

# Annual Report

## 2009



**CAYMAN  
NATIONAL**



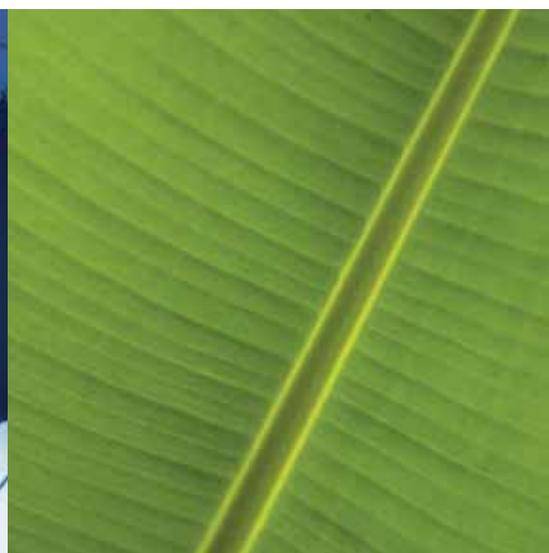
**CAYMAN  
NATIONAL**

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 representative offices in Panama and Dubai.

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## President's Report



Stuart Dack, President and CEO

At a recent meeting of senior bankers in London, one of the delegates said of those in the financial industry “if you have survived 2009 you have done well – if you have made a profit, you have done extremely well”. By this standard, Cayman National has done extremely well in the year to 30 September 2009 with a Net Income for the year of C\$4,106,367.

As we have impressed upon shareholders throughout this year, it is important to reflect upon our performance in the context of perhaps the most difficult period in global economic history and with the historically low interest rates that have prevailed in recent times.

Although our Net Income or profit was down by 60% on the previous year, the result is one that leaves us content particularly as the previous year's income was bolstered by an unusual gain of more than C\$5 million which stemmed from our investment in the VISA organisation.

In reflecting on our performance over the last few years, we recall only too clearly the challenges we faced after the catastrophic Hurricane Ivan hit the Cayman Islands in 2004. In the aftermath of that event, we illustrated our resilience and our businesses' ability to withstand a significant stress test. Our recovery was swift with a number of successive years of record profits.

2009 has been one of different but equally demanding challenges, yet throughout, our business has illustrated its strength, diversity and resilience. Our conservative long-term approach to risk meant that we were not tempted into “sub-prime” linked investments or other high risk strategies even during recent years when competitors were achieving high but more vulnerable returns than us. Our strategy has been vindicated by recent events, and despite a fall in profitability, the business has remained in good shape without the need to resort to the measures that so many others in our industry have had to adopt. An important aspect of this position is that we move forward without the burden that many of the recapitalisation exercises and government assistance programmes will place upon those who were not as resilient.

Again, the diversity of our business has also been a sound benefit. As mentioned later in this report, differing sectors of our business have been more or less profitable. The various businesses within our Group complement each other, and although some levels of success vary in the short-term, we take a long-term strategic view of the business components to ensure the ongoing and long-term success of the entire organisation.

We continue to extend our geographical diversity, with the most recent addition to our portfolio being the opening of our office in Dubai, and with plans also now well-advanced for the opening of a new bank in the Turks and Caicos Islands in which we anticipate holding at least a 60% stake.

This year we were also successful in disposing of some land assets that became surplus to our future building requirements. This follows the recent acquisition of further land which is more suitable for our needs. The asset sales

were timely as they counterbalanced the cost of fully providing for the potential and maximum liability that could result from the warranties pursuant to Cayman National’s sale in 2005 of shares in Sagicor General Insurance (Cayman) Limited, (SGI), formerly known as Cayman General Insurance Company Ltd.

As previously reported, SGI is still involved in court cases which could generate warranty claims and our position under the warranties is explained in the Notes to Consolidated Financial Statements. We again reiterate that any liability under the warranties is capped at the level of provisions now held.

Looking at the main businesses that make up our Group, I comment as follows:

#### **Cayman National Bank Ltd. (CNB)**

Cayman National Bank had an excellent year, particular when measured against others in the industry. Net Income of C\$7,043,465 was achieved despite historically low interest rates and tough economic conditions.

The Bank’s Balance Sheet remains robust with Total Deposits of C\$741,921,988 and Capital of C\$81,931,337.

Throughout 2009, we maintained our very conservative approach to investing and lending, and these policies will continue to be a cornerstone of the Bank’s strategy.

During 2009, we expanded the very successful branch at West Bay and continued to maintain our position throughout the three Cayman Islands as the dominant retail bank with the largest network of branches and ATMs.

We are already seeing better income, which with costs well held, will improve profitability.



*The Isle of Man Fiduciary Team*

**Cayman National Trust Co. Ltd. (CNT)**

In 2009, CNT achieved a modest result with Net Income at C\$158,898 in a year when this sector of business was under considerable external pressure. During the last year or so, we have seen many of our legacy clients reorganising their positions but as new and differing businesses develop, opportunities gain momentum. We are already seeing better income, which with costs well held, will improve profitability.

**Cayman National Fund Services Ltd. (CNFS)**

Our Fund Services business had an excellent year in 2009. This business, formerly part of CNT, is now run and accounted for as a separate subsidiary, and despite the challenging year that the fund services industry experienced, CNFS turned in a Net Income of C\$1,010,087. In common with our core strategy, this business is run on very conservative lines providing high levels of service to selected clients. With this model in place, we expect our fund services operation to maintain sound profitability and growth.

**Cayman National Securities Ltd. (CNS)**

2009 was a difficult year for the securities industry and following the appointment of James Youn to head up this business, we have undertaken considerable reorganisation. Reduced business levels stemming from general economic conditions coupled with the expense and effect of reorganisation, resulted in a loss of C\$(114,855) for the year. The expectation is that CNS will return to satisfactory profitability in the forthcoming year.

**Cayman National Isle of Man (IOM)**

Through our two companies in the Isle of Man, Cayman National Bank & Trust Co. (Isle of Man) Limited, and Cayman National Fund Services (Isle of Man) Limited, we provided a full range of bank, trust, company and fund administration services. Although our operation in the Isle of Man suffered all the pressures and difficulties that our main operation endured during the year, the business contributed a combined Net Income of £53,060 for 2009.

## West Bay Branch Expansion

The space in the Centennial Towers Customer Service Centre was significantly increased to provide for a larger banking hall, more tellers and new offices for customer privacy. There is additional space for future expansion to deliver new services.

*Right: Members of the Centennial Towers Customer Service Centre Team*

*Below: Cayman National Roundabout near our headquarters in George Town, Grand Cayman*



## We are closely involved with the formation of a new bank in the Turks & Caicos Islands.

This result included a charge of £110,000 levied upon us under the Isle of Man Depositors’ Compensation Scheme which arose out of the failure of Kaupthing Singer and Friendlander (Isle of Man) Ltd. In this regard, it is regrettable that the successful businesses in some jurisdictions have been called upon to compensate for those who have failed.

In 2009, we also took on a new portfolio of business and this coupled with a general increase in business levels leads us to expect increased Net Income from our Isle of Man businesses in 2010.

### **Aon Cayman National Insurance Brokers Ltd (Aon CNIB)**

We continue to provide insurance brokerage services through the joint venture between Cayman National and Aon. Despite the same economic issues that impacted many businesses in 2009, the business achieved a Net Income of C\$117,000 with a 50% contribution coming to CNC.

### **International Banking Group (TCI) Ltd. (IBG)**

As previously reported, we are closely involved in the formation of a new bank in the Turks and Caicos Islands (TCI). We anticipate that the new full services retail bank will open its doors in the first half of 2010.

We expect that IBG will represent a strong competition to the existing retail banks from purpose built premises in the heart of Providenciales.

Ivan Browne, an experienced banker, will head up a team of carefully selected staff with support services coming from Cayman National. Once approved, shares of the new bank will be available for public subscription within TCI.

### **Risk Control**

The events of the last year or so have highlighted the importance of sound risk evaluation and control.

Throughout Cayman National, we remain committed to a high level of risk control. Our Internal Audit division and Risk Management functions maintain scrutiny of all business areas and report regularly to our Audit Committee, which is comprised of non-executive directors.

# International Banking Group (TCI) Ltd.

## Ivan Browne

FCIB, FCMI, FMS, FCABFI

President and Chief Executive, International Banking Group (TCI) Ltd.

International Banking Group (TCI) Ltd. is a subsidiary of Cayman National headed by Ivan Browne. Ivan 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 35 years in 16 countries across the Caribbean and Africa with 28 of these years with Barclays Bank Plc. He brings to the Turks & Caicos and IBG his passion for excellent levels of customer service.



*International Banking Group (TCI) Ltd. (IBG), a Cayman National subsidiary, has the finishing touches put on its new building in Turks and Caicos (pictured above). IBG is providing Turks and Caicos residents with the same strength, stability and service that Cayman National has built over 35 years. This foundation, coupled with the expertise of IBG's established leaders, will provide the Turks and Caicos residents with an exemplary new level of service.*

# Community Support

Throughout the year Cayman National supported a number of community causes which included the presentations featured below.



## Community Support

Despite the difficult economic environment, Cayman National continued its commitment to being a responsible corporate citizen. During such times we appreciate that providing financial support through donations and sponsorships is critical, and during 2009 we continued our strategy to support five specific sectors: youth, the elderly, the less fortunate, sports, arts and culture.

In addition to the direct support that we give to the many causes that fit within this strategy, we also encourage our staff to serve and support their communities and we are impressed and grateful for the large number of our employees who give so freely of their spare time to support charitable work.

The following are just some of the charitable organisations we supported in 2009:

- Veteran’s and Seaman’s Society Of Cayman Brac And Little Cayman
- Junior Achievement
- Cayman Aids Foundation
- Central Caribbean Marine Institute
- Meals On Wheels
- Cayman Islands Squash Association
- Cayman Islands Diabetes Association
- Cayman Heart Foundation
- Cayman Islands Olympic Fund–Raising Committee
- National Council of Voluntary Organizations (NCVO)
- University College of the Cayman Islands – Music Programme
- Faith Hospital, Cayman Brac
- Cayman Islands Youth Development Consortium
- Cayman Crime Stoppers

In further support of the visual arts we were pleased to run a competition for amateur photographers with winning entries featured in our 2010 calendar. We were delighted with the overwhelming response and quality of the submissions.



Central Caribbean Marine Institute’s (CCMI) Environmental Programme Supported.



Youth to attend Global Young Leader’s Conference in Europe



Dubai and the Middle East are increasingly important to the global economy and Cayman National.

Below: Dubai's Downtown Centre boasts some of the world's most renowned architecture. Left: Naiem Qadir, Senior Executive Officer for the Dubai Office.



## Board Room Changes

During the last year we have seen significant changes to the structure of the Board of Directors. At the Annual General Meeting held in March 2009, Bryan Hunter and Jude Scott were elected to serve on the Board. As mentioned at that meeting, we are privileged to have two new directors of their calibre join our Board. Both are very well-respected professionals, who operate within the local and international arenas, and they bring new blood and considerable experience to the Board.

In May 2009, David Trimble stepped down as a Director. David joined the Board in 1984 and was an important part of our Board structure as a representative from the U.K. with many years of experience within the international financial sector. During his 25 years of service, David travelled more than 100 times to Cayman to attend quarterly board meetings and after such loyalty he deserves his retirement from our main Board, but we are delighted that he has agreed to continue as a non-executive director of our fund services organisation in the Isle of Man.

Early in 2010, Benson Ebanks will step down as the Chairman and Director of Cayman National. Benson has been the Chairman of the Company since its inception, 36 years ago and has almost without exception participated in every Board meeting since the company's foundation. His loyalty and dedication have been outstanding, particularly as he shared the vision of Peter Tomkins and the other founding shareholders and directors to lay the cornerstone of the business that thrives today. There will be an opportunity to acknowledge Mr. Benson for his contribution at the AGM in March, but it is appropriate in this report to put on record our thanks to him coupled with best wishes for a well-deserved retirement.

I am also pleased to confirm that the Board of Directors has elected Mr. Truman Bodden, currently Deputy Chairman, to take over the Chairmanship when Mr. Benson Ebanks steps down.

So while we say farewell to two long-standing members of the Board, the new members enable us to move forward with an exceptional team which has the diverse skills, experience and knowledge to effectively govern the business.



*Benson Ebanks steps down as the founding Chairman and Director after 36 years of service.*



*David Trimble retires as Director  
having served for 25 years.*

### **Acknowledgement**

Throughout this report, I have referred often to the difficult economic conditions that put pressure on most nations and which hit the financial industry so hard. Our success in maintaining the strength and profitability of our business during this time is largely a reflection of the people within our business and all those who support us externally.

All our staff have done a great job during a difficult year, particularly at a time when costs have been cut aggressively and restrictions on hiring new staff have put additional pressure on the existing team.

