

Continued from page 1

The development of our new Bank Branch at the Countryside Development in Savannah is well underway, with the opening scheduled for September 2006. We are also on track to open the new Bank Branch at Camana Bay in 2007.

We continue with our plans to have Cayman National Shares traded on the Cayman Islands Stock Exchange. The formalities relating to this are at an advanced stage and we hope to be able to announce a “live” date shortly.

In the Isle of Man we are making good progress in developing the future potential of the business. The new mutual fund operation is now up and running and we also recently contracted to sell our premises in Athol Street, Douglas. The business will move shortly to larger and more prestigious nearby premises.

In recent weeks we have implemented a re-branding process within the Group. This has involved a subtle update of our logo and signage. We are pleased with the outcome, which we believe reflects the modernization of our image, whilst still retaining the very strong brand of the Cayman National Group.

With our ongoing strong performance and excellent prospects we again express our gratitude to our shareholders, customers and staff for their loyal and continued support.

Benson O. Ebanks, Jr., OBE, JP
Chairman

Stuart J. Dack, ACIB, MBA
President and Chief Executive

CAYMAN NATIONAL CORPORATION LTD.

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)

In our report to shareholders for the first quarter of this year we were pleased to confirm the ongoing strength of our performance. As predicted, this trend has continued in the second quarter of our financial year, with the Group achieving a record half-year profit of CI\$13,147,645 for the six months to March 31, 2006. This result represents an increase of 61% over the performance achieved for the same period last year. As for the first quarter, the result for the half-year includes an exceptional gain of CI\$3,355,923, which resulted from the sale of a major part of our stake in Cayman General Insurance Co. Ltd. (CGI) in November 2005 - Cayman National Corporation continues to hold 25% of the shares of CGI.

The strong performance of the Group is endorsed by the annualized Key Performance Ratios, which appear in this report. In particular earnings per share are up 89% at 0.51 cents, with the return on equity increased to 35.72%.

Based on the results to the half-year and our projected returns, the Board of Directors has approved an interim dividend of 6 cents per share. This dividend will be paid on September 18, 2006 to shareholder on record as at June 30, 2006. The dividend payment date has been moved to September to allow for the more even distribution of dividend payments, with the final dividend payment still scheduled for settlement in March 2007, subject to approval at our Annual General Meeting.

It is worthy of mention that the reduction in some asset categories is due to the abnormally high sums in accounts held a year ago in respect of “Hurricane Ivan” settlements. Notwithstanding this we are pleased with the Group's overall underlying growth and profitability.

Please see continuation on page 4

Interim Report 2005/2006

Note:- A number of our shareholders have asked that we forward shareholder's information to them via 'Email'. We are happy to provide this service and ask that any shareholders who would like copies of shareholder information sent in this way notify us of their details by sending an email to claudia.welds@caymannational.com, indicating their full name and the name in which the shareholding is held.

Shareholder information will, at this stage, still be sent by mail in addition to any 'Email' notification.

**CAYMAN NATIONAL CORPORATION LTD.
CONSOLIDATED BALANCE SHEET**

As of March 31, 2006

(Unaudited Figures Expressed in Cayman Islands Dollars)

| | March 31 2006 | March 31 2005 |
|---|------------------------|--------------------|
| Assets | | |
| Cash and due from banks | 434,134,321 | 476,215,051 |
| Investments | 22,477,265 | 22,005,282 |
| Loans and overdrafts | 291,107,844 | 267,089,133 |
| Interest Receivable | 2,776,935 | 2,035,259 |
| Accounts Receivable | 13,892,584 | 96,903,705 |
| Investment in Associate | 2,409,687 | 0 |
| Fixed Assets | 21,763,620 | 20,689,759 |
| Goodwill | 5,054,735 | 5,081,988 |
| Total Assets | CIS 793,616,991 | 890,020,177 |
| Liabilities | | |
| Depositors' accounts: | | |
| Current | 138,490,261 | 194,284,143 |
| Savings | 141,303,065 | 141,595,128 |
| Fixed Deposits | 434,808,638 | 363,997,915 |
| | 714,601,964 | 699,877,186 |
| Interest Payable | 1,400,513 | 1,188,301 |
| Accounts Payable & accrued expenses | 18,538,743 | 32,031,107 |
| Reserve for Unpaid Claims | 0 | 111,300,026 |
| Total Liabilities | 734,541,220 | 844,396,620 |
| Shareholders' Equity | | |
| Share capital | 41,686,308 | 40,394,957 |
| Share premium | 2,908,358 | 3,572,572 |
| General reserve | 7,486,050 | 12,411,626 |
| Retained earnings | 6,944,858 | (11,021,460) |
| Reserved for Dividends | 0 | 0 |
| Net unrealized appreciation on investments | (163,475) | (200,460) |
| Equity adjustment from foreign currency translation | 213,672 | 466,322 |
| Total Shareholders' Equity | 59,075,771 | 45,623,557 |
| Total Liabilities and Shareholders' Equity | CIS 793,616,991 | 890,020,177 |
| Key Performance Ratios | | |
| Earnings Per Share | \$ 0.51 | \$ 0.27 |
| Price Earnings Ratio | 6.37 | 8.33 |
| Return on Assets | 2.66% | 1.21% |
| Return on Equity | 35.72% | 23.70% |
| Book Value Per Share | \$ 1.42 | \$ 1.13 |
| Dividend Yield Per Share | 3.69% | 4.00% |

**CAYMAN NATIONAL CORPORATION LTD.
CONSOLIDATED STATEMENT OF INCOME
FOR THE 6 MONTH PERIOD ENDING MARCH 31, 2006**

(Unaudited Figures Expressed in Cayman Islands Dollars)

| | March 31 2006 | March 31 2005 |
|---|-----------------------|-------------------|
| Income | | |
| Interest Income | 21,954,915 | 15,134,804 |
| Interest Expense | 8,165,475 | 4,047,696 |
| Net Interest Income | 13,789,440 | 11,087,108 |
| Other Income | | |
| Foreign exchange fees and commissions | 2,447,910 | 2,446,849 |
| Banking fees and commissions | 3,747,519 | 2,679,633 |
| Trust and company management fees | 2,247,694 | 1,866,309 |
| Brokerage commissions and fees | 1,132,629 | 984,487 |
| Underwriting Income and Other Fees | 926,962 | 2,274,968 |
| Gain on disposal of equity interest in Subsidiary | 3,355,923 | 0 |
| Realized gains on available for sale securities | 0 | 1,457,002 |
| Share of Associated Company's profits | 206,027 | 0 |
| Total Other Income | 14,064,664 | 11,709,248 |
| Total Income | 27,854,104 | 22,796,356 |
| Expenses | | |
| Personnel | 8,933,321 | 8,399,406 |
| Other operating expenses | 3,596,398 | 3,151,310 |
| Increase in reserve for loan losses | 252,000 | 378,000 |
| Premises | 742,159 | 735,176 |
| Depreciation | 1,182,581 | 1,322,896 |
| Amortization of Goodwill | 0 | 168,000 |
| Loss on Disposal of Assets | 0 | 500,000 |
| Total Expenses | 14,706,459 | 14,654,788 |
| Net Income before Taxation | CIS 13,147,645 | 8,141,568 |
| Taxation | 0 | 0 |
| Net Income | CIS 13,147,645 | 8,141,568 |
| Net Income Attributable to: | | |
| Equity Holders of the Group | 13,035,844 | 8,141,568 |
| Minority Interests | 111,801 | 0 |
| | 13,147,645 | 8,141,568 |