Cayman National Corporation Ltd.

Consolidated Financial Statements

for the year ended September 30, 2004
and Independent Auditors' Report

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REPORT OF THE AUDITORS TO THE MEMBERS OF

CAYMAN NATIONAL CORPORATION LTD.

We have audited the accompanying consolidated balance sheet of Cayman National Corporation Ltd. and its subsidiaries (the "Group") as of September 30, 2004, and the related consolidated statements of income, changes in shareholders' equity and of cash flows for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of September 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers.

May 31, 2005

CAYMAN NATIONAL CORPORATION LTD.
Consolidated Balance Sheet
September 30, 2004
(expressed in Cayman Islands dollars)

	2004	2003
ASSETS		
Cash and due from banks (Note 3)	**$ 421,296,165**	$ 297,754,723
Investments and derivatives (Notes 4 and 13)	**30,011,185**	26,385,450
Loans and overdrafts (Note 5 and 13)	**265,843,271**	250,720,568
Interest receivable	**1,844,053**	735,423
Accounts receivable (Note 13)	**5,667,442**	8,719,913
Reinsurance balances receivable and other insurance related assets (Note 9)	**229,870,727**	9,619,758
Fixed assets (Note 6)	**20,262,821**	22,462,651
Goodwill (Note 7)	**1,269,763**	2,682,710
	$ 976,065,427	$ 619,081,196
LIABILITIES		
Customers' accounts (Note 13)		
Current	**$ 133,375,216**	$ 83,196,811
Savings	**121,369,140**	99,227,480
Fixed deposits (Note 8)	**383,363,380**	332,854,601
	638,107,736	515,278,892
Interest payable	**803,723**	264,120
Accounts payable and other liabilities (Note 9)	**30,690,731**	19,484,378
Provision for unpaid claims (Note 9)	**270,840,480**	4,541,895
Taxation (Note 10)	**23,859**	21,996
	940,466,529	539,591,281
MINORITY INTEREST (Notes 2 and 7)	**-**	62,837
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	**40,394,957**	40,394,957
Share premium (Note 11)	**1,956,774**	3,572,572
General reserve (Note 11)	**12,411,626**	12,411,626
Retained earnings (accumulated deficit)	**(22,132,816)**	19,479,045
Reserve for dividends (Note 18)	**1,615,798**	2,423,697
Net unrealized appreciation on	**-**	
investments available-for-sale (Note 4)	**1,041,995**	950,874
Equity adjustments from foreign currency translation (Note 12)	**310,564**	194,307
	35,598,898	79,427,078
	$ 976,065,427	$ 619,081,196

Approved for issuance on behalf of Cayman National Corporation Ltd.'s Board of Directors by:

B.O. Ebanks, Jr. — Director

S.J. Dack — Director

May 31, 2005
Date

See accompanying notes to consolidated financial statements

CAYMAN NATIONAL CORPORATION LTD.
Consolidated Statement of Income
for the year ended September 30, 2004
(expressed in Cayman Islands dollars)

	2004	2003
INTEREST		
Interest income	**$ 21,850,448**	$ 21,985,047
Interest expense	**3,623,751**	3,540,087
NET INTEREST INCOME	**18,226,697**	18,444,960
OTHER INCOME		
Banking fees and commissions	**6,172,988**	5,580,819
Trust and company management fees	**4,436,710**	3,687,368
Foreign exchange fees and commissions	**3,798,638**	3,227,411
Brokerage commissions and fees	**1,408,097**	1,633,474
Net underwriting income (loss) (Notes 9 and 17)	**(42,707,211)**	3,752,938
TOTAL INCOME (EXPENSE)	**(8,664,081)**	36,326,970
EXPENSES		
Personnel	**16,216,971**	16,209,714
Other operating expenses	**6,502,440**	6,563,032
Increase in loan impairment provision (Note 5)	**1,524,845**	1,576,554
Premises	**1,411,822**	1,318,756
Depreciation (Note 6)	**2,523,609**	2,404,365
Amortization of goodwill (Note 7)	**1,439,438**	419,830
Disposal of impaired fixed assets (Note 6)	**948,745**	-
	30,567,870	28,492,251
NET INCOME (LOSS) BEFORE TAXATION AND MINORITY INTEREST	**(39,231,951)**	7,834,719
TAXATION	**(19,050)**	(10,059)
NET INCOME (LOSS) BEFORE MINORITY INTEREST	**(39,251,001)**	7,824,660
MINORITY INTEREST IN NET (INCOME) LOSS OF SUBSIDIARY (Notes 2 and 7)	**62,837**	(16,541)
NET INCOME (LOSS)	**$ (39,188,164)**	$ 7,808,119
EARNINGS (LOSS) PER SHARE (Note 11)	**$ (0.97)**	$ 0.19
DILUTED (LOSS) PER SHARE (Note 11)	**$ (0.97)**	**$ -**

See notes to consolidated financial statements

CAYMAN NATIONAL CORPORATION LTD.
Consolidated Statement of Changes in Shareholders' Equity

for the year ended September 30, 2004
(expressed in Cayman Islands dollars)

	Share capital	Share premium	General reserve	Retained earnings (Accumulated deficit)	Reserve for dividends	Net unrealized appreciation on investments	Equity from foreign currency translation	Total
Balance at September 30, 2002	$ 40,389,008	$ 3,563,348	$ 12,411,626	$ 16,518,284	$ -	$ 421,288	$ 10,954	$ 73,314,508
Issue of shares (Note 7)	5,949	9,224	-	-	-	-	-	15,173
Net income	-	-	-	7,808,119	-	-	-	7,808,119
Interim dividend paid (Note 18)	-	-	-	(2,423,661)	-	-	-	(2,423,661)
Final dividend proposed (Note 18)	-	-	-	(2,423,697)	2,423,697	-	-	-
Reclassification adjustment for net gain on disposal of available for sale investments recognized in earnings (Note 4)	-	-	-	-	-	(238,411)	-	(238,411)
Net change in unrealized appreciation on investments (Note 4)	-	-	-	-	-	767,997	-	767,997
Equity adjustment from foreign currency translation (Note 12)	-	-	-	-	-	-	183,353	183,353
Balance at September 30, 2003	$ 40,394,957	$ 3,572,572	$ 12,411,626	$ 19,479,045	$ 2,423,697	$ 950,874	$ 194,307	$ 79,427,078
Net loss	-	-	-	(39,188,164)	-	-	-	(39,188,164)
Dividends paid (Note 18)	-	-	-	(2,423,697)	(2,423,697)	-	-	(4,847,394)
Final dividend proposed (Note 18)	-	(1,615,798)	-	-	1,615,798	-	-	-
Net change in unrealized appreciation on investments (Note 4)	-	-	-	-	-	91,121	-	91,121
Equity adjustment from foreign currency translation (Note 12)	-	-	-	-	-	-	116,257	116,257
Balance at September 30, 2004	$ 40,394,957	$ 1,956,774	$ 12,411,626	$ (22,132,816)	$ 1,615,798	$ 1,041,995	$ 310,564	$ 35,598,898

