

Interim Report 2007/2008

Interim Report for Period to 31 March 2008



**CAYMAN
NATIONAL**

Interim Report 31 March 2008

In our Report to Shareholders for the first quarter of this financial year to 31 December 2007, we were pleased to confirm a satisfactory start to the year but reflected upon the impact that falling interest rates are likely to have upon our performance.

Despite these comments, we are pleased to confirm a Net Income of C\$9,630,629 for the half year to 31 March 2008. This is marginally up on the result of C\$9,388,406 achieved for the same period last year which culminated in the record performance of the Group for the year to September 2007.

It is important to note that the result for this half year includes an exceptional gain of C\$3,090,880 in respect of our investment as a member of VISA. This gain is welcome at this time as without this additional income, performance would have been significantly down from last year, but it is worthy of mention that our 2006 and 2007 results also benefited from exceptional gains in respect of investment disposals.

Although the profitability of our normal operations is lower as a result of lower interest rates, the focus is now on cost-containment and increasing income, particularly from non-interest related activities and business ventures in other jurisdictions. In both areas good progress is being made, and whilst new income streams will take a while to impact Net Income, we are content that overall the Group will produce a sound result for this full financial year notwithstanding the difficult international economic environment.

We also feel it is worth re-iterating that, although our projected income is down as a result of the reductions seen in interest rates, the Group does not face any of the direct issues relating to the “sub-prime” crisis that has impacted so many financial organizations.

Continued on page 4...



Consolidated Balance Sheet

As of March 31 2008

(Unaudited Figures Expressed in Cayman Islands Dollars)

Assets	Mar 31 2008	Mar 31 2007
Cash and due from banks	491,964,543	495,011,159
Investments	21,997,064	23,864,209
Loans and overdrafts	393,600,252	347,624,114
Interest receivable	3,033,878	2,487,866
Accounts receivable	20,243,998	10,994,251
Investment in Associate	-	3,031,745
Fixed assets	28,487,084	22,539,659
Goodwill	4,871,231	4,796,231
Total Assets	\$964,198,050	\$910,349,234
Liabilities		
Depositors' Accounts		
Current	148,844,909	135,678,594
Savings	154,000,475	134,327,462
Fixed deposits	545,359,048	543,838,064
Total	\$848,204,432	\$813,844,120
Interest payable	2,310,213	1,530,492
Accounts payable & Accrued Expenses	27,374,983	23,157,093
Total Liabilities	\$877,889,628	\$838,531,705
Shareholders' Equity		
Share capital	42,393,547	42,342,547
Share premium	5,099,744	4,997,743
General reserve	7,486,050	7,486,050
Retained earnings	27,264,345	13,362,402
Reserve for dividends	3,391,484	2,963,978
Net unrealized (depreciation)/appreciation on investments available-for-sale.	(22,636)	24,716
Equity adjustments from foreign		
Currency translation	695,888	640,093
Total Shareholders' Equity	\$86,308,422	\$71,817,529
Total Liabilities & Shareholders' Equity	\$964,198,050	\$910,349,234

Consolidated Statement of Income

For the 6 month period ending March 31 2008

(Unaudited Figures Expressed in Cayman Islands Dollars)

Income	Mar 31 2008	Mar 31 2007
Interest Income	26,079,268	26,704,554
Interest Expense	11,135,691	11,433,777
Net Interest Income	\$14,943,577	\$15,270,777
Other Income		
Foreign exchange fees and commissions	2,924,913	3,069,642
Banking fees and commissions	4,316,360	3,682,497
Trust and company management fees	2,918,504	2,795,317
Brokerage commissions and fees	1,549,734	1,006,061
Gain on disposal of equity interest in Subsidiary	-	257,171
Realized gains on available-for-sale investment	60,165	80,881
Share of Associated Company's profits	-	248,335
Realized proceeds Visa Shares	3,090,880	-
Total Other Income	\$14,860,556	\$11,139,904
Total Income	\$29,804,133	\$26,410,681
Expenses		
Personnel	11,889,560	10,187,811
Other operating expenses	5,454,208	4,388,609
Increase in reserve for loan impairment provision	-	-
Premises	1,343,578	896,376
Depreciation	1,486,158	1,326,714
Goodwill impairment charge	-	222,765
Total Expenses	\$20,173,504	\$17,022,275
Net Income before Taxation	\$9,630,629	\$9,388,406
Taxation	-	-
Net Income	\$9,630,629	\$9,388,406

Key Performance Ratios	Mar 31 2008	Mar 31 2007
Earnings Per Share	\$0.49	\$0.37
Price Earnings Ratio	6.98	10.68
Return on Assets	2.15%	1.74%
Return on Equity	23.97%	22.10%
Book Value Per Share	\$2.04	\$1.70
Dividend Yield per share	4.39%	3.04%

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

The Balance Sheet of the Group continues to grow steadily and in particular we are pleased that Total Shareholders' Equity is up by more than 20% on a year ago.

The Return on Equity increased by 8% to a very creditable 23.97%, with Earnings Per Share up by 32% at \$0.49.

The Board of Directors continues to be confident in the performance of the Group and feels justified in announcing an interim dividend of 8 cents per share. The dividend will be paid to shareholders of record as at 30 June 2008, with payment being made in September 2008. This represents an increase in the interim dividend of 14% on a year ago when a payment of 7 cents per share was made.

In our last report we confirmed the opening of our new Branch in Camana Bay. This prestigious development is gaining momentum as more of the office and retail space becomes active. Our Branch is now well-established and we remind our shareholders of this location as it provides full-service banking and convenient parking. We also take the opportunity to remind you of the partnership we enjoy with the world's largest insurance broker, Aon. Through Aon-Cayman National Insurance Brokers Ltd. we are able to offer a full range of insurance products and advice so please utilize these services by contacting Aon CNIB at 345 949 0111 or by visiting their offices at Buckingham Square.

We take this opportunity to again thank shareholders for their loyalty and support, our customers and clients for their business, and all our employees for their continued hard work and dedication.



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



Benson O. Ebanks, Jr.
Chairman of the Board of Directors
Cayman National Corporation Ltd.

Cayman National Corporation Ltd.

Board of 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, MBE, LLB (Hons)

Clarence Flowers, Jr.

Peter A. Tomkins, MBE

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Cayman National Securities Ltd.

Aon Cayman National Insurance Brokers Ltd.

Cayman National Bank & Trust Co. (Isle of Man) Ltd.

Cayman National Fund Services (Isle of Man) Ltd.

Cayman National Bank Ltd. Oficina de Representación (Panama).