Our client base has continued to support us loyally with long-standing customers maintaining or increasing their business with us, and many new customers and clients illustrating their confidence in our business by joining us. We are grateful for your support.

Our Shareholders have also maintained their strong support for our organisation. The confidence of our increasing number of shareholders maintained our share price well throughout the year at a time when many financial organisations saw their share values decimated by the economic conditions. At the start of the financial year the trade price of our shares was C\$3.29, with the traded price standing at C\$2.08 at the end of our financial year. Not very many organisations within the financial sector have achieved such a performance in 2009, and we are grateful to our shareholders, long-standing and new, who helped us to make this year successful.

The forthcoming year will be one of continuing challenges but also one of opportunity. During the last financial year, we again proved the strength and resilience of our business and we are confident that 2010 will be another successful year for Cayman National.

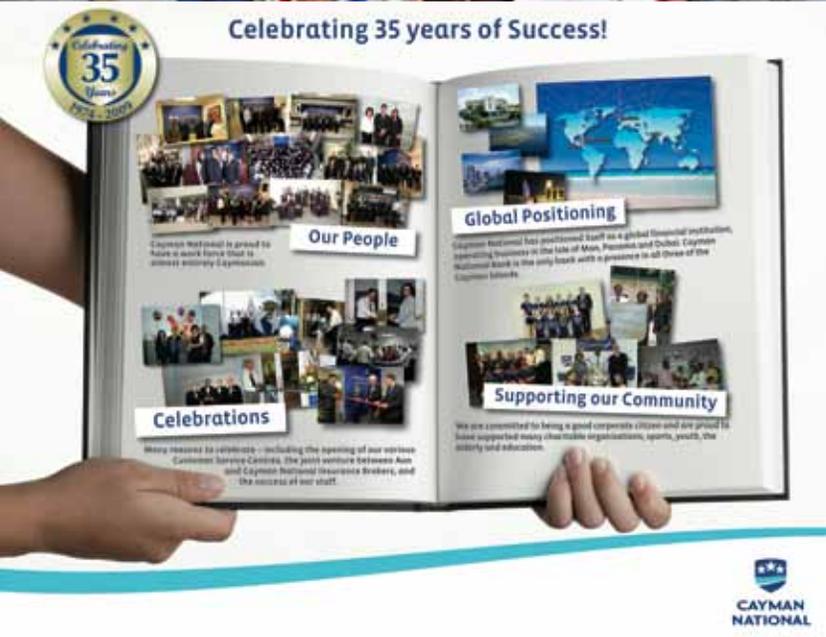
A handwritten signature in black ink that reads "Stuart Dack". The signature is written in a cursive style with a long horizontal line extending to the left.

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

# 35th Anniversary

Tribute was paid to the Founding Shareholders of Cayman National who were recognised for their vision 35 years ago to venture into the establishment of a 'Caymanian' Bank. January 28, 2009 marked the 35th anniversary since Cayman National Bank opened its doors to offer banking services to the public.

Right: Shareholders: Daniel 'Mike' Simmons, Peter Tomkins (Founder), Bruce Campbell, Truman Bodden, John Bierley, Arthur Hunter, Benson Ebanks and Lawrence Thompson. Missing from the photo were: Derek Wight and Richard E. Arch. Other members were the late Norberg Thompson, Graham Ebanks, James M. Bodden, Clarence Flowers Snr, and David Cosser.



Middle: Grand Cayman Team in the early days of the 1970s.  
Bottom Right: Jackeline Zelalla Marino, 1st prize winner of the 35th Anniversary logo competition.

# Board of Directors

## Benson Ebanks

OBE, JP, Chairman

Benson Ebanks is a former member of the Cayman Islands Legislative Assembly where he served for 28 years and a member of the Executive Council for a total of 15 years. Mr. Ebanks is a former member of the National Pension Board and a Charter Member of the Rotary Club of Grand Cayman. He is also a founding shareholder and founding director of Cayman National. He was employed by Barclays Bank D.C.O from 1954 – 1964. He is a former Director of Cayman International Trust Ltd. and of M&G (Cayman) Ltd.

## Truman Bodden

OBE, LLB (Hons), ACIB, JP, Deputy 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 served on the Education Council, Civil Aviation Authority and Water Authority 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 – 2000.



From left: Bryan Hunter, Jude Scott, Truman Bodden, Clarence Flowers Jr, Sherri Bodden-Cowan, Benson Ebanks, John Bierley, Peter Tomkins and Stuart Dack.

## 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 banking, 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.

## John C. Bierley

### BA, JD

Mr. Bierley is a Florida Bar Board Certified international lawyer based in Tampa where he has practised for 45 years. He is a member of the Council on Foreign Relations, a Director of the InterAmerican Bar Association, and a former director of the Society of International Business Fellows and the University of Florida Foundation. He is also founding Director of the Florida Business BancGroup Inc. and Bay Cities Bank in Tampa, Florida. He was previously a Director of Gulf Bay Bank and Southtrust Bank in Florida. Mr. Bierley is a founding Director of Cayman National and several of its international operating subsidiaries.

## 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.

## 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.

## 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 and took up the position of Executive Vice President with Mercantile Bank & Trust Co. (Cayman) Ltd., in 1969. From 1973 to 1994 he held the positions of founder, 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.

## Jude Scott

### CPA

Jude Scott retired as an Audit Partner from the Cayman Islands office of the accounting firm of Ernst & Young in 2008 after spending over 23 years with the firm. He held various roles in the firm, including Assurance and Advisory Business Services Leader and Insurance Practice Leader. As an audit partner, Jude was responsible for the audits of investment funds, multi–jurisdictional investment companies, banks and insurance companies.

Jude is a graduate of Baylor University. He is licensed as a CPA in the State of Illinois and is a member of the American Institute of Certified Public Accountants. He is a former President of the Cayman Islands Society of Professional Accountants (CISPA), where he also served on various committees, including the Public Practice Committee. He currently sits on the Cayman Islands Financial Services Council, Education Council, Insolvency Rules Committee and the Stock Exchange.

## Bryan A. Hunter

### LLB

Bryan Hunter is a Partner and the Corporate and Commercial Practice Group Head of the Cayman Islands office of the law firm Appleby. He is also the Local Team Leader of the Funds Team in that office. 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 and is a Notary Public in the Cayman Islands. He 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 also been a member of the Financial Services Council. He is also currently the President of the Cayman Islands Basketball Association.

## Financial Summary

Despite difficult economic conditions the balance sheet numbers held up well.

### The Year in Review

Net Income for the year to 30 September 2009 was C\$4,106,367. This result represents a reduction of 59% on the previous year with reduced interest rates being a major factor in income reduction with Net Interest Income down by C\$5,157,151 on the 2008 position. Other Income was also reduced by C\$2,864,659 with the most significant element being the impact on the previous year's figures by the gains received from our investment in the VISA organization.

Total Expenses were down by C\$2,013,439 or about 4% with personnel costs, our largest expense held flat in 2009.

Despite difficult economic conditions the balance sheet numbers held up well with Total Assets down by 4% at C\$918,883,689 and still above the US\$1 Billion equivalent.

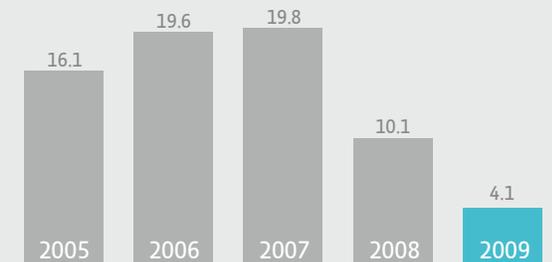
Deposits also held up well during the year with the 3% reduction on 2008 comparing favorably with others in the industry, also allowing the business to continue to maintain a very conservative loan to deposit ratio.

The strength of the Balance Sheet, with Shareholders Equity standing at C\$80,697,288, enabled the Board of Directors to approve the payment of an interim dividend of 5 cents per share which was paid in September to Shareholders of record as at 30 June 2009. The Board of Directors is recommending a final dividend of 5 cents per share to shareholders of record as at 31 December 2009, with payment to be made in March 2009. This recommendation will be considered by shareholders at the Annual General Meeting to be held in 2009.

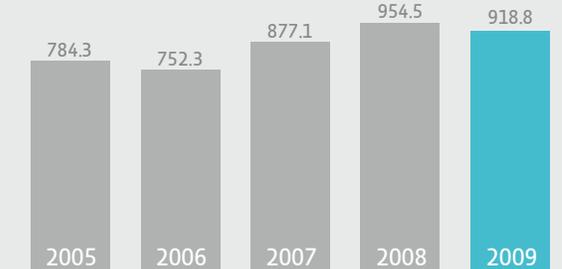
## Summarised Financial Details

	2009	2008	Change 2009/2008
Net Income	\$4,106,367	\$10,110,401	-59%
Total Income	\$47,379,778	\$55,401,588	-14%
Total Assets	\$918,883,689	\$954,531,941	-4%
Total Deposits	\$819,339,046	\$845,751,500	-3%
Total Equity	\$80,697,288	\$82,967,781	-3%
Earnings Per Share	\$0.10	\$0.24	-58%
Book Value Per Share	\$1.91	\$1.98	-4%
Return on Assets	0.44%	1.06%	-58%
Return on Equity	4.99%	12.03%	-59%
Price Earnings Ratio	21.45	13.71	56%
Dividend Yield Per Share	6.25%	4.86%	29%
Dividend Per Share	\$0.12	\$0.15	-20%

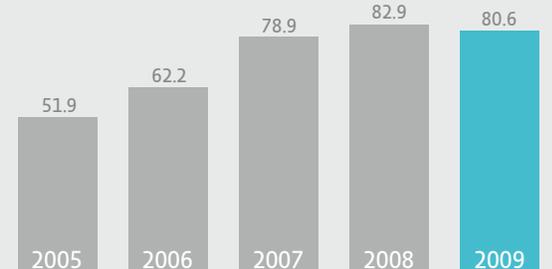
**Net Income** *in Millions of Dollars*



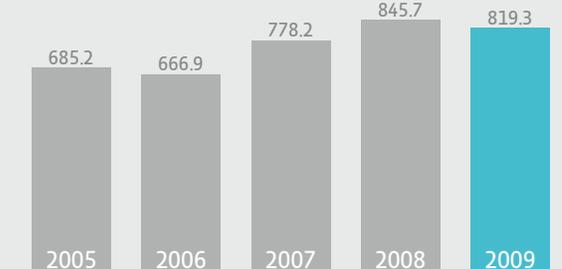
**Total Assets** *in Millions of Dollars*



**Shareholders' Equity** *in Millions of Dollars*



**Total Deposits** *in Millions of Dollars*



# Heads of Businesses

## Ormond A. Williams

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 28 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) and an Elder in the John Gray United Church, Cayman Islands.

## Ian D. Phillips

ACIBT, TEP

President, International Financial Services

Ian Phillips assumed the role of President, International Financial Services with Cayman National Corporation in 2005. He started his career in the UK with National Westminster Bank dealing with trusts and investments, before moving to the Cayman Islands with CIBC in 1994 as a Trust Officer, having obtained his ACIBT. In 1999 Mr. Phillips moved to Barbados to run the trust company for CIBC before returning to Cayman with Royal Bank of Canada as its Head of Trust, and then as Managing Director of Aall Banking and Trust Corporation.



From left: Ian Phillips, Ormond Williams, Christopher Lumsden, Peter Popo, Ian Bancroft, and James Youn.

## 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 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 Chamber of Commerce and chairman of its Finance Committee. He also sits on the Isle of Man Finance steering committee.

## Christopher Lumsden

BA, ACA

President, Cayman National Fund Services

Christopher Lumsden joined Cayman National in 2004 and is the President of Cayman National Fund Services Ltd. 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.

## James J.W. Youn

BA, CFA

President, Cayman National Securities

James Youn received his Bachelor of Arts from the University of Toronto, was awarded the Chartered Financial Analyst charter in 2001, and is a member of the Cayman Islands CFA Society. Mr. Youn brings to Cayman National Securities 15 years of investment management experience, initially at Toronto-Dominion Bank creating and managing mutual fund portfolios, with the bulk of his career at RBC Capital Markets (Canada's largest investment bank) as a Bond Trader and more recently as a Fund of Hedge Funds executive and consultant. A published author in Institutional Investor's "Journal of Alternative Investments" in 2007, Mr. Youn has spoken at the Chicago Mercantile Exchange and to Canadian and global investment bank executives regarding hedge fund liquidity derivatives.

## Peter Popo

BSc, CPA

Managing Director, Aon Cayman National Insurance Brokers

Peter Popo holds a BSc (Honors) in accounting and is a Certified Public Accountant with approximately 15 years experience, 12 of which are from the U.S. and international insurance industry. He assumed the role of Managing Director for Aon Cayman National Insurance Brokers during 2007 after serving as a Senior Manager with PwC's U.S. Insurance Practice. From 1998 – 2002, Mr. Popo served as the Vice President of Accounting & IT for Cayman General Insurance with responsibility for the management of its captive insurers' portfolio, financial reporting for its brokerage operation, and its technology infrastructure.

