

Fourth Quarter Report 2007/2008

Quarter Ending 30 September 2008



**CAYMAN
NATIONAL**

Fourth Quarter to 30 September 2008

Cayman National has had a very satisfactory year with Net Income of C\$14,226,546 to the end of the quarter and the completion of our financial year to 30 September 2008.

Global economic conditions are extremely difficult and we are pleased with our results, particularly in the context of these troubled times. In comparison to the prior year, the reduction of profit (reduced by 30%) largely results from the lower interest rates that now prevail and planned increases in costs as we geared up certain areas of our businesses. The growth in the Total Deposits, up by nearly 9%, is a very pleasing factor which has enabled us to grow the loan book by 12%, whilst still maintaining a very cautious approach to our Balance Sheet structure.

As noted previously, our results this year included a welcome gain achieved from our investment in the VISA organization, which is the most recent of a number of exceptional gains recorded in recent years.

In our previous report last quarter, we explained that our conservative strategy has always been a part of our business culture. The resulting policies have protected us from direct exposure to the “sub-prime” issues that so many financial organizations have endured. We again confirm to all our stakeholders that our policies and strategy continue along the lines which have served us well.

The sound profits achieved this year enable us to recommend to shareholders that a final dividend of 8.5 cents per share be approved for payment in March 2009, to shareholders of record as at 31 December 2008. This recommendation will be considered by shareholders at the AGM scheduled to be held on 5 March 2009.

Continued on page 4...



Consolidated Balance Sheet

As of 30 September 2008

(Unaudited Figures Expressed in Cayman Islands Dollars)

Assets	30 Sep 2008	30 Sep 2007
Cash and due from banks	427,119,021	418,096,859
Short term placements	44,933,599	16,453,014
Investments	21,979,934	21,360,626
Loans and overdrafts	418,300,095	373,478,534
Interest receivable	2,757,622	3,088,470
Accounts receivable	7,038,317	9,679,377
Investment in Associate	-	3,393,250
Fixed assets	28,522,868	26,681,780
Goodwill	4,078,049	4,871,231
Total Assets	\$954,729,505	\$877,103,141
Liabilities		
Depositors' Accounts		
Current	129,248,690	141,008,826
Savings	157,737,879	152,133,577
Fixed deposits	558,764,931	485,100,293
Total	\$845,751,500	\$778,242,696
Interest payable	1,522,563	2,337,096
Accounts payable & Accrued Expenses	19,262,159	16,511,160
Taxation	-	8,813
Total Liabilities	\$ 866,536,222	\$ 797,099,765
Shareholders' Equity		
Share capital	42,372,201	42,378,547
Share premium	5,052,677	5,069,744
General reserve	7,486,050	7,486,050
Retained earnings	28,259,924	21,025,198
Reserve for dividends	3,601,637	3,390,284
Net unrealized appreciation on investments available-for-sale.	1,277,655	(80,220)
Equity adjustments from foreign Currency translation	143,139	733,773
Total Shareholders' Equity	\$88,193,283	\$80,003,376
Total Liabilities & Shareholders' Equity	\$954,729,505	\$877,103,141

Consolidated Statement of Income

For the 12 month period ending 30 September 2008

(Unaudited Figures Expressed in Cayman Islands Dollars)

Income	30 Sep 2008	30 Sep 2007
Interest Income	46,416,992	56,532,779
Interest Expense	18,303,768	23,901,972
Net Interest Income	\$28,113,224	\$32,630,807
Other Income		
Foreign exchange fees and commissions	4,682,949	6,127,164
Banking fees and commissions	8,644,223	5,563,483
Trust and company management fees	6,046,283	7,558,148
Brokerage commissions and fees	2,759,603	2,903,410
Gain on value of shares received in VISA IPO	2,410,410	-
Income received from VISA share redemption	3,090,881	-
Gain on disposal of equity interest in Subsidiary	-	257,171
Realized gains on available for sale securities	60,165	203,667
Loss on disposal of fixed assets	-	(123,363)
(Loss)/Income from financial instruments designated at fair value	(406,150)	78,008
Share of Associated Company's profits	-	433,040
Gain on Investment held for sale	-	394,937
Total Other Income	\$27,288,364	\$23,395,665
Total Income	\$55,401,588	\$ 56,026,472
Expenses		
Personnel	23,753,454	21,490,530
Other operating expenses	10,977,566	9,662,489
Decrease in reserve for loan losses	(395,172)	(160,068)
Premises	3,214,626	1,853,125
Depreciation	2,831,385	2,591,786
Goodwill impairment charge	793,183	147,765
Total Expenses	\$41,175,042	\$35,585,627
Net Income before Taxation	\$14,226,546	\$20,440,845
Taxation	-	3,163
Net Income	\$14,226,546	\$20,444,008
Net Income Attributable to		
Equity Holders of the Group	\$ 14,226,546	\$20,444,008
Minority Interests	-	-
	\$ 14,226,546	\$20,444,008

Key Performance Ratios	30 Sep 2008	30 Sep 2007
Earnings Per Share	50.34	50.48
Price Earnings Ratio	9.68	7.13
Return on Assets	1.55%	2.32%
Return on Equity	16.92%	25.55%
Book Value Per Share	\$2.08	\$1.89
Dividend Yield per share	4.86%	4.39%

If this final dividend is approved, it will take the dividend for the year to 16.5 cents per share, which represents a yield of 4.73% based on the last traded price for our shares. We believe this is an excellent return for shareholders. Even with dividend payments at this level, we continue to build the strength of our balance sheet with Total Shareholders' Equity now standing at nearly \$88.2 million.

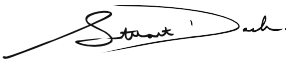
We would also like to mention that shareholders will, of course, receive the full Annual Report prior to the Annual General Meeting as usual, but we felt that a short-form report at the end of this fourth quarter would be welcomed at this time.

We are also thrilled to announce that Cayman National Bank was just named "Bank of The Year" for the Cayman Islands for 2008 by The Banker Magazine (part of the Financial Times Group). This award has high credibility in the financial sector and is bestowed on "the cream of the global banking community and the highest achievers in the industry." It is particularly gratifying to win this award in 2008, at a time when the financial sector is going through such difficult times globally.

In addition, we are pleased to report that the full licence for our operations in Dubai has been issued and our offices are now open for business in the Dubai International Financial Centre. We have also moved our fund services operation in Cayman into its own licensed subsidiary, Cayman National Fund Services Ltd., in order to give that business the profile and focused growth it deserves.

Overall we remain content with our performance. Our planning and strategies are under close and constant review to ensure we are positioned well for the unique present trading conditions. We have a well-founded business and an excellent team of staff who are well able to address the challenges we face.

During these times, the ongoing loyalty of our shareholders and clients is of key importance and we remain grateful for your support.



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 Bank Ltd.

Cayman National Trust Co. Ltd.

Cayman National Fund Services Ltd.

Cayman National Securities Ltd.

Aon Cayman National Insurance Brokers Ltd.

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.