risk.

Market Risk

The Group takes on exposure to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the volatility of market prices or prices such as interest rates, credit spreads and foreign exchange rates.

Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Treasury Manager. The Board also reviews a quarterly yield analysis to monitor its cost of funds and repricing risk as appropriate.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Interest Rate Risk (continued)

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts categorised by when management expects interest rates to reset. As management does not expect interest rates to materially change within the next one to two years, loans with maturity periods greater than five years are included in the 1–5 year category which is the next anticipated repricing period. Loans over five years include staff loans which are at fixed rates and disclosed at their contractual maturity period.

At 30 September 2012	1–3 months	3–6 months	6–12 months	1–5 Years	Over 5 Years	Non-interest Bearing	Total
Assets							
Cash and bank balances	$287,379,161	$–	$–	$–	$–	$9,730,026	$297,109,187
Short term placements	–	21,373,160	16,962,032	4,166,667	–	–	$42,501,859
Investments	844,003	7,467,751	2,866,398	16,182,865	2,406,713	618,058	$30,385,788
Loans and Overdrafts	88,055,765	4,577,159	16,743,389	405,000,550	42,261,172	2,267,397	$558,905,432
Interest receivable	1,834,444	–	–	–	–	–	$1,834,444
Other assets	–	–	–	–	–	8,754,818	$8,754,818
TOTAL	**$378,113,373**	**$33,418,070**	**$36,571,819**	**$425,350,082**	**$44,667,885**	**$21,370,299**	**$939,491,528**
Liabilities							
Demand & Term Deposits	$572,060,988	$63,221,272	$69,723,581	$9,050,684	$–	$153,616,665	$867,673,190
Other liabilities	–	–	–	–	–	12,346,585	$12,346,585
TOTAL	**$572,060,988**	**$63,221,272**	**$69,723,581**	**$9,050,684**	**$–**	**$165,963,250**	**$880,019,775**
Total Interest Sensivity Gap	**$(193,947,615)**	**$(29,803,202)**	**$(33,151,762)**	**$416,299,398**	**$44,667,885**		

At 30 September 2011	1–3 months	3–6 months	6–12 months	1–5 Years	Over 5 Years	Non-interest Bearing	Total
Assets							
Cash and bank balances	$289,234,892	$–	$–	$–	$–	$9,225,358	$298,460,250
Short term placements	–	36,833,189	23,489,485	–	–	–	$60,322,674
Investments	13,410,575	5,822,017	9,536,421	22,501,903	4,420,198	2,801,752	$58,492,866
Loans and Overdrafts	66,620,055	33,516,592	24,520,963	388,342,913	55,274,591	7,510	$568,282,624
Interest receivable	1,283,141	–	–	–	–	–	$1,283,141
Other assets	–	–	–	–	–	7,813,803	$7,813,803
TOTAL	**$370,548,663**	**$76,171,798**	**$57,546,869**	**$410,844,816**	**$59,694,789**	**$19,848,423**	**$994,655,358**
Liabilities							
Demand & Term Deposits	$627,395,677	$65,706,757	$63,012,448	$3,375,770	$–	$164,486,424	$923,977,076
Other liabilities	–	–	–	–	–	13,277,950	$13,277,950
TOTAL	**$627,395,677**	**$65,706,757**	**$63,012,448**	**$3,375,770**	**$–**	**$177,764,374**	**$937,255,026**
Total Interest Sensivity Gap	**$(256,847,014)**	**$10,465,041**	**$(5,465,579)**	**$407,469,046**	**$59,694,789**		

20. Financial Risk Management (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial assets and liabilities at the balance sheet date. A 25 basis point (2011: 25 basis points) increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2011: 25 basis points) higher/lower and all other variables remained constant, the Group's profit and equity for the year ended 2012 would increase/decrease by $510,162 (2011: increase/decrease by $538,291). This is mainly attributable to the Group's exposure to interest rates in its fixed rate liabilities and variable rate loans.

Other Price Risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity analysis

If equity prices had been 15% higher/lower:

- net profit for the year would have been unaffected as the equity investments are classified as available for sale.
- equity would increase/decrease by $92,709 (2011: $351,393) for the Group as a result of the change in fair value of available–for–sale equity investments.

Currency Risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency deposits accepted from customers are generally matched with corresponding foreign currency deposits placed with correspondent banks such that the foreign currency risk is substantially economically hedged. Moreover the Cayman Islands Dollar is pegged at a fixed rate of exchange to the United States Dollar (see Note 2), thus this is not considered to pose a significant foreign exchange risk. The Group does however have exposure to fluctuations of exchange rates on unhedged foreign currency assets (see table below). The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra–day positions, which are monitored daily by management. Management believes that these policies mitigate the Group's exposure to significant currency risks.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Currency Risk (continued)

The following table presents, by major currency, the Group's exposure to foreign currency risk at 30 September 2012:

2012	KYD	USD	GBP	CAD	EURO	OTHER	Total
Assets							
Cash & Due From Banks	10,821,485	175,261,694	51,778,796	17,321,425	38,613,551	3,312,236	297,109,187
Short term placements	–	36,325,383	4,436,464	1,061,250	678,762	–	42,501,859
Investments	–	30,385,788	–	–	–	–	30,385,788
Loans & Overdrafts	330,127,065	192,856,022	35,922,345	–	–	–	558,905,432
Total Assets	**$340,948,550**	**$434,828,887**	**$92,137,605**	**$18,382,675**	**$39,292,313**	**$3,312,236**	**$928,902,266**
Liabilities							
Depositors Accounts							
Current	74,346,614	77,804,026	95,803	17,596	–	–	152,264,039
Savings	64,832,642	149,856,443	62,850,763	12,323,111	1,416,671	1,575,290	292,854,920
Fixed Deposits	85,845,384	274,592,829	16,533,291	7,995,246	35,930,248	1,657,232	422,554,230
Sub Total	**225,024,640**	**502,253,298**	**79,479,857**	**20,335,953**	**37,346,919**	**3,232,522**	**867,673,189**
Interest Payable	99,698	431,419	9,245	13,386	1,462	655	555,865
Accounts Payable & Other Liabilities	7,275,218	3,866,633	639,378	6,247	3,244	–	11,790,720
Total Liabilities	**$232,399,556**	**$506,551,350**	**$80,128,480**	**$20,355,586**	**$37,351,625**	**$3,233,177**	**$880,019,774**
Net on Balance Sheet position	**$108,548,994**	**$(71,722,463)**	**$12,009,125**	**$(1,972,911)**	**$1,940,688**	**$79,059**	

