



**TERMS AND CONDITIONS OF
THE CAYMAN NATIONAL CORPORATION LTD.
DIVIDEND RE-INVESTMENT PLAN**

August 2007
v.1.0

**Cayman National Corporation Ltd.
Cayman National Building
200 Elgin Avenue
P.O. Box 1097
Grand Cayman KY1-1102
CAYMAN ISLANDS**

345-949-4655

www.caymannational.com

**TERMS AND CONDITIONS OF
THE CAYMAN NATIONAL CORPORATION LTD.
DIVIDEND RE-INVESTMENT PLAN**

1. DEFINITIONS AND INTERPRETATION

1.1. In these Terms:

- “Board”** means the Board of Directors of CNC from time to time;
- “Cash Balance”** means the cash remaining after the purchase of Shares on behalf of a Participant under this Plan which is insufficient to purchase one further Share;
- “CNC”** means Cayman National Corporation Ltd.
- “Listing Rules”** means the listing rules published by the Cayman Islands Stock Exchange, as amended from time to time;
- “Memorandum and Articles”** means the Memorandum and Articles of Association of CNC as amended from time to time;
- “Participant”** means a Shareholder participating in the Plan;
- “Plan”** means the dividend re-investment plan of CNC conducted on these Terms;
- “Record Date”** means the date the Register is closed for determining entitlements to a dividend;
- “Register”** means the register of members of CNC;
- “Registrar”** means the registrar of CNC;
- “Shareholder”** means a shareholder registered in the Register as a holder of Shares;
- “Shares”** means fully paid ordinary voting shares in the capital of CNC of a par value of CI\$1.00 each; and
- “Terms”** means these terms and conditions of the Plan as amended from time to time in accordance with clause 10;

1.2. In these Terms, unless the context requires otherwise:

- (a) words importing the singular number shall include the plural number and vice-versa;

- (b) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative; and
- (c) the headings are inserted for convenience only and shall not affect the construction of these Terms.

2. **ELIGIBILITY**

- 2.1. Any Shareholder may participate in the Plan provided that the Shareholder is not resident in or subject to the jurisdiction of any country or place where its participation in the Plan would require CNC or the Registrar to comply with governmental or regulatory procedures or any similar formalities, other than those of the Cayman Islands.
- 2.2. A Shareholder who is resident outside the Cayman Islands, must ensure that:
 - (a) it is legally permitted to join the Plan;
 - (b) it observes all relevant formalities to enable it to buy Shares through the Plan;
 - (c) it is responsible for all applicable reporting or taxation.
- 2.3. Where local laws or regulations would preclude participation in the Plan, all materials issued in connection with the Plan (including these Terms) are treated as having been provided for information purposes only.

3. **PARTICIPATION**

- 3.1. Participation in the Plan is optional and subject to these Terms, all applicable laws, the Listing Rules and the Memorandum and Articles.
- 3.2. To participate in the Plan, Shareholders’ holdings must appear on the Register on the Record Date for payment of that dividend.
- 3.3. Shareholders must complete an application form provided by CNC and send it to the Registrar so that it is received by the Registrar at least 30 days before the relevant dividend payment date to be applicable for that dividend and subsequent dividends. Application forms received after that date will be effective for the next dividend payment.
- 3.4. CNC reserves the right in its absolute discretion to refuse any application, and to remove any Shareholder from participation in the Plan.
- 3.5. If an application form is incomplete or incorrect, the Registrar may return the form without carrying out any instructions contained therein.
- 3.6. Once a Shareholder has been accepted to join the Plan, all future dividends paid by CNC will be automatically used to purchase additional Shares on behalf of the Shareholder until such time as that Shareholder withdraws from the Plan (in accordance with section 6 below), or the Plan is terminated or suspended in accordance with these Terms.

4. **SHARE PURCHASES**

- 4.1. Shares of CNC will be purchased by CNC in the open market on or as soon as reasonably practicable after any payment date for a dividend using the whole of the Participant's cash dividend plus any prior Cash Balance.
- 4.2. Shares will be purchased by CNC at the best price available at the time of dealing. Participants may not specify the price or the maximum or minimum price at which the Shares will be purchased.
- 4.3. Purchases of Shares on behalf of Participants may be aggregated and may result in a more or less favourable price than might have been obtained if the purchases had been made separately.
- 4.4. Purchases of Shares for all Participants may be made in several market transactions. Although the prices at which the Shares are purchased may vary, the average price for all of those market transactions will be deemed the price at which Shares were acquired for all Participants.
- 4.5. Each Participant will receive the highest whole number of Shares that can be purchased with its cash dividend plus any Cash Balance on the date of purchase.

