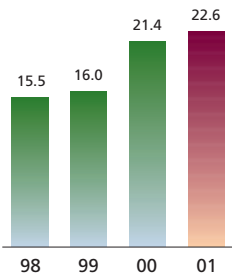




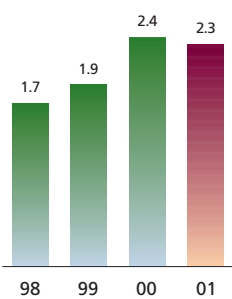
## Cayman Islands



CAYMAN  
NET INCOME (\$m)



CAYMAN  
RETURN ON ASSETS (%)



A thriving Caribbean offshore financial centre, the Cayman Islands have worked effectively for over 30 years to attract international business, especially banking, trust, captive insurance and mutual fund administration. A very sophisticated and diversified financial infrastructure has been developed over the years, enhancing Cayman's image as one of the leading offshore financial centres in the world. The Cayman Islands, a United Kingdom overseas territory with a population of about 40,000, are also a popular tourist destination.

The objective of Bank of Butterfield International (Cayman) Ltd. is to be the pre-eminent financial institution in the Cayman Islands in both the domestic market and the international offshore market. We offer a comprehensive range of community and commercial banking services to private and corporate customers and, in addition, provide portfolio management, stock brokerage, trust and company administration, mutual fund and pension fund administration services.

On 22 June 2001, the Cayman Islands were removed from the FATF blacklist following a year-long effort by legislators, law enforcement officials, regulators and the private sector addressing perceived shortcomings in the financial system. The removal from the listing is very encouraging for our Cayman presence.

Net income in our Cayman operation rose 5.6% to \$22.6 million, marking the 13th consecutive year of sustained growth and maintaining Cayman's key contribution to the parent company's consolidated earnings performance. Total revenue grew by 11.5% with an efficiency ratio of 45.9% and a return on equity of 19.8% for the year.

We maintain a very strong balance sheet in Cayman, both in terms of the capital base, built through retained earnings, and the quality of its assets. Assets are comprised of money market placements, loans and a floating rate note portfolio, which is rated Af (credit) and S1 (volatility) by Standard & Poor's. Our strong balance sheet helps us maintain stability in our business and gives depositors confidence in our institution.



Main Office, Cayman Islands



### **Community Banking**

With five branches to serve our customers, our Community Banking activities in the Cayman Islands represent a core activity. The contribution of this business to overall earnings continues to be strong, achieving a 15.2% increase in net income.

### **Personal Banking**

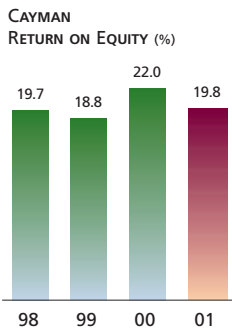
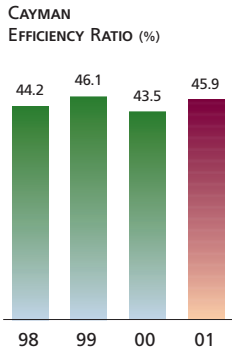
We continue to attract profitable personal banking business helped by our strong reputation for customer service and steady growth in the population of the Cayman Islands. This year we introduced services that encourage customers to use our efficient and cost-effective electronic delivery channels. We introduced our first drive-through ATM, located adjacent to Butterfield House and we launched a Cayman Islands Dollar denominated VISA debit card. Our seven ATMs now accept VISA and Plus network cards for cash withdrawals, adding to our transaction volumes and fee-based revenue.

### **Corporate Banking**

Our Corporate Banking team is working effectively to enhance customer relationships and promote our range of banking, credit and investment services to the corporate community. Corporate Banking promotes Butterfield Online as Cayman's first online banking service to our corporate customers. This worldwide electronic access channel provides an Internet link to our banking products via an easy-to-use web-based browser.