See notes to consolidated financial statements

CAYMAN NATIONAL CORPORATION LTD.
Consolidated Statement of Cash Flows

for the year ended September 30, 2004
(expressed in Cayman Islands dollars)

CASH PROVIDED BY (USED IN):	2004	2003
OPERATING ACTIVITIES		
Net income (loss)	**$ (39,188,164)**	$ 7,808,119
Adjustments for items not involving cash:		
Depreciation	**2,523,609**	2,404,365
Amortization of goodwill	**1,439,438**	419,830
Amortization of premium/discount on investments held-to-maturity	**79,272**	44,393
Gain on sale of investments available-for-sale	**-**	(238,411)
Change in fair value of options purchased designated as fair value hedges	**(109,671)**	26,234
Loss on disposal of fixed assets	**532,845**	5,574
Net increase loan impairment provision	**819,019**	634,788
Minority interest in assets of subsidiary	**(62,837)**	8,677
Adjustments from foreign currency translation	**116,257**	148,763
Share capital issued in consideration for net assets acquired (Note 7)	**-**	13,155
	(33,850,232)	11,275,487
Changes in non-cash working capital items:		
Interest receivable	**(1,108,630)**	877,201
Accounts receivable	**3,052,471**	16,813,280
Reinsurance balances receivable and other investment related balances	**(220,250,969)**	(9,619,758)
Depositors' accounts	**122,828,844**	41,451,156
Interest payable	**539,603**	(245,959)
Accounts payable and other liabilities (including change in fair value of options written designated as fair value hedges)	**11,554,862**	(8,949,135)
Taxation	**1,863**	(23,152)
Provision for unpaid claims	**266,298,585**	(6,127,951)
	149,066,397	45,451,169
INVESTING ACTIVITIES		
Proceeds on disposal of investments available-for-sale	**-**	11,363,056
Purchase of investments available-for-sale	**(418,620)**	-
Proceeds on maturity of investments held-to-maturity	**2,890,264**	11,333,399
Purchase of investments held-to-maturity	**(5,975,859)**	(3,555,863)
Purchase of businesses (Note 7)	**(375,000)**	(1,469,481)
Net repayments (advances) for loans and overdrafts	**(15,941,722)**	38,788,694
Additions to fixed assets	**(1,776,524)**	(1,125,041)
Proceeds on disposal of fixed assets	**919,900**	28,743
	(20,677,561)	55,363,507
FINANCING ACTIVITIES		
Dividends paid (Note 18)	**(4,847,394)**	(4,847,001)
	(4,847,394)	(4,847,001)
INCREASE IN CASH AND CASH EQUIVALENTS	**123,541,442**	95,967,675
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**297,754,723**	201,787,048
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 421,296,165**	$ 297,754,723
Supplemental information:		
Interest received	**$ 20,741,818**	$ 22,862,248
Interest paid	**$ 3,084,148**	$ 3,786,046

1. INCORPORATION AND BACKGROUND INFORMATION

Cayman National Corporation Ltd. (the "Corporation" or “CNC”) was incorporated on October 4, 1976 and operates subject to the provisions of the Companies Law of the Cayman Islands. The Corporation is a holding company for the companies referred to in Note 2 (collectively, the “Group”), all of which are incorporated in the Cayman Islands except where otherwise indicated. Through these companies the Corporation conducts full service banking, company and trust management, stock broking, general (property & casualty) and health insurance, insurance brokerage and captive insurance management services in the Cayman Islands. The Corporation is listed on the Cayman Islands Stock Exchange. The registered office of the Corporation is 200 Elgin Avenue, George Town, Grand Cayman.

The Corporation is not liable for taxation as there are currently no income, profits or capital gains taxes in the Cayman Islands. One of the Corporation's subsidiaries is liable for Isle of Man income tax, which is reflected in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention, modified by the revaluation of investments and derivatives to fair value, and in accordance with International Financial Reporting Standards ("IFRS"), which includes International Accounting Standards and Interpretations issued by the International Accounting Standards Board. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates. The significant accounting policies adopted by the Group are as follows:

Basis of consolidation

The financial statements consolidate those of the Corporation and the following subsidiaries:

NOMINEE COMPANIES:

Cayman National (Nominees) Ltd.
CNT (Nominees) Ltd.
Caymanx Nominees Limited
Caymanx Secretarial Limited

These four subsidiaries earned no fee income and incurred no expenses during the years ended September 30, 2004 and 2003; in addition they had no assets or liabilities as at these dates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

OPERATING COMPANIES:

Subsidiary	% Owned	Principal activity
Cayman National Bank Ltd. ("CNB") and its wholly owned subsidiary Cayman National Property Holdings Ltd. ("CNP")	100%	Banking and property holding, respectively
Cayman National Trust Co. Ltd. ("CNT")	100%	Company and trust management
Cayman National Securities Ltd. ("CNS")	100%	Securities brokerage
Caymanx Trust Company Limited (incorporated and regulated in the Isle of Man) ("Caymanx")	100%	Banking, company and trust management
Cayman National Investments Ltd. (“CNI”)	100%	Holds an investment in a merchant banking limited partnership (investment represents 16% of the limited partnership)
Cayman National Insurance Brokers Limited (“CNIB”) *	100%	Insurance brokerage
Cayman General Insurance (“CGI”) (Note 7) and its wholly owned subsidiary Cayman National Insurance Management Limited (formerly known as Absit Insurance Management Limited).	99.24% (Note 7)	General (property & casualty) and health insurance

* Effective April 1, 2003 100% ownership of CNIB was transferred to CNC. Prior to that date, CNIB has been a wholly owned subsidiary of CGI.

All significant inter-company transactions and balances are eliminated on consolidation.

Investment in subsidiary

Investments in subsidiaries are accounted for under the purchase method and the results of operations are consolidated in these financial statements. Minority interest in the net assets of subsidiaries are recorded as a liability and minority interest in the results of operations subsidiaries are recognized in the consolidated income statement.