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Currency Risk (continued)

The following table presents, by major currency, the Group's exposure to foreign currency risk at 30 September 2011:

2011	KYD	USD	GBP	CAD	EURO	OTHER	Total
Assets							
Cash & Due From Banks	$7,930,789	$160,414,330	$77,727,872	$7,064,625	$38,797,974	$6,524,660	**$298,460,250**
Short term placements	–	56,614,560	2,802,815	119,430	705,159	80,710	**60,322,674**
Investments	–	45,848,802	12,644,064	–	–	–	**58,492,866**
Loans & Overdrafts	350,500,948	183,907,996	33,873,680	–	–	–	**568,282,624**
Total Assets	**$358,431,737**	**$446,785,688**	**$127,048,431**	**$7,184,055**	**$39,503,133**	**$6,605,370**	**$985,558,414**
Liabilities							
Depositors Accounts							
Current	$67,657,408	$95,582,470	$114,534	$9,448	–	–	**$163,363,860**
Savings	61,752,707	118,791,810	94,159,850	3,515,415	2,047,597	6,168,662	**286,436,041**
Fixed Deposits	92,539,324	313,681,730	26,478,653	3,663,162	37,443,129	371,177	**474,177,175**
Sub Total	**$221,949,439**	**$528,056,010**	**$120,753,037**	**$7,188,025**	**$39,490,726**	**$6,539,839**	**$923,977,076**
Interest Payable	73,535	569,715	6,270	12,437	6,036	1,523	**669,516**
Accounts Payable & Other Liabilities	7,412,743	4,185,235	1,001,493	5,940	3,023	–	**12,608,434**
Total Liabilities	**$229,435,717**	**$532,810,960**	**$121,760,800**	**$7,206,402**	**$39,499,785**	**$6,541,362**	**$937,255,026**
Net on Balance Sheet position	**$128,996,020**	**$(86,025,272)**	**$5,287,631**	**$(22,347)**	**$3,348**	**$64,008**	

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Currency sensitivity analysis

The Cayman Islands dollar is pegged to the United States dollar at 1.00 to 1.20 as such that exposure is fixed. The Bank is mainly exposed to the currency of Britain (GBP), the European Union (EUR) and Canada (CAD).

Should the foreign exchange rate move by 10% (2011: 10%) there would be no significant increase/ decrease in the KYD against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates, as there was less volatility in the movements of the relevant currencies above during the year ended 30 September 2012. As such no sensitivity analysis has been prepared.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by a separate team, the Asset Liability Committee (ALCO), which includes the Treasury Manager, includes:

- Day–to–day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt security maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are the key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Treasury and the ALCO also monitors unmatched medium–term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

To mitigate exposure to liquidity risk, the Board of Directors have established a maximum ratio of loans to total customers' deposits of 79% which is continuously monitored by management. Actual maturities could differ from contractual maturities because the counterparty may have the right to call or prepay obligations with or without call or prepayment penalties. Examples of this include: mortgages, which are shown at contractual maturity but which often repay earlier; certain term deposits, which are shown at contractual maturity but which are often cashed before their contractual maturity and certain investments which may have call or prepayment features.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Liquidity risk (continued)

Funding approach

Sources of liquidity are regularly reviewed by ALCO to monitor diversification by currency, geography, provider, and product. The Group ensures that sufficient cash and due from banks and short term placements are held in order to address liquidity demands. These are the key financial assets used to mitigate liquidity risk, see Note 3 for composition of these balances.

The table below presents the cash flows payable and receivable by and to the Group for financial assets and liabilities remaining as at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest for the disclosed liabilities but excluding expected interest for assets.

At 30 September 2012	1–3 months	3–6 months	6–12 months	1–5 Years	Over 5 Years	Total
Liquidity Risk						
Cash and bank balances	$297,109,187	$–	$–	$–	$–	$297,109,187
Short term placements	–	21,373,160	16,962,032	4,166,667	–	$42,501,859
Investments	844,003	7,467,751	2,866,398	16,182,865	3,024,771	$30,385,788
Loans	88,055,765	4,577,159	7,827,999	31,270,768	427,173,741	$558,905,432
	386,008,955	**33,418,070**	**27,656,429**	**51,620,300**	**430,198,512**	**$928,902,266**
Liabilities						
Depositors accounts						
Current	$152,264,039	$–	$–	$–	$–	$152,264,039
Savings	292,854,920	–	–	–	–	$292,854,920
Fixed Deposits	282,927,474	63,352,242	70,776,802	7,139,602	–	$424,196,120
Subtotal	**728,046,433**	**63,352,242**	**70,776,802**	**7,139,602**	**–**	**$869,315,079**
Other Liabilities	8,103,196	412,545	73,886	1,158,295	–	$9,747,922
Total Liabilities	**736,149,629**	**63,764,787**	**70,850,688**	**8,297,897**	**–**	**$879,063,001**
Net exposure	(350,140,674)	(30,346,717)	(43,194,259)	43,322,403	430,198,512	49,839,265
Loan Commitments	13,330,473					13,330,473

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Liquidity risk (continued)

At 30 September 2011	1–3 months	3–6 months	6–12 months	1–5 Years	Over 5 Years	Total
Liquidity Risk						
Cash and bank balances	298,460,250	–	–	–	–	$298,460,250
Short term placements	–	36,833,189	23,489,485	–	–	$60,322,674
Investments	16,212,327	5,822,017	9,536,421	22,501,903	4,420,198	$58,492,866
Loans	66,620,055	33,516,592	24,520,963	21,288,861	422,336,153	$568,282,624
	381,292,632	**76,171,798**	**57,546,869**	**77,784,004**	**392,763,111**	**985,558,414**
LIABILITIES						
Depositors accounts						
Current	163,363,860	–	–	–	–	$163,363,860
Savings	286,436,041	–	–	–	–	$286,436,041
Fixed Deposits	342,662,468	66,035,962	63,542,563	3,505,484	–	$475,746,477
Subtotal	**792,462,369**	**66,035,962**	**63,542,563**	**3,505,484**	**–**	**$925,546,378**
Other Liabilities	7,522,494	562,765	215,423	1,169,461	34,760	$9,504,903
Total Liabilities	**799,984,863**	**66,598,727**	**63,757,986**	**4,674,945**	**34,760**	**$935,051,281**
Net exposure	(418,692,231)	9,573,071	(6,211,117)	73,109,059	392,728,351	$50,507,133
Loan Commitments	11,078,848					$11,078,848

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and no material losses are anticipated by management as a result of these transactions. The credit risk management and controls are centralised in the credit risk management team who reports to the President who in turn reports to the Executive Credit Committee, a subset of the Board of Directors. Key functions of these groups in their monitoring of credit risk cover:

- Independent review and objective assessment of risk;
- Performance and management of retail and commercial portfolios;
- Compliance with policies on large credit exposures;
- Debt recovery management and maximisation of recovery on impaired debts.

