

FINANCIAL SUMMARY

We are very pleased to report that Net Income for the Group for the three months ended December 31, 2003 of \$2,353,057 (2002: \$1,724,309) improved by 36% over the same period last year. The increase in net income resulted in positive growth for Earnings per Share, up 11%, Dividend Yield per Share, up 14%, and Book Value per Share, up by 9%. Whilst Return on Assets declined by 19% and the Price Earnings Ratio reduced by 21%, we are not unduly concerned by this given the strengthening of the balance sheet by some 35%. Loans and overdrafts reduced by some 11% contributing to these reductions, but the loan portfolio is solid and there are significant opportunities under discussion which should start to improve these ratios during the second quarter, and really kick in by the end of the third quarter.

Given the continued decline in net interest of some \$325,000, we believe shareholders will be pleased with the overall increase in profit of some 36% US\$628,748, (US \$755,000) over the previous year emphasizing the group's ability to generate income from its core non-interest operations. As mentioned above, there are some quality lending opportunities available to us, and we therefore expect to see an improvement in interest earnings as the year progresses. These will improve further if interest rates increase.

While Net Interest declined by 7%, other income improved by 8% mainly due to a 60% increase in Trust and Company Management Fees and a 35% increase in Net underwriting income. Total Expenditure was held to a 1% increase through management of personnel costs, which remained flat for the quarter, and improved debt collection procedures, with reduced loan provisioning. Goodwill, in respect of the purchase of the Fiduciary Trust and their securities brokerage business contributed to the marginal expenditure increase, and as the personnel costs levels are maintained, we expect to see expenditure in the second quarter reduce further.

Our Balance Sheet grew by 35% with 33% relating to deposit growth, giving a balance of \$620.484m as at 31 December. Approximately, \$100m in deposits relates to funds received at the end of December, which were of a short-term nature. Notwithstanding this, deposit liabilities currently (29 January) stand at \$565m. Management continues to focus on increasing the balance sheet and maintaining liquidity, while increasing our lending portfolio.

DIVIDEND

The Board of Directors have recommended a final dividend of \$0.06 (six cents) per share to shareholders of record as of 31 December 2003, or a total dividend of \$0.12 (2002: \$0.12) for the financial year. Dividends will be paid March 1, 2004 following the Annual General Meeting to be held on the 26 February.

COMMENTARY

The jurisdiction continues to find itself in the forefront of the media on a number of issues, but we remain firmly of the opinion that, whilst there will, regrettably, be those who will fraudulently abuse well regulated financial centers, the Cayman Islands has the professional experience and regulatory jurisprudence to overcome these issues, and prove to the global community that Cayman is a financial center of quality and integrity.

The International Financial Services (IFS) unit continues to pursue business in the USA and South America and visits to New York, Brazil, Argentina, Uruguay, and Chile during the quarter have resulted in new business to the group. .

As you would be aware, it has been announced that our current President & CEO of the Group, Mr. Eric Crutchley, will retire on 3 March 2004, when he reaches the corporation's statutory retirement age. Mr. Crutchley joined the Group in 1994 and at the helm has led the corporation through financial growth, technological improvements, and streamlined regulatory compliance for the past ten years.

With Mr. Crutchley's leadership: the Group has grown from \$243m in assets in 1994 to \$ 745m today; all Group companies have enhanced computer systems; improved customer service is delivered by trained and experienced personnel as well as through technology channels such as internet, telephone banking and ATM; policies and procedures for Group compliance, accounting and information systems have been streamlined; his experience and role in the Bankers Association have greatly benefited the group in understanding and dealing with external initiatives; and his people centered approach has enhanced customer service across the organization.

The Directors have designated Mr. Stuart Dack, currently EVP of the Group with whom he has been for twelve years, to become the next CEO of the Group upon Mr. Crutchley's retirement.