## 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.

## Carlos Guzman

TEP

Cayman National Bank,  
Oficina de Representación, Panama

Carlos Guzman earned his degree in Economics from Iberoamericana University. He is certified as a Family Business Advisor and Family Wealth Advisor by the Family Firm Institute, licensed as a Financial Analyst and Trader by the National Securities Commission of Panama, and is member of the Society of Trust and Estate Practitioners.

He was a trader and then promoted to Head of Operations of a family office firm in Mexico and then in the Cayman Islands. He joined Canadian Imperial Bank of Commerce (CIBC) to develop the Latin American market, and subsequently for the Royal Bank of Canada Trust Company as Head of Business Development for Latin America. Mr. Guzman joined Cayman National in 2004, and in 2007, opened the Representative Office of Cayman National Bank in Panama.



Aon Cayman National offers insurance brokerage on-site within Cayman National Bank, linking insurance and lending into a seamless operation.

*Left: The Aon Cayman National Insurance Brokers team.*

*Below: Aon Cayman National Building, Buckingham Square, West Bay Rd, Grand Cayman, Cayman Islands.*



# Independent Auditor's Report



## To the Members of Cayman National Corporation Ltd.:

PricewaterhouseCoopers  
PO Box 258  
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We have audited the accompanying consolidated financial statements of Cayman National Corporation Ltd. and its subsidiaries (the “Group”) which comprise the consolidated balance sheet as of September 30, 2009 and the consolidated statement of income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of September 30, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads "PricewaterhouseCoopers." The signature is written in a cursive, flowing style.

3 March 2010

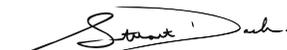
Cayman National Corporation Ltd.

## Consolidated Balance Sheet

30 September 2009 (expressed in Cayman Islands dollars)

Assets	2009	2008
Cash and due from banks (Note 3)	\$292,347,282	\$426,498,931
Short term placements	70,251,471	45,530,331
Investments (Notes 4 and 13)	21,576,150	18,528,068
Financial Assets designated at fair value (Note 4)	2,949,912	3,451,858
Loans and overdrafts (Note 5 and 13)	492,267,016	418,151,775
Interest receivable	1,888,261	2,757,622
Accounts receivable (Notes 9 and 10)	5,914,297	7,108,178
Fixed assets (Note 6)	27,644,250	28,450,949
Goodwill (Note 7)	4,045,050	4,054,229
<b>Total Assets</b>	<b>\$918,883,689</b>	<b>\$954,531,941</b>
<b>Liabilities</b>		
Customers' accounts (Note 13)		
Current	\$141,166,316	\$129,248,690
Savings	213,112,091	157,737,879
Fixed deposits (Note 8)	465,060,639	558,764,931
<b>Total Deposits</b>	<b>\$819,339,046</b>	<b>\$845,751,500</b>
Interest payable	\$632,342	\$1,522,563
Accounts payable and other liabilities (Note 16)	11,419,043	18,498,036
Provisions (Note 16)	4,841,014	4,067,858
Deferred revenue	1,954,956	1,724,203
<b>Total Liabilities</b>	<b>\$838,186,401</b>	<b>\$871,564,160</b>
<b>Shareholders' Equity</b>		
Share capital (Note 11)	\$42,350,731	\$42,372,201
Share premium (Note 11)	5,031,898	5,052,677
General reserve (Note 11)	7,486,050	7,486,050
Accumulated retained earnings (Note 2)	23,581,623	23,711,403
Reserve for dividends (Note 17)	2,117,537	2,966,054
Net unrealized holding gain on investments available-for-sale (Note 4)	657,659	1,277,655
Equity adjustments from foreign currency translation (Note 12)	(528,210)	101,741
<b>Total Shareholders' Equity</b>	<b>80,697,288</b>	<b>82,967,781</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$918,883,689</b>	<b>\$954,531,941</b>

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

 Director   
 S. J. Dack

 Director   
 B. O. Ebanks

Date: 3 March 2010

See notes to consolidated financial statements

Cayman National Corporation Ltd.

## Consolidated Statement of Income

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

Interest	2009	2008
Interest income (Note 24)	\$29,350,060	\$46,416,992
Interest expense (Note 24)	6,393,987	18,303,768
<b>Net Interest Income</b>	<b>\$22,956,073</b>	<b>\$28,113,224</b>
<b>Other Income</b>		
Banking fees and commissions	\$7,504,024	\$7,773,248
Trust and company management fees	6,750,365	6,046,283
Foreign exchange fees and commissions (Note 25)	5,378,528	5,553,924
Brokerage commissions and fees	2,591,535	2,759,603
Realised gains on available for sale securities (Note 4)	70,594	60,166
Initial realized gain from VISA IPO on mandatory share redemption (Note 26)	-	3,090,880
Initial recognition of remaining VISA shares held (Notes 4 and 26)	-	2,410,410
Gain on sale of investment VISA shares (Note 26)	446,200	-
Gain on sale of fixed assets (Note 6)	2,184,405	-
Loss on financial instruments designated at-fair-value	(501,946)	(406,150)
<b>Total Income</b>	<b>\$47,379,778</b>	<b>\$55,401,588</b>
<b>Expenses</b>		
Personnel (Note 27)	\$23,317,397	\$23,753,454
Other operating expenses (Note 16)	13,648,035	15,229,957
Decrease in loan impairment provision (Note 5)	(67,879)	(558,582)
Premises	3,314,322	3,214,626
Depreciation (Note 6)	2,853,349	2,831,385
Goodwill impairment charge (Note 7)	9,179	817,002
Impairment loss on held-to-maturity investment (Note 4)	200,000	-
<b>Total Expenses</b>	<b>\$43,274,403</b>	<b>\$45,287,842</b>
<b>Net Income Before Taxation</b>	<b>\$4,105,375</b>	<b>\$10,113,746</b>
Taxation (Note 10)	992	(3,345)
<b>Net Income After Taxation</b>	<b>\$4,106,367</b>	<b>\$10,110,401</b>
Earnings Per Share (Note 11)	\$0.10	\$0.24
<b>Diluted Earnings Per Share (Note 11)</b>	<b>\$0.10</b>	<b>\$0.24</b>

See notes to consolidated financial statements

Cayman National Corporation Ltd.

## Consolidated Statement of Changes in Shareholders' Equity

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

	Share Capital	Share Premium	General Reserve	Retained Earnings (Accumulated Deficit)	Reserve for Dividends	Net Unrealised (Depreciation) Appreciation on Investments Available-for-sale	Foreign Currency Translation Reserve	Total
<b>Balance at 30 September 2007</b>	<b>\$42,378,547</b>	<b>\$5,069,744</b>	<b>\$7,486,050</b>	<b>\$21,025,198</b>	<b>\$3,390,284</b>	<b>\$(80,220)</b>	<b>\$733,773</b>	<b>\$80,003,376</b>
Prior period restatement (Note 2)	-	-	-	(1,067,858)	-	-	-	(1,067,858)
<b>Balance at 30 September 2007 restated</b>	<b>\$42,378,547</b>	<b>\$5,069,744</b>	<b>\$7,486,050</b>	<b>\$19,957,340</b>	<b>\$3,390,284</b>	<b>\$(80,220)</b>	<b>\$733,773</b>	<b>\$78,935,518</b>
Net income	-	-	-	10,110,401	-	-	-	10,110,401
2007 proposed dividends paid (Note 17)	-	-	-	-	(3,390,284)	-	-	(3,390,284)
2008 interim dividend paid (Note 17)	-	-	-	(3,390,284)	-	-	-	(3,390,284)
Issuance of shares in connection with share options exercised	14,000	28,000	-	-	-	-	-	42,000
Shares repurchased and cancelled	(20,346)	(45,067)	-	-	-	-	-	(65,413)
Final dividend proposed (Note 17)	-	-	-	(2,966,054)	2,966,054	-	-	-
Net realized gains on sale of investment available-for-sale	-	-	-	-	-	(60,166)	-	(60,166)
Net change in unrealized appreciation/ (depreciation) on investments (Note 4)	-	-	-	-	-	1,418,041	-	1,418,041
Equity adjustment from foreign currency translation (Note 12)	-	-	-	-	-	-	(632,032)	(632,032)
<b>Balance at 30 September 2008</b>	<b>\$42,372,201</b>	<b>\$5,052,677</b>	<b>\$7,486,050</b>	<b>\$23,711,403</b>	<b>\$2,966,054</b>	<b>\$1,277,655</b>	<b>\$101,741</b>	<b>\$82,967,781</b>
Net income	-	-	-	4,106,367	-	-	-	4,106,367
2008 proposed dividends paid (Note 17)	-	-	-	-	(2,966,054)	-	-	(2,966,054)
2009 interim dividend paid (Note 17)	-	-	-	(2,118,610)	-	-	-	(2,118,610)
Shares repurchased and cancelled	(21,470)	(20,779)	-	-	-	-	-	(42,249)
Final dividend proposed (Note 17)	-	-	-	(2,117,537)	2,117,537	-	-	-
Net realized gains on sale of investment available-for-sale	-	-	-	-	-	(516,794)	-	(516,794)
Net unrealized holding loss on investments (Note 4)	-	-	-	-	-	(103,202)	-	(103,202)
Equity adjustment from foreign currency translation (Note 12)	-	-	-	-	-	-	(629,951)	(629,951)
<b>Balance at 30 September 2009</b>	<b>\$42,350,731</b>	<b>\$5,031,898</b>	<b>\$7,486,050</b>	<b>\$23,581,623</b>	<b>\$2,117,537</b>	<b>\$657,659</b>	<b>\$(528,210)</b>	<b>\$80,697,288</b>

See notes to consolidated financial statements

Cayman National Corporation Ltd.

# Consolidated Statement of Cash Flows

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

Cash Provided by/(Used In):	2009	2008
<b>Operating Activities</b>		
<b>Net income</b>	\$4,106,367	\$10,110,401
Adjustments for items not involving cash:		
Depreciation	2,853,349	2,831,385
Impairment of goodwill	9,179	817,002
Amortization of premium/discount on investments held-to-maturity	55,160	22,078
Initial realized gain from VISA IPO on mandatory share redemption	-	(3,090,880)
Initial recognition of remaining VISA shares held	-	(2,410,410)
Loss/(gain) on financial instruments designated at fair value	501,946	406,150
Net decrease in loan impairment provision	(67,879)	(558,582)
Gain on sale of VISA shares	(446,200)	-
Impairment loss on held-to-maturity investment	200,000	-
Gain on sale of fixed assets	(2,184,405)	-
Taxation	-	(8,813)
	<b>\$5,027,517</b>	<b>\$8,118,331</b>
Changes in non-cash working capital items:		
Interest receivable	869,361	330,848
Accounts receivable	1,193,881	5,964,449
Depositors' accounts	(26,412,454)	67,508,804
Interest payable	(890,221)	(814,533)
Accounts payable and other liabilities	(6,075,084)	6,711,079
Adjustments from foreign currency translation	(629,951)	(632,032)
Net advances for loans and overdrafts	(74,047,362)	(44,114,659)
	<b>(\$100,964,313)</b>	<b>\$43,072,287</b>
<b>Investing Activities</b>		
Short term placements	(\$24,721,140)	(\$29,077,317)
Purchase of investments available-for-sale	-	(416,676)
Proceeds on sale of investments available-for-sale	1,169,299	3,090,880
Purchase of Investments held-to-maturity	(6,044,319)	(6,534,817)
Proceeds on maturity of investments held-to-maturity	1,397,982	9,672,250
Purchase of additions to fixed assets	(3,721,670)	(4,600,554)
Proceeds on disposal of fixed assets	3,859,425	-
	<b>(\$28,060,423)</b>	<b>(\$27,866,234)</b>
<b>Financing Activities</b>		
Dividends paid (Note 17)	(5,084,664)	(6,780,568)
Proceeds from shares issued	-	42,000
Purchase of shares to cancel	(42,249)	(65,413)
	<b>(5,126,913)</b>	<b>(6,803,981)</b>
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	<b>(134,151,649)</b>	<b>8,402,072</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>426,498,931</b>	<b>418,096,859</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$292,347,282</b>	<b>\$426,498,931</b>
<b>Supplemental Information:</b>		
Interest received	\$30,448,590	\$46,747,840
Interest paid	\$7,284,208	\$19,118,301

Cayman National Corporation Ltd.

# Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (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 insurance brokerage 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. During March 2008, the Corporation was granted a full service banking license to operate in the Turks and Caicos Islands (“TCI”) as such it is subject to the regulations of the Financial Services Commission in TCI. The Corporation is listed and trades 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. One of the Corporation’s subsidiaries is liable for Isle of Man income tax, which is reflected in these consolidated financial statements.