20. Financial Risk Management (continued)

Credit risk (continued)
(i) Credit risk measurement
Loans and advances

In measuring credit risk of loan and advances to customers the Group reflects three components (1) the 'probability of default' by the client on its contractual obligations; (2) current exposures to the client and its likely future development; and (3) the likely recovery on the defaulted obligations.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans. The operational measurements are consistent with impairment allowances required under IAS 39, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses. Loan impairment provisions are charged to expenses in order to maintain the reserve at a level deemed appropriate by management to absorb known inherent risks in the loan portfolio.

The Bank's future ratings scale and mapping of external ratings:

Bank's rating	Description of the grade	External rating: Approximate Agency Equivalent
1	Excellent	AAA to A–
2	Good	BBB+ to BBB
3	Average	BBB– to BB+
4	Fair	BB to B–
5	Watch List	CCC to C–
6	Substandard	Un–rated
7	Non–Accrual	Un–rated
8	Doubtful/Loss	Un–rated

While the above rating system is a recent undertaking, the ratings of the major rating agency shown in the table above are mapped to the Group's rating classes based on the Group's experience. The Group uses the external ratings where available to benchmark our internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

The total exposure on default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value plus unpaid interest. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Credit risk (continued)

(i) Credit risk measurement (continued)

Debt securities and other bills

For debt securities and other investments, external rating such as Moody's and Standard & Poor's rating or their equivalents are used by the Group for managing of the credit risk exposures. The investments in those securities and investments are viewed as a way to gain a better credit quality mapping.

Other assets

The majority of other assets consist of accounts receivables (which are shown presented net of provision for doubtful accounts), prepayments, interest receivable, due from brokers and other fees receivable.

Account and other fees receivable consist of a large number of clients spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of receivables and, where appropriate, a provision is established for accounts deemed uncollectible. In addition, a portion of the receivables are due from entities of which the Group is director or trustee or where the Group holds assets in a fiduciary capacity and as such has control over the settlement of the liabilities to the Group, which minimises the credit risk to the Group.

(ii) Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups. It maintains a policy on large credit exposures, ensuring that concentrations of exposure by counterparty do not become excessive in relation to the Group's capital base and remain within internal and regulatory limits.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. The Group's main operations are in the Cayman Islands.

Exposure Policy

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Other specific control and mitigation measures are outlined below:

Adequate collateralisation

It is the Group's policy when making loans to establish that they are within the customer's capacity to repay rather than relying exclusively on security. However, while certain facilities may be unsecured depending on the client's standing and the type of product, collateral can be an important mitigant of credit risk.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Credit risk (continued)
(ii) Risk limit control and mitigation policies (continued)
Exposure policy (continued)

The Group implements guidelines on the acceptability of specific classes of collateral. Longer term financing and lending to corporate entities are generally secured however, revolving lines of credit,
customer overdrafts and credit cards are generally unsecured. The principal collateral types accepted by the Group are as follows:

- In the personal sector, mortgages over residential properties;
- In the commercial and industrial sector, charges over business assets such as premises, stock and accounts receivables;
- In the commercial real estate sector, charges over the properties being financed;

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate along with charges over property and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment and provisioning policies

The impairment provision shown in the balance sheet at year-end is derived from each of the eight internal rating grades. However, the majority of the impairment provision comes from the bottom four gradings. The table below shows the percentage of the Group's on- and off-balance sheet items relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories:

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Credit risk (continued)
(ii) Risk limit control and mitigation policies (continued)
Impairment and provisioning policies (continued)

Bank's rating	2012		2011	
	Loans and advances (%)	Impairment provision (%)	Loans and advances (%)	Impairment provision (%)
1. Excellent	83.83	–	75.12	–
2. Good	4.76	0.30	14.54	0.55
3. Average	0.40	0.02	0.54	0.08
4. Fair	4.29	0.00	3.23	0.16
5. Watch List	5.78	0.00	6.39	63.28
6. Substandard	0.81	80.16	0.03	2.19
7. Non Accrual	0.02	3.79	0.05	11.02
8. Doubtful / Loss	0.11	15.73	0.10	22.72
	100.00	100.00	100.00	100.00

Management uses this tool to assess the credit quality of its loan book, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Court Judgment;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The Group's policy requires the review of individual financial assets that are above certain individually significant thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment always encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds e.g. credit cards; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience and experienced judgment.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Impairment and provisioning policies (continued)

Maximum credit exposure at the year-end approximates to the carrying value of all assets, plus the off balance sheet items contained in the table below. The classes of financial instruments to which the Group is most exposed are loans and advances to customers.

The Group's cash and due from banks balances, short term placements and term deposits are primarily placed at institutions and/or subsidiaries of institutions with Standard & Poor's short term ratings of A-1 or above. Mortgage, consumer and other loans are presented net of provisions for loan losses. Whilst the majority of loans are secured by first mortgages upon single family residences or by chattel mortgages, credit card receivables and certain overdrafts advanced in the normal course of business are unsecured. Credit risk with respect to mortgage, consumer and other loans is limited due to the large number of customers comprising the Group's customer base.

Maximum exposure to credit risk before collateral held or other credit enhancements, presented in thousands of dollars is as follows:

Credit risk exposures relating to on-balance sheet assets as follows:	2012 ($000's)	2011 ($000's)
Placements with banks	330,229	349,893
Loans and advances to customers:		
Loans to individuals:		
Overdrafts	19,390	22,469
Credit cards	9,556	9,888
Term loans	43,768	53,173
Mortgages	270,333	253,732
Loans to corporate entities:	221,533	232,557
Investment securities		
Debt securities	29,768	55,691
Other assets	8,424	6,290
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	4,219	1,643
Loan commitments and other credit related liabilities	13,330	13,631
At 30 September	**$950,550**	**$998,967**

The above table represents a worst case scenario of credit risk exposure to the Group at 30 September 2012 and 2011, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on carrying amounts as reported in the balance sheet.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Credit risk (continued)
(ii) Risk limit control and mitigation policies (continued)
Impairment and provisioning policies (continued)

Loans and advances are summarised as follows:

($000)	30-Sep-12		30-Sep-11	
	Loans and advances to customers	Placements with banks	Loans and advances to customers	Placements with banks
Neither past due nor impaired	**494,434**	**330,229**	464,001	349,893
Past due but not impaired	**53,511**	–	105,322	–
Individually impaired	**16,653**	–	2,496	–
Gross	**564,598**	**330,229**	571,819	349,893
Less: allowance for impairment	**5,693**	–	3,536	–
Net	**558,905**	**330,229**	**568,283**	**349,893**

(a) Loans and advances neither past due nor impaired

The credit quality of loans and advances neither past due nor impaired are assessed as excellent in accordance with the internal rating system adopted by the Corporation.

