



The strong performance of the Group reported in the first two quarters of this financial year has been maintained in the third quarter. For the nine months trading to June 30, 2006 a net profit of CI\$ 16,551,014 has been achieved, representing an increase of 25% over the result for the same period last year. The profit recorded to June 30, 2006 includes the exceptional gain of CI\$ 3,355,923, which resulted from the sale in November 2005 of a major part of our shareholding in Cayman General Insurance Co. Ltd. (CGI). Notwithstanding this sale, our holding in CGI remains at 24.2%. The results for the first nine months of this year are pleasing at a time when we are repositioning some sectors of our business.

Our operations in the Isle of Man have now seen a major re-organization, with a Fund Services division in operation and the business re-located to new and more prestigious premises.

In the Cayman Islands our International Financial Services division has also seen a major re-organization and this sector of the business which embraces Cayman National Trust Co Ltd. and Cayman National Securities Ltd., now boasts new systems and a structure more suited to our clients changing needs.

Despite the planned cost of these changes, the overall performance of the Group is well up on our budgeted expectations with expenses being well-controlled and the Key Performance Ratios for the Group confirming sound overall performance with the annualised return on equity running at a favourable 30.86%.

Please see continuation on page 4

Third Quarter Report 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 to 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.

**CAYMAN NATIONAL CORPORATION LTD.
CONSOLIDATED BALANCE SHEET
As at June 30, 2006**

(Unaudited Figures Expressed in Cayman Islands Dollars)

	June 30 2006	June 30 2005
Assets		
Cash and due from banks	412,733,471	457,169,887
Investments	24,224,184	22,817,893
Loans and overdrafts	305,816,257	263,729,163
Interest Receivable	2,417,753	2,455,947
Accounts Receivable	9,033,877	24,571,959
Investment in Associate	2,559,129	0
Fixed Assets	22,122,843	20,856,567
Goodwill	5,054,735	5,054,735
Total Assets	CI\$ 783,962,249	796,656,151
Liabilities		
Depositors' accounts:		
Current	136,350,854	161,038,331
Savings	145,257,990	144,151,213
Fixed Deposits	419,709,035	398,174,455
	701,317,879	703,363,999
Interest Payable	1,215,757	1,266,985
Accounts Payable & accrued expenses	18,560,865	18,524,502
Reserve for Unpaid Claims	0	22,862,819
Total Liabilities	721,094,501	746,018,305
Shareholders' Equity		
Share capital	41,686,308	41,046,470
Share premium	2,908,358	2,393,288
General reserve	7,486,050	12,411,626
Retained earnings/(deficit)	7,958,850	(8,942,865)
Reserved for Dividends	2,501,178	1,615,798
Net unrealized appreciation/(depreciation) on investments available-for-sale	131,975	(230,892)
Equity adjustment from foreign currency translation	195,029	315,350
Minority Interest	0	2,029,071
Total Shareholders' Equity	62,867,748	50,637,846
Total Liabilities and Shareholders' Equity	CI\$ 783,962,249	796,656,151

Key Performance Ratios

Earnings Per Share	\$ 0.47	\$ -0.82
Price Earnings Ratio	7.45	-2.68
Return on Assets	2.47 %	-4 %
Return on Equity	30.86 %	-69 %
Book Value Per Share	\$ 1.51	\$ 1.19
Dividend Yield per share	3.43 %	4 %

**CAYMAN NATIONAL CORPORATION LTD.
CONSOLIDATED STATEMENT OF INCOME
For the 9 month period ending June 30, 2006**

(Unaudited Figures Expressed in Cayman Islands Dollars)

	June 30 2006	June 30 2005
Income		
Interest Income	34,046,734	23,825,772
Interest Expense	13,139,901	6,568,335
Net Interest Income	20,906,833	17,257,437
Other Income		
Foreign exchange fees and commissions	3,783,542	3,765,313
Banking fees and commissions	5,592,388	4,036,844
Trust and company management fees	3,614,955	3,346,249
Brokerage commissions and fees	1,793,634	1,624,423
Underwriting Income and Other Fees	926,962	3,273,555
Gain on disposal of equity interest in Subsidiary	3,355,923	962,704
Realized (loss)/gains on available for sale securities	(150,015)	1,457,002
Share of Associated Company's profits	353,365	0
Total Other Income	19,270,754	18,466,090
Total Income	40,177,587	35,723,527
Expenses		
Personnel	13,947,680	12,749,190
Other operating expenses	6,260,647	5,335,999
Increase in reserve for loan losses	378,000	567,000
Premises	1,241,553	1,217,921
Depreciation	1,798,693	1,882,123
Amortization of Goodwill	0	211,568
Loss on Disposal of Assets	0	500,000
Total Expenses	23,626,573	22,463,801
Net Income before Taxation	16,551,014	13,259,726
Taxation	0	0
Net Income	16,551,014	13,259,726
Net Income Attributable to: Equity Holders of the Group	16,439,213	13,189,951
Minority Interests	111,801	69,775
	16,551,014	13,259,726



Continued from page 1

As confirmed in our last Quarterly Report, the Board of Directors approved an Interim Dividend of 6 cents per share and this dividend payment is now being made to shareholders on record as at June 30, 2006.

As previously reported Cayman National Bank is to open its new Customer Service Centre at the Countryside Shopping Village in Savannah later this month. We see this as an important step for Cayman National as we become the first bank in the Cayman Islands to provide customers with a branch in the "gateway" to the Eastern Districts.

We are also able to report a further significant move for the organization following the decision of the Group to establish an International Financial Services office in Panama. This new office is scheduled for opening in January 2007 and will give us a physical presence in the Latin American Region.

The process to trade Cayman National shares on the Cayman Islands Stock Exchange is proceeding well and the "live date" is expected to be September 18, 2006. A revised Listing Document has been submitted to the Exchange in respect of this new initiative and shareholders who would like to view this document are invited to apply either to the Cayman Islands Stock Exchange or Cayman National Securities Ltd. for a copy.

Cayman National Corporation continues to make good headway and the support of our shareholders, customers and staff plays a vital part in our ongoing success. The Directors thank all our stakeholders for their continued loyalty and strong commitment to the organization.

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)