## 2. Significant Accounting Policies

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and derivatives to fair value 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 International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates. The significant accounting policies adopted by the Group are as follows:

### **Standards, interpretations and amendments to published standards that are in effect**

IFRS 3 and IAS 27 (Revised and effective for transactions occurring after 1 July 2009) – the most significant amendments are that acquisition related costs as part of a business combination will now be recognised as an expense in the income statement when incurred and not as goodwill. The contingent consideration must also be recognised and measured at fair value at the acquisition date. The amendment to IAS 27 requires that changes in a parent’s ownership interest in a subsidiary that does not result in a loss in control should be accounted for within equity. The amendments will only impact the Group where business combinations or a change in an interest in the Group’s subsidiary occurs after the effective date.

IFRS 5 (amendment), ‘Measurement of non-current assets (or disposal groups) classified as held-for-sale’ effective for annual periods beginning on 1 July 2009. The amendment is part of the IASB’s annual improvements

Cayman National Corporation Ltd.

# Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

## 2. Significant Accounting Policies (continued)

### Standards, interpretations and amendments to published standards that are in effect (continued)

project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups classified as held for sale) or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (amendment) from 1 October 2009. It is not expected to have a material impact on the Group's financial statements.

### Relevant standards and amendments issued prior to 30 September 2009 but not effective until future periods:

IFRS 8 – Operating Segments (effective for annual periods beginning on 1 January 2009) replaces IAS 14, “Segment Reporting”. The new Standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 October 2009 to all segmental disclosures.

IAS 1 – Presentation of Financial Statements (Revised and effective for annual periods beginning on 1 January 2009) results in a new requirement that all changes in equity arising from transactions with owners in their capacity as owners (i.e., owner changes in equity) are presented separately from non-owner changes in equity. In order to do this, an entity will no longer be permitted to present components of comprehensive income (i.e., non-owner changes in equity) in the statement of changes in equity. Instead, a new “statement of comprehensive income” will be required. This revised standard is expected to impact the financial statements of the Group as they will be required to show the net unrealized holding (loss)/gains reserve and the foreign currency translation reserve currently included in the statement of changes in equity in a separate “statement of comprehensive income”.

IFRS 2 (Amended and effective for annual periods beginning on 1 January 2009) – clarifies that vesting conditions are performance and service conditions only and that cancellations of share options by parties other than the entity are to be accounted for in the same way as cancellations by the entity. The Group will apply IFRS 2 from 1 October 2009 but it is not expected to have a material impact on the Group's financial statements.

IAS 32 – Puttable Financial instruments and obligations arising on liquidation (Revised and effective for annual periods beginning on 1 January 2009) – requires the classification of certain puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a pro rata share of the equity on liquidation as equity. The amendment is not expected to impact the Group as it does not currently have investment in these types of financial instruments.

IAS 39 – Eligible hedged items (amended and effective for periods beginning on 1 July 2009) – this amendment is not expected to impact the Group as it has no hedged items.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 2. Significant Accounting Policies (continued)

#### Standards, interpretations and amendments to published standards that are in effect (continued)

Relevant standards and amendments issued prior to 30 September 2009 but not effective until future periods (continued):

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective for annual periods beginning on or after 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the amendments to the standards only results in additional disclosures, there is no impact on the Group's primary financial statements.

#### Prior year restatement

In November 2009, management uncovered a series of accounting errors relating to the overpayment of expenses and overstatement of revenue during the period 2005 to 2007 which relate to the fiduciary activities of one of its subsidiaries. These accounting errors resulted in an overstatement of the Group's financial position and performance for the financial years 2005 – 2007. The effect of this restatement on the Group's financial statements for the year ended 30 September 2007 is summarised as follows: Opening retained earnings for 2007 have been reduced by \$1,067,858 and liabilities have been increased by the same amount. The apportionment of amounts to the exact periods as identified above is impracticable.

#### Basis of Consolidation

##### (a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a share holding of more than one half of the voting rights (see list below). The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are de-consolidated from the date on which control ceases.

All significant inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been aligned, where necessary, to ensure consistency with the policies of CNC.

##### (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 venture's 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.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 2. Significant Accounting Policies (continued)

#### Basis of Consolidation (continued)

##### (c) Nominee Companies

The following four subsidiaries earned no fee income and incurred no expenses during the years ended 30 September 2009 and 2008; in addition they had no assets or liabilities as at these dates.

Cayman National (Nominees) Ltd.

CNT (Nominees) Ltd.

#### OPERATING COMPANIES:

Entity	% Owned	Principal activity
Cayman National Bank Ltd. ("CNB")* and its wholly-owned subsidiary Cayman National Property Holdings Ltd. ("CNP")	100%	Banking and property holding, respectively
Cayman National Trust Co. Ltd. ("CNT")	100%	Company management, and trust management
Cayman National Fund Services Ltd. ("CNFS")	100%	Fund Administration
Cayman National Securities Ltd. ("CNS")	100%	Securities brokerage
Cayman National Bank & Trust Company (Isle of Man) Limited ("CNB&T"(IOM)), formerly Caymanx Trust Company Limited (incorporated and regulated in the Isle of Man)	100%	Banking, company and trust management
Cayman National Fund Services (Isle of Man) Limited, ("CNIFS" (IOM)), (incorporated and regulated in the Isle of Man)	100%	Fund Administration
International Banking Group (TCI) Ltd. ("IBG") incorporated and regulated in Turks and Caicos	100% **	Banking (operations expected to commence in 2010)
Cayman National Investments Ltd. ("CNI")	100%	Holds a minority investment in a venture capital limited partnership
Cayman National (Dubai) Ltd.	100%	Representative Office

\*Also includes a representative office in Panama which refers business to the Cayman Islands

\*\*To be diluted but still a majority share

#### JOINT VENTURE:

Entity	% Owned	Principal activity
AON Cayman National Insurance Brokers Ltd. ("AON/CNIB")	50%	Insurance brokerage

Cayman National Secretarial Ltd., formerly Caymanx Secretarial Ltd. (regulated and incorporated in the Isle of Man)

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 2. Significant Accounting Policies (continued)

#### Business Combinations

The purchase method of accounting is used to account for the business combinations entered into by the Corporation. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is tested annually for impairment, or when there are indications of impairment, and carried at cost less accumulated impairment losses.

#### 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.

#### 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 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 income.

Cayman National Corporation Ltd.

# Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

## 2. Significant Accounting Policies (continued)

### Foreign Currency Translation (continued)

#### (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 as a separate component of equity.

### Depreciation

Fixed assets are recorded at cost less accumulated depreciation and impairment losses. Fixed assets are depreciated by 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

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 statement of income.

### Loans and Provision for Loan Impairment

Loans are recognised 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.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 2. Significant Accounting Policies (continued)

#### Loans and Provision for Loan Impairment (continued)

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 stated net of any related provisions for losses. The provision for losses is based on management's assessment of the collectability of accounts receivable and consists of specific provisions against exposures. A provision for impairment of accounts receivables 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 delays in payments (more than three months past due) are considered indicators that the receivable may be impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of income. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in the statement of income.

#### 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 options are recorded as compensation costs on the date at grant. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (par value) and the surplus to share premium.

#### 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 recognized within 'interest income' and 'interest expense' in the income statement 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 income 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 an expense as they fall due. The Group does not operate any defined benefit plans.

Cayman National Corporation Ltd.

# Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

## 2. Significant Accounting Policies (continued)

### 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.

### 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 statement of 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 recognized 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 statement of income.

### 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 only of equity investments.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 2. Significant Accounting Policies (continued)

#### Investments (continued)

##### Available-for-sale (continued)

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. The fair value of the investment in the venture capital limited partnership owned by CNI is determined based on the portfolio valuation provided by management of the limited partnership, which management considers to represent fair value. 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. 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. Unrealized 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 equity is recognised in profit and loss.

##### 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.

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 statement of 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:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost;
- 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;
- Financial instruments, such as debt securities held, contain one or more embedded derivatives which significantly modify the cash flows.

Cayman National Corporation Ltd.

# Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

## 2. Significant Accounting Policies (continued)

### Investments (continued)

#### Financial assets at fair value through profit and loss (continued)

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

### 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 income statement 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 estimated cash flows differs by +/-5 percent, the loan provision would not materially change. 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.

#### 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 nine years and that, annually, 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 statement of income and deferred loan origination fees recorded in the balance sheet.

A 1 year increase in the average maturity period will result in a decrease in loan origination fee revenue recognised of approximately \$217,150. A 1 year decrease in the average maturity period will result in an increase in loan origination fee revenue recognised of approximately \$198,010. A 1% change in the level of loans repaid prior to the scheduled maturity date has an effect of approximately +/- \$20,700 on loan origination fees revenue recognised.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 2. Significant Accounting Policies (continued)

#### Critical Accounting Estimates and Judgments (continued)

##### 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, an adverse change in the number of clients, or size of assets under management that correlate 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 be \$310,210 (2008: \$176,616).

##### 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 the carrying values of available-for-sale equity investments are not impaired as at 30 September 2009. If impairment were to be recorded as at 30 September 2009 the unrealised holding (loss)/gain reserve in shareholders' equity of \$370,589 (2008: \$239,152) would be recorded in the consolidated statement of income.

##### 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 for the 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. If the entire class of held-to-maturity investments is tainted, the carrying value would decrease by \$269,378 (2008: \$31,333), with a corresponding entry in the net unrealised holding (loss)/ gain on investments available-for-sale reserve in shareholders' equity.

Cayman National Corporation Ltd.

# Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

## 2. Significant Accounting Policies (continued)

### Critical Accounting Estimates and Judgments (continued)

#### Impairment of assets carried at amortised cost

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 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; and
- (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 assets 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 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 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 income statement.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 3. Cash and Due from Banks

Cash and Due from Banks Comprise:	2009	2008
Cash in hand and current accounts	\$38,052,239	\$23,063,189
Operating accounts	29,098,292	21,517,619
Money market accounts	572,004	3,821,917
Deposits with other banks	224,624,747	378,096,206
	<b>\$292,347,282</b>	<b>\$426,498,931</b>

### 4. Investments

Investments Comprise:	2009	2008
Available-for-sale at fair value	\$4,600,027	\$5,943,122
Held-to-maturity, at amortised cost	16,976,123	12,584,946
	<b>21,576,150</b>	<b>18,528,068</b>
Financial assets designated at-fair-value	2,949,912	3,451,858
	<b>\$24,526,062</b>	<b>\$21,979,926</b>

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

	Cost	Gross unrealised holding losses	Gross unrealised holding gains	Estimated fair value
<b>30 September 2009</b>				
Ordinary shares	\$2,937,320	\$-	\$985,800	\$3,923,120
Preference Shares	40,885	-	42,448	83,333
Mutual Funds	964,163	(370,589)	-	593,574
	<b>\$3,942,368</b>	<b>\$(370,589)</b>	<b>\$1,028,248</b>	<b>\$4,600,027</b>
<b>30 September 2008</b>				
Ordinary shares *	\$3,660,419	\$-	\$1,466,043	\$5,126,462
Preference Shares	40,885	-	42,448	83,333
Mutual Funds	964,163	(239,152)	8,316	733,327
	<b>\$4,665,467</b>	<b>\$(239,152)</b>	<b>\$1,516,807</b>	<b>\$5,943,122</b>

\*Included within cost is the initial fair value of \$2,410,410 on the non-monetary exchange of the Group's membership interest in VISA for a share interest (see Note 26).

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 4. Investments (continued)

Included in investments available-for-sale are six investments with a carrying value of \$4,600,027 (2008: \$5,943,122) that are not publicly traded. 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. Two directors of the Corporation are also directors of two of these investee companies with carrying values of \$1,262,660 (2008: \$1,860,675).

Mutual funds consist of three funds, two of which are sponsored and managed by the Group (see Note 13). The mutual funds are (i) Dow Jones Industrial Average index fund; (ii) Absolute Return fund which seeks to maintain capital preservation while outperforming LIBOR through indirect holdings of investments in international markets with a medium term investment horizon; and (iii) a third party Venture Capital fund investing in the companies that are in developmental stage.

The amortised cost of investments held-to-maturity is as follows:

	2009	2008
U.S. government agency bonds	\$5,166,492	\$1,243,854
Regional corporate and government bonds	9,308,430	9,674,425
International corporate bonds	2,501,201	1,666,667
	<b>\$16,976,123</b>	<b>\$12,584,946</b>

The issuers of the regional, corporate and government bonds are domiciled in Barbados, Trinidad, and the Cayman Islands. Effective interest rates for the above debt instruments range from 2.0% to 7.50% (2008: 3.875% to 7.50%).

