

Interim Report 2013/2014

Interim Report for the Period to 31 March 2014



**CAYMAN
NATIONAL**

We are pleased to report that Net Income for the Company is up 71% on a year ago at C\$ 2,671,357 for the six month period to 31 March 2014. This result has been achieved despite the continuing trend of very low interest rates and ever increasing regulatory and compliance costs which in general the finance industry now faces. Cayman National Bank in particular performed well with its half year result up 92% on a year ago.

The figures achieved reflect ongoing cost savings coupled with new measures to improve revenue. Lending numbers improved by 7% but as always we have been careful to maintain the quality of our lending book. As lending has increased we have also taken the prudent approach to increase our Reserve for Loan Losses. On the investment side we have moved additional and modest funds to our investment portfolio from cash, being cautious to maintain liquidity and a risk profile that suits our long-standing conservative approach to the placement of our funds. This increase in investments boosted yields as bank cash placements continue to give low returns.

On the expense side, Personnel Expenses have been well contained despite the increasing basic cost of carrying out business in the financial sector. As mentioned regulatory and compliance costs continue to escalate with new regulations and control initiatives ever present. These put pressure on our personnel expenditure as staff capacity in these areas has to be stepped up with legal and advisory expenses also increasing. With this in mind it is creditable that our overall Personnel Expenses declined by 2% on a year ago.

Our balance sheet remains strong with Total Assets at well over the C\$1 billion mark. Total deposits are up 14 % on a year ago also surpassing the C\$1 billion level. With Total Shareholders' Equity of more than C\$82 million we are satisfied with our capitalisation.

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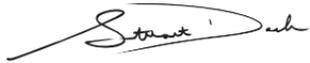
For the last financial year total dividends of 10 cents per share were paid to shareholders with the final dividend for the 2012/2013 financial year paid in March 2014 following approval at the Annual General Meeting. The Interim Dividend is normally paid to shareholders in September and the Board of Directors will keep the level of dividend under close review as the year progresses. Our aim is to maintain a sensible dividend stream for investors and a decision regarding this year's Interim Dividend will be taken before the end of the fiscal year.

Trading conditions in our industry remain tough but we are pleased with the progress we have made in the first half of the year. We continue to see good levels of new business coming onto our books and our staff continue to work hard and efficiently as we seek to improve income and contain costs.

As always we record our thanks to our clients and customers for their support and also to our shareholders for their confidence and loyalty.



Hon. 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 2014

(Unaudited Figures Expressed in Cayman Islands Dollars)

Assets	31 Mar 2014	31 Mar 2013
Cash and due from banks	\$519,375,908	\$454,336,890
Investments	48,005,118	21,967,301
Loans and overdrafts	579,956,996	543,255,085
Interest Receivable	3,292,145	2,306,297
Accounts Receivable	13,353,661	8,272,943
Fixed Assets	19,674,863	20,277,671
Investment Property	9,415,000	1,592,885
Goodwill	2,874,014	2,874,014
Total Assets	\$1,195,947,705	\$1,054,883,086
Liabilities		
Depositors' accounts:		
Current	\$275,482,157	\$166,126,988
Savings	268,274,426	298,736,804
Fixed Deposits	553,148,090	494,208,221
	\$1,096,904,673	\$959,072,013
Interest Payable	1,144,146	1,051,590
Accounts Payable & Accrued Expenses	15,493,362	11,700,239
Total Liabilities	\$1,113,542,181	\$971,823,842
Shareholders' Equity		
Share capital	\$42,350,731	\$42,350,731
Treasury stock	(6,323)	-
Share premium	5,031,897	5,031,897
General reserve	7,486,050	7,486,050
Retained earnings	27,581,000	28,838,452
Net unrealised appreciation/(depreciation) on investments available-for-sale	107,441	306,153
Equity adjustment from foreign currency translation	(267,614)	(874,424)
Share option reserve	122,342	79,052
Total Shareholders' Equity	\$82,405,524	\$83,217,911
Non Controlling Interest	-	\$(158,667)
Total Liabilities and Shareholders' Equity	\$1,195,947,705	\$1,054,883,086

Consolidated Statement of Comprehensive Income

For the 6 month period ending 31 March 2014

(Unaudited Figures Expressed in Cayman Islands Dollars)

Income	31 Mar 2014	31 Mar 2013
Interest Income	\$13,557,414	\$13,251,141
Interest Expense	1,262,638	1,609,322
Net Interest Income	\$12,294,776	\$11,641,819
Other Income		
Foreign exchange fees and commissions	\$3,086,553	\$2,874,076
Banking fees and commissions	6,231,725	5,515,123
Trust and company management fees	3,534,135	3,637,150
Brokerage commissions and fees	772,305	870,470
Rental income	80,208	-
Gain on sale of investment property	207,550	-
Gain on sale of fixed asset	34,452	-
Total Other Income	\$13,946,928	\$12,896,819
Total Income	\$26,241,704	\$24,538,638
Expenses		
Increase in reserve for loan losses	\$700,000	\$617,000
Personnel	12,044,848	12,302,282
Other operating expenses	7,998,622	6,964,945
Premises	1,720,920	1,811,737
Depreciation	1,105,957	1,280,333
Total Expenses	\$23,570,347	\$22,976,297
Net Income before Taxation	\$2,671,357	\$1,562,341
Taxation	-	-
Net Income	\$2,671,357	\$1,562,341
Net Income Attributable to:		
Equity Holders of the Parent (CNC)	\$2,671,357	\$1,721,563
Non Controlling Interest	\$-	\$(159,222)
	\$2,671,357	\$1,562,341
Other Comprehensive Income		
Change in unrealised appreciation	(198,712)	(366,987)
Net gain/(loss) on available-for-sale investments	(198,712)	(366,987)
Foreign currency translation differences	606,810	(355,179)
Total Other Comprehensive Income/(Loss)	\$408,098	(722,166)
Total Comprehensive Income	\$3,079,455	\$840,175

Key Performance Ratios	31 Mar 2014	31 Mar 2013
Earnings Per Share	0.12	0.02
Price Earnings Ratio	15.49	113.51
Return on Assets	0.44%	0.08%
Return on Equity	6.04%	0.93%
Book Value Per Share	\$1.95	\$1.96
Dividend Yield per share	5.46%	4.81%

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:

Hon. Truman M. Bodden, OBE, LLB (Hons), ACIB, JP, Chairman
Stuart J. Dack, ACIB, MBA, President & Chief Executive
Sherri Bodden-Cowan, MBE, LLB (Hons)
Leonard N. Ebanks, OBE, CMH, JP
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.