Acceptances

Acceptances comprise undertakings by the Group to pay letters of credit and guarantees drawn on customers. Management expects substantially all acceptances to be settled simultaneously with the reimbursement from its customers. Acceptances for standby letters of credit and guarantees are accounted for as off-balance sheet transactions and are disclosed as commitments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Revenue and expense transactions involving currencies other than the Cayman Islands dollar have been translated at exchange rates ruling at the date of those transactions. All assets and liabilities originating in other currencies have been translated at mid-market rates ruling at the balance sheet date. Gains and losses on exchange are credited or charged in the statement of income.

The income statement of the foreign subsidiary, Caymanx, is translated at average exchange rates for the year and the balance sheet is translated at mid-market rate ruling at the year end for the purpose of incorporation in these consolidated financial statements. Exchange differences arising from the translation of the net investment in the foreign subsidiary are recorded as a separate component of shareholders' equity.

Depreciation and amortization

Fixed assets are depreciated, and goodwill amortized, using the straight-line method at the following rates, estimated to write off the cost of the assets over the period of their expected useful lives:

Computer hardware and software	Variously over 3 to 7 years
Freehold buildings	Over 50 years
Freehold land	Nil
Furniture and equipment	Variously over 2 to 10 years
Leasehold improvements	Over the terms of the leases
Leasehold property	Shorter of terms of leases or 20 years
Motor vehicles	Over 4 years
Goodwill	Variously over 5 years to 10 years

Provision for loan impairment

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Loan impairment provisions are charged and impairment recoveries credited to the provision for loan impairment. Additions to the provision are charged to expenses in order to maintain the reserve at a level deemed appropriate by management to absorb known and inherent risks in the loan portfolio.

Loans which are over 90 days in arrears are provided against where there is a shortfall in security. Interest is not accrued on these loans. Loans are written off when there is no realistic expectation of recovery.

Director benefits

Share Options are offered to Directors as an incentive in consideration for the carrying out of their duties in addition to Directors Fees or other emoluments. No compensation cost is recognized as the options were granted at the market price on the date of the grant and will be exercised at that price. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (par value) and the surplus to share premium.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest income and expense

Interest income and expense is recorded on an accrual basis which approximates the effective yield basis. The Group's policy is to cease accruing interest income on loans when the principal and interest payments are contractually past due by more than 90 days.

Fees and commissions

Fees and commissions for services are recognized on an accrual basis over the period that the services are provided.

Premiums and commissions

Premiums written and reinsurance premiums ceded are accounted for on a pro-rata basis over the periods covered by the underlying policies, and any unearned or unamortized portions at the financial period end are carried forward as unearned premiums and reinsurers' share of unearned premiums, respectively, and are included within accounts payable and other liabilities on the consolidated balance sheet.

Commissions relating to these underwriting contracts are also treated on a pro-rata basis, and unearned or unamortized portions at the financial period end are similarly carried forward on the consolidated balance sheet.

Provision for unpaid claims

The provision for unpaid claims, and reinsurers' share thereof, includes amounts for all claims reported but not settled, and further amounts estimated by management for claims incurred but not reported.

Reinsurance

The Group cedes reinsurance to other companies by way of individual facultative placements, proportional treaties and excess of loss covers. These reinsurance arrangements seek to minimize the Group's exposures arising from large risks or from hazards of an unusual or catastrophic nature.

In the event that the Group's reinsurers are unable to meet their obligations under the reinsurance agreements, the Group would be liable to pay all claims made under the insurance policies it issues but would only receive reimbursement to the extent that the reinsurers can meet their above mentioned obligations.

Pension fund

Payments to a defined contribution retirement benefit plan are charged as an expense as they fall due.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, the Group considers all cash at banks and in hand as cash or cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivatives

The Group may purchase or write options for hedging purposes, for which premiums paid or received are recorded as assets and liabilities, respectively, and are subsequently adjusted to the current fair value of the options. Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective in relation to hedged risk, are recorded in the income statement, along with the corresponding change in fair value of the hedged liability that is attributable to the specific hedged risk.

Investments

Available-for-sale

Available-for-sale investments are recorded on a trade date basis and carried at estimated fair value. For publicly traded securities fair value is based on quoted bid prices of these securities. The fair value of the investment in the merchant banking limited partnership owned by CNI is determined based on the portfolio valuation provided by management of the limited partnership, which management considers to represent fair value. The fair value of non-exchange traded mutual funds is determined based on the net asset value per share provided by the administrators of the funds. In cases where there is no quoted market price and the Group is not able to estimate the fair value, the investment is valued at cost subject to impairment recognition.

Gains and losses on disposal are calculated on gross proceeds less the original cost of securities sold on a specific identification basis, and are included in income. Unrealized appreciation and depreciation on available-for-sale investments is reported as a separate component of shareholder's equity.

Held-to-maturity

Held-to-maturity investments are recorded on a trade date basis and carried at amortized cost, less any impairment loss recognized to reflect unrecoverable amounts. Premiums and discounts arising on acquisition are amortized over the period remaining to maturity and are included in the statements of income in interest income.

Assets under administration

Securities, cash and other assets held in a trust, agency or fiduciary capacity for customers are not included in these consolidated financial statements as such assets are not the property of the Group.

Reclassification of Comparative Figures

Certain prior year amounts have been reclassified to conform with the current year presentation.

3. CASH AND DUE FROM BANKS

	2004	2003
Cash in hand and current accounts	$ 39,345,619	$ 49,383,852
Short term placements with banks	381,950,546	248,370,871
	$ 421,296,165	$ 297,754,723

4. INVESTMENTS AND DERIVATIVES

Investments and derivatives comprise:

	2004	2003
Available-for-sale, at fair value	$ 4,972,489	$ 4,462,748
Held-to-maturity, at amortized cost	24,721,906	21,715,583
Derivatives, at fair value	316,790	207,119
	$ 30,011,185	$ 26,385,450

The cost and estimated fair value of investments held as available-for-sale are as follows:

	Cost	Gross unrealized holding losses	Gross unrealized holding gains	Estimated fair value
September 30, 2004				
Ordinary shares	$ 968,414	$ -	$ 245,989	$ 1,214,403
Preference shares	40,885	-	-	40,885
Mutual funds	2,671,195	(370,957)	1,061,784	3,362,022
Convertible securities	250,000	-	105,179	355,179
	$ 3,930,494	$(370,957)	$ 1,412,952	$ 4,972,489
September 30, 2003				
Ordinary shares	$ 549,794	$ -	$ 255,367	$ 805,161
Preference shares	40,885	-	-	40,885
Mutual funds	2,671,195	(259,674)	888,407	3,299,928
Convertible securities	250,000	-	66,774	316,774
	$ 3,511,874	$(259,674)	$ 1,210,548	$ 4,462,748

Interest rates attaching to the convertible securities were between 0% and 8.25% (2003: 0% and 8.25%).

