

## FINANCIAL SUMMARY

Net Income for the Group amounted to \$1,724,309 compared to \$2,138,808 for the same period last year. The reduction reflects, in part, the further 0.50% cut in the prime-lending rate, which occurred in November 2002. As far as non-interest income is concerned Underwriting Income and other fees increased by \$475,000 and we are pleased to report an increase in Banking Fees and Commission. We did, however, see a reduction in Trust and Management fees. This is mainly due to international trends, which have impacted negatively on mutual funds income, and also caused clients to rationalize their businesses, some moving to other jurisdictions, leading to a consequent closure of their accounts. On the other hand, we completed the acquisitions of Fiduciary Trust and Cayman Islands securities at the end of November 2002, and these new businesses will contribute positively as this financial year progresses.

On the expense side, we achieved an overall reduction of \$155,000 against the same period last year. This trend will continue as management continues to monitor and reduce expenses with particular focus on personnel and operating costs. Personnel costs in particular will reduce as we complete the expensive task of the retrospective due diligence process, which was imposed on financial institutions by recent legislation.

As well as the focus on costs, emphasis is also being placed on expanding our deposit base by introducing new deposit products together with the building of business through the connections being developed in Latin America.

Although earnings per Share are down slightly at \$0.19 versus \$0.21 for the corresponding period last year the Dividend Yield per Share of 4.21% represents an increase of 23%. Book Value per Share also increased to \$1.86 and the Return on Assets move up to 1.38%.

Looking forward, the net profit forecast for the current financial year remains in line with last year's performance of approximately US\$10 million, notwithstanding the continuing adverse economic conditions. We would like to anticipate an upward movement of this figure, but it would be premature to revise this at this time.

## DIVIDEND

The Board of Directors recommended a final dividend of \$0.06 (six cents) per share to shareholders of record as of 31 December 2002, or a total dividend of \$0.12 (2001: \$0.12) for the financial year ended 30 September 2002. Dividends will be paid on March 3, 2003.

## COMMENTARY

The President & CEO of the Group, Mr. Eric Crutchley has announced that he will retire in 2004 on completion of his current contract. Mr. Crutchley joined the Group in 1994 and has led the corporation through financial growth, technological improvements, and a rapidly changing regulatory environment for the past ten years.

Under Mr. Crutchley's leadership, the Group has grown from \$243M in assets in 1994 to \$556M today. All Group companies have enhanced computer systems and improved customer service is delivered by trained and experienced personnel as well as through technology channels such as Internet, telephone banking and ATMs. His experience and involvement in the Bankers Association and Government advisory committees have also greatly benefited the group in understanding and dealing with external initiatives.

The Directors have designated Mr. Stuart Dack, who has been with the Group for eleven years, to become the next CEO of the Group in 2004.

At the recent Annual General Meeting Mr. Thompson retired from the Board of Directors after nearly 30 years of valuable service to the Group and again we take the opportunity to thank him for his dedicated support.

In the place of Mr. Thompson we are delighted to welcome to the Board of

## CONSOLIDATED BALANCE SHEET

### As at December 31, 2002

Audited figures expressed in Cayman Islands dollars

| Asset   | Dec. 31<br>2002         | Dec. 30<br>2001    |
|---|-------------------------|--------------------|
| Cash and due from banks   | 185,692,127             | 224,930,192        |
| Investments   | 43,265,499              | 48,166,111         |
| Loans and overdrafts  | 288,088,689             | 292,298,401        |
| Interest receivable   | 1,517,382               | 2,273,132          |
| Accounts receivable   | 8,764,795               | 9,206,192          |
| Customers' liabilities on acceptances                             | 3,969,042               | 4,775,870          |
| Fixed assets  | 23,510,518              | 22,987,466         |
| Goodwill  | 2,039,245               | 1,207,438          |
| <b>Total Assets</b>   | <b>Ci\$ 556,847,297</b> | <b>605,844,802</b> |
| <b>Liabilities</b>  |                         |                    |
| Depositors' accounts:   |                         |                    |
| Current   | 68,044,508              | 76,190,625         |
| Savings   | 94,006,421              | 98,575,275         |
| Fixed Deposits  | 302,982,140             | 340,721,316        |
|   | 465,033,069             | 515,487,216        |
| Interest Payable  | 431,217                 | 1,191,280          |
| Accounts Payable & accrued expenses                               | 8,691,986               | 7,088,802          |
| Reserve for Unpaid Claims   | 1,088,548               | 1,503,998          |
| Liability to third parties under letters of credit and guarantees | 3,969,042               | 4,775,870          |
| Dividends Payable   | 2,423,340               | 2,415,985          |
| Minority Interest   | 57,645                  | 221,678            |
| <b>Total Liabilities</b>  | <b>Ci\$ 481,694,847</b> | <b>532,684,829</b> |
| <b>Shareholders' Equity</b>                                       |                         |                    |
| Share capital   | 40,389,608              | 40,285,373         |
| Share premium   | 3,564,548               | 3,351,608          |
| General reserve   | 12,411,626              | 12,411,626         |
| Retained earnings   | 18,150,476              | 17,272,274         |
| Net unrealised appreciation on investments                        | 554,970                 | 0                  |
| Equity adjustment from foreign currency translation               | 81,222                  | (146,373)          |
| Treasury Stock  | 0                       | (14,535)           |
| <b>Total Shareholders' Equity</b>                                 | <b>75,152,450</b>       | <b>73,159,973</b>  |
| <b>Total Liabilities and Shareholders' Equity</b>                 | <b>Ci\$ 556,847,297</b> | <b>605,844,802</b> |
|   | <b>US\$ (Equiv)</b>     | <b>668,216,756</b> |
|   |                         | <b>727,013,762</b> |

