



Guernsey

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Trust & Corporate Services

Our fiduciary services are provided through Butterfield Trust (Guernsey) Limited, which specialises in private client trusteeship and company administration services to both individuals and institutions. This business line has grown significantly through the acquisition and assets under administration grew to \$2.0 billion, while revenues grew from \$1.6 million to \$3.9 million.

Administered Bank Services

Our core business includes the provision of financial administration services to other financial institutions and encompass the provision of administratively based outsourcing solutions to banks, fund managers and trust companies wishing to conduct financial activities in or from Guernsey.

We are now leaders in Guernsey in the provision of administered bank services to branches and subsidiaries of highly reputable financial institutions. We anticipate continued growth in this business line arising from our leadership position.

Third Party Fund Administration

This is provided through Butterfield Fund Managers (Guernsey) Limited (BFM), which focuses on the provision of specialist third party fund administration services. BFM experienced substantial growth with assets under administration increasing from \$2.6 billion to \$3.4 billion and revenues increasing from \$2.3 million to \$3.6 million.



Hong Kong

During the year under review the Hong Kong operations produced net income of \$1.4 million, up 41.6%, or \$0.4 million, on the previous year. This was primarily due to increased fee income generation, up \$0.6 million, or 10.4%.

In June 2002 we sold an 80% controlling interest in our Hong Kong subsidiaries to Dexia BIL. A profit of \$17.0 million was made on this disposal, and is shown in the Consolidated Statement of Income as 'Gain on sale of subsidiaries'. The sale is consistent with our overall strategy to focus on core strengths while enhancing shareholder value.

In addition to acquiring a majority interest in our Trust and Corporate Services operations, Dexia BIL will take over the business of the restricted licence branch once they have regulatory approval. As at 30 June 2002, the Branch had assets of \$148.8 million, primarily consisting of deposits with banks of \$135.6 million. Loans were modest at \$0.5 million.

This transaction will enable us to continue to participate in the highly competitive Hong Kong market through an alliance with a major global provider of administration and custody services to the investment and pension fund industries. We will continue to provide services to our Hong Kong based customers who maintain accounts in Bermuda, the Cayman Islands, Guernsey and the United Kingdom.