4. INVESTMENTS AND DERIVATIVES (CONTINUED)

Included in investments available-for-sale are three securities with a carrying value of $1,299,533 (2003: $1,063,007) that are not publicly traded. The Group is unable to estimate the fair value of two of these securities with a carrying value of $874,219 (2003: $457,552) therefore, they are carried at cost less impairment provision. The absence of a liquid market for these securities may restrict the Group's ability to dispose of these investments and amounts ultimately realized may differ materially from the carrying values. Two directors of the Corporation are also directors of two of these investee companies with carrying values of $1,258,647 (2003: $1,022,122).

Realized gains of $ nil (2003: $238,441) arising on sale of debt securities classified as available-for-sale are included within interest income in the consolidated statement of income.

The amortized cost of investments held-to-maturity is as follows:

	2004	2003
U.S. government agency bonds	$ 20,479,107	$ 17,718,859
International corporate bonds	829,882	557,280
Regional corporate and government bonds	3,412,917	3,439,444
	$ 24,721,906	$ 21,715,583

The issuers of the regional corporate and government bonds are domiciled in Jamaica and Trinidad. Estimated fair value of all the above investments at September 30, 2004 was $25,003,086
(2003: $26,265,273). Interest rates attaching to the above debt instruments range from 3.25 % to 11 % (2003: 2.5% to 10.2%).

Derivatives designated as fair value hedges comprise of the following:

	2004	2003
Options purchased – recorded within investments:		
Off-balance sheet amount – Notional amount	$ 1,314,667	$ 1,314,667
Fair value	$ 316,790	$ 207,119
Cost	$ 233,353	$ 233,353
Options written – recorded within other liabilities:		
Off-balance sheet amount – Notional amount	$ 1,314,667	$ 1,314,667
Fair value	$ 316,790	$ 207,119
Premium received	$ 233,353	$ 233,353

The options purchased were designated as a fair value hedge of an option written embedded in S&P 500 index linked certificate of deposits issued by the Group. The amount of the deposit which is directly linked to the performance of the S & P 500 index is $1,314,667 (2003: $1,314,667). The deposits are scheduled to mature in August 2005.

5. LOANS AND OVERDRAFTS

Composition and aging of the loan portfolio are as follows:

	Period from year end to maturity				
	Under one year	Within two to five years	Within six to ten years	Over ten years	Total
	(All figures in $000's)				
At September 30, 2004					
Commercial	$ 32,187	$ 17,714	$ 27,562	$ 30,177	$ 107,640
Personal	17,343	31,590	44,690	56,589	150,212
Corporate	3,952	26	8,729	1,373	14,080
Total	$ 53,482	$ 49,330	$ 80,981	$ 88,139	271,932
Provision for loan impairment					(6,089)
					$ 265,843
At September 30, 2003					
Commercial	$ 24,247	$ 23,462	$ 31,401	$ 18,809	$ 97,919
Personal	14,710	36,310	47,330	46,075	144,425
Corporate	6,280	1,294	4,610	1,463	13,647
Total	$ 45,237	$ 61,066	$ 83,341	$ 66,347	255,991
Provision for loan impairment					(5,270)
					$ 250,721

Mortgages are primarily for owner occupants. Substantially all of the Group's loans and overdrafts are advanced to customers in the Cayman Islands.

Movements in the provision for loan impairment are as follows:

	2004	2003
Provision for loan impairment, beginning of year	$ 5,269,982	$ 4,635,194
Increase charged to expenses	1,524,845	1,576,554
Loans written off	(705,826)	(941,766)
Provision for loan impairment, end of year	$ 6,089,001	$ 5,269,982

Included in the 2004 impairment provisions is $2,318,347 (2003:$2,533,453) based on loans classified after 90 days delinquent. The aggregate amount included in the consolidated balance sheet for loans and overdrafts in arrears by more than 90 days on which interest is not being accrued is $11,334,260 (2003: $12,255,392).

5. LOANS AND OVERDRAFTS (CONTINUED)

In September 2004, the Cayman Islands experienced the devastating effects from Hurricane Ivan. Whilst provisions, on an ongoing basis, for loan losses are necessarily estimates which may change in the short term, the ultimate effects from this Hurricane have added further complexities to the estimation process this year. However, management believes that the amounts provided reflect their best estimate to cover any loan losses, but the actual amount of losses will be affected by various future events and may vary materially from the amounts provided.

6. FIXED ASSETS

	Freehold land and buildings	Leasehold property and improvements	Computers, software, furniture and equipment	Motor Vehicles	Total
Cost:					
At September 30, 2003	$ 16,310,410	$ 3,773,005	$ 16,077,552	$ 129,827	$ 36,290,794
Fully depreciated assets no longer in service	-	-	(12,562)	-	$ (12,562)
Additions	178,915	415,022	1,169,657	12,930	$ 1,776,524
Disposals	(1,394,293)	-	(775,837)	(69,200)	(2,239,330)
At September 31, 2004	$ 15,095,032	$ 4,188,027	$ 16,458,810	$ 73,557	$ 35,815,426
Accumulated depreciation:					
At September 30, 2003	1,783,063	1,758,974	10,235,207	50,899	13,828,143
Fully depreciated assets no longer in service	-	-	(12,562)	-	$ (12,562)
Charge for year	384,161	356,730	1,759,623	23,095	$ 2,523,609
Disposals	(326,293)	-	(403,509)	(56,783)	(786,585)
At September 31, 2004	$ 1,840,931	$ 2,115,704	$ 11,578,759	$ 17,211	$ 15,552,605
Net book value:					
At September 31, 2004	$ 13,254,101	$ 2,072,323	$ 4,880,051	$ 56,346	$ 20,262,821
At September 30, 2003	$ 14,527,347	$ 2,014,031	$ 5,842,345	$ 78,928	$ 22,462,651

Included within disposals are fixed assets with a cost of $2,230,996 and a net book value of $1,452,745 which were destroyed during Hurricane Ivan. The insurance coverage for these assets was provided on an indemnity basis through CGI. The loss to the group, after allowance for third party facultative reinsurance recoverable through CGI relating to property damage, was $948,745 and is recorded in the consolidated statement of income.