During the financial year ended 30 September 2009, the Group assessed the recoverable amount of its investments and determined that its investment held with Colonial Life Insurance Company ("CLICO") (Trinidad) Limited was impaired. The main factors contributing to the impairment were significant financial difficulty of the issuer (as control of the Company was assumed by the Government of Trinidad and Tobago in January 2009) and delinquency in interest and principal payments. The Bank submitted an early redemption request in February 2009 for the entire investment balance of \$2,500,000 and applicable interest repayments which were not received as at year end and, based on management's understanding, CLICO may be rescheduling these investments by increasing the due dates and lowering the interest coupons, deferring some payments, or making payments in full. Management therefore performed a discounted cash flow analysis, using a discount rate of 7% (original interest rate per the original CLICO investment contract) and probability weighted cash flows ranging from 6 months to 2 years, and determined that an impairment of \$200,000 was required. This amount is included in the consolidated statement of income. The sensitivity of this estimate to a change

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 4. Investments (continued)

in the timing of cash flows relating to ultimate repayment of principal is much more significant than a change in cash flows from interest income. A change in cash flows from interest income to \$0 and change in timing of cash flows to 4 years (without consideration of alternate cash flow scenarios) would result in an additional impairment charge of approximately \$400,000. There is currently no reliable basis at which to value the CLICO investment.

Net amortisation of discounts/premiums on debt securities of \$55,160 (2008: \$22,078) is included within interest income.

Financial asset designated at fair value is as follows:

	2009	2008
Fair Value	\$2,949,912	\$3,451,858
Cost	\$3,780,000	\$3,780,000

The financial asset designated at fair value through profit and loss comprises a 13 year principal protected note issued by Barclays Plc which matures on 2 January 2020. The note is only 100% principal protected when held to its scheduled maturity, and if sold or redeemed prior to maturity due to early redemption, noteholders may receive less than the protected amount.

The return on the note is equity indexed which results in dissimilar risks inherent in the host and embedded derivative, and the Corporation therefore designates the hybrid note as a financial asset at fair value through profit and loss.

The estimated fair value of all investments at 30 September 2009 was \$24,529,453 (2008: \$21,806,916).

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (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				Total
	Under one year	Within two to five years	Within six to ten years	Over ten years	
(all figures in \$000's)					
<b>At 30 September 2009</b>					
Commercial	\$84,159	\$26,869	\$51,750	\$53,091	\$215,869
Personal	35,261	22,527	55,193	161,679	274,660
Corporate	3,555	520	990	-	5,065
<b>Total</b>	<b>\$122,975</b>	<b>\$49,916</b>	<b>\$107,933</b>	<b>\$214,770</b>	<b>\$495,594</b>
Provision for loan impairment					(3,327)
					<b>\$492,267</b>
<b>At 30 September 2008</b>					
Commercial	\$85,328	\$13,457	\$31,671	\$51,957	\$182,413
Personal	24,945	26,492	44,715	135,432	231,584
Corporate	3,747	3,092	1,102	-	7,941
<b>Total</b>	<b>\$114,020</b>	<b>\$43,041</b>	<b>\$77,488</b>	<b>\$187,389</b>	<b>\$421,938</b>
Provision for loan impairment					(3,786)
					<b>\$418,152</b>

Substantially all of the Group's loans and overdrafts are advanced to customers in the Cayman Islands.

Movements in the provision for loan impairment are as follows:

	2009	2008
Provision for loan impairment, beginning of year	\$3,786,017	\$4,726,493
Decrease credited to income	(67,879)	(558,582)
Loans written off	(391,279)	(381,894)
Provision for loan impairment, end of year	<b>\$3,326,859</b>	<b>\$3,786,017</b>

Included in the 2009 impairment provisions is \$1,186,756 (2008: \$1,100,580) in respect of loans classified as delinquent. The specific provision includes the impaired loan balances as well as the accrued interest on those balances. The aggregate amount included in the balance sheet for loans and overdrafts in arrears by more than 90 days and impaired is \$616,000 (2008: \$895,000). Recoveries for loans previously written-off were \$107,648 (2008: \$194,243).

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 6. Fixed Assets

	Freehold land and buildings	Leasehold property and improvements	Computers, software, furniture and equipment	Motor Vehicles	Total
<b>Cost:</b>					
At 30 September 2008	\$22,737,338	\$5,852,576	\$23,227,237	\$292,549	\$52,109,700
Additions	1,139,290	1,105,237	1,442,144	34,999	\$3,721,670
Disposals	(1,319,206)	(25,442)	(782,633)	-	\$(2,127,281)
<b>At 30 September 2009</b>	<b>\$22,557,422</b>	<b>\$6,932,371</b>	<b>\$23,886,748</b>	<b>\$327,548</b>	<b>\$53,704,089</b>
<b>Accumulated depreciation:</b>					
At 30 September 2008	\$3,922,683	\$2,300,089	\$17,249,134	\$186,845	\$23,658,751
Charge for year	672,434	414,359	1,711,074	55,482	\$2,853,349
Disposals	-	(9,176)	(443,085)	-	(452,261)
<b>At 30 September 2009</b>	<b>\$4,595,117</b>	<b>\$2,705,272</b>	<b>\$18,517,123</b>	<b>\$242,327</b>	<b>\$26,059,839</b>
<b>Net book value:</b>					
<b>At 30 September 2009</b>	<b>\$17,962,305</b>	<b>\$4,227,099</b>	<b>\$5,369,625</b>	<b>\$85,221</b>	<b>\$27,644,250</b>
At 30 September 2008	\$18,814,655	\$3,552,487	\$5,978,103	\$105,704	\$28,450,949

During the year ended 30 September 2009, fixed assets with a cost of \$2,127,281 (2008: \$8,520), and a net book value of \$1,675,020 (2008: \$nil) were disposed resulting in a gain on sale of \$2,184,405 (2008: \$nil). Proceeds of \$3,859,425 (2008: \$nil) were received on disposal of these assets.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 7. Goodwill

Goodwill is summarised as follows:

	2009	2008
<b>Cost:</b>		
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
<b>Accumulated amortization and impairment:</b>		
Balance at beginning of year	3,155,645	2,338,643
Impairment charge for the year	9,179	817,002
Balance at end of year	3,164,824	3,155,645
Goodwill at end of year	\$4,045,050	\$4,054,229

Goodwill comprises the following business combinations:

Business acquired:	Year of acquisition	Original cost	Cumulative impairment charge	Carrying value
Cayman National Insurance Brokers and Cayman National Insurance Managers Fiduciary Trust (Cayman) Limited	1998	\$299,755	\$(299,755)	\$-
Cayman Islands Securities Ltd.	2003	1,543,550	(550,356)	993,194
Aall Trust & Bank ("ATB")	2003	378,011	(313,010)	65,001
	2005-2007	4,988,558	(2,001,703)	2,986,855
		\$7,209,874	\$(3,164,824)	\$4,045,050

\* Prior to adoption of IFRS 3.

The main factors contributing to the impairment were:

- early repayment of loans by ATB 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 ATB business.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 8. Fixed Deposit

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.

### 9. Joint Venture

Effective 1 October 2006, the Group entered into a 50% joint venture agreement, AON/CNIB, which provides insurance brokerage services. Included in accounts receivable is \$353,869 (2008: \$353,869) due from AON Insurance Managers (Cayman) Ltd. (the joint partners) in respect of the initial establishment of the joint venture; this is repayable three years after the date of the joint venture. Effective November 2009, it was agreed to extend the repayment period for a further six months until April 2010. It is expected that the funds will be paid on or before this date. The following amounts represent the Group's 50% share of the assets and liabilities, and revenues and expenses of the joint venture, included in the balance sheet and income statement as follows:

	2009	2008
Total Assets	\$772,000	\$871,000
Total Liabilities	\$580,000	\$738,000
Net Assets	\$192,000	\$133,000
Income	\$588,500	\$527,000
Expenses	\$530,000	\$512,500
<b>Net Income</b>	<b>\$58,500</b>	<b>\$14,500</b>

### 10. Taxation

The asset/liability for taxation comprises as follows:

	2009	2008
Deferred tax asset	\$5,769	\$5,392

The CNB&T (IOM) and CNFS (IOM) operations incurred a tax credit for the year ended 30 September 2009 of \$992 (2008: charge of \$3,345).

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

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 11. Share Capital, General Reserve and Earnings Per Share

	2009	2008
<u>Authorised:</u>		
200,000,000 shares of \$1 par value each		
(2008: 200,000,000)		
<u>Issued and fully paid:</u>		
42,350,731 shares (2008: 42,372,201)	<b>\$42,350,731</b>	<b>\$42,372,201</b>

#### 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.

#### Earnings and Diluted Earnings Per Share

Earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by dividing net income attributable to shareholders by the diluted weighted average number of ordinary shares in issue which is based on the total amount of exercisable share options which the directors can exercise during the year (see Notes 2 and 18). At 30 September 2008 and 2007, these share options were dilutive. However, by September 2009 all options had lapsed.

	2009	2008
Net income attributable to equity holders of the Corporation	<b>\$4,106,367</b>	\$10,110,401
Weighted average number of shares in issue	<b>42,371,789</b>	42,371,777
Diluted weighted average number of shares issue	<b>42,371,789</b>	42,405,111
Earnings per share	<b>\$0.10</b>	\$ 0.24
Diluted earnings per share	<b>\$0.10</b>	\$ 0.24

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 12. 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.

### 13. 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 balance sheet are the following related party balances:

	2009	2008
Accounts receivable:		
Affiliated companies	\$29,870	\$92,374
Loans and overdrafts:		
Directors	\$10,265,931	\$10,409,912
Investments (Note 4):		
Affiliated companies	\$633,105	\$591,648
Directors	1,196,673	1,666,675
	<b>\$1,829,778</b>	<b>\$2,258,323</b>
Customers' accounts:		
Affiliated companies	\$81,890,992	\$123,081,520
Directors	1,809,298	1,984,562
	<b>\$83,700,290</b>	<b>\$125,066,082</b>

Included within interest income is interest of \$539,952 (2008: \$596,902) on loans and overdrafts to directors and key management (See Note 18).

Included within other operating expenses are professional fees of \$35,970 (2008: \$67,623) paid to firms of attorneys of whom 2 directors of CNB are also directors and owners.

Staff loans, which totaled \$41,149,936 (2008: \$35,281,818) at the balance sheet date, are at rates varying between 3.25% and 6% p.a. (2008: 5% and 6% p.a.). Employees of a former associated company continue to receive loans at rates consistent with staff loans.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 13. Related Party Balances and Transactions (continued)

Included in loan commitments as of 30 September 2008 is a commitment by CNB to lend Yellow Pilgrim, a company owned by Cayman National Corporation Provident Fund, \$2,463,005 to facilitate the purchase of 1,000,000 shares of Cayman National Corporation from Aall Banking & Trust Corporation Ltd. (Aall). The loan was drawn on 12 October 2008. These shares had been originally issued to Aall in consideration of Cayman National Corporation acquiring certain assets from Aall in 2004.

Customers' accounts with affiliated companies represent deposits from clients, trusts and companies managed by CNT. Included within interest expense is interest of \$1,547,285 (2008: \$2,735,448) on these deposits.

The Group owns the sponsor's shares totaling 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 1.5% 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 2009 and 2008 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.

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

	2009	2008
Cayman National Mortgage Fund	\$629,200	\$471,375
CNB Money Market Fund	612,259	420,743
Cayman National Pension Fund	127,729	126,153

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 2009 (expressed in Cayman Islands dollars)

### 14. Commitments

In the normal course of business there are various commitments on behalf of customers to extend credit, which are not reflected in these financial statements. Commitments to extend credit totaled \$32,892,905 at 30 September 2009 (2008: \$57,633,902). 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 annual commitments are as follows:

Year ended 30 September	Annual commitment
2010	\$2,718,424
2011	\$2,792,274
2012	\$2,868,339
2013	\$2,946,686
2014 or greater	\$11,674,635

### 15. Pension Obligations

The Cayman National Corporation Pensions 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 \$662,366 (2008: \$640,296) representing the Group’s contribution to the Fund.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 16. Contingent Liabilities

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 and guarantees to third parties totaling \$8,897,410 (2008: \$16,009,825) 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:

	2009	2008
Warranty provisions (i)	\$3,773,156	\$3,000,000
Fiduciary liabilities (ii)	\$1,067,858	\$1,067,858
Total provisions	\$4,841,014	\$4,067,858

(i) Over the course of two transactions during two years ended 30 September 2007, CNC sold 75% stake in Cayman General Insurance Co. Ltd (whose name was subsequently changed to Sagicor General Insurance (Cayman) Ltd ("SGI"). This sale was subject to various warranties made by CNC in the sale agreement which were limited to an aggregate amount of C\$8,000,000. At 30 September 2009 C\$4,226,844 (2008: C\$2,471,906) had been disbursed in relation to accepted claims under these warranties. Further liabilities may arise on conclusion of currently unsettled claims under the warranty arrangements that arose following certain rulings of the Cayman Islands Courts in relation to third party proceedings brought against SGI. These proceedings are ongoing and final judgments are pending. After consideration of the contractual cap on the warranties, such further liabilities have been estimated by the Group at C\$3,773,156. Because of the general uncertainty and inherent variability surrounding such estimates, the ultimate amount payable could vary and these differences could be significant. As of 30 September 2009 the total amount of C\$3,773,156 has been accrued representing the remaining maximum exposure to a negative outcome arising from the outstanding warranty claims (2008: C\$3,000,000). This amount has been reflected in provisions in the balance sheet and in other operating expenses in the statement of income.

