

Following the record results achieved by Cayman National Corporation Ltd. in the year to 30<sup>th</sup> September 2005, we are pleased to report a very satisfactory performance for the first quarter of this financial year.

In the three month period to 31 December 2005 (the first quarter of this financial year) the Group achieved a profit of CI\$8,703,727 (US\$10,444,472). This result includes an exceptional gain due to the sale of Cayman General Insurance Co. Ltd. Shares, which was completed on 30<sup>th</sup> November 2005. The exceptional gain totalled CI\$3,355,923. Taking this into account, profit from our normal trading activities amounted to CI\$5,347,804 which represents a strong underlying performance.

As the Key Performance Ratios indicate the Group is performing well with a strong Return on Equity and good earnings per share. The final dividend of 6 cents per share for the last financial year was recently distributed to shareholders and our dividend yield remains attractive at a time when we are still intent on rebuilding our capital base.

The performance for the first quarter was encouraging against the aggressive budget set for the year and we anticipate that the robust performance of the Group will be sustained.

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## **First Quarter Report 2005/2006**

**CAYMAN NATIONAL CORPORATION**  
**CONSOLIDATED BALANCE SHEET**  
**As of December 31, 2005**

(Unaudited Figures Expressed in Cayman Islands Dollars)

	Dec 31 2005	Dec 31 2004
<b>Assets</b>		
Cash and due from banks	440,121,801	505,766,577
Investments	23,310,598	24,722,213
Loans and overdrafts	287,300,610	286,033,688
Interest Receivable	2,783,694	1,947,428
Accounts Receivable	11,516,596	116,813,051
Investment in Associate	2,354,646	0
Fixed Assets	20,626,708	20,355,170
Goodwill	5,054,735	5,159,101
<b>Total Assets</b>	<b>CI\$ 793,069,388</b>	<b>960,797,228</b>
<b>Liabilities</b>		
Depositors' accounts:		
Current	146,146,378	217,657,706
Savings	137,869,881	144,658,091
Fixed Deposits	420,979,081	405,311,935
	704,995,340	767,627,732
Interest Payable	1,480,641	943,456
Accounts Payable & accrued expenses	30,679,840	28,411,025
Reserve for Unpaid Claims	0	123,127,346
<b>Total Liabilities</b>	<b>737,155,821</b>	<b>920,109,559</b>
<b>Shareholders' Equity</b>		
Share capital	41,046,470	41,046,470
Share premium	2,393,288	2,393,288
General reserve	7,486,050	12,411,626
Retained earnings	2,500,941	(17,121,652)
Reserved for Dividends	2,462,788	1,615,798
Net unrealized appreciation on investments	(163,475)	(208,239)
Equity adjustment from foreign currency translation	187,505	550,378
<b>Total Shareholders' Equity</b>	<b>55,913,567</b>	<b>40,687,669</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>CI\$ 793,069,388</b>	<b>960,797,228</b>

**CAYMAN NATIONAL CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME**  
**For the 3 month period ending December 31, 2005**

(Unaudited Figures Expressed in Cayman Islands Dollars)

	Dec 31 2005	Dec 31 2004
<b>Income</b>		
Interest Income	10,768,108	7,130,912
Interest Expense	3,758,156	1,812,514
<b>Net Interest Income</b>	<b>7,009,952</b>	<b>5,318,398</b>
<b>Other Income</b>		
Foreign exchange fees and commissions	1,218,370	1,198,422
Banking fees and commissions	1,775,552	1,225,399
Trust and company management fees	1,012,845	989,020
Brokerage commissions and fees	493,567	470,980
Underwriting Income and Other Fees	926,962	1,274,798
Gain on disposal of equity interest in Subsidiary	3,355,923	0
Share of Associated Company's profits	78,138	0
Realized gains on available for sale securities	0	1,457,002
<b>Total Other Income</b>	<b>8,861,357</b>	<b>6,615,621</b>
<b>Total Income</b>	<b>15,871,309</b>	<b>11,934,019</b>
<b>Expenses</b>		
Personnel	4,490,943	4,078,862
Other operating expenses	1,591,983	1,418,611
Increase in reserve for loan losses	126,000	187,500
Premises	368,665	260,863
Depreciation	589,991	643,020
Amortization of Goodwill	0	84,000
Loss on Disposal of Assets	0	250,000
<b>Total Expenses</b>	<b>7,167,582</b>	<b>6,922,856</b>
<b>Net Income before Taxation</b>	<b>CI\$ 8,703,727</b>	<b>5,011,163</b>
<b>Taxation</b>	<b>0</b>	<b>0</b>
<b>Net Income</b>	<b>CI\$ 8,703,727</b>	<b>5,011,163</b>
<b>Net Income Attributable to:</b>		
Equity Holders of the Group	8,591,926	5,011,163
Minority Interests	111,801	0
<b>CI\$</b>	<b>8,703,727</b>	<b>5,011,163</b>
<b>Key Performance Ratios</b>		
Earnings Per Share	\$ 0.48	\$ 0.39
Price Earnings Ratio	4.00	3.90
Return on Assets	2.50%	1.68%
Return on Equity	35.41%	39.59%
Book Value Per Share	\$ 1.36	\$ 0.99
Dividend Yield per share	5.33%	3.33%



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As mentioned in our previous reports we have a number of new and promising initiatives in hand:

We are please to confirm that we have now been granted a licence to conduct mutual fund business in the Isle of Man and we will shortly be launching that new business sector;

The opening of the Bank's new branch in the Countryside Development at Savannah is on schedule for later this year;

Share-holders will also be interested to learn that we are now moving ahead to have Cayman National Shares traded on the Cayman Islands Stock Exchange (CSX) and we anticipate, subject to CSX approval, that we shall achieve this goal within the next two to three months.

We continue to enjoy strong support from our clients and staff but as always a special thanks goes to our shareholders for their consistent and loyal 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)  
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Clarence Flowers, Jr.  
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