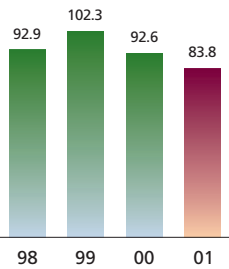




Hong Kong



HONG KONG
EFFICIENCY RATIO (%)

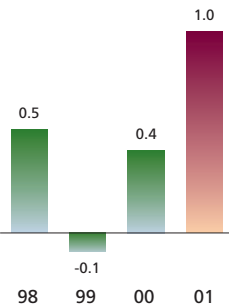


The Group's Hong Kong subsidiaries provide third-party fund administration, custody, provident fund and other corporate services. A restricted licence branch supports these activities with treasury and foreign exchange services. The Hong Kong office also serves as an important local contact for business referred from the Asia-Pacific region to our offices in Bermuda, Cayman and Guernsey, particularly for those companies setting up and maintaining an offshore domicile.

During 2001, the Hong Kong businesses achieved significant growth. Profit, at \$1 million, rose by 152.3%. Total income, at \$6.3 million, grew 16.9%, with expenses increasing by only 5.9%. Our efficiency ratio was 83.8% compared to 92.6% the previous year.

We experienced growth in administrative fee income and reduced our reliance on transaction fees. The income stream is now more stable and we have been able to sustain and improve profitability during the current market decline. When the market improves, we are positioned to generate additional revenue without a corresponding increase in costs.

HONG KONG
NET INCOME (\$m)



Our focus, throughout 2001, has been to build on success. We have attracted new clients and are developing profitable relationships through a strategy of winning business based on quality service at the right price. In developing significant new client relationships under Mandatory Provident Fund (MPF) legislation implemented this year, we are providing trustee and fund administration services to approximately 20% of the market as measured by annual contributions.

We have also attracted a growing number of Hong Kong listed companies as profitable corporate management clients and improved our business levels in mutual funds/administration and custody. Building on our existing core activities, we have introduced Employee Benefit and Share Ownership Trusts and new structured products using custody and share registration services. Business introductions continue to generate revenue for the Bank's international offices.



Our local profile has improved through the participation of our senior management in key industry associations and regulatory committees. In addition, we have strategically participated in or sponsored a number of seminars and conferences that specifically addressed financial industry issues.

We are also committed to developing and encouraging excellence in our work force. We emphasise internal promotion and have made a number of internal transfers and promotions that take advantage of employees' skills and broaden their experience. One of our employees this year achieved the professional designation of the Hong Kong Institute of Bankers. Two others successfully achieved the Compliance Practitioners Certificate (CPC), a new industry qualification issued by the Hong Kong Securities Institute. More than half our employees hold university degrees. We know a committed, competent and knowledgeable work force will be a key to our success in this competitive market, and our employees' ability to anticipate clients' needs – and meet them – can be our strategic advantage.

Main Office, Hong Kong (top)

Right: Management in Hong Kong, l-r: Austin R. Caffrey, Chief Executive, Hong Kong; Ian Leung Tat Ming, Operations Director; and Alastair E. Murray, Managing Director, Butterfield Trust (Hong Kong) Limited.

