

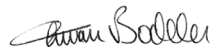
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in the next couple of months and advised to shareholders before the payment date.

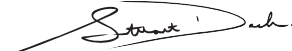
Although trading conditions remain challenging, our businesses remain profitable. Sensible steps are being taken to improve Net Income while maintaining a risk-adverse strategy. Our Balance Sheet remains strong and this is supported by increasing levels of business.

As we control costs, our staff are called upon to work more efficiently and we are grateful for their commitment to the success of the business.

Our continued strength remains a reflection of the loyalty of our investors for which we thank you.



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



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



**Cayman National Corporation Ltd.**

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**Board of Directors:**

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

**Group of Companies:**

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.

# Interim Report 2012/2013

Interim Report for the Period to 31 March 2013



**CAYMAN  
NATIONAL**



## Consolidated Statement of Financial Position

As of 31 March 2013  
(Unaudited Figures Expressed in Cayman Islands Dollars)

Net Income for the Company was C\$1,721,563 for the six month period to 31 March 2013. This result is 42% down on the same period last year and is due partly to a continuing decline in interest rates where although local prime rates have remained constant, the investment rates we receive have continued to reduce.

To compensate, we have reduced further our expenses, but some of these take time to flow through to the bottom line. With an increase in the Balance Sheet in which Total Assets are up by 6%, we also have scope to increase lendings which will improve earnings. Despite the temptation to lend aggressively, we continue to follow cautious lending guidelines while still increasing the lending book at a modest pace. On the investment side, we also continue to follow a conservative strategy in the knowledge that this is the right course for long term success.

We are pleased to report that Total Deposits increased by 7% on a year ago to C\$959,072,013, at a time when many banks are experiencing a general decline in deposit activity. Overall, we are seeing a steady stream of new business into all sectors of our operations and we are grateful to new and existing clients for the confidence that they have in our organization.

On the expense side, we should stress the impact that new fees and regulatory costs are having upon us and others in our industry. In particular most of our license fees have increased dramatically this year. By way of example, the license fee for Cayman National Bank alone was increased by 67% - or from \$600,000 to C\$1,000,000. This is just one of the many license fees and fee increases we have incurred.

Shareholders are aware that it is our normal policy to declare and pay an interim dividend later in the year with payment scheduled for September. Our aim is to maintain a sensible dividend stream for our investors. A decision on the level of the interim dividend will be made by the Board of Directors

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Assets	31 Mar 2013	31 Mar 2012
Cash and due from banks	\$454,336,890	\$346,411,966
Investments	21,967,301	41,298,130
Loans and overdrafts	543,255,085	564,446,630
Interest Receivable	2,306,297	2,162,473
Accounts Receivable	8,272,943	11,650,003
Fixed Assets	20,277,671	23,449,511
Investment Property	1,592,885	2,337,475
Goodwill	2,874,014	2,904,617
<b>Total Assets</b>	<b>\$1,054,883,086</b>	<b>\$994,660,805</b>
<b>Liabilities</b>		
Depositors' accounts:		
Current	\$166,126,988	\$166,920,715
Savings	298,736,804	285,339,169
Fixed Deposits	494,208,221	440,845,284
	<b>\$959,072,013</b>	<b>\$893,105,168</b>
Interest Payable	1,051,590	599,511
Accounts Payable & accrued expenses	11,700,239	15,952,815
<b>Total Liabilities</b>	<b>\$971,823,842</b>	<b>\$909,657,494</b>
<b>Shareholders' Equity</b>		
Share capital	\$42,350,731	\$42,350,731
Share premium	5,031,897	5,031,897
General reserve	7,486,050	7,486,050
Retained earnings	28,838,452	29,307,103
Net unrealised appreciation/(depreciation) on investments available-for-sale	306,153	673,140
Equity adjustment from foreign currency translation	(874,424)	(519,245)
Share option reserve	79,052	
<b>Total Shareholders' Equity</b>	<b>\$83,217,911</b>	<b>\$84,329,676</b>
Non Controlling Interest	\$(158,667)	\$673,635
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$1,054,883,086</b>	<b>\$994,660,805</b>

## Consolidated Statement of Comprehensive Income

For the 6 month period ending 31 March 2013  
(Unaudited Figures Expressed in Cayman Islands Dollars)

Income	31 Mar 2013	31 Mar 2012
Interest Income	\$13,251,141	\$14,066,309
Interest Expense	1,609,322	1,281,786
<b>Net Interest Income</b>	<b>\$11,641,819</b>	<b>\$12,784,523</b>
<b>Other Income</b>		
Foreign exchange fees and commissions	\$2,874,076	\$2,864,555
Banking fees and commissions	5,515,123	4,878,330
Trust and company management fees	3,637,150	3,648,165
Brokerage commissions and fees	870,470	974,655
Loss on maturity of available-for-sale investment	-	(88,683)
Investment impairment	-	(79,365)
Income received from NRA	-	74,764
Gain on sale of fixed assets	-	11,000
<b>Total Other Income</b>	<b>\$12,896,819</b>	<b>\$12,283,421</b>
<b>Total Income</b>	<b>\$24,538,638</b>	<b>\$25,067,944</b>
<b>Expenses</b>		
Increase in reserve for loan losses	\$617,000	\$375,000
Personnel	12,302,282	12,374,583
Other operating expenses	6,964,945	6,408,893
Premises	1,811,737	1,819,150
Depreciation	1,280,333	1,382,084
<b>Total Expenses</b>	<b>\$22,976,297</b>	<b>\$22,359,710</b>
<b>Net Income Before Taxation</b>	<b>\$1,562,341</b>	<b>\$2,708,234</b>
Taxation	-	-
<b>Net Income</b>	<b>\$1,562,341</b>	<b>\$2,708,234</b>
Net Income Attributable to:		
<b>Equity Holders of the Parent (CNC)</b>	<b>\$1,721,563</b>	<b>\$2,982,139</b>
Non Controlling Interest	\$(159,222)	\$(273,905)
	<b>\$1,562,341</b>	<b>\$2,708,234</b>
<b>Other Comprehensive Income</b>		
Net realised impairment of available-for-sale investments	-	\$79,365
Change in unrealised appreciation	(366,987)	708,669
Net gain/(loss) on available-for-sale investments	(366,987)	788,034
Foreign currency translation differences	(355,179)	11,062
<b>Total Other Comprehensive (Loss)/Income</b>	<b>\$(722,166)</b>	<b>\$799,096</b>
<b>Total Comprehensive Income</b>	<b>\$840,175</b>	<b>\$3,507,330</b>

Key Performance Ratios	31 Mar 2013	31 Mar 2012
Earnings Per Share	0.04	0.10
Price Earnings Ratio	50.58	25.20
Return on Assets	0.17%	0.40%
Return on Equity	2.08%	4.81%
Book Value Per Share	\$1.96	\$1.99
Dividend Yield per share	4.81%	4.13%

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