(ii) Fiduciary liabilities represents management's best estimate of amounts required to effect the correction of a prior year accounting error (see Note 2).

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 16. Contingent Liabilities (continued)

During the financial year ended 30 September 2009, CNB sold property held by its subsidiary, CNPH (see also note 6). 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 does not believe that this warranty which is not defined monetarily will have a material adverse effect on CNB's financial position.

The Group is exposed to fiduciary risk relating to two of its subsidiaries and an affiliated company who, under instruction, have invested client funds in CLICO (see note 4). A claim has been made by one such client against the Group. The Group has taken steps to defend the action vigorously, and believes that the lawsuit, as framed, is without merit and that the plaintiff will not be successful.

### 17. Dividends Per Share

Final proposed dividends (Note 28) are presented as a separate component of shareholder's equity until they have been formally ratified at the Annual General Meeting ("AGM").

	2009
2008 proposed dividend paid in 2009	\$2,966,054
Interim 2009 dividend declared and paid in 2009	2,118,610
Total dividend paid out of 2009 earnings	5,084,664
Final proposed dividend – \$0.05 per share	\$2,117,357
	2008
2007 proposed dividend paid in 2008	\$3,390,284
Interim 2008 dividend declared and paid in 2008	3,390,284
Total dividend paid out of 2008 earnings	6,780,568
Final proposed dividend – \$0.07 per share	\$2,966,054

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 18. Directors' and Officers' Remuneration

During the year ended 30 September 2009, the Corporation had a total of 9 directors (2008: 8) of whom one is an executive officer (2008: 1). For the financial year ended September 2009, the aggregate compensation for directors' services was \$281,356 (2008: \$240,186).

Salaries and other short term employee benefits for key management (being those executives with the authority to direct the Group's operating policy) of \$1,653,630 (2008: \$1,332,587) are included within personnel expenses.

Share options were granted to directors on 28 March 2004 at a strike price of \$3.00 per share (the prevailing market price at that date). The options expire five years after the authorization date of each director's option agreement. 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.

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

	2009	2008
Beginning balance	450,000	464,000
Granted	-	-
Exercised	-	(14,000)
Lapsed	(450,000)	-
At 30 September	-	450,000
Exercisable at 30 September	-	450,000

### 19. 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.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. Financial Risk Management (continued)

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.

The table opposite summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts categorised by the earlier of contractual repricing or maturity dates.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. Financial Risk Management (continued)

At 30 September 2009	1–3 months	3–6 months	6–12 months	1–5 Years	Over 5 Years	Non–interest Bearing	Total
<b>Assets</b>							
Cash and bank balances	\$283,871,555	\$–	\$–	\$–	\$–	\$8,475,727	\$292,347,282
Short term placements	–	40,471,597	24,779,874	5,000,000	–	–	\$70,251,471
Investments	–	–	–	4,801,200	12,174,922	4,600,028	\$21,576,150
Financial Assets designated at fair value	–	–	–	–	2,949,912	–	\$2,949,912
Loans and Overdrafts	91,491,134	11,742,145	19,663,696	318,770,859	50,405,240	193,942	\$492,267,016
Other assets	–	–	–	–	–	11,847,608	\$11,847,608
Fixed Assets	–	–	–	–	–	27,644,250	\$27,644,250
<b>TOTAL</b>	<b>\$375,362,689</b>	<b>\$52,213,742</b>	<b>\$44,443,570</b>	<b>\$328,572,059</b>	<b>\$65,530,074</b>	<b>\$52,761,555</b>	<b>\$918,883,689</b>
<b>Liabilities and Equity</b>							
Demand & Term Deposits	\$572,742,983	\$60,366,184	\$44,258,655	\$990,538	\$–	\$140,980,686	\$819,339,046
Other liabilities	–	–	–	–	–	18,847,355	\$18,847,355
<b>TOTAL</b>	<b>\$572,742,983</b>	<b>\$60,366,184</b>	<b>\$44,258,655</b>	<b>\$990,538</b>	<b>\$–</b>	<b>\$159,828,041</b>	<b>\$838,186,401</b>
<b>Total Interest Sensivity Gap</b>	<b>\$(197,380,294)</b>	<b>\$(8,152,442)</b>	<b>\$184,915</b>	<b>\$327,581,521</b>	<b>\$65,530,074</b>		

At 30 September 2008	1–3 months	3–6 months	6–12 months	1–5 Years	Over 5 Years	Non–interest Bearing	Total
<b>Assets</b>							
Cash and bank balances	\$419,753,451	\$–	\$–	\$–	\$–	\$6,745,480	\$426,498,931
Short term placements	–	8,752,539	34,277,792	2,500,000	–	–	\$45,530,331
Investments	2,500,000	–	1,333,959	5,898,705	–	8,795,404	\$18,528,068
Financial Assets designated at fair value	–	–	–	–	3,451,858	–	\$3,451,858
Loans and Overdrafts	67,270,030	11,092,336	35,545,005	268,131,550	36,112,854	–	\$418,151,775
Other assets	–	–	–	–	–	13,920,029	\$13,920,029
Fixed Assets	–	–	–	–	–	28,450,949	\$28,450,949
<b>TOTAL</b>	<b>\$489,523,481</b>	<b>\$19,844,875</b>	<b>\$71,156,756</b>	<b>\$276,530,255</b>	<b>\$39,564,712</b>	<b>\$57,911,862</b>	<b>\$954,531,941</b>
<b>Liabilities and Equity</b>							
Demand & Term Deposits	\$506,592,917	\$26,587,006	\$31,910,591	\$2,807,851	\$–	\$277,853,135	\$845,751,500
Other liabilities	1,522,563	–	–	–	–	24,290,097	\$25,812,660
<b>TOTAL</b>	<b>\$508,115,480</b>	<b>\$26,587,006</b>	<b>\$31,910,591</b>	<b>\$2,807,851</b>	<b>\$–</b>	<b>\$302,143,232</b>	<b>\$871,564,160</b>
<b>Total Interest Sensivity Gap</b>	<b>\$(18,591,999)</b>	<b>\$(6,742,131)</b>	<b>\$39,246,165</b>	<b>\$273,722,404</b>	<b>\$39,564,712</b>		

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. 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 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables remained constant, the Group's profit and equity for the year ended 2009 would increase/decrease by \$1,788,664 (2008: increase/decrease by \$3,127,119). This is mainly attributable to the Group's exposure to interest rates in its variable rate liabilities.

#### 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 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 and no investments were impaired.
- equity would increase/decrease by \$690,004 (2008: \$225,000) for the Group as a result of the change in fair value of available-for-sale 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 matched with corresponding foreign currency deposits placed with correspondent banks such that the foreign currency risk is 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 2009 (expressed in Cayman Islands dollars)

### 19. 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 2009:

2009	KYD	USD	GBP	CAD	EURO	OTHER	Total
<b>Assets</b>							
Cash & Due From Banks	\$9,919,492	\$167,918,182	\$90,636,334	\$7,609,058	\$9,617,550	\$6,646,666	\$292,347,282
Short term placements	-	67,532,422	1,957,403	116,265	645,381	-	\$70,251,471
Investments	-	21,576,150	-	-	-	-	\$21,576,150
Financial Assets designated at fair value	-	2,949,912	-	-	-	-	\$2,949,912
Loans & Overdrafts	300,980,067	176,349,547	13,690,391	-	-	1,247,011	\$492,267,016
<b>Total Assets</b>	<b>\$310,899,559</b>	<b>\$436,326,213</b>	<b>\$106,284,128</b>	<b>\$7,725,323</b>	<b>\$10,262,931</b>	<b>\$7,893,677</b>	<b>\$879,391,831</b>
<b>Liabilities</b>							
Depositors Accounts							
Current	\$70,279,100	\$70,780,652	\$94,178	\$12,386	\$-	\$-	\$141,166,316
Savings	\$9,047,045	\$9,976,494	\$38,035,884	\$2,813,549	\$8,473,328	\$4,765,791	\$213,112,091
Fixed Deposits	\$82,266,140	\$310,278,792	\$63,018,492	\$4,804,171	\$1,627,684	\$3,065,360	\$465,060,639
<b>Sub Total</b>	<b>\$211,592,285</b>	<b>\$481,035,938</b>	<b>\$101,148,554</b>	<b>\$7,630,106</b>	<b>\$10,101,012</b>	<b>\$7,831,151</b>	<b>\$819,339,046</b>
Interest Payable	102,191	486,333	14,086	17,063	6,464	6,205	\$632,342
Accounts Payable & Accruals	12,936,779	4,401,084	825,732	49,371	1,184	863	\$18,215,013
<b>Total Liabilities</b>	<b>\$224,631,255</b>	<b>\$485,923,355</b>	<b>\$101,988,372</b>	<b>\$7,696,540</b>	<b>\$10,108,660</b>	<b>\$7,838,219</b>	<b>\$838,186,401</b>
<b>Net on Balance Sheet position</b>	<b>\$86,268,304</b>	<b>\$(49,597,142)</b>	<b>\$4,295,756</b>	<b>\$28,783</b>	<b>\$154,271</b>	<b>\$55,458</b>	<b>\$41,205,430</b>

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. 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 2008:

2008	KYD	USD	GBP	CAD	EURO	OTHER	Total
<b>Assets</b>							
Cash & Due From Banks	\$14,936,015	\$301,123,940	\$95,131,377	\$9,244,105	\$1,823,518	\$4,239,976	\$426,498,931
Short term placements	-	44,781,674	-	119,070	629,587	-	\$45,530,331
Investments	-	18,528,068	-	-	-	-	\$18,528,068
Financial Assets designated at fair value	-	3,451,858	-	-	-	-	\$3,451,858
Loans & Overdrafts	259,065,917	149,779,445	8,098,167	-	-	1,208,246	\$418,151,775
<b>Total Assets</b>	<b>\$274,001,932</b>	<b>\$517,664,985</b>	<b>\$103,229,544</b>	<b>\$9,363,175</b>	<b>\$2,453,105</b>	<b>\$5,448,222</b>	<b>\$912,160,963</b>
<b>Liabilities</b>							
Depositors Accounts							
Current	\$68,104,632	\$60,972,947	\$135,170	\$35,238	\$703	\$-	\$129,248,690
Savings	56,863,270	81,488,592	12,352,649	2,790,990	1,075,371	3,167,007	\$157,737,879
Fixed Deposits	91,006,243	374,460,538	84,761,244	5,541,990	1,082,526	1,912,390	\$558,764,931
<b>Sub Total</b>	<b>\$215,974,145</b>	<b>\$516,922,077</b>	<b>\$97,249,063</b>	<b>\$8,368,218</b>	<b>\$2,158,600</b>	<b>\$5,079,397</b>	<b>\$845,751,500</b>
Interest Payable	328,821	903,372	250,565	25,446	9,735	4,624	\$1,522,563
Accounts Payable & Accruals	16,789,806	6,498,840	959,937	41,491	23	-	\$24,290,097
<b>Total Liabilities</b>	<b>\$233,092,772</b>	<b>\$524,324,289</b>	<b>\$98,459,565</b>	<b>\$8,435,155</b>	<b>\$2,168,358</b>	<b>\$5,084,021</b>	<b>\$871,564,160</b>
<b>Net on Balance Sheet position</b>	<b>\$40,909,160</b>	<b>\$(6,659,304)</b>	<b>\$4,769,979</b>	<b>\$928,020</b>	<b>\$284,747</b>	<b>\$364,201</b>	<b>\$40,596,803</b>

Cayman National Corporation Ltd.

# Notes to Consolidated Financial Statements

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## 19. Financial Risk Management (continued)

### Currency Sensitivity Analysis

The Group is mainly exposed to the currency of Britain (GBP), the European Union (EUR) and Canada (CAD).

The following table details the Group's sensitivity to a 25% increase and decrease in the KYD against the relevant foreign currencies. 25% represents management's assessment of the reasonably possible change in foreign exchange rates.

	GBP		CAD		EUR	
	2009	2008	2009	2008	2009	2008
	KYD'000	KYD'000	KYD'000	KYD'000	KYD'000	KYD'000
Profit or loss*	1,074	1,192	7	232	39	74

\* This is mainly attributable to the exposure to outstanding cash and due from banks at year end.

In management's opinion, the sensitivity analysis may not be representative of the inherent foreign currency risk as exposures vary throughout the period.

### 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 fulfill 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.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. Financial Risk Management (continued)

#### Liquidity Risk Management Process (continued)

Treasury and the ALCO also monitor 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 70% which is continuously monitored by management. Actual maturities could differ from contractual maturities because the counter party 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.