### **Credit Services**

We continued to experience strong credit demand, with year over year growth of 19.6% in the loan portfolio. This growth was achieved while maintaining quality and improving service levels. We continue to be a leading player in the residential mortgage market and demand for mortgages has remained strong.



Right: Management in Cayman, l-r:  
Conor J. O’Dea, Managing Director,  
Bank of Butterfield International  
(Cayman) Ltd.; Sheree L. Ebanks,  
Director and Senior Manager of  
Investment Services; and  
Barry J. Yetton, Director and Senior  
Manager of Treasury.

## Asset Management and Administration

### Investment Services

Our Cayman operation’s investment services department provides discretionary portfolio management for institutional and private clients, stock brokerage and safe custody services. The department experienced solid year over year increases in asset based fees, but declines in trading activity and, consequently, brokerage revenues, resulting in a moderate decline overall. Financial markets remain under pressure from slowing growth in the economies of many western nations and have negatively impacted brokerage revenues.

Our assets under management for 2001 were \$327 million and our income was \$4.1 million.

The two Butterfield Funds managed by the Cayman office, Butterfield International Balanced Fund and Butterfield Global Blue Chip Fund, performed well against their index allocation benchmarks, and the number of unitholders/shareholders increased 5.5% and 16.3% respectively.

Butterfield International Balanced Fund retained its Five Star Rating from Standard and Poor’s and remains the top fund in its S & P class in the three-year return category.

Industry-leading investment management software was implemented, allowing us to offer enhanced reporting and services to our customers and providing a sophisticated portfolio management platform for the Bank, thereby enhancing our capabilities. This investment is a reflection of the commitment that our Cayman office has to this core business.

### Trust & Corporate Services

Trust and Corporate Services experienced revenue growth of 6.6% with total revenue of \$3.2 million and assets under administration of \$6.5 billion. The main services offered to personal clients include wealth management, through the establishment and administration of trusts and companies, and estate administration. Services offered to institutional clients include company formation and administration, managed bank and trust company services and administration of employee benefit plans.



The managed bank business is a major contributor to revenues, with good prospects for sustained growth. We experienced strong revenue growth from existing relationships with highly reputable financial institutions, and a significant managed banking relationship has been re-established with services commencing early in the new year. The relationship we have with these large, reputable institutions is a reflection of our commitment to service.

The company management and trust business shows steady revenue growth through new and existing clients. We continue to explore new opportunities and strengthen relationships to ensure continued growth of the personal and institutional business.

#### **Mutual Fund & Pension Fund Administration**

The Cayman office provides full administration services to mutual funds and pension funds and achieved strong growth of 24.0% in revenues this year with total revenues of \$2.5 million and funds under administration of \$4.2 billion. In addition to providing these services to third parties, we act as administrator, registrar and transfer agent to the Butterfield International Balanced Fund and the Butterfield Global Blue Chip Fund.

Good levels of new business were achieved from existing and new sources. Relationships with professional intermediaries at a local and international level are being further developed and will provide solid new business growth.

#### **Our People**

We know our future success in the competitive Cayman market will be determined, to a large degree, by the skills and leadership of our people. Because of that, employee development and training are a priority.

This year, several of our employees successfully completed programmes such as the Foundation Banking Diploma, Foundation Banking Certificate and the CI Bankers Association's Introduction to Private Trusts. A number of our employees are enrolled in banking and trust courses by correspondence with the Institute of Canadian Bankers, Chartered Institute of Bankers and Society of Trust and Estate Practitioners.

During 2001, the Bank also provided special development and education programmes in-house, including "Leading the Revolution" and "Leadership Principles," for management employees and supervisors respectively. Other courses included "English in the Workplace," and a half-day course on anti-money laundering procedures, led by the CI Bankers Association.

Independently and through the CI Bankers Association, we also participated in three events for High School students, offering information about careers in banking and, specifically, with Bank of Butterfield.

Our employees are willing and enthusiastic participants in these programmes and we appreciate their commitment to lifelong learning.