(b) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

30 September 2012	Individual (retail customers) and Corporate entities ($000)					
	Overdrafts	Credit Cards	Term Loans	Mortgages	Large Corporate Customers	Total
Past due up to 30 days	–	$589	$1,269	$14,699	$9,805	$26,362
Past due 30 – 60 days	–	55	190	786	1,185	2,216
Past due 60–90 days	–	7	194	1,124	6,051	7,376
Over 91 days	–	–	993	10,370	6,194	17,557
Total	**–**	**$651**	**$2,646**	**$26,979**	**$23,235**	**$53,511**
Fair value of collateral	–	140	9,279	54,678	36,188	100,285

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

(b) Loans and advances past due but not impaired (continued)

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

30 September 2011	Individual (retail customers) and Corporate entities ($000)					
	Overdrafts	Credit Cards	Term Loans	Mortgages	Large Corporate Customers	Total
Past due up to 30 days	–	$691	$6,219	$28,861	$47,178	$82,949
Past due 30 – 60 days	–	105	211	1,708	760	2,784
Past due 60–90 days	–	36	52	156	1,083	1,327
Over 91 days	–	72	879	7,516	9,795	18,262
Total	**–**	**$904**	**$7,361**	**$38,241**	**$58,816**	**$105,322**
Fair value of collateral	–	$321	$16,913	$78,227	$150,773	$246,234

Subsequent to year end and as at 31 October 2012, total loans and advances past due but not impaired had decreased to $38 million (2011: $33.5 million). The reduction in past due balances is a result of the payment history of over the counter customers who historically make their loan payments shortly after the end of each month.

(c) Loans and advances individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $16,653,000 (2011: $2,496,000).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

	Individual (retail customers) and Corporate entities ($000)					
	Overdrafts	Credit Cards	Term Loans	Mortgages	Large Corporate Customers	Total
30 September 2012						
Individually impaired loans	65	84	249	1,530	14,725	16,653
Fair value of collateral	–	–	10	1,358	11,445	12,813
30 September 2011						
Individually impaired loans	133	108	205	170	1,880	2,496
Fair value of collateral	–	–	–	–	–	–

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

20. Financial Risk Management (continued)

Credit risk (continued)

Investment securities and other investments

The table below presents an analysis of investment securities by rating agency designation at 30 September 2012 and 30 September 2011, based on Standard & Poor's ratings or their equivalent:

($'000) 2012	Investment Securities	Total
AAA	22,041	22,041
AA– to AA+	4,492	4,492
A– to A+	874	874
Lower than A–	1,542	1,542
Unrated	818	818
Total	29,767	29,767

($'000) 2011	Investment Securities	Total
AAA	44,411	44,411
AA– to AA+	5,484	5,484
A– to A+	863	863
Lower than A–	3,073	3,073
Unrated	1,860	1,860
Total	**55,691**	**55,691**

*Included in the unrated category is an impaired investment in GORRT/CLICO Ltd (see Note 4 for further discussion.)

Repossessed collateral

During 2012, the Group served demand notices on collateral held as security, as follows:

Nature of assets	Carrying amount ('000)
Residential property	$1,400
Commercial property	$530

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness and any surplus is returned to the customer.

20. Financial Risk Management (continued)

Credit risk (continued)

Concentration of risks

Geographical sectors

The Group has a concentration of risk in respect of geographical area as both customers and assets held as collateral on loans are primarily based in the Cayman Islands.

21. Regulatory Requirements

Certain subsidiaries are subject to regulatory requirements established by Cayman Islands Monetary Authority ("CIMA"), the primary regulator for the Group's subsidiaries domiciled in the Cayman Islands. The significant regulatory requirements are:

CNB, CNT, CNFS and CNS are required to meet minimum capital requirements. Failure to meet minimum capital requirements can initiate certain actions by the regulators, that if undertaken could have a direct material effect on the Group's financial statements. The subsidiaries must meet specific capital guidelines that involve quantitative measures of the subsidiaries assets and liabilities. The subsidiaries' capital amount and classifications are also subject to qualitative analysis by CIMA. Quantitative measures established by CIMA to ensure capital adequacy requires that subsidiaries maintain a minimum amount of capital and/or a minimum ratio of risk–weighted assets to capital.

CNC as a publicly traded company is subject to continuing obligations rules of the Cayman Islands Stock Exchange.

Management believes, as of 30 September 2012 and 2011 that all regulated subsidiaries meet the respective regulatory capital adequacy requirements established by CIMA, the Isle of Man Financial Supervision Commission and other regulatory bodies in the respective jurisdictions in Dubai and Panama. The minimum required capital fell below $2,500,000 in IBG; see Note 31 for discussion on IBG.

The Isle of Man has fully implemented Basel II and the CNB&T(IoM) remains compliant with its regulatory requirements. The Isle of Man Financial Services Commission has recently engaged in industry consultation to solicit industry feedback on the impact on financial institutions associated with the implementation of the Basel Committee's Basel III: International framework for liquidity risk measurement, standards and monitoring.

The Group's objectives when managing capital are:

- To comply with the capital requirements set by the chief regulator in the jurisdictions where the Group's subsidiaries operates.
- To safeguard the Group's ability to continue as a going concern while maximising the return to stakeholders; and
- To maintain a strong capital base to support the development of the business.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

21. Regulatory Requirements (continued)

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the chief regulator, for supervisory purposes. The required information is filed with regulator on a quarterly basis.