#### Funding Approach

Sources of liquidity are regularly reviewed by ALCO to monitor diversification by currency, geography, provider, and product.

The table below presents the cash flows payable by the Group for financial liabilities by remaining contractual maturities as at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash flows:

At 30 September 2009	1–3 months	3–6 months	6–12 months	1–5 Years	Over 5 Years	Total
<b>Liquidity Risk (2009)</b>						
<b>LIABILITIES &amp; EQUITY</b>						
Demand & Term Deposits	\$714,083,195	\$60,822,502	\$44,698,183	\$1,012,157	\$–	\$820,616,037
Other Liabilities	2,804,810	1,297,027	5,114,488	6,731,808	–	\$15,948,133
<b>Total Liabilities</b>	<b>\$716,888,005</b>	<b>\$62,119,529</b>	<b>\$49,812,671</b>	<b>\$7,743,965</b>	<b>\$–</b>	<b>\$836,564,170</b>
Commitments	\$30,728,546					

At 30 September 2008	1–3 months	3–6 months	6–12 months	1–5 Years	Over 5 Years	Total
<b>Liquidity Risk (2008)</b>						
<b>LIABILITIES &amp; EQUITY</b>						
Demand & Term Deposits	\$786,148,238	\$27,021,728	\$32,728,129	\$3,129,916	\$–	\$849,028,011
Other Liabilities	16,163,661	1,198,072	3,000,000	1,314,990	–	\$21,676,723
<b>Total Liabilities</b>	<b>\$802,311,899</b>	<b>\$28,219,800</b>	<b>\$35,728,129</b>	<b>\$4,444,906</b>	<b>\$–</b>	<b>\$870,704,734</b>
Commitments	\$57,020,594					

Cayman National Corporation Ltd.

# Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

## 19. Financial Risk Management (continued)

### Credit Risk

The Group takes on exposure to credit risk, which is the risk that a counter party 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 sub-section 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.

### *(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.

Cayman National Corporation Ltd.

# Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

## 19. Financial Risk Management (continued)

### Credit Risk (continued)

#### (i) Credit Risk Measurement (continued)

Loans and Advances (continued)

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	Very Good	A
3	Good	BBB+ to BBB
4	Average	BBB- to BB+
5	Fair	BB to B-
6	Watch List	CCC to C-
7	Substandard	Un-rated
8	Non-Accrual	Un-rated
9	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 our rating classes based on our 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.

#### Debt Securities and other Bills

For debt securities and other investments, external rating such as Fitch 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.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. Financial Risk Management (continued)

#### Credit Risk (continued)

##### *(i) Credit Risk Measurement (continued)*

###### 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 minimizes 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 counter parties and groups. It maintains a policy on large credit exposures, ensuring that concentrations of exposure by counter party 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.

###### 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.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. Financial Risk Management *(continued)*

#### Credit Risk *(continued)*

##### *(ii) Risk Limit Control and Mitigation Policies (continued)*

###### *Adequate Collateralisation (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 two 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 2009 (expressed in Cayman Islands dollars)

### 19. Financial Risk Management *(continued)*

#### Credit Risk *(continued)*

##### *(ii) Risk Limit Control and Mitigation Policies (continued)*

Impairment and provisioning policies *(continued)*

Bank's rating	2009		2008	
	Loans and advances (%)	Impairment provision (%)	Loans and advances (%)	Impairment provision (%)
1. Excellent	76.63	–	80.49	–
2. Good	13.37	0.93	8.46	1.00
3. Average	0.28	0.08	1.05	–
4. Fair	2.41	0.43	3.44	0.40
5. Watch List	4.95	0.77	5.30	0.60
6. Substandard	0.25	28.21	0.31	22.00
7. Non Accrual	2.04	27.61	0.84	60.00
8. Doubtful / Loss	0.07	41.97	0.11	16.00
	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.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. Financial Risk Management *(continued)*

#### Credit Risk *(continued)*

##### *(ii) Risk Limit Control and Mitigation Policies (continued)*

###### *Impairment and provisioning policies (continued)*

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, experienced judgment and statistical techniques.

Maximum credit exposure at the year end approximates to the carrying value of all assets. 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.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. Financial Risk Management (continued)

#### Credit Risk (continued)

##### (ii) Risk Limit Control and Mitigation Policies (continued)

Impairment and provisioning policies (continued)

Credit risk exposures relating to on-balance sheet assets are as follows:

	2009	2008
Placements with banks	\$328,795	\$467,207
<b>Loans and advances to customers:</b>		
Loans to individuals:		
Overdrafts	19,824	19,204
Credit cards	10,052	9,691
Term loans	52,751	39,462
Mortgages	220,148	182,293
Loans to corporate entities:	192,856	171,288
<b>Financial assets designated at fair value:</b>		
Debt securities	2,950	3,452
<b>Investment securities</b>		
Debt securities	17,176	12,585
Other assets	7,803	9,866
<b>Credit risk exposures relating to off-balance sheet items are as follows:</b>		
Financial guarantees	1,507	1,496
Loan commitments and other credit related liabilities	7,391	15,126
<b>At 30 September</b>	<b>\$861,253</b>	<b>\$931,670</b>

The above table represents a worse case scenario of credit risk exposure to the Group at 30 September 2009 and 2008, 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 net carrying amounts as reported in the balance sheet.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. 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-09		30-Sep-08	
	Loans and advances to customers	Placements with banks	Loans and advances to customers	Placements with banks
Neither past due nor impaired	\$419,011	\$317,998	\$351,019	\$436,751
Past due but not impaired	75,967	-	70,024	-
Individually impaired	616	-	895	-
Gross	495,594	317,998	421,938	436,751
Less: allowance for impairment	3,327	-	3,786	-
<b>Net</b>	<b>\$492,267</b>	<b>\$317,998</b>	<b>\$418,152</b>	<b>\$436,751</b>

##### (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 2009	Individual (retail customers) and Corporate entities (\$000)					Total
	Overdrafts	Credit Cards	Term Loans	Mortgages	Large Corporate Customers	
Past due up to 30 days	\$-	\$543	\$4,983	\$28,687	\$29,366	\$63,579
Past due 30-60 days	-	59	25	506	184	\$774
Past due 60-90 days	-	47	103	575	-	\$725
Over 91 days	650	36	163	3,056	6,984	\$10,889
<b>Total</b>	<b>\$650</b>	<b>\$685</b>	<b>\$5,274</b>	<b>\$32,824</b>	<b>\$36,534</b>	<b>\$75,967</b>
Fair value of collateral	\$650	\$-	\$14,266	\$61,624	\$135,584	\$212,124

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. Financial Risk Management (continued)

#### Credit Risk (continued)

##### (ii) Risk Limit Control and Mitigation Policies (continued)

##### 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 2008	Individual (retail customers) and Corporate entities (\$000)					Total
	Overdrafts	Credit Cards	Term Loans	Mortgages	Large Corporate Customers	
Past due up to 30 days	\$-	\$428	\$5,354	\$18,802	\$37,618	\$62,202
Past due 30-60 days	-	54	154	497	1,430	\$2,135
Past due 60-90 days	-	49	39	932	258	\$1,278
Over 91 days	-	0	183	2,776	1,450	\$4,409
<b>Total</b>	<b>\$-</b>	<b>\$531</b>	<b>\$5,730</b>	<b>\$23,007</b>	<b>\$40,756</b>	<b>\$70,024</b>
Fair value of collateral	\$-	\$-	\$41,149	\$54,013	\$103,090	\$207,799

##### (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 \$616,000 (2008: \$895,000).

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)					Total
	Overdrafts	Credit Cards	Term Loans	Mortgages	Large Corporate Customers	
<b>30 September 2009</b>						
Individually impaired loans	93	67	138	58	260	616
Fair value of collateral	-	-	-	-	-	-
<b>30 September 2008</b>						
Individually impaired loans	117	60	282	185	251	895
Fair value of collateral	-	-	-	-	-	-

There are no individually impaired loans to banks.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. Financial Risk Management (continued)

#### Credit Risk (continued)

##### (ii) Risk Limit Control and Mitigation Policies (continued)

##### (d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset from overdue to a performing status. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to mortgages and corporate loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totaled \$7,521,000 at 30 September 2009 (2008: \$6,478,000).

Loans and advances to customers – individuals ('000):	2009	2008
Terms loans	\$–	\$30
Mortgages	7,521	2,565
Corporate	–	3,883
<b>Total</b>	<b>\$7,521</b>	<b>\$6,478</b>

#### Investment securities and investments designated at fair value

The table opposite presents an analysis of investment securities and investments designated at fair value by rating agency designation at 30 September 2009, based on Standard & Poor's ratings or their equivalent:

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. Financial Risk Management (continued)

#### Credit Risk (continued)

##### (ii) Risk Limit Control and Mitigation Policies (continued)

Investment securities and investments designated at fair value (continued)

(\$'000) 2009	Investment Securities	Designated at fair value	Other Investments	Total
AAA	8,682	-	-	8,682
AA- to AA+	1,316	-	-	1,316
A- to A+	962	-	-	962
Lower than A-	4,859	-	-	4,859
Unrated*	5,363	2,950	594	8,907
<b>Total</b>	<b>21,182</b>	<b>2,950</b>	<b>594</b>	<b>24,726</b>

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

(\$'000) 2008	Investment Securities	Designated at fair value	Other Investments	Total
AAA	1,244	-	-	1,244
AA- to AA+	3,131	-	-	3,131
A- to A+	-	-	-	-
Lower than A-	7,377	3,452	-	10,829
Unrated	833	-	733	1,566
<b>Total</b>	<b>12,585</b>	<b>3,452</b>	<b>733</b>	<b>16,770</b>

#### Reposessed collateral

During 2009, the Group served demand notices on collateral held as security, as follows:

Nature of assets	Carrying amount ('000)
Residential property	5,293
Commercial property	-

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

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 19. 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.

### 20. 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 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 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 2009 and 2008 that all regulated subsidiaries meet the respective regulatory capital adequacy requirements established by CIMA and the Isle of Man Financial Supervision Commission and other Regulatory bodies in the respective jurisdictions in Dubai, TCI and Panama.

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 operate;
- to safeguard the Group’s ability to continue as a going concern while maximizing the return to stakeholders; and
- to maintain a strong capital base to support the development of the business.

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

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 20. Regulatory Requirements (continued)

implemented by the chief regulator, for supervisory purposes. The required information is filed with the regulator on a quarterly basis.

The regulatory capital of the Group's reporting subsidiaries as 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 unrealized gains arising on the fair valuation of equity instruments held as available for sale.

Investments in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counter party, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures.

The Group's subsidiaries complied with all of the regulatory requirements to which they are subject.

### 21. Fair Value

The majority of the Group's financial assets and liabilities, with the exception of loans, investments and derivatives, 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 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. 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.

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 23. 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.

Summary financial data for CNB&T (IOM) and CNFS (IOM) is presented below:

	2009	2008
Total Assets	\$84,075,175	\$79,153,019
Total Liabilities	\$79,052,042	\$73,563,246
Total Income	\$2,055,932	\$2,173,460
<b>Net Income/(Loss)</b>	<b>\$70,842</b>	<b>\$14,573</b>

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 insurance brokerage and the holding company accounts which are mostly impacted by inter-company eliminations.

30 September 2009	Banking	Trust & Company Management	Asset Management	Other	Eliminations	Group
Gross Assets	\$836,766,591	\$87,967,132	\$3,539,239	\$33,470,148	(\$42,859,421)	\$918,883,689
Total Liabilities	753,514,245	79,531,084	536,617	17,120,732	(12,516,277)	838,186,401
Gross Revenue	37,344,642	4,529,195	4,987,400	4,085,293	(3,566,752)	47,379,778
Net Income (loss)	6,541,532	229,740	895,232	(3,501,637)	(58,500)	4,106,367
Capital Expenditure	3,054,308	49,015	10,456	571,026	36,865	3,721,670
Depreciation charge	2,581,700	135,946	75,308	103,895	(43,500)	2,853,349
Goodwill impairment	-	9,179	-	-	-	9,179
<b>30 September 2008</b>						
Gross Assets	\$875,041,950	\$84,111,808	\$4,226,799	\$30,753,954	(\$39,602,570)	\$954,531,941
Total Liabilities	793,129,276	74,734,150	1,665,242	13,447,207	(11,411,715)	\$870,496,302
Gross Revenue	45,443,169	7,191,046	2,388,461	1,114,165	(735,253)	\$55,401,588
Net Income (loss)	14,941,118	49,143	(22,645)	(4,842,715)	(14,500)	\$10,110,401
Capital Expenditure	4,144,549	170,901	265,604	19,500	-	\$4,600,554
Depreciation charge	2,558,253	196,988	41,144	35,000	-	\$2,831,385
Goodwill impairment	673,819	56,264	86,919	-	-	\$817,002

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 24. Interest Income

Interest Income comprises of the following:

	2009	2008
Cash and short term funds	\$5,263,393	\$16,114,275
Investment securities	669,918	695,587
Loans and advances	23,416,749	29,607,130
	<b>\$29,350,060</b>	<b>\$46,416,992</b>

Substantially all interest expense is attributable to customer deposits.