7. GOODWILL

Effective January 1, 2003 CNT purchased the business of Fiduciary Trust (Cayman) Limited, a company and trust management business. Additionally, effective January 1, 2003, CNS purchased the business of Cayman Islands Securities Ltd., a securities brokerage business. The aggregate purchase consideration for these transactions was $1,921,561 of which $1,895,070 was paid in the prior year. The fair value of identifiable assets and liabilities acquired was nil. These acquisitions have been accounted for under the purchase method. The goodwill of $1,921,561 arising on these acquisitions is being amortized on a straight line basis over a period of 5 years.

Additionally, goodwill of $299,755 arose from CGI's acquisition of CNIB and CNIM in 1998. At September 30, 2004, this was fully amortized.

The Corporation has a majority holding in CGI which was acquired in stages. Prior to the year ended October 31, 2000, consideration for the shares acquired was paid in cash. During subsequent years the Corporation purchased additional holdings in the issued share capital of CGI which were effected by exchanging CNC shares for CGI shares on a 3:1 basis.

The acquisition history of all holdings in CGI is summarized as follows:

Period/year ended	% Acquired	Purchase price	Fair value of identifiable assets and liabilities acquired	Goodwill arising on acquisition
Prior to October 31, 1999	45.00%	$ 478,887		-
October 31, 2000	45.00%	$3,278,459	$2,304,925	$ 973,534
September 30, 2001	4.95%	$ 639,910	$ 277,685	$ 362,225
September 30, 2003	4.11%	$ 381,248	$ 220,624	$ 160,624
September 30, 2003	0.18%	$ 15,173	$ 13,155	$ 2,018
	99.24%			$ 1,498,401

The goodwill arising on the acquisition of these holdings was being amortized on a straight line basis over a period of 10 years. As a result of the adverse financial impact of Hurricane Ivan on CGI's operations, at September 30, 2004 the Corporation wrote off the remaining carrying value of goodwill relating to CGI of $874,925 within amortization of goodwill in the consolidated statement of income. See also Notes 9 and 22 regarding subsequent events involving the Corporations' holding in CGI.

7. GOODWILL (CONTINUED)

Goodwill is summarized as follows:

	2004
Cost:	
Balance at beginning of year	$ 3,693,226
Purchase consideration paid in year	26,491
Goodwill written off	(1,498,401)
Balance at end of year	$ 2,221,316
Accumulated amortization:	
Balance at beginning of year	$ 1,010,516
Amortization charge for the year	564,513
Cumulative amortization on goodwill written off	(623,476)
Balance at end of year	$ 951,553
Carrying value at September 30, 2004	$ 1,269,763
Carrying value at September 30, 2003	$ 2,682,710

8. FIXED DEPOSITS

Substantially all fixed deposits have a maturity of less than one year and bear fixed rates of interest. Customers' deposits issued at a discount are accreted to par value over the period to maturity of the respective deposits.

9. PROVISION FOR UNPAID CLAIMS

The provision for unpaid claims is comprised as follows:

	2004	2003
Gross provision	$ 270,840,480	$ 4,541,895
Reinsurers' share	(221,547,790)	(3,202,808)
Net provision	$ 49,292,690	$ 1,339,087

Reinsurance balances receivable and other insurance related assets at September 30, 2004 include premiums receivable of $2,890,575 (2003: $1,648,803), reinsurers' share of unearned premiums of $5,432,362 (2003: $6,060,717) and amounts recoverable from reinsurers of $221,547,790 (2003: $3,202,808).

Accounts payable and other liabilities at September 30, 2004 include reinsurance premiums payable of $11,282,654 (2003: $2,190,009), unearned commissions on reinsurance policies of $1,187,480 (2003: $1,302,000) and unearned premiums of $7,260,416 (2003: $7,854,619).

9. PROVISION FOR UNPAID CLAIMS (CONTINUED)

Claims incurred for the year is comprised as follows:

	2004	2003
Gross paid claims	$ 12,641,935	$ 9,229,936
Reinsurers' share	(6,840,634)	(7,179,041)
Net paid claims	5,801,301	2,050,895
Increase in provision for unpaid claims	47,953,603	197,160
Net claims incurred (Note 17)	$ 53,754,904	$ 2,248,055

Hurricane Ivan resulted in an unprecedented number of property, engineering and auto claims being filed by CGI's insureds. For the purposes of these financial statements, management has established gross loss reserves for these claims, net of policy deductibles, with reference to fully adjusted loss settlements that have taken place subsequent to the year-end and to loss adjusters' interim report reserves for claims in process of adjustment. Amounts have also been included in the gross reserves to cover loss adjustment expenses. The related amounts for reinsurance recoveries have been established with reference to the limits of liability reinsured by CGI under a number of facultative, proportional and excess of loss reinsurance contracts, a number of which will be exhausted due to the catastrophic extent of the event.

As a result of this situation, management of CNC and CGI have taken the following steps to ensure that CGI is able to continue as a going concern:

i. Settlement of the Cayman Islands Government ("Government") Hurricane Ivan property claim: This claim represented the single largest individual loss CGI faced, and would undoubtedly have consumed a great deal of time and expense to fully adjust. As a result, negotiations were entered into with Government with a view to reaching early settlement and closure of the claim, which would allow CGI and CNC to proceed with further steps in the recovery plan. Final agreement was reached with Government during April 2005, and included a substantial cash settlement against the claim, together with a 24% stake in the equity of CGI passing from CNC to Government.

ii. Recapitalisation of CGI: CNC has undertaken initially to cover CGI's net loss for the year of approximately $45 million and to inject funds into CGI by way of additional paid in capital, with no issuance of shares, during the course of the 2005 financial year. In addition, CNC has undertaken to cover any significant adverse development on the settlement of Hurricane Ivan claims against the overall net incurred reserve for Ivan-related claims of approximately $48 million.

The actual amount contributed in the end will, therefore, depend on the ultimate settlement of losses and loss adjustment expenses relating to Hurricane Ivan, and may vary from the initial recapitalisation amount agreed by CNC.

iii. Sale of CNC majority equity stake in CGI: In order to fund a significant portion of the required recapitalisation of CGI, CNC have actively sought a prospective buyer to acquire a majority controlling interest in the equity of CGI. A number of interested parties have been identified, and discussions are ongoing with these parties at this time. However, CNC will continue to provide all required financial support to CGI pending finalization of this sale.

9. PROVISION FOR UNPAID CLAIMS (CONTINUED)

Of the $270.8 million recorded as “Provision for unpaid claims” at September 30, 2004, $264.0 million relates to Hurricane Ivan claims, and, of this latter amount, $225.2 million has been paid up to May 27, 2005. Whilst recognizing that ultimate settlement amounts may vary significantly from the outstanding reserves recorded, management is satisfied that the overall reserve established for Hurricane Ivan claims will be sufficient to cover final settlement of all claims and claim adjustment expenses relating thereto. Management of CGI also recognizes that the adjustment and settlement process will, in some cases, be lengthy and contentious, with the possibility that some claimants may seek recourse against CGI through legal action.

