



Chairman's Letter to the Shareholders



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

This report documents another year of considerable accomplishment and record profit for Bank of Butterfield. The achievements of the past year – both financial and strategic – are a solid indication of the Bank's success and limitless potential.

On the international front, Bermuda's reputation as a well regulated business centre was reinforced with positive reviews from both the Organisation for Economic Cooperation and Development (OECD) and the Financial Action Task Force on Money Laundering (FATF). Bermuda and the Cayman Islands were excluded from the OECD list of jurisdictions operating harmful tax practices. Bermuda, Cayman and Guernsey are not included on the FATF list of nations deemed to be uncooperative in the fight against money laundering.

Perhaps the most significant development of the year was obtaining a Section 114B licence for the Bank in Bermuda. This licence relieves the Parent Bank of the requirement to maintain 60% ownership by Bermudians. Although the Bank is very well capitalised, the 114B licence will enable