## CONSOLIDATED STATEMENT OF INCOME

### For the period ending December 31, 2002

Audited figures expressed in Cayman Islands dollars

| Income  | (3-months ending)<br>Dec. 31<br>2002 | (3-months ending)<br>Dec. 30<br>2001 |
|---|--------------------------------------|--------------------------------------|
| Interest Income   | 5,813,232                            | 7,579,820                            |
| Interest Expense  | 1,072,387                            | 1,891,174                            |
| <b>Net Interest Income</b>                              | <b>Ci\$ 4,740,845</b>                | <b>5,688,646</b>                     |
| <b>Other Income</b>                                     |                                      |                                      |
| Foreign exchange fees and commissions                   | 722,012                              | 713,055                              |
| Banking fees and commissions                            | 1,333,650                            | 1,300,214                            |
| Trust and Company Management fees                       | 683,382                              | 789,481                              |
| Brokerage commissions and fees                          | 366,146                              | 402,979                              |
| Underwriting income and other fees                      | 760,803                              | 285,759                              |
| <b>Total Income</b>                                     | <b>Ci\$ 8,606,838</b>                | <b>9,180,134</b>                     |
| <b>Expenses</b>   |                                      |                                      |
| Personnel   |                                      | 4,147,159                            |
| Other operating expenses                                | 4,024,186                            | 1,323,864                            |
| Increase in reserve for loan losses                     | 1,505,222                            |                                      |
| Premises  | 359,661                              | 672,738                              |
| Depreciation  | 306,086                              | 240,846                              |
| Amortization of Goodwill                                | 621,254                              | 588,981                              |
|   | 62,375                               | 60,624                               |
| <b>Total Expenses</b>                                   | <b>Ci\$ 6,878,784</b>                | <b>7,034,212</b>                     |
| <b>Net Income</b> (before Taxation & Minority Interest) | <b>Ci\$ 1,728,054</b>                | <b>2,145,922</b>                     |
| <b>Minority Interest Taxation</b>                       | <b>3,745</b>                         | <b>(7,114)</b>                       |
| <b>Net Income</b> (after Taxation & Minority Interest)  | <b>Ci\$ 0</b>                        | <b>0</b>                             |
| <b>Dividend Payable</b>                                 | <b>Ci\$ 1,724,309</b>                | <b>2,138,808</b>                     |
|   | <b>2,423,340</b>                     | <b>2,415,985</b>                     |
| <b>Key Performance Ratios</b>                           |                                      |                                      |
| EARNINGS PER SHARE                                      | \$ 0.19                              | \$ 0.21                              |
| PRICE EARNINGS RATIO                                    | 15.00                                | 16.67                                |
| RETURN ON ASSETS  | 1.38%                                | 1.37%                                |
| RETURN ON EQUITY  | 10.25%                               | 11.37%                               |
| BOOK VALUE PER SHARE                                    | \$ 1.86                              | \$ 1.82                              |
| DIVIDEND YIELD PER SHARE                                | 4.21%                                | 3.43%                                |

All performance ratios are computed using 12 months trailing earnings

## CAYMAN NATIONAL CORPORATION LTD.

### Directors:

Benson O. Ebanks, Jr., OBE, JP, *Chairman*

Truman M. Bodden, OBE LLB (HONS) ACIB JP  
*Deputy Chairman*

Eric J Crutchley, MBE FCIB, *President & Chief Executive*

John C. Bierley, BA JD (USA)

Sherri Bodden-Cowan LLB

Stuart J. Dack, ACIB, MBA

Clarence Flowers, Jr.

Richard Hew, BSEE, MBA, PE

David J. McConney, BA (ECON), FICB

Peter A. Tomkins, MBE

David W. Trimble, MA (Cantab)

### Recently Appointed Director:

*J.F. Richard Hew* is the Senior Vice President & General Manager of Caribbean Utilities Company, Ltd.

Graduating with a Bachelor of Science Degree in Electrical Engineering from the University of Florida in 1988, Richard immediately joined Caribbean Utilities Company, Ltd. He has risen through the ranks at CUC over the past 15 year to his present senior position. In 1997 he obtained the degree of Master of Business Administration at Wilfrid Laurier University, Ontario, Canada.

Richard is a registered Professional Engineer in the State of Florida and is presently a member of the Board of Governors of the Community College of the Cayman Islands. He is also an avid sportsperson and has represented the Cayman Islands in football (soccer) and squash.

Richard is married to Sandy and they have three children, Thompson age 5, Lauren age 3 and newborn baby Harrison.

## THE GROUP

Holding Company

Subsidiaries

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A Financial Services Company  
[www.caymannational.com](http://www.caymannational.com)

1st Quarter Report  
2002/2003

4th Quarter Report  
2001/2002

Benson O. Ebanks, Jr.  
OBE, JP  
Chairman

Eric J. Crutchley  
MBE, FCIB  
President & Chief Executive

4th Quarter Report  
2001/2002