Of the $221.5 million recorded as “Reinsurers’ share of provision for unpaid claims” at September 30, 2004, $217.0 million relates to Hurricane Ivan claims, and, of this latter amount, $195.3 million has been received up to May 27, 2005. Management of CGI does not anticipate that there will be any issues with the collection of the remaining amounts due from reinsurers as they become due, and is not aware of any disputes with reinsurers or any specific credit issues.

In light of CGI’s claims experience arising from Hurricane Ivan, management has re-examined CGI’s proportional and excess of loss reinsurance covers that renewed on January 1, 2005, and has negotiated enhancements to certain aspects of some of the covers; in particular, event limits have been increased on the proportional property treaties, and limits of liability have been increased on the property and engineering net account and motor physical damage aggregate excess of loss covers.

10. TAXATION

The liability for taxation comprises:

	2004	2003
Provision for deferred tax - Caymanx	$ 1,605	$ 2,678
Isle of Man corporation tax - Caymanx	22,254	19,318
	$ 23,859	$ 21,996

The Caymanx operations in the Isle of Man incurred tax charges for the year ended September 30, 2004 of $19,050 (2003: $10,059).

Under current laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Company.

11. SHARE CAPITAL

	2004	2003
Authorized:		
200,000,000 shares of $1 par value each (2003: 200,000,000)		
Issued and fully paid:		
40,394,957 shares (2003: 40,394,957)	$ 40,394,957	$ 40,394,957

Share premium:

Share premium represents the amount by which the proceeds for shares issued exceeded the par value of $1 per share. Under Cayman Islands law, the use of the share premium account is restricted. The final proposed dividend for fiscal 2004 has been shown as a reduction of share premium in the absence of other available distributable reserves.

General reserve:

The general reserve represents amounts appropriated by the directors from retained earnings to a separate component of shareholder's equity. Such amounts are not currently considered to be distributable.

Earnings and Diluted Earnings Per Share:

Earnings per share is calculated by dividing the net income (loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.
Diluted earnings per share is calculated by dividing net income (loss) attributable to shareholders by the diluted weighted average number of ordinary shares in issue which is based on the maximum total amount of exercisable stock options which the directors can exercise during the year (see Notes 2 and 19).

	2004	2003
Net income (loss)	$(39,188,164)	$ 7,808,119
Weighted average number of shares in issue	40,394,957	40,391,983
Diluted weighted average number of shares in issue	40,396,865	-
Earnings (loss) Per Share	$(0.97)	$ 0.19
Diluted (loss) Per Share	$(0.97)	$ -

Share Purchase Scheme

Employees are voluntarily able to participate in the Company's Share Purchase Scheme (the "Scheme"). Under the Scheme employees contribute up to 2% of salary which is matched by the Company. In addition, on a quarterly basis, 20% of Directors fees (Note 19) are settled through contribution to the Scheme which is also matched by the Company. The contributions are used to purchase shares in the open market at prevailing prices and the shares are subject to certain vesting terms.

12. EQUITY ADJUSTMENTS FROM FOREIGN CURRENCY TRANSLATION

Equity adjustments from foreign currency translation represent the unrealized exchange gain or loss arising from the translation of the financial statements of Caymanx from pounds sterling to Cayman Islands dollars.

13. RELATED PARTY BALANCES AND TRANSACTIONS

Included in the consolidated balance sheet are the following related party balances:

	2004	2003
Accounts receivable:		
Affiliated companies	$ 222,745	$ 180,784
Loans and overdrafts:		
Directors	$ 6,556,763	$ 5,273,219
Investments (Note 4):	$ 1,258,647	$ 1,022,122
Customers' accounts:		
Affiliated companies	$ 814,577	$ 47,218,064
Directors	1,485,802	1,573,857
	$ 2,300,379	$ 48,791,921

Directors include individual directors of the Group and also corporations, partnerships, trusts or other entities in which a director, or directors collectively, have direct and indirect significant shares or interest in such entities.

All transactions with related parties, other than staff loans and overdrafts, are conducted on normal commercial terms and at non-preferential interest rates. Staff loans, which totaled $23,647,077 (2003: $21,634,015) at the balance sheet date, are at preferential rates varying between 5.0% and 6.0 % p.a. (2003: 5.0% and 6.0 % p.a.) with the exception of loans granted in respect of the Staff Share Purchase Scheme (Note 11) and Staff Computer Purchase Scheme where loans have been granted at 0% p.a. (2003: 0%). These interest free loans totaled $27,149 (2003: $30,046) at the balance sheet date.

The Group owns the sponsor's shares totaling US$100 in Cayman National Mortgage Fund, a fund for which the Group acts as banker and mortgage advisor and is remunerated by way of commitment fees negotiated between the Group and the individual mortgagors. In addition, the Group acts as the manager and receives a fee amounting to 1.5% p.a. of the daily net assets of such fund. In the year ended September 30, 2004, the Group earned $506,340 (2003: $448,570) of commission under this arrangement, of which $126,751 (2003: $117,428) was receivable at September 30, 2004.

13. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

The Group also acts as the manager of CNB Money Market Fund ("CMMF") and receives an annual fee amounting to 1% of the daily net assets of CMMF. The Group is trustee of CMMF. During the year ended September 30, 2004, the Group earned $231,394 (2003: $219,750) under this arrangement of which $53,245 (2003: $51,511) was receivable at September 30, 2004.

The Group provides certain management, financial, accounting, administrative and other services on behalf of Cayman National Pension Fund ("CNPF") and receives an annual fee amounting to 2% of annual contributions into CNPF plus 0.25% of CNPF's assets at the end of the year. During the year ended September 30, 2004, the Group earned $86,432 (2003: $81,878) under this arrangement of which $42,749 (2003: $14,214) was receivable at September 30, 2004.

14. COMMITMENTS

In the normal course of business there are various commitments on behalf of customers to extend credit, which are not reflected in these financial statements. Commitments to extend credit totaled $24,166,804 at September 30, 2004 (2003: $10,598,902). No material losses are anticipated by management as a result of these transactions.

The Group has entered into various commitments in respect of operating leases for equipment and premises. The total annual commitments are as follows:

Year ended September 30	Annual commitment
2005	$ 1,034,612
2006	$ 856,507
2007	$ 756,719
2008	$ 762,995
2009	$ 769,459

15. PENSION FUND

The Cayman National Corporation Pension Fund (the "Fund") is a defined contribution pension scheme which became effective on July 1, 1997. The Fund is managed by CNT and membership is mandatory for all employees between the ages of 18 and 60, with contributions from both employer and employees. Included in personnel expense is an amount of $500,274 (2003: $496,813) representing the Group's portion of contribution required under the scheme.

