

Interim Report 2012/2013

Interim Report for the Period to 31 March 2013



**CAYMAN
NATIONAL**

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 C\$400,000 (or 67%) 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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in the next couple of months and advised to shareholders before the payment date.

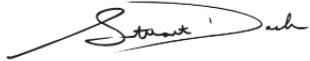
Although trading conditions remain challenging, our businesses remain profitable. Sensible steps are being taken to improve Net Income while maintaining a risk-averse strategy. Our Balance Sheet remains strong and this is supported by increasing levels of business.

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.



Consolidated Statement of Financial Position

As of 31 March 2013

(Unaudited Figures Expressed in Cayman Islands Dollars)

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
Total Assets	\$1,054,883,086	\$994,660,805
Liabilities		
Depositors' accounts:		
Current	\$166,126,988	\$166,920,715
Savings	298,736,804	285,339,169
Fixed Deposits	494,208,221	440,845,284
	\$959,072,013	\$893,105,168
Interest Payable	1,051,590	599,511
Accounts Payable & accrued expenses	11,700,239	15,952,815
Total Liabilities	\$971,823,842	\$909,657,494
Shareholders' Equity		
Share capital	\$42,350,731	\$42,350,731
Share premium	5,031,897	5,031,897
General reserve	7,486,050	7,486,050
Retained earnings	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	
Total Shareholders' Equity	\$83,217,911	\$84,329,676
Non Controlling Interest	\$(158,667)	\$673,635
Total Liabilities and Shareholders' Equity	\$1,054,883,086	\$994,660,805

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
Net Interest Income	\$11,641,819	\$12,784,523
Other Income		
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
Total Other Income	\$12,896,819	\$12,283,421
Total Income	\$24,538,638	\$25,067,944
Expenses		
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
Total Expenses	\$22,976,297	\$22,359,710
Net Income Before Taxation	\$1,562,341	\$2,708,234
Taxation	-	-
Net Income	\$1,562,341	\$2,708,234
Net Income Attributable to:		
Equity Holders of the Parent (CNC)	\$1,721,563	\$2,982,139
Non Controlling Interest	\$(159,222)	\$(273,905)
	\$1,562,341	\$2,708,234
Other Comprehensive Income		
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
Total Other Comprehensive (Loss)/Income	\$(722,166)	\$799,096
Total Comprehensive Income	\$840,175	\$3,507,330

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.



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.