5. **CASH BALANCES IN THE PLAN**

- 5.1. Any Cash Balance will be carried forward, without interest, and added to future cash dividends for reinvestment in the Shares.
- 5.2. All Cash Balances will be held by CNC in a pooled account, and accounted for separately on behalf of each Participant.
- 5.3. Any Cash Balance will be paid:
 - (a) to the Participant upon written request being received by the Registrar for the Cash Balance to be paid (any such written request will be treated as a request to withdraw from the Plan);
 - (b) to the Participant, if the Cash Balance exceeds CI\$5.00 and if:
 - (i) the mandate to participate in the Plan has been cancelled in writing;
 - (ii) if all the Participant's Shares are sold or transferred; or
 - (iii) the Registrar receives proper notice of the Participant's death (in which case the Cash Balance will be returned to the deceased's estate), bankruptcy or mental incapacity, (but not in the case where Shares are held jointly), or, in the case of a corporate Participant, of such body being placed into liquidation or a similar process;
 - (c) to a registered charity of CNC's choice where the Cash Balance does not exceed CI\$5.00, if any of the events described in (b) above occur and if no written request is received pursuant to (a) above and after 30 days written notice of CNC's intention to pay the charity.

6. STATEMENTS

- 6.1. A share purchase advice statement will be sent to each Participant by the Registrar showing the date on which Shares were purchased, the number of Shares acquired, the purchase price, and any Cash Balance carried forward.
- 6.2. Shares purchased on behalf of Participants under the Plan will be registered in the Participant's name.
- 6.3. The share purchase advice statement will be posted to Participants within 15 working days of the relevant dividend payment date or the date of purchase of the Shares, whichever is later.

7. WITHDRAWAL

- 7.1. Participants may withdraw from the Plan at any time by submitting a written notice to that effect to the Registrar at least 30 days prior to a dividend payment date. Written notice of withdrawal received after that date will be effective for the next dividend payment.
- 7.2. Withdrawal will not affect the completion of any transactions already initiated.
- 7.3. Participants who submit a written request for a Cash Balance to be returned under clause 5.3(a) will be treated as having submitted a request to withdraw from the Plan.
- 7.4. Upon receipt by the Registrar of proper notice of a Participant's death, bankruptcy or mental incapacity or, in the case of a corporate Participant, of such body being placed into liquidation or a similar process, participation in the Plan will cease except where Shares are held jointly with others when participation in the Plan will continue for the remaining joint shareholder(s).

8. CONFLICTS OF INTEREST

CNC or the Registrar and their agents may, in administering the Plan, effect transactions notwithstanding that they have, directly or indirectly, a material interest or relationship of any description with another party which may involve a conflict with their duties to Shareholders.

9. CONFIDENTIALITY

CNC and the Registrar are authorised to disclose, or arrange for the disclosure of, any information regarding Participants or their participation in the Plan to any relevant authority as required by such authority, whether by compulsion of law or not.

10. VARIATION, SUSPENSION AND TERMINATION

- 10.1. The operation of the Plan is subject to the discretion of CNC at all times and CNC reserves the right to suspend or terminate the Plan at any time and for any reason.
- 10.2. If the Plan is suspended or terminated in accordance with 10.1, CNC will provide notice to all Shareholders.
- 10.3. CNC is not obliged to make the Plan available for any particular dividend and, if it is not made available, a cash dividend will be paid in the normal way.

- 10.4. Termination by CNC will not affect the completion of any transactions already initiated.
- 10.5. CNC may vary these Terms from time to time and will provide Shareholders with at least 30 days' prior written notice of any changes, unless it is impractical to do so, in which case written notice will be given as soon as possible.
- 10.6. Any disputes or disagreements arising under or in relation to the Plan or these Terms may be settled by the Board in any way they deem appropriate and any determination made by the Board will be final and binding.

11. **NOTICES**

- 11.1. All notices to Participants will be sent to the first named Shareholder at the address on the Register.
- 11.2. All notices to CNC or the Registrar regarding the Plan must be sent (by post, delivery, or facsimile) to:

Cayman National Corporation Ltd.
Attn: The Registrar / Chief Financial Officer
Cayman National Building
200 Elgin Avenue
PO Box 1097
Grand Cayman, KY1-1102
Cayman Islands

FAX: 345-949-8203

12. **GENERAL TERMS**

- 12.1. All documents sent by post will be at the Participant's risk and neither CNC nor the Registrar will be liable for the failure to receive any document.
- 12.2. These Terms are governed by Cayman Islands law and any proceedings relating to these Terms will be subject to the jurisdiction of the courts of the Cayman Islands.

Cayman National Corporation Ltd.

August 2007

v.1.0