The Group's regulatory capital as managed by the Group's Chief Financial Officer (CFO) and monitored by the Board is divided into two tiers:

Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

Credit and market risk–weighted assets are calculated in accordance with the Basel II Framework and are determined based on the nature, external credit rating and the adjusted exposure of the counterparty applicable specific provisions, eligible collateral and/or guarantees associated with the exposure. A similar treatment is adopted for off–balance sheet exposures which are converted to on–balance sheet equivalents through the use of CIMA prescribed Credit Conversion factors. Operational Risk weighted assets are determined from Gross Income.

Having previously implemented Pillar I Capital requirements, CIMA proposes to introduce Pillar II – the Supervisory Review Process by December 2012 followed shortly thereafter by Pillar III – Market Discipline.

The second phase of the CIMA Basel II implementation will be considered for implementation after the introduction of Pillar III. It will include considering the implementation of advanced approaches, specifically Pillar 1 – Credit Risk – Advanced Approaches (IRB), Operations Risk – Advanced Measurement Approaches (AMA) and Market Risk – Internal Risk Management Models.

The Group has complied with all filings in accordance with Pillar 1 and is in the process of documenting its first Internal Capital Adequacy Assessment Process (ICAAP) in accordance with Pillar II.

22. Fair Value

The majority of the Group's financial assets and liabilities, with the exception of loans and certain investments, are short term, with maturities within one year, and the carrying amounts of these financial assets and liabilities approximate fair value because of the short maturity of these instruments. For personal, commercial and corporate loans, the interest is based upon variable rates, which are mainly linked to the Cayman Islands prime rate and accordingly, the recorded amount of these financial instruments approximates their fair value. However, the lack of any formal secondary market for these types of financial assets means that in practice, it may not be feasible to liquidate or exchange such assets for consideration which approximates carrying value. Management considers that the fair values of mortgage, consumer and other loans are not materially different from their carrying values. The fair value of investments is disclosed in Note 4.

22. Fair Value (continued)

The Group is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The Group has assessed the sensitivity of investment valuation to changes in related indices as well as the impact of sudden price movements in fair valued investments in Notes 2 and 20.

The following table analyses within the fair value hierarchy the Group's financial instruments (by class) measured at fair value at 30 September 2012:

30 September 2012 Assets:	Level 1	Level 2	Level 3	Total Balance
Investments in securities, at value:				
Equities	–	–	618,058	618,058
Bonds	–	29,767,730	–	29,767,730
Total assets	**$–**	**$29,767,730**	**$618,058**	**$30,385,788**

30 September 2011 Assets:	Level 1	Level 2	Level 3	Total Balance
Investments in securities, at fair value:				
Equities	$1,724,360	$–	$618,058	**$2,342,418**
Mutual funds	–	459,334	–	**459,334**
Bonds	–	54,197,314	1,493,800	**55,691,114**
Total Assets	**$1,724,360**	**$54,656,648**	**$2,111,858**	**$58,492,866**

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

22. Fair Value (continued)

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investments in funds where redemption is not restricted, certain non–US sovereign obligations and thinly traded listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non–transferability, which are generally based on comparable market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments are predominantly comprised of equity in a private company. In 2011, Level 3 instruments include equity in a private company and debt in relation to GORTT/CLICO (Note 4). As observable prices are not available for these securities, the Group has used valuation techniques to derive the fair value. The main inputs into the Group's valuation methods for level 3 assets may include: discounted cash flow projections, original transaction price, recent transactions in the same or similar instruments and completed third–party transactions in comparable instruments and information obtained from investment manager of the fund. It adjusts the model as deemed necessary.

The following table presents the movement in level 3 instruments for the year ended 30 September 2012 by class of financial instrument. The transfer into level 3 during 2011 resulted from the reclassification of an investment previously classified as held–to–maturity to available for sale in the current period.

	Equity Securities	Bonds	Total
Balance as at 30 September 2011	$618,058	1,493,800	$2,111,858
Purchases	–	–	–
Sales	–	(1,606,818)	(1,606,818)
Transfers into level 3	–	–	–
Transfers out of level 3	–	–	–
Gains and losses recognised	–	113,018	113,018
Balance as at 30 September 2012	**$618,058**	**$–**	**$618,058**
Balance as at 30 September 2010	$615,975	–	$615,975
Purchases	–	–	–
Sales	–	–	–
Transfers into level 3	–	1,493,800	1,493,800
Transfers out of level 3	–	–	–
Gains and losses recognised	140,972	–	140,972
Impairment	(138,889)	–	(138,889)
Balance as at 30 September 2011	$618,058	$1,493,800	$2,111,858

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

23. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. These services give rise to the risk that the Group may be accused of mal-administration or under-performance.

24. Geographical and Segmental Information

The Group's main operations are in the Cayman Islands, with two subsidiaries, CNB&T (IOM) and CNFS (IOM) based in the Isle of Man, and one subsidiary, IBG based in the Turks and Caicos Islands.

For the year ended 30 September 2012, summary financial data for CNB&T (IOM), CNFS (IOM) and IBG operations is presented below.

	IOM 2012	IBG* 2012	IOM 2011	IBG 2011
Total Assets	$123,601,115	$1,917,714	122,878,381	$4,625,573
Total Liabilities	$116,936,255	$344,398	116,608,823	$2,168,595
Total Income	$3,561,691	$149,835	4,467,107	$103,434
Net Income (Loss)	$434,515	$(2,962,825)	1,169,603	$(2,863,384)

The Group's primary business segment includes domestic and offshore retail and corporate banking; secondary operations include trust and company management, mutual fund administration and asset management services. Other operations include the holding company accounts which are mostly impacted by inter-company eliminations.

* Amounts reflected at carrying value. See Note 31.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

24. Geographical and Segmental Information (continued)

30 September 2012	Banking	Trust & Company Management	Asset Management	Eliminations	Group
Gross Assets**	852,537,247	126,435,491	4,411,999	(19,695,735)	963,689,002
Total Liabilities	761,952,999	117,517,421	2,028,824	(1,135,072)	880,364,172
Gross Revenue**	40,941,802	6,019,045	4,914,954	(1,252,520)	50,623,281
Net Income	1,462,396	27,859	1,039,630	(474,833)	2,055,052
Capital Expenditure	1,301,310	154,277	71,310	–	1,526,897
Depreciation charge	2,376,009	151,459	90,348	29,283	2,647,099
Goodwill impairment	–	–	30,605	–	30,605
Interest expense	2,350,866	310,758	–	–	2,661,624
Interest income	27,029,363	1,193,798	34,231	(498,080)	27,759,312
30 September 2011					
Gross Assets	909,883,246	126,300,635	3,417,076	(18,493,704)	1,021,107,253
Total Liabilities	819,881,014	117,385,241	1,193,531	(1,204,760)	937,255,026
Gross Revenue	38,965,473	7,614,413	4,988,081	(1,634,400)	49,933,567
Net Income	3,102,579	1,034,953	1,088,574	(387,131)	4,838,975
Capital Expenditure	976,533	91,325	12,523	36,022	1,116,403
Depreciation charge	2,360,664	149,881	76,977	34,000	2,621,522
Goodwill impairment	309,470	–	141,141	–	450,611
Interest expense	2,487,526	366,568	–	–	2,854,094
Interest income	27,588,071	1,133,646	8,873	(411,407)	28,319,183

