

# First Quarter Report 2007/2008

Quarter Ending 31 December 2007



**CAYMAN  
NATIONAL**



## Quarter Ending 31 December 2007

The Cayman National Group Net Income for the first quarter of this financial year was C\$4,418,210. This result is 15% down on the figure achieved for the same period last year. For a large part, this reduced performance stems from the recent and substantial reductions in interest rates in our economic region.

Although profitability has declined modestly, during the same period, the Group's balance sheet grew by an impressive 19% when compared with December 2007, with Total Deposits up by 21% facilitating a 14% growth in the loan book and a 27% increase in cash and due from banks.

As mentioned in our 2007 Annual Report to Shareholders, and reconfirmed at the recent Annual General Meeting, our Group has no direct exposure to the "sub-prime" problems that are severely impacting so many financial organizations in the world at this time. Our conservative approach to lending ratios and investments has protected us from such negative impacts, but the sharp reductions in interest rates, which will put some pressure on earnings, has prompted us to reduce our budget expectation this year. Coupled with this we continue to control expenses and also focus on non-interest earnings which gives us reassurance that the Group will still record a sound performance despite the turmoil in the international markets.

It is still our expectation that dividends will be maintained at a level that represents an increase of at least 10% per annum – an ambition that not many organizations in the financial sector can set at this juncture. Our strong balance sheet and sound performance continues to be reflected in the key ratios for the business with the Return on Equity remaining above a very satisfactory 23% and the dividend yield at 4.73%.

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# Consolidated Balance Sheet

As of December 31st 2007

(Unaudited Figures Expressed in Cayman Islands Dollars)

Assets	Dec 31st 2007	Dec 31st 2006
Cash and due from banks	\$512,996,401	\$404,591,309
Investments	22,281,475	23,157,938
Loans and overdrafts	384,963,148	336,769,890
Interest receivable	3,354,543	2,689,894
Accounts receivable	10,280,828	14,341,995
Investment in Associate	-	2,945,275
Fixed assets	27,563,266	22,732,668
Goodwill	4,871,232	4,796,231
<b>Total</b>	<b>\$966,310,893</b>	<b>\$812,025,200</b>
<b>Liabilities</b>		
Depositors' Accounts		
Current	159,105,147	138,963,884
Savings	162,070,916	130,032,727
Fixed deposits	541,511,069	445,264,847
<b>Total</b>	<b>\$862,687,132</b>	<b>\$714,261,458</b>
Interest payable	2,605,299	1,507,297
Accounts payable & Accrued Expenses	16,572,195	28,636,543
<b>Total</b>	<b>\$881,864,626</b>	<b>\$744,405,298</b>
<b>Shareholders' Equity</b>		
Share capital	\$42,379,547	\$41,686,308
Share premium	5,071,744	3,193,085
General reserve	7,486,050	7,486,050
Retained earnings	25,443,411	12,117,253
Reserve for dividends	3,390,284	2,501,178
Net unrealized appreciation on investments	(80,221)	(16,684)
Equity adjustments from foreign		
Currency translation	755,452	652,712
<b>Total Shareholders' Equity</b>	<b>\$84,446,267</b>	<b>\$67,619,902</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$966,310,893</b>	<b>\$812,025,200</b>

## Consolidated Statement of Income

For the 3 month period ending December 31st 2007

(Unaudited Figures Expressed in Cayman Islands Dollars)

Income	Dec 31st 2007	Dec 31st 2006
Interest Income	\$14,293,173	\$12,980,887
Interest Expense	6,069,971	5,421,080
<b>Net Interest Income</b>	<b>\$8,223,202</b>	<b>\$7,559,807</b>
<b>Other Income</b>		
Foreign exchange fees and commissions	\$1,476,219	\$1,618,437
Banking fees and commissions	2,091,611	1,822,581
Trust and company management fees	1,392,117	1,277,589
Brokerage commissions and fees	687,207	491,321
Gain on disposal of equity interest in Subsidiary	-	257,171
Share of Associated Company's profits	-	161,865
<b>Total Other Income</b>	<b>\$5,647,154</b>	<b>\$5,628,964</b>
<b>Total Income</b>	<b>\$13,870,356</b>	<b>\$13,188,771</b>
<b>Expenses</b>		
Personnel	\$5,760,458	\$5,013,440
Other operating expenses	2,381,273	1,825,497
Increase in reserve for loan losses	-	75,000
Premises	597,834	423,499
Depreciation	712,581	672,057
<b>Total Expenses</b>	<b>\$9,452,146</b>	<b>\$8,009,493</b>
<b>Net Income before Taxation</b>	<b>\$4,418,210</b>	<b>\$5,179,278</b>
<b>Taxation</b>	-	-
<b>Net Income</b>	<b>\$4,418,210</b>	<b>\$5,179,278</b>
<b>Net Income Attributable to:</b>		
<b>Equity Holders of the Group</b>	<b>\$4,418,210</b>	<b>\$5,179,278</b>
	<b>\$4,418,210</b>	<b>\$5,179,278</b>

Key Performance Ratios	Dec 31st 2007	Dec 31st 2006
Earnings Per Share	0.46	0.39
Price Earnings Ratio	6.89	9.62
Return on Assets	2.04%	1.98%
Return on Equity	23.31%	23.82%
Book Value Per Share	\$1.99	\$1.62
Dividend Yield per share	4.73%	3.20%

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

In recent times we have seen positive movement in the price of our shares with the latest trading at the time of going to press at C\$3.50 per share.

As a Group, we continue to strengthen our distribution network both in the Cayman Islands and internationally. The new branch of Cayman National Bank at Camana Bay opened its doors on January 7th 2008 and is now offering a full range of financial products in this prestigious location.

Internationally, our Representative Office in Panama has now received full regulatory approval and is proving to be an important part of our Group structure, particularly in providing a convenient link for our existing and prospective clients in the Latin American Region.

Other international locations are under active consideration and we look forward to providing shareholders with more details when plans are more developed.

Overall we remain content with the performance and progress of the Group during a period of significant economic difficulty in many parts of the world. Our results continue to be a positive reflection of the sound business model that we follow, and the ongoing support of our investors, clients and employees is much appreciated.



**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 Securities Ltd.

Aon Cayman National Insurance Brokers Ltd.

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

Cayman National Fund Services (Isle of Man) Ltd.

Cayman National Bank Ltd. Oficina de Representación (Panama).