CONSOLIDATED BALANCE SHEET

As of December 31, 2003

Un-audited figures expressed in Cayman Islands dollars

	As of Dec 31 2003	As of Dec 31 2002
Asset		
Cash and due from banks	428,921,109	185,692,127
Investments	26,420,498	43,265,499
Loans and overdrafts	254,761,846	288,088,689
Interest receivable	1,022,315	1,517,382
Accounts receivable	9,298,822	8,764,795
Fixed assets	22,426,365	23,510,518
Goodwill	2,190,441	2,039,245
Total Assets	CI\$ 745,041,396	552,878,255
Liabilities		
Depositors' accounts:		
Current	133,017,935	68,044,508
Savings	109,105,692	94,006,421
Fixed Deposits	378,360,811	302,982,140
	620,484,438	465,033,069
Interest Payable	334,898	431,217
Accounts Payable & accrued expenses	40,707,179	8,691,986
Reserve for Unpaid Claims	1,435,081	1,088,548
Dividends Payable	0	2,423,340
Minority Interest	68,799	57,645
Total Liabilities	CI\$ 663,030,395	477,725,805
Shareholders' Equity		
Share capital	40,394,957	40,389,608
Share premium	3,572,572	3,564,548
General reserve	12,411,626	12,411,626
Retained earnings	21,830,184	18,150,476
Reserved for dividends *	2,423,679	
Net unrealised appreciation on investments	1,068,225	554,970
Equity adjustment from foreign currency translation	309,758	81,222
Total Shareholders' Equity	82,011,001	75,152,450
Total Liabilities and Shareholders' Equity	CI\$ 745,041,396	552,878,255
	US\$ (Equiv)	663,453,906

* - Reflected in 2002 as Dividend Payable of \$2,423,340

CONSOLIDATED STATEMENT OF INCOME

For the period ending December 31, 2003

Un-audited figures expressed in Cayman Islands dollars

	(3-months ended) Dec 31 2003	(3-months ended) Dec 31 2002
Income		
Interest Income	5,186,744	5,813,232
Interest Expense	771,709	1,072,387
Net Interest Income	CI\$ 4,415,035	4,740,845
Other Income		
Foreign exchange fees and commissions	907,162	722,012
Banking fees and commissions	1,473,563	1,333,650
Trust and Company Management fees	1,096,585	683,382
Brokerage commissions and fees	401,470	366,146
Underwriting income and other fees	1,028,921	760,803
Total Other Income	4,907,701	3,865,993
Total Income	CI\$ 9,322,736	8,606,838
Expenses		
Personnel	4,033,473	4,024,186
Other operating expenses	1,686,520	1,505,222
Increase in reserve for loan losses	168,000	359,661
Premises	319,326	306,086
Depreciation	614,567	621,254
Amortization of Goodwill	143,767	62,375
Total Expenses	CI\$ 6,965,653	6,878,784
Net Income (before Taxation & Minority Interest)	CI\$ 2,357,083	1,728,054
Minority Interest Taxation	4,026	3,745
	0	0
Net Income (after Taxation & Minority Interest)	CI\$ 2,353,057	1,724,309
Key Performance Ratios		
EARNINGS PER SHARE	\$0.21	\$0.19
PRICE EARNINGS RATIO	11.90	15.00
RETURN ON ASSETS	1.12%	1.38%
RETURN ON EQUITY	10.29%	10.25%
BOOK VALUE PER SHARE	\$2.03	\$1.86
DIVIDEND YIELD PER SHARE	4.80%	4.21%

CAYMAN NATIONAL CORPORATION LTD.

Directors:

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

Truman M. Bodden, OBE LLB (HONS) ACIB JP
Deputy Chairman

Eric J Crutchley, MBE FCIB, *President & Chief Executive*

John C. Bierley, BA JD (USA)

Sherri Bodden-Cowan LL.B

Stuart J. Dack, ACIB, MBA

Clarence Flowers, Jr.

J.F. Richard Hew, BSEE, MBA, PE

Peter A. Tomkins, MBE

David W. Trimble, MA (Cantab)

THE GROUP

Holding Company

Subsidiaries



Address

Cayman National Corporation Ltd.
Cayman National Building
200 Elgin Avenue, PO Box 1097GT
Grand Cayman, Cayman Islands
Telephone (345) 949 4655
Fax (345) 949 0774
E-mail: cnc@caymannational.com
Website: www.caymannational.com

Caymanx Trust Co. Ltd.
34 Athol Street
Douglas, Isle of Man
IMI IRD
Telephone (44) 1624 646 900
Fax (44) 1624 662 192
E-mail: mail@cnciom.com

A Financial Services Company
www.caymannational.com

Ist Quarter Report
2003 / 2004

Ist Quarterly Report
2003 / 2004

Benson O. Ebanks, Jr.
OBE, JP
Chairman

Eric J. Crutchley
MBE, FCIB
President & Chief Executive

Ist Quarterly Report
2003 / 2004