

First Quarter Report 2008/2009

Quarter Ending 31 December 2008



**CAYMAN
NATIONAL**

Quarter Ending 31 December 2008

Net Income for Cayman National for the first quarter of this financial year was C\$1,498,326. We recognize that profitability is down on last year, but we are still content with this result at a time of continued turmoil in global financial markets.

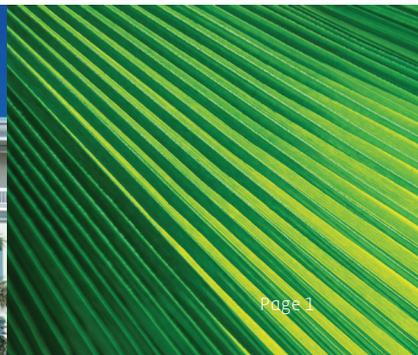
As we have already indicated to shareholders, the conservative model used for our operations means we invest significantly in cash together with an orthodox portfolio of commercial, mortgage and personal loans. This approach will put income under pressure during these times of extraordinarily low interest levels. Coupled with this, we remind shareholders that it is this conservative strategy that has protected us from the significant adverse consequences that so many other financial organizations have faced in recent times. We will maintain this strategy of prudent and conservative investment and at this time, we consider it important to maintain the security of capital rather than pursue profitability at undue risk.

Although Net Interest Income is down, we are pleased that Total Other Income is up by 5%, as we concentrate on non-interest earnings.

Our Total Expenses are up by 6% but measures have been taken to contain and reduce costs that are now starting to impact our results positively. As mentioned previously, we are aggressively reducing our future cost structure.

Our Balance Sheet remains strong, and we are pleased that our Total Deposits are C\$812,514,961. We note that as at 31 December 2008, the deposit level appears lower than last year, but that previous year's balance included two unusually high deposits at the year end.

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Consolidated Balance Sheet

As of 31 December 2008

(Unaudited Figures Expressed in Cayman Islands Dollars)

Assets	31 Dec 2008	31 Dec 2007
Cash and due from banks	\$388,181,628	\$512,996,401
Investments	21,109,217	22,281,475
Loans and overdrafts	459,713,328	384,963,148
Interest receivable	2,685,483	3,354,543
Accounts receivable	18,037,994	10,280,828
Fixed assets	28,302,551	27,563,266
Goodwill	4,078,049	4,871,232
Total Assets	\$922,108,250	\$966,310,893
Liabilities		
Depositors' Accounts		
Current	142,964,205	159,105,147
Savings	154,723,766	162,070,916
Fixed deposits	514,826,990	541,511,069
Total	\$812,514,961	\$862,687,132
Interest payable	1,495,436	2,605,299
Accounts payable & accrued expenses	24,144,251	16,572,195
Total Liabilities	\$838,154,648	\$881,864,626
Shareholders' Equity		
Share capital	\$42,372,201	\$42,379,547
Share premium	5,052,677	5,071,744
General reserve	7,486,050	7,486,050
Retained earnings	26,277,588	25,443,411
Reserve for dividends	2,966,054	3,390,284
Net unrealized appreciation on investments	733,854	(80,221)
Equity adjustments from foreign currency translation	(934,822)	755,452
Total Shareholders' Equity	\$83,953,602	\$84,446,267
Total Liabilities & Shareholders' Equity	\$922,108,250	\$966,310,893

Consolidated Statement of Income

For the 3 month period ending 31 December 2008

(Unaudited Figures Expressed in Cayman Islands Dollars)

Income	31 Dec 2008	31 Dec 2007
Interest Income	\$8,739,519	\$14,293,173
Interest Expense	3,170,476	6,069,971
Net Interest Income	\$5,569,043	\$8,223,202
Other Income		
Foreign exchange fees and commissions	\$1,520,318	\$1,476,219
Banking fees and commissions	2,099,571	2,091,611
Trust and company management fees	1,571,795	1,392,117
Brokerage commissions and fees	733,650	687,207
Total Other Income	\$5,925,334	\$5,647,154
Total Income	\$11,494,377	\$13,870,356
Expenses		
Personnel	\$5,927,783	\$5,760,458
Other operating expenses	2,681,956	2,381,273
Premises	722,845	597,834
Depreciation	663,467	712,581
Total Expenses	\$9,996,051	\$9,452,146
Net Income before Taxation	\$1,498,326	\$4,418,210
Taxation	-	-
Net Income	\$1,498,326	\$4,418,210
Net Income Attributable to:		
Equity Holders of the Group	\$1,498,326	\$4,418,210
Minority Interests	-	-
	\$1,498,326	\$4,418,210

Key Performance Ratios	31 Dec 2008	31 Dec 2007
Earnings Per Share	0.17	0.46
Price Earnings Ratio	17.88	6.89
Return on Assets	0.78%	2.04%
Return on Equity	8.56%	23.31%
Book Value Per Share	\$1.98	\$1.99
Dividend Yield per Share	4.93%	4.73%

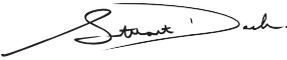
Some performance ratios are computed using 12 month trailing earnings and average asset balances.

At our recent Annual General Meeting held 5 March 2009, we were delighted that Jude Scott and Bryan Hunter were elected as new Directors of Cayman National. Both are exceptional professionals and shareholders had the opportunity to review their credentials which were circulated with the AGM papers.

We are also pleased to report that our new office in Dubai is fully operational and already provides encouraging signs of new business generation.

These remain difficult times for the financial sector, and global economic conditions remain very challenging, but we are pleased that our business remains sound and profitable. Our objective is to maintain our conservative strategy and to ensure that we are well-placed to take advantage of the opportunities that are expected to emerge as and when global conditions improve.

As always, we are grateful for the ongoing and loyal support of our shareholders, customers, and staff. At our recent AGM we were pleased to recognize our founding shareholders and indeed all who have supported our business during the last 35 years. Over the years we have performed well for our investors, giving recent returns of over 4%, and although income will be down this year, we intend to maintain returns that will be attractive, particularly given market conditions. In concluding this report, we also take this opportunity to welcome a number of new clients that have joined us recently, and to thank them for their confidence in our organization.



Stuart J. Dack
President and Chief Executive
Cayman National Corporation



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

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

David W. Trimble, MA (Cantab)



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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.