At September 30, 2004, the Group employed a total of 260 personnel (2003: 265)

16. CONTINGENT LIABILITIES

Guarantees of $200,000 have been issued to the Government of the Cayman Islands in support of a fellow subsidiary, Cayman National (Nominees) Ltd.

The Group has issued letters of credit and guarantees to third parties totaling $4,932,018 (2003: $5,929,983) on behalf of customers and employees. The Group holds customer assets as security for substantially all of these instruments.

The Group is routinely involved in a number of claims or potential claims arising from its operations. Where appropriate, management establishes provisions after taking into consideration the advice of attorneys and other specialists. It is management's policy to rigorously assert its position in such cases. Management does not believe that any current litigation will have a material adverse effect on the Company's financial position.

17. NET UNDERWRITING INCOME (LOSS)

Net underwriting income (loss) for the year:

	2004	2003
Premiums written	$ 24,801,176	$ 23,045,459
Reinsurance premiums ceded	(14,930,498)	(18,915,805)
Movement in unearned premiums	(38,152)	17,934
Net premiums earned	9,832,526	4,147,588
Reinsurance commissions	3,364,161	3,766,682
Claims incurred (Note 9)	(53,754,904)	(2,248,055)
Policy acquisition commissions	(2,148,994)	(1,913,277)
Net underwriting loss (see also Note 9)	$(42,707,211)	$ 3,752,938

18. DIVIDENDS PER SHARE

Final proposed dividends are presented as a separate component of shareholder's equity until they have been formally ratified at the Annual General Meeting ("AGM").

	2004	2003
Interim dividend paid - $0.06 per share (2003: $0.06 per share)	$ 2,423,697	$ 2,423,661
Final proposed dividend - $0.04 per share (2003: $0.06 per share)	$ 1,615,798	$ 2,423,697

19. DIRECTORS AND OFFICERS REMUNERATION

During the year ended September 30, 2004, the Corporation had a total of 9 directors (2003: 11) of whom 4 were executive officers (2003: 3). For the financial year ended September 2004, the aggregate compensation for directors' services was $285,089 (2003: $285,571).

Share options were agreed for directors on March 28, 2004 at a price of $3.00 per share. The options expire five years after the authorization date of each director's option agreement. A minimum of 1000 options can be exercised at any one time. The options will lapse if not exercised.

Movements in the number of share options outstanding are as follows:

	2004	2003
At October 1	-	$ -
Granted	500,000	-
Exercised	-	-
Lapsed	-	-
At September 30	$ 500,000	$ -

20. FINANCIAL RISK MANAGEMENT

Fair value

The majority of the Group's financial assets and liabilities, with the exception of loans, investments and derivatives, are short term, with maturities within one year, and the carrying amounts of these financial assets and liabilities approximate fair value because of the short maturity of these instruments. For personal, commercial and corporate loans, the interest is based upon variable rates, which are linked to the Cayman Islands prime rate and accordingly, the recorded amount of these financial instruments approximates their fair value. However, the lack of any formal secondary market for these types of financial assets means that in practice, it may not be feasible to liquidate or exchange such assets for consideration which approximates carrying value. Management considers that the fair values of mortgage, consumer and other loans are not materially different from their carrying values. The fair value of investments and derivatives is disclosed in Note 4.

Regulatory requirements

Certain subsidiaries are subject to regulatory requirements established by Cayman Islands Monetary Authority ("CIMA") the Group's primary regulator. The significant regulatory requirements are:

CNB is required to meet minimum capital requirements. Failure to meet minimum capital requirements can initiate certain actions by the regulators, that if undertaken could have a direct material effect on the Company's financial statements. CNB must meet specific capital guidelines that involve quantitative measures of CNB's assets and liabilities. CNB's capital amount and classifications are also subject to qualitative analysis by CIMA.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Quantitative measures established by CIMA to ensure capital adequacy requires that the Company maintain a minimum amount of capital and a minimum ratio of risk-weighted assets to capital.

Management believes that at September 30, 2004, CNB meets all regulatory capital adequacy requirements established by CIMA.

In prior years, in order to satisfy the requirements of CIMA with respect to compliance with the Insurance Law of the Cayman Islands, the custodian of CGI's investments (CNS) has, upon request from CGI, provided an undertaking to the Authority that they would hold, to the order of the CGI, securities for a minimum aggregate market value equivalent to CGI's total net technical insurance liabilities, and that no securities would be released, either for or free of value, without the prior written approval of CIMA, where such transaction would reduce the aggregate market value of the portfolio to less than this value. The calculated value at September 30, 2003 was $3.1 million.

Due to the catastrophic extent of claims arising from Hurricane Ivan in September 2004 (see Note 9), and the proximity of the storm to CGI's year-end at September 30, 2004, no such undertaking has been possible this year. In fact, the entire portfolio of investments has been sold subsequent to the year-end, with a resulting total realized gain to CGI of $1.46 million, in order to generate funds to settle Hurricane Ivan related claims. See Note 22 for further discussion of CGI's recapitalization.

Caymanx operations are regulated by the Isle of Man Financial Supervision Commission

Interest rate risk

The Group employs effective techniques and procedures to monitor and control its exposure to interest rate risk. Personal, commercial and corporate loans have variable rates, which are linked to the Cayman Islands prime rate. Exposure to interest rate risk, which is mainly due to fixed rates on both its term deposits with banks and customers' fixed deposits, is minimized by the short-term maturities of the majority of these deposits (Note 8).

Currency Risk

Substantially all assets and liabilities of the Group are denominated in United States dollars or Cayman Islands dollars. Due to the fact that the Cayman Islands dollar exchange rate is pegged to the United States dollar, the Group is not exposed to significant currency risk.

The Group operates a matched book policy, matching currency of its interest bearing assets and liabilities in its banking operations. Deposits accepted from customers are matched with deposits placed with correspondent banks such that a margin is earned on the spread of interest rates. Management believes that these policies mitigate the Group's exposure to significant currency risks.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

The Group's bank balances and term deposits are placed with high credit quality financial institutions. Commercial, personal and corporate loans are presented net of provisions for doubtful receivables. Whilst the majority of loans are secured by first mortgages upon single family residences or by chattel mortgages, credit card receivables and certain overdrafts advanced in the normal course of business are unsecured. Credit risk with respect to personal, commercial and corporate loans is limited through diversification due to the large number of customers comprising the Group's customer base. Accordingly, the Group has a concentration of risk in respect of geographical area as both customers and securitised assets are primarily based in the Cayman Islands.