** Excluding impairment of non-current asset held for sale. See Note 31.

25. Interest Income and Expense

Interest income comprises of the following:

	2012	2011
Cash and short term funds	612,821	1,873,957
Investment securities	545,063	658,246
Loans and advances	26,601,428	25,786,980
	$27,759,312	$28,319,183

Substantially all interest expense is attributable to customer deposits.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

26. Foreign Exchange

Included within foreign exchange fees and commissions are foreign exchange transaction gains of $4,823,192 (2011: $4,422,403) and realised foreign exchange losses of $2,305 (2011: loss of $nil).

27. Income Received From Visa Shares

The Group's payment services business issues and acquires credit and debit card transactions through the VISA Inc. Association or its affiliates (collectively "Visa"). On 3 October 2007, Visa completed a restructuring and issued shares of Visa common stock to its financial institution members in contemplation of its initial public offering ("IPO") which occurred in the first quarter of 2008 (the "Visa Reorganisation"). As part of the re-organisation the Group received its proportionate number of Visa common stock, a portion of which were simultaneously redeemed for cash, with the remaining shares to be converted to Class A shares three years after the IPO.

During the financial year ended 30 September 2012, the final 23,670 tranche of shares initially allocated to the Group in 2008 were sold for proceeds of $2,530,322 resulting in a gain of $1,686,683.

28. Personnel

Personnel costs comprise of the following:

	2012	2011
Salaries and overtime	$20,574,625	$20,277,961
Pension	787,136	622,433
Health insurance	1,549,733	1,606,655
Bonus	620,139	558,293
Training	367,060	279,544
Other	1,106,136	996,789
	$25,004,829	$24,341,675

Certain employees and directors are voluntarily able to participate in the Corporation's Staff Share Purchase Scheme (the "Scheme"). Under the Scheme employees can contribute up to 2% of salary which is matched by the Corporation, and directors contribute up to 20% of their quarterly directors' fees which is also matched by the Corporation. The contributions are used to purchase shares in the open market at prevailing prices and the shares are subject to certain vesting terms as set out in the Scheme. The net cost to the Corporation of this Scheme for the year was $117,626 (2011: $106,694) which is included within personnel costs in the statement of income.

At 30 September 2012, the Group employed a total of 328 personnel (2011: 320).

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

29. Accounts Payable And Other Liabilities

	2012	2011
Due to customers	$6,869,629	$6,662,117
Accounts payable & accrued expenses	770,204	1,765,083
Other liabilities	1,322,118	1,027,704
Accounts payable and other liabilities	$8,961,951	$9,454,904

30. Non-Controlling interest

International Banking Group (TCI) Ltd. (IBG) is based in the Turks and Caicos and held a national and oversea banking license issued by the Turks & Caicos Islands Financial Services Commission. IBG commenced operations in July 2010.

As of 30 September 2009, IBG was a wholly owned subsidiary of CNC; however, in May 2010 the directors approved a share subscription offering to the public and as a result additional shares were issued, which resulted in a minority shareholding or non controlling interest in IBG being recorded.

As of 30 September 2012, total shares issued to minority shareholders were 258,200 (2011: 258,200) with CNC maintaining majority shareholding of 79.45% (2011: 74.36%) and minority shareholding or non-controlling interest was 20.55% (2011: 25.64%).

31. Non-Current Assets Held For Sale

Currently and historically, IBG is/has been dependent upon the financial support of its parent and majority shareholder (CNC) to allow it to continue as a going concern. IBG has incurred a loss of $2,962,825 (2011: $3,768,615) for the year ended 30 September 2012.

In July 2012, the Board of IBG took the decision to suspend operations. In August 2012, official notice was served to the public and the Turks and Caicos Financial Service Commission ("FSC") was advised. At that point in time CNC took a decision to actively seek a buyer for its shares in IBG and cease capital injections in IBG.

In November 2012, CNC entered into an agreement to sell its 998,183 shares in IBG to a third party. Subject to the FSC approving a banking licence application to the third party, IBG may recommence operations as a retail bank again in the near future. In the event that such approval is not forthcoming, IBG may cease to be a going concern and therefore in such circumstances it may be unable to realise its assets and discharge its liabilities in the normal course of business. This indicates the existence of a material uncertainty which may cast doubt on the IBG's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary should IBG be unable to continue as a going concern. As CNC sold IBG post year end, management has accounted for the subsidiary as assets and liabilities held for sale as at 30 September 2012.

With effect from 31 December 2012, the FSC revoked IBG's licence to carry on banking business. IBG is currently appealing this decision.

The sales proceeds per the sales agreement will be either US$1.5 million or US$0.1 million dependant on meeting defined set criteria.

Cayman National Corporation Ltd.

Notes to Consolidated Financial Statements

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

31. Non–Current Assets Held For Sale (continued)

Although uncertainty exists on what the final sales proceeds will be (either US$1.5 million or US$0.1 million), at this present time CNC has recorded US$0.1 million with the knowledge that a contingent asset of US$1.4 million exists as a result of this. Should the final proceeds be US$1.5 million, then CNC will record the additional US$1.4 million in the period of cash settlement and/or final agreement on this amount is obtained from the purchaser.

Given the above, CNC has recorded its interest in IBG in accordance with the accounting policy in Note 2 as follows:

Assets held for sale consist of:	2012	2011
Cash and Due from banks	$ 217,368	–
Loans and Overdrafts	50,455	–
Accounts Receivable	220,049	–
Fixed Assets	1,429,842	–
	$ 1,917,714	$ –
Less Impairment:	1,468,428	–
	$ 449,286	$ –
Liabilities held for sale consist of:		
Total Deposits	$ 172,981	$–
Other Liabilities	171,417	–
	$ 344,398	$–

32. Subsequent Events

During November 2012, CNC declared a final dividend of $0.05 per share ($2,117,537) which is anticipated will be paid to shareholders of record after approval by shareholders at the annual General meeting in March 2013. The payment of the CNC dividend will be funded by dividends from the various Group subsidiaries; although the exact amount of dividends to be paid from each subsidiary has not yet been determined, the majority of the dividend will be paid by CNB. In anticipation of this dividend declaration at 30 September 2012, the directors made an appropriation from retained earnings to the reserve for dividends.

