



Chairman's Letter to the Shareholders

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On behalf of the Board of Directors I am pleased to report that, despite a challenging economic environment, the management and employees of Bank of Butterfield have delivered a fourth consecutive year of record profit for the 12 months ended 30 June 2002.

Since its establishment in the 1800s this Bank has prospered through many economic cycles, and I commend the current team for contributing to a tradition of success as our evolution continues.

I am pleased to report that the Bank's achievements during the past year have been acknowledged with the Bank of the Year in Bermuda Award presented by "The Banker" magazine and the Financial Times Group. This recognition serves to reinforce what our current annual report testifies – Bank of Butterfield's first class team has performed very well and is poised for more success in the future.

During the year under review Calum Johnston retired from his position as President & Chief Executive Officer after four years with the Bank. On behalf of the Board of Directors I would like to thank him for his substantial contributions to the success of the Bank and wish him well in his future endeavours. In January this year we welcomed Alan Thompson as President & Chief Executive Officer. With three decades of experience in international and domestic banking, Mr. Thompson has considerable expertise and an outstanding reputation. I am confident that he will be instrumental in our continued strength and profitability.

Also this year Michael Butt resigned from the Board of Directors, and I thank him for his valuable service and the sound advice he has rendered since his appointment to the Board in 1996. I extend a warm welcome to John Wright, our newest Board member, who is an accomplished banker with many years of international experience.

The scrutiny of corporate governance practices during the past year motivated us to examine our own Board and management structure and how we share information between management, directors, shareholders and the public. A risk review, conducted by an independent outside organisation, of our risk management and control systems confirmed that Bank of Butterfield applies the fundamentals of good risk management and internal control. We nevertheless saw room for improvement and decided to re-align some of the management committees to simplify our internal communications and strengthen further our control of risk management.

In April 2002 the Board of Directors made a decision to change the Bank's fiscal year end from 30 June to 31 December to enhance the ability of market analysts and investors to compare our results with those of other banks. The next reporting period will be the six months from 1 July to 31 December 2002 and then annually thereafter.

In closing, I would like to express sincere thanks and congratulations to the Board of Directors, management and employees for another year of significant accomplishment. I also thank my fellow shareholders and customers of Bank of Butterfield. Your loyal support is essential to our continued success.

James A.C. King, MD, FRCS(C), FACS, JP
Chairman of the Board