### 25. Foreign Exchange

Included within foreign exchange fees and commissions are foreign exchange transaction gains of \$4,397,575 (2008: \$4,649,027) and realized foreign exchange losses of \$195,236 (2008: loss of \$205,178).

### 26. 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 VISA Reorganisation the Group received its proportionate number of VISA common stock (Class C), a portion of which were simultaneously redeemed for cash, with the remaining shares to be converted to Class A ordinary shares three years after the IPO.

A total of 154,355 class C (series 1) common shares were initially allotted to the Group with 67,629 remaining at year end subsequent to the mandatory redemption which were recorded as an investment at fair value on initial receipt with a corresponding entry to the statement of income.

Net income for the year ended 30 September 2008 therefore includes a one-off gain on the restructuring of VISA of \$5,501,290, which is split out as follows in the consolidated statement of income:

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 26. Income Received From VISA Shares (continued)

Net income for the year ended 30 September 2008 therefore includes a one-off gain on the restructuring of VISA of \$5,501,290, which is split out as follows in the consolidated statement of income:

	Income	Shares
Initial realized gain from VISA IPO on mandatory share redemption	\$3,090,880	86,726
Initial recognition of remaining Visa shares held	\$2,410,410	67,629
<b>Total income impact of VISA IPO holding</b>	<b>\$5,501,290</b>	<b>154,355</b>
Unrealized gain on remaining VISA shares held	\$1,410,197	67,629
<b>Total income and equity impact of VISA IPO</b>	<b>\$6,911,487</b>	<b>154,355</b>

In accordance with the VISA reorganization, a portion of the shares initially allocated to the bank in 2008 were converted to unrestricted Class C shares by VISA, which the Bank then subsequently sold in 2009 at a gain on sale of \$446,200. The remaining 47,341 shares are held in available for sale investments at \$3,271,737 with a corresponding unrealized gain of \$1,246,962 recorded in the net unrealized holding (loss)/gain on investments available-for-sale reserve in the statement of changes in shareholder's equity.

### 27. Personnel

Personnel costs comprise of the following:

	2009	2008
Salaries and overtime	\$19,881,989	\$19,137,975
Pension	740,294	757,042
Health insurance	1,570,942	1,571,489
Bonus	40,933	920,491
Training	344,254	378,152
Other	738,985	988,305
	<b>\$23,317,397</b>	<b>\$23,753,454</b>

Cayman National Corporation Ltd.

## Notes to Consolidated Financial Statements

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

### 27. Personnel (continued)

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 \$152,048 (2008: \$150,284) which is included within personnel costs in the statement of income.

At 30 September 2009, the Group employed a total of 315 personnel (2008: 311).

### 28. Subsequent Events

During November 2009, CNC declared a final dividend of \$0.05 per share (\$2,117,537) which will be paid to shareholders of record 31 December 2009 after approval by shareholders at the Annual General Meeting in March 2010. 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 2009, the directors made an appropriation from retained earnings to the reserve for dividends.

Cayman National Bank Ltd.

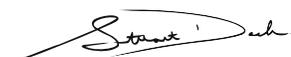
## Consolidated Balance Sheet

30 September 2009 (expressed in Cayman Islands dollars)

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Cash and due from banks (Notes 3 and 9)	\$221,547,351	\$358,512,124
Short term placements	69,629,268	44,933,599
Investments (Notes 4 and 9)	21,510,163	18,386,390
Financial assets designated at fair value (Note 4)	2,949,912	3,451,858
Loans and overdrafts (Notes 5 and 9)	481,676,845	415,459,727
Interest receivable	2,329,644	3,052,519
Accounts receivable (Note 9)	9,914,866	3,464,025
Fixed assets (Note 6)	25,159,159	27,136,667
Goodwill (Note 19)	645,041	645,041
	<b>\$835,362,249</b>	<b>\$875,041,950</b>
<b>Liabilities</b>		
Customers' accounts (Note 9)		
Current	\$141,780,105	\$130,890,412
Savings	178,162,238	146,962,705
Fixed deposits (Note 7)	421,979,645	498,781,766
	<b>\$741,921,988</b>	<b>\$776,634,883</b>
Interest payable	\$623,033	\$1,335,493
Accounts payable and accrued expenses (Note 9)	10,885,891	15,158,900
	<b>\$753,430,912</b>	<b>\$793,129,276</b>
<b>Shareholder's Equity</b>		
Share capital (Note 8)	\$2,436,585	\$2,436,585
Share premium	1,695,816	1,695,816
General reserve (Note 8)	39,500,000	39,500,000
Retained earnings	37,326,434	36,763,466
Net unrealised appreciation on investments available-for-sale (Note 4)	972,502	1,516,807
	<b>\$81,931,337</b>	<b>\$81,912,674</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>\$835,362,249</b>	<b>\$875,041,950</b>

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

Chairman

  
 S.J. Dack

Director

  
 O.A. Williams

Date: 22 December 2009

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

Cayman National Bank Ltd.

## Consolidated Statement of Income

for the year ended 30 September 2009 (expressed in Cayman Islands dollars)

	2009	2008
<b>Interest Income</b>		
Interest income (Note 20)	\$28,010,890	\$43,501,693
Interest expense (Note 20)	5,585,369	16,164,737
<b>Net Interest Income</b>	<b>\$22,425,521</b>	<b>\$27,336,956</b>
<b>Other Income</b>		
Foreign exchange fees and commissions (Note 21)	\$5,378,528	\$5,553,924
Other fees and commissions (Note 9)	7,411,119	7,457,149
Initial realised gain from VISA IPO on mandatory share redemption (Note 22)	–	3,090,880
Initial recognition of remaining VISA shares held (Notes 4 and 22)	–	2,410,410
Gain on sale of investment VISA shares (Note 22)	446,200	–
Gain on sale of fixed assets (Note 6)	2,185,220	–
Loss from financial instruments designated at fair value	(501,946)	(406,150)
<b>Total Income</b>	<b>\$37,344,642</b>	<b>\$45,443,169</b>
<b>Expenses</b>		
Depreciation (Note 6)	\$2,554,862	\$2,558,252
Decrease in reserve for loan loss (Note 5)	–	(650,000)
Other operating expenses (Note 9)	8,128,952	7,953,692
Personnel (Notes 11,13 and 15)	16,952,664	17,434,234
Premises (Note 9)	2,464,699	2,532,055
Impairment loss on held-to-maturity investment (Note 4)	200,000	–
Goodwill impairment (Note 19)	–	673,818
	<b>\$30,301,177</b>	<b>\$30,502,051</b>
<b>Net Income</b>	<b>\$7,043,465</b>	<b>\$14,941,118</b>

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

# Directory

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### Directors

**Benson O. Ebanks, Jr., OBE, JP,**  
Chairman\*†  
**Truman M. Bodden, OBE, LLB (Hons), ACIB, JP**  
Deputy Chairman\*\*  
**Stuart J. Dack, ACIB, MBA,**  
President & Chief Executive  
**John C. Bierley, BA, JD (USA)**  
**Sherri Bodden-Cowan, LLB (Hons)\*\***  
**Clarence Flowers, Jr.\***  
**Peter A. Tomkins, MBE\***  
**David W. Trimble, MA (Cantab) ††**  
**Bryan A. Hunter LLB**  
**Jude Scott, CPA\*\***

### Senior Officers & Management

**Stuart J. Dack, ACIB, MBA,**  
President & Chief Executive  
**Dorette Brown,** Senior Vice President,  
Administration & Human Resources  
**Patricia Estwick, BA (Hons), CPA, MBA,**  
Group Chief Financial Officer  
**Owen Henry, ACIB,**  
Group Internal Auditor  
**Claudia Welds,**  
Senior Executive, Corporate Communications  
**Ian C. Whan Tong, AB, LLB, MPA, CAMS, Notary Public,**  
Group Legal Counsel

\* Members of the Group Compensation Committee

\*\* Members of the Group Audit Committee

† Retiring as Director & Chairman of the Board March 2010

†† Retired effective 15 May 2009

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**John C. Bierley, BA, JD (USA)**  
**Sherri Bodden-Cowan, LLB (Hons.)**  
**Benson O. Ebanks, Jr., OBE, JP †**  
**Clarence Flowers, Jr.**  
**Peter A. Tomkins, MBE**  
**David W. Trimble, MA (Cantab) ††**  
**Ormond A. Williams, FIFS, FCMI, FCABFI**

† Retiring as Director of the Board March 2010

†† Retired effective 15 May 2009

## 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  
**Judy Watler, AICB,**  
Manager, Premier Banking  
**Sharon Wyckoff,**  
Manager, Treasury  
**Laura Young, BSc, MICA, CAMS,**  
Senior Compliance Manager & MLRO  
**Marilyn Whittaker, BA,**  
Manager, Bank Marketing  
**Karen Baptiste, BA (Hons), CPA,**  
Senior Finance Manager  
**John Henry Ebanks, AML/CA**  
Senior Vice President,  
Operational Risk Management  
**Kim Remizowski, TEP, AICB**  
Senior Vice President,  
International Premier Banking

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**Ian D. Phillips, ACIBT, TEP**  
**Truman M. Bodden, OBE, LLB (Hons), ACIB, JP**  
**John C. Bierley, BA, JD (USA)**  
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**Clarence Flowers, Jr.**  
**Peter A. Tomkins, MBE**  
**David W. Trimble, MA (Cantab)\*\***

† Retiring as Director of the Board March 2010

†† Retired effective 15 May 2009

## Senior Officers & Management

**Christopher Lumsden, BA, ACA,**  
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**Susan Levy, BBA, M.Acc., CPA,**  
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**Jill Anderson,**  
Head of Investor Services

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**Clarence Flowers, Jr.**  
**Peter A. Tomkins, MBE**  
**David W. Trimble, MA (Cantab)††**

† Retiring as Director of the Board March 2010

†† Retired from the Board 15 May 2009

## Senior Officers & Management

**Ian D. Phillips, ACIBT, TEP,**  
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**Lee Trickett, TEP,**  
Assistant Manager, Trust & Corporate  
**Joyce Shaw,**  
Project Manager, Trust & Corporate  
**Debra C. Humphreys, FICA, TEP, JP,**  
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**David W. Trimble, MA (Cantab)††**

† Retiring as Director of the Board March 2010

†† Retired effective 15 May 2009

## Senior Officers & Management

**James J. W. Youn, BA, CFA,**  
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**Annie Ebanks-Halloran,**  
Senior Vice President, Investment Advisor

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

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**Malcolm B. Hartley, JP**  
**Peter A. Tomkins, MBE**  
**Christopher Lumsden, BA, ACA,**  
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**David W. Trimble, MA (Cantab)**  
(Director of Cayman National Fund Services (Isle of Man) Limited)  
**Barry J. Williams, CAifs, 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 and Company Secretary  
**Barry J. Williams, CAifs, FICA,**  
Banking Director  
**Gary Kermod, BSc, FCCA,**  
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**Andrew Cubbon, ACMI,**  
Head of Operations  
**Anita Gould-Davies,**  
Business Development Manager

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#### Senior Officer & Management

**Carlos Guzman, TEP,**  
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**Naiem A. Qadir, MBA, CA, CFA**  
**Peter A. Tomkins, MBE**  
**David W. Trimble, MA (Cantab)**

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**Naiem A. Qadir, MBA, CA, CFA,**  
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**G. Robert Blanchard, Jr. BA**  
**Nigel Wardle, BA, CA**  
**Ivan B Browne, FCIB, FCMI, FMS, FCABFI**

#### Senior Officers & Management

**Ivan Browne, FCIB, FCMI, FMS, FCABFI,**  
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**Kenwyn Bovell,**  
Senior Vice President, Credit  
**Rochelle Thompson,**  
Senior Vice President, Service Delivery  
**Claudia Camozzi, BA,**  
Vice President, Business and Product Development  
**Paul Coleman, ACIB, PIIA,**  
Vice President, Compliance  
**Barbara Cox-Ambrister, MBA, BA,**  
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**Dr Kellie-Ann Evans-Hall, PhD, MA, BA,**  
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**Clarence Flowers, Jr.**  
**Daniel MacLean, B.Comm, CRM, FRM, CGA, ARE**  
**Terry L. Wilcox**

#### Senior Officers & Management

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**Mary S. Mellin,**  
Senior Vice President, Broker Operations



CAYMAN NATIONAL





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Cayman National Bank & Trust Co. (Isle of Man) Limited  
Cayman National Fund Services (Isle of Man) Limited  
Cayman National Bank Ltd. Oficina de Representación (Panama)  
Cayman National (Dubai) Ltd.  
International Banking Group (TCI) Ltd.  
Aon Cayman National Insurance Brokers Ltd.