Cayman National Bank Ltd.

Consolidated Statement of Financial Position

30 September 2012 (expressed in Cayman Islands dollars)

Assets	2012	2011
Cash and due from banks (Note 3)	$214,097,081	$223,866,673
Short term placements	39,010,185	58,426,919
Investments (Notes 4 and 10)	30,385,788	45,848,802
Investment Property (Note 7)	1,592,885	2,337,475
Loans and overdrafts (Notes 5 and 10)	539,397,937	549,306,105
Interest receivable	2,198,154	1,613,906
Accounts receivable (Note 10)	4,260,288	3,151,990
Fixed assets (Note 6)	19,677,215	20,705,803
	$850,619,533	$905,257,673
Liabilities		
Customers' accounts (Note 10)		
Current	$153,613,966	$163,801,707
Savings	193,591,726	193,770,204
Fixed deposits (Note 8)	405,597,838	449,935,672
	$752,803,530	$807,507,583
Interest payable	547,490	661,754
Accounts payable and accrued expenses (Note 24)	6,076,400	7,313,228
Deferred revenue	2,181,181	2,229,854
	$761,608,601	$817,712,419
Shareholder's Equity		
Share capital (Note 9)	$2,436,585	$2,436,585
Share premium	1,695,816	1,695,816
General reserve (Note 9)	39,500,000	39,500,000
Retained earnings	45,161,243	43,502,668
Net unrealised appreciation on investments available-for-sale (Note 4)	217,288	410,185
	$89,010,932	$87,545,254
Total Liabilities and Shareholder's Equity	$850,619,533	$905,257,673

Approved for issuance on behalf of Cayman National Bank Ltd.'s Board of Directors by:

Chairman Stuart Dack — S.J. Dack

Director — O.A. Williams

Date: 14 December 2012

Note: These Financial Statements for Cayman National Bank Ltd. are extracts from the detailed audited Financial Statements of the Bank.

Cayman National Bank Ltd.

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2012 (expressed in Cayman Islands dollars)

Interest	2012	2011
Interest income (Notes 10 & 21)	$26,941,929	$27,550,601
Interest expense (Notes 10 & 21)	2,328,161	2,480,561
Net Interest Income	**$24,613,768**	**$25,070,040**
Other Income		
Foreign exchange fees and commissions (Note 22)	$5,790,858	$5,400,919
Other fees and commissions (Note 10)	9,069,678	8,391,596
Income from repossessed collateral	–	60,000
Gain on sale of investment Visa shares (Note 23)	1,686,683	–
Gain on sale of investment available-for-sale (Note 4)	85,841	–
Gain on sale of investment held-to-maturity (Note 4)	–	73,187
(Loss)/Gain on disposal of fixed assets (Note 6)	(282,429)	5,186
Gain on sale of investment property (Note 7)	965,140	–
Impairment loss on available-for-sale investment (Note 4)	(555,558)	(138,889)
Total Income	**$41,374,251**	**$38,862,039**
Expenses		
Depreciation (Note 6)	$2,031,607	$2,043,224
Increase in reserve for loan loss (Note 5)	2,095,000	1,200,000
Other operating expenses	10,237,323	9,491,326
Personnel (Notes 12, 14 and 16)	18,344,542	17,107,778
Premises	2,722,130	2,744,278
Goodwill impairment (Note 20)	–	309,470
	$35,480,602	**$32,896,076**
Profit For The Year	**$5,893,649**	**$5,965,963**
Other Comprehensive Income / (Loss):		
Net realised impairment of available-for-sale investments	$555,558	$138,889
Change in unrealised appreciation	1,024,069	388,911
Net reclassification adjustment for realised net gains	(1,772,524)	–
Total Other Comprehensive (Loss)/Income	**$(192,897)**	**$527,800**
Total Comprehensive Income For The Year	**$5,700,752**	**$6,493,763**

Note: These Financial Statements for Cayman National Bank Ltd. are extracts from the detailed audited Financial Statements of the Bank.

Directory

Cayman National Corporation Ltd.

Cayman National Building
200 Elgin Avenue, PO Box 1097
Grand Cayman KY1-1102, Cayman Islands
T 345 949 4655 **F** 345 949 0774
cnc@caymannational.com
www.caymannational.com

Directors

Truman M. Bodden, OBE, LLB (Hons), ACIB, JP,,*****
Chairman
Stuart J. Dack, ACIB, MBA,
President & Chief Executive
Sherri Bodden-Cowan, LLB (Hons),*****
Clarence Flowers, Jr.*
Bryan A. Hunter, LLB***
Peter A. Tomkins, MBE*
Nigel Wardle, BA, CA**

Senior Officers & Management

Stuart J. Dack, ACIB, MBA,
President & Chief Executive
Ryan Bahadur BSc. Hons, CAMS,
Manager, Regulatory Compliance
Dorette Brown,
Senior Vice President,
Administration & Human Resources
Simon Garnett, FCCA CGA
Group Internal Auditor
Patricia Estwick, BA (Hons), CPA, MBA,
Group Chief Financial Officer
Ian C. Whan Tong, AB, MPA, JD, CAMS, Notary Public,
Group Legal Counsel

* Members of the Group Compensation Committee
** Members of the Group Audit Committee
*** Members of the Group Legal Committee

Cayman National Bank Ltd.

Cayman National Building
200 Elgin Avenue, PO Box 1097
Grand Cayman KY1-1102, Cayman Islands
T 345 949 4655 **F** 345 949 7506
cnb@caymannational.com

Directors

Stuart J. Dack, ACIB, MBA,
Chairman
John C. Bierley, BA, JD (USA)
Truman M. Bodden, OBE, LLB (Hons), ACIB, JP
Sherri Bodden-Cowan, LLB (Hons.)
Clarence Flowers, Jr.
Peter A. Tomkins, MBE
Nigel Wardle, BA, CA
Ormond A. Williams, FIFS, FCMI, FCABFI

Senior Officers & Management

Ormond A. Williams, FIFS, FCMI, FCABFI,
President
Brian Esau, BA, Dipl Fin Mgmt, CSC, AICB,
Executive Vice President
Avolyn Tatum, BSc, Notary Public
Senior Vice President,
Personal & Business Banking
and Credit Risk Management
Norma Williams-Seymour, MICA, Int.Dip (Comp), M.Sc., B.Sc., Notary Public,
Senior Vice President, Service Delivery
Denniston Swaby, BSc,
Chief Information Technology Officer
Michele Ebanks, BBA,
Senior Vice President, Card Services
John Henry Ebanks, AML/CA
Senior Vice President & MLRO, &
Operational Risk Management
Regina Oliver
Senior Vice President,
International Premier Banking
Judy Watler, AICB,
Manager, Premier Banking
Sharon Wyckoff,
Manager, Treasury
Shari Whittaker, MA
Manager, Bank Marketing
Karen Baptiste, BA (Hons), CPA,
Senior Finance Manager

Cayman National Fund Services Ltd.

