

Third Quarter Report 2007/2008

Quarter Ending 30 June 2008



**CAYMAN
NATIONAL**

Third Quarter to 30 June 2008

We are pleased to confirm in our Third Quarter Report that the very satisfactory performance of the Cayman National Group continues.

To the end of the third quarter, 30 June, 2008, we achieved a Net Income of C\$13,002,763 (C\$14,184,976, 30 June, 2007). This is a very creditable result in this period of falling interest rates, and the drop in Net Income is in-line with our projections.

As mentioned in our Interim Report three months ago, our Net Income has been bolstered by the exceptional gain resulting from our position as a long-term member of the VISA organization, which is the most recent of a number of exceptional gains recorded in recent years.

Our expenses have risen, as budgeted, due to the expansion of our bank branch network and the establishment of other new offices. As these new outlets mature, they will contribute to our profitability so we see this expenditure as an investment in the future of the business.

We are particularly pleased with the sustained growth in our Balance Sheet. Total Assets have risen by 9% on a year ago with Total Deposits up by more than 4%. Total Shareholders' Equity has increased by nearly 20% since 30 June, 2007, and now stands at a very solid C\$92,166,704 – well over the US\$100,000,000 mark.

The interim dividend of 8 cents per share was distributed to shareholders in early September 2008. We believe that the dividend yield, currently standing at more than 4%, represents a good return for our shareholders, particularly at a time of low interest yields and taking into account the continued growth of the Book Value of our shares through Retained Earnings.

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Consolidated Balance Sheet

As of 30 June 2008

(Unaudited Figures Expressed in Cayman Islands Dollars)

Assets	30 Jun 2008	30 Jun 2007
Cash and due from banks	440,250,916	399,504,944
Investments	27,354,981	22,254,721
Loans and overdrafts	403,316,369	369,919,356
Interest receivable	2,672,530	3,002,345
Accounts receivable	10,871,555	16,388,598
Investment in Associate	-	2,885,755
Fixed assets	28,205,587	23,957,925
Goodwill	4,871,232	4,796,232
Total Assets	\$917,543,170	\$842,709,876
Liabilities		
Depositors' Accounts		
Current	139,490,292	126,387,497
Savings	152,200,446	131,209,957
Fixed deposits	516,649,578	476,830,543
Total	\$808,340,316	\$734,427,997
Interest payable	1,923,953	1,143,326
Accounts payable & Accrued Expenses	15,112,197	30,261,964
Total Liabilities	\$ 825,376,466	\$ 765,833,287
Shareholders' Equity		
Share capital	42,373,201	42,378,547
Share premium	5,054,677	5,069,743
General reserve	7,486,050	7,486,050
Retained earnings	30,638,105	18,156,450
Reserve for dividends	3,389,856	2,966,498
Net unrealized (depreciation)/appreciation on investments available-for-sale.	2,505,249	86,975
Equity adjustments from foreign Currency translation	719,566	732,326
Total Shareholders' Equity	\$92,166,704	\$76,876,589
Total Liabilities & Shareholders' Equity	\$917,543,170	\$842,709,876

Consolidated Statement of Income

For the 9 month period ending 30 June 2008

(Unaudited Figures Expressed in Cayman Islands Dollars)

Income	30 Jun 2008	30 Jun 2007
Interest Income	36,283,620	41,349,680
Interest Expense	14,982,785	17,758,507
Net Interest Income	\$21,300,835	\$23,591,173
Other Income		
Foreign exchange fees and commissions	4,253,036	4,641,184
Banking fees and commissions	6,505,836	5,459,934
Trust and company management fees	4,387,803	4,292,428
Brokerage commissions and fees	2,026,558	1,580,336
Unrealized gains on available for sale securities	2,410,410	-
Gain on disposal of equity interest in Subsidiary	-	257,171
Realized gains on available for sale securities	3,151,045	80,881
Unrealized (loss)/gain from financial instrument designated at fair value (173,375)	-	78,008
Share of Associated Company's profits	-	320,482
Total Other Income	\$22,561,313	\$16,710,424
Total Income	\$43,862,148	\$ 40,301,597
Expenses		
Personnel	18,048,893	15,593,438
Other operating expenses	8,555,418	6,970,883
Premises	2,101,540	1,305,438
Depreciation	2,153,534	1,936,146
Goodwill impairment charge	-	222,765
Loss on Disposal of Assets	-	87,951
Total Expenses	\$30,859,385	\$26,116,621
Net Income before Taxation	\$13,002,763	\$14,184,976
Taxation	-	-
Net Income	\$13,002,763	\$14,184,976
Net Income Attributable to		
Equity Holders of the Company	\$13,002,763	\$14,184,976
	\$13,002,763	\$14,184,976

Key Performance Ratios	30 Jun 2008	30 Jun 2007
Earnings Per Share	\$0.45	\$0.41
Price Earnings Ratio	7.04	8.54
Return on Assets	2.10%	2.05%
Return on Equity	20.88%	22.46%
Book Value Per Share	\$2.18	\$1.81
Dividend Yield per share	4.73%	3.71%
12 month rolling Net Income	\$19,261,795	\$17,267,328

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

Our earnings forecast suggest that we will be able to sustain the attractive level of dividend distribution previously indicated to shareholders in our reports.

Cayman National continues to weather the considerable turmoil in the international financial markets because we remain a very conservative and sound organization. As previously reported, we have no direct exposure to the “sub-prime” issues that have seriously impacted so many financial organizations around the globe. Our strategy throughout the Group has always been one of prudent and conservative investment. Despite the attraction of the higher risk investments available in recent years, we maintained our cautious policies which now serve us well in such difficult times.

Our Balance Sheet remains highly liquid with a very modest lending to deposit ratio (in the region of 50%), whereas most banking organizations lend at 85% or more. In addition, our cash placements are directed through a panel of more than 30 highly rated major banks domiciled in 11 international jurisdictions, giving us a well-spread risk profile which is kept under consistent review.

Our position gives us confidence that we will robustly withstand the current worldwide economic conditions.

We are also pleased to report that the license application for the opening of our new office in Dubai has been approved, and our new operations in the Dubai International Financial Centre are scheduled to open within the next few weeks.

The strength and success of our organization continues to be a reflection of the support of our shareholders and clients, coupled with the loyalty and professionalism of our staff, for which we are most grateful.



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)

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

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