

*Cayman National Corporation Ltd.*  
*Interim Report to Shareholders*

The Directors are pleased to present the Group's un-audited results for the six-month period ended 31<sup>st</sup> March 2004.

The Group's Net Income for the period was in excess of CI\$5,100,000, (US\$6,120,000 equiv.), an increase of 42% over the same period last year. This notable result was achieved through sound contributions from all sectors of the Group. In keeping with our overall strategy, this performance represents strong growth in our non-interest earnings. The other pleasing aspect of our results is the containment of costs, with total expenses reduced by 1%, when compared to the same period last year. On an annualized basis, earnings per share moved by 21% from \$0.19 to \$0.23.

We are also pleased to report significant growth in the Balance Sheet, with total assets up by more than 35% from a year ago and customer deposits up by nearly 40%.

The most recent trading of Cayman National stock through our books was settled at CI\$3.00 (May 2004). This represents an increase of 25% in the price since the beginning of the year, with the market capitalization increasing from about CI\$97,000,000 to more than CI\$120,000,000. Consistent with our policy of providing a steady dividend return to our shareholders, the Board of Directors has approved an interim dividend of 6 cents per share to be paid on 19<sup>th</sup> July 2004 to shareholders on record as of 30<sup>th</sup> June 2004.

Please see continuation on page 4

Interim Report  
2003/2004

**CAYMAN NATIONAL CORPORATION LTD.  
CONSOLIDATED BALANCE SHEET  
As at March 31, 2004**

*(Unaudited Figures Expressed in Cayman Islands Dollars)*

	March-31 2004	March-31 2003
<b>Assets</b>		
Cash and due from banks	427,336,310	211,552,226
Investments	28,823,465	40,939,065
Loans and overdrafts	257,587,383	270,222,619
Interest Receivable	1,051,258	1,121,759
Accounts Receivable	12,319,769	8,382,963
Fixed Assets	22,165,299	23,168,601
Goodwill	1,185,490	1,981,212
<b>Total Assets</b>	<b>750,468,974</b>	<b>557,368,445</b>
<b>Liabilities</b>		
Depositors' accounts:		
Current	148,768,225	76,236,972
Savings	125,485,828	99,962,233
Fixed Deposits	379,515,414	292,936,546
	653,769,467	469,135,751
Interest Payable	278,994	399,496
Accounts Payable & accrued expenses	11,650,980	9,431,663
Reserve for Unpaid Claims	2,149,382	1,344,219
Dividends Payable	0	2,423,661
Minority Interest	74,712	51,236
<b>Total Liabilities</b>	<b>667,923,535</b>	<b>482,786,026</b>
<b>Shareholders' Equity</b>		
Share capital	40,394,957	40,394,357
Share premium	3,572,572	3,571,672
General reserve	12,411,626	12,411,626
Retained earnings	22,179,042	17,644,020
Reserved for Dividends	2,423,697	0
Net unrealized appreciation on investments	1,181,616	512,925
Equity adjustment from foreign currency translation	381,929	47,819
<b>Total Shareholders' Equity</b>	<b>82,545,439</b>	<b>74,582,419</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>750,468,974</b>	<b>557,368,445</b>

**CAYMAN NATIONAL CORPORATION LTD.  
CONSOLIDATED STATEMENT OF INCOME  
For the 6 month period ended March 31, 2004**

*(Unaudited Figures Expressed in Cayman Islands Dollars)*

	(6 months to) March-31 2004	(6 months to) March-31 2003
<b>Income</b>		
Interest Income	10,471,960	11,057,805
Interest Expense	1,552,272	1,880,589
<b>Net Interest Income</b>	<b>8,919,688</b>	<b>9,177,216</b>
<b>Other Income</b>		
Foreign exchange fees and commissions	1,929,866	1,616,836
Banking fees and commissions	3,074,756	2,868,188
Trust and company management fees	2,220,805	1,753,690
Brokerage commissions and fees	797,502	684,394
Underwriting Income and Other Fees	2,263,614	1,730,628
<b>Total Other Income</b>	<b>10,286,543</b>	<b>8,653,736</b>
<b>Total Income</b>	<b>19,206,231</b>	<b>17,830,952</b>
<b>Expenses</b>		
Personnel	8,108,258	8,145,402
Other operating expenses	3,404,731	3,243,501
Increase in reserve for loan losses	336,000	776,602
Premises	690,031	706,428
Depreciation	1,244,108	1,260,830
Amortization of Goodwill	287,534	87,234
<b>Total Expenses</b>	<b>14,070,662</b>	<b>14,219,997</b>
<b>Net Income before Taxation &amp; Minority Interest</b>	<b>5,135,569</b>	<b>3,610,955</b>
<b>Minority Interest Taxation</b>	<b>9,141</b>	<b>7,082</b>
	<b>0</b>	<b>0</b>
<b>Net Income After Taxation &amp; Minority Interest</b>	<b>5,126,428</b>	<b>3,603,873</b>
<b>Dividend Payable</b>	<b>0</b>	<b>2,423,661</b>
<b>Key Performance Ratios</b>	<b>2004</b>	<b>2003</b>
Earnings Per Share	\$ 0.23	\$ 0.19
Price Earnings Ratio	14.29	13.16
Return on Assets	1.23%	1.37%
Return on Equity	11.30%	10.28%
Book Value Per Share	\$ 2.04	\$ 1.85
Dividend Yield Per Share	4.00%	4.80%

*All performance ratios are computed using 12 months trailing earnings and average asset balances.*

Continued from page 1

Earlier this year, as we celebrated the 30th Anniversary of the foundation of the Cayman National Group, our new Bank Branch in West Bay was officially opened. This new outlet has been highly successful and opening hours are now being revised to accommodate customer demand.

In the near future we will be launching the Cayman National Master Series of Mutual Funds. These new products will provide investors with a number of alternative investment vehicles designed to meet the needs of our local and international clients.

Economic indicators suggest that the economy of the Cayman Islands is performing robustly with good potential for future growth. The strategic planning of the Cayman National Group is focused on positioning the business to take the best advantage of this growth. A number of new initiatives, products and services are being planned to ensure we remain a leading player in the local financial services sector, whilst also providing innovative services to the international market.

The last few months have represented a period of transition for the Group as the new Chief Executive Officer, Stuart Dack and a number of other senior officers have taken up the helm. We take this opportunity to thank management and staff for their support and hard work during this time. We also wish to thank all our shareholders, customers and clients for their continued loyalty and 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 Boddan, OBE, LLB (Hons.), ACIB, JP, *Deputy Chairman*  
Stuart J Dack, ACIB, MBA, *President & Chief Executive*  
Clarence Flowers, Jr.  
David W Trimble, MA (Cantab)  
J F Richard Hew, BSEE, MBA, PE  
John C Bierley, BA, JD (USA)  
Peter A Tomkins, MBE  
Sherri Boddan-Cowan, LLB (Hons.)