Suite 6201, 62 Forum Lane, Camana Bay
PO Box 30239
Grand Cayman KY1-1201, Cayman Islands
T 345 640 9268 **F** 345 640 9001 or 345 640 9002
info@cnifs.com

Directors

Stuart J. Dack, ACIB, MBA,
Chairman
John C. Bierley, BA, JD (USA)
Truman M. Bodden, OBE, LLB (Hons), ACIB, JP
Bryan A. Hunter, LLB
Christopher Lumsden, BA, ACA
Peter A. Tomkins, MBE
Nigel Wardle, BA, CA

Senior Officers & Management

Christopher Lumsden, BA, ACA,
President
Susan Levy, BBA, M.Acc., CPA,
Deputy Head of Fund Services
Jill Anderson,
Head of Investor Services
Debra C. Humphreys, FICA, TEP, JP,
Senior Vice President,
Risk & Compliance Manager, MLRO

Cayman National Trust Co. Ltd.

Suite 6201, 62 Forum Lane, Camana Bay
PO Box 30239
Grand Cayman KY1-1201, Cayman Islands
T 345 640 9268 **F** 345 640 9001 or 345 640 9002
info@cnifs.com

Directors

Stuart J. Dack, ACIB, MBA,
Chairman
John C. Bierley, BA, JD (USA)
Truman M. Bodden, OBE, LLB (Hons), ACIB, JP
Bryan A. Hunter, LLB
Peter A. Tomkins, MBE
Nigel Wardle, BA, CA

Senior Officers & Management

Michael L. Hodgson, BA, MBA, TEP,
President
Armando Ebanks, BSc., TEP
Senior Vice President
Joyce Shaw,
Head of Operations, Trust & Corporate
Debra C. Humphreys, FICA, TEP, JP,
Senior Vice President,
Risk & Compliance Manager, MLRO

Cayman National Securities Ltd.

Suite 6201, 62 Forum Lane, Camana Bay
PO Box 30239
Grand Cayman KY1-1201, Cayman Islands
T 345 640 9267 **F** 345 640 9001 or 345 640 9002
info@cnifs.com

Directors

Stuart J. Dack, ACIB, MBA,
Chairman
John C. Bierley, BA, JD (USA)
Truman M. Bodden, OBE, LLB (Hons), ACIB, JP
Bryan A. Hunter, LLB
Peter A. Tomkins, MBE
Nigel Wardle, BA, CA

Senior Officers & Management

Annie Ebanks-Halloran,
Senior Vice President, Investment Advisor
Debra C. Humphreys, FICA, TEP, JP,
Senior Vice President,
Risk & Compliance Manager, MLRO
Aaron Elniski, CA,
Chief Financial Officer

Cayman National Bank and Trust Company (Isle of Man) Limited

Cayman National Fund Services (Isle of Man) Limited

Cayman National House
4-8 Hope Street
Douglas
Isle of Man, IM1 1AQ, British Isles
T +44 (1624) 646 900 (banking);
+44 (1624) 646 901 (fiduciary);
+44 (1624) 646 902 (fund services)
F +44 (1624) 662 192
banking@cnciom.com; fiduciary@cnciom.com;
fund@cnciom.com
www.caymannationalwealth.com

Directors

Stuart J. Dack, ACIB, MBA,
Chairman
Ian M.E. Bancroft, MBA, ACIB, FCMI
John C. Bierley, BA, JD (USA)
Truman M. Bodden, OBE, LLB (Hons), ACIB, JP
Malcolm B. Hartley, JP
Christopher Lumsden, BA, ACA,
(Director of Cayman National Fund Services (Isle of Man) Limited)
David W. Trimble, MA (Cantab)
Peter A. Tomkins, MBE
G. Kenneth Watterson, MSc., MSc., C. Dir,
Chartered FCSI., FCI
Barry J. Williams, Aifs, FICA
(Director of Cayman National Bank and Trust Company (Isle of Man) Limited)

Senior Officers & Management

Ian M.E. Bancroft, MBA, ACIB, FCMI,
Managing Director
Rosaline Whorms, DIP (ITM), TEP,
Head of Fiduciary Services
Barry J. Williams, Aifs, FICA,
Banking Director
Gary Kermode, BSc, FCCA,
Head of Fund Services
Andrew Cubbon, ACMI,
Head of Operations
Anita Gould-Davies,
Business Development Manager

Cayman National (Dubai) Ltd.

Level 4, The Gate Building West Office 401
Dubai International Financial Centre
PO Box 506754
Dubai, United Arab Emirates
T +971 4 327 6695 **F** +971 4 327 6635
naiem.qadir@cnifs.com

Directors

Stuart J. Dack, ACIB, MBA
Ian M.E. Bancroft, MBA, ACIB, FCMI
John C. Bierley, BA, JD (USA)
Naiem A. Qadir, BA, MBA, CA, CFA
Peter A. Tomkins, MBE
David W. Trimble, MA (Cantab)

Senior Officers & Management

Naiem A. Qadir, BA, MBA, CA, CFA,
Senior Executive Officer
Peter Robinson, BA, ACIB
Executive Officer


CUSTOMER

CAYMAN NATIONAL

Cayman National Corporation Ltd.

Cayman National Building
200 Elgin Avenue, PO Box 1097
Grand Cayman KY1–1102, Cayman Islands
T 345 949 4655 **F** 345 949 0774

Cayman National Bank Ltd.
Cayman National Fund Services Ltd.
Cayman National Trust Co. Ltd.
Cayman National Securities Ltd.
Cayman National Bank & Trust Company (Isle of Man) Limited
Cayman National Fund Services (Isle of Man) Limited
Cayman National (Dubai) Ltd.