Liquidity risk

To mitigate exposure to liquidity risk, the Board of Directors have established a maximum ratio of loans to customers' deposits of 70% which is continuously monitored by management.

The following tables analyses the maturity gap between assets and liabilities based on contractual maturity date:

At September 30, 2004

	1-3 Months	3 - 6 Months	6 - 12 Months	1 - 5 Years	Over 5 Years	Non-Interest Sensitive	Total
ASSETS							
Cash and bank balances	$ 372,182,432	$ 16,716,060	$ 20,131,300	$ 1,666,955	$ -	$ 10,599,418	$ 421,296,165
Loans	32,847,587	11,401,665	9,233,119	49,330,196	163,003,555	27,149	265,843,271
Investments	-	-	-	24,800,948	237,750	4,972,487	30,011,185
Other assets	-	-	-	-	-	238,651,985	238,651,985
Fixed Assets	-	-	-	-	-	20,262,821	20,262,821
TOTAL	$ 405,030,019	$ 28,117,725	$ 29,364,419	$ 75,798,099	$ 163,241,305	$ 274,513,860	$ 976,065,427
LIABILITIES AND EQUITY							
Demand & Term Deposits	$ 594,498,348	$ 21,868,135	$ 17,744,444	$ 3,996,809	$ -	$ -	$ 638,107,736
Other liabilities	-	-	-	-	-	302,358,793	302,358,793
TOTAL	$ 594,498,348	$ 21,868,135	$ 17,744,444	$ 3,996,809	$ -	$ 302,358,793	$ 940,466,529
Off-balance liabilities	4,932,018	-	-	-	-		
Maturity gap	**$ (194,400,347)**	**$ 6,249,590**	**$ 11,619,975**	**$ 71,801,290**	**$ 163,241,305**		

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

At September 30, 2003

	1-3 Months	3 - 6 Months	6 - 12 Months	1 - 5 Years	Over 5 Years	Non-Interest Sensitive	Total
ASSETS							
Cash and bank balances	$ 283,397,398	$ 3,633,851	$ 3,025,640	$ -	$ -	$ 7,697,834	$ 297,754,723
Loans	34,636,608	4,241,837	6,323,702	44,338,833	161,149,542	30,046	250,720,568
Investments	557,280	-	83,307	20,842,702	439,412	4,462,749	26,385,450
Other assets	-	-	-	-	-	21,757,804	21,757,804
Fixed Assets	-	-	-	-	-	22,462,651	22,462,651
TOTAL	$ 318,591,286	$ 7,875,688	$ 9,432,649	$ 65,181,535	$ 161,588,954	$ 56,411,084	$ 619,081,196
LIABILITIES AND EQUITY							
Demand & Term Deposits	$ 479,815,685	$ 14,992,493	$ 14,727,272	$ 5,743,442	$ -	$ -	$ 515,278,892
Other liabilities	-	-	-	-	-	24,312,389	24,312,389
TOTAL	$ 479,815,685	$ 14,992,493	$ 14,727,272	$ 5,743,442	$ -	$ 24,312,389	$ 539,591,281
Off-balance liabilities	5,929,983	-	-	-	-		
Maturity gap	**$ (167,154,382)**	**$ (7,116,805)**	**$ (5,294,623)**	**$ 59,438,093**	**$ 161,588,954**		

Actual maturities could differ from contractual maturities because the counterparty may have the right to call or prepay obligations with or without call or prepayment penalties. Examples of this include: mortgages, which are shown at contractual maturity but which often repay earlier; certain term deposits, which are shown at contractual maturity but which are often cashed before their contractual maturity; and certain investments which may have call or prepayment features.

Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. These services give rise to the risk that the Group will be accused of mal-administration or under-performance.

21. GEOGRAPHICAL AND SEGMENTAL INFORMATION

The Group's main operations are in the Cayman Islands, with one subsidiary, Caymanx based in the Isle of Man.

Summary financial data for Caymanx operations:

	2004	2003
Total Assets	$ 29,732,236	$ 31,705,901
Total Liabilities	$ 26,659,726	$ 29,010,222
Total Income	$ 882,709	$ 752,586
Net Income	$ 158,577	$ 95,183

The Group's operations include domestic and offshore banking, insurance, trust and company administration, and asset management services.

September 30, 2004

	Banking	Insurance	Trust and Company Management	Asset Management	Eliminations	Group
Total assets	$ 706,973,531	$ 255,175,488	$ 32,420,799	$ 3,856,433	$ (22,360,824)	$ 976,065,427
Total liabilities	637,844,543	291,408,711	27,352,472	2,640,883	(18,780,080)	940,466,529
Total income (expense)	27,709,050	(41,076,692)	4,768,267	1,451,068	(1,515,774)	(8,664,081)
Net income (loss)	6,032,489	(45,029,395)	981,120	437,926	(1,610,304)	(39,188,164)

September 30, 2003

	Banking	Insurance	Trust and Company Management	Asset Management	Eliminations	Group
Total assets	$ 565,572,527	$ 25,553,488	$ 34,420,136	$ 4,856,886	$ (11,321,841)	$ 619,081,196
Total liabilities	498,643,583	16,689,990	29,989,320	3,541,762	(9,273,374)	539,591,281
Total income	26,871,245	5,551,960	3,862,372	1,616,125	(1,574,732)	36,326,970
Net income	4,900,993	2,196,398	592,545	488,552	(370,369)	7,808,119

22. SUBSEQUENT EVENTS

As outlined in Note 9, in the aftermath of Hurricane Ivan the Board of Directors of CNC agreed on a course of action to ensure the ongoing viability of CGI's operations.

The Group's funding requirements to achieve this objective as of May 31, 2005, has been provided to CNC and ultimately CGI as follows:

CNB dividend, declared May 31, 2005 $20 million
CNB term loan facility, approved May 31, 2005 $21 million

22. SUBSEQUENT EVENTS (CONTINUED)

It is anticipated that the temporary loan facility will be substantially reduced from the sale of an interest in CGI and the terms of the loan and repayment of the residual position will be reviewed when a sale of CGI shares is finalized.

Effective December 31, 2004 CNC purchased selected trust business of AALL Trust & Banking Corporation Ltd, a trust and banking operation. The aggregate purchase consideration for this transaction was $3 million. Such consideration is payable in three annual installments through the issuance of CNC shares based on a valuation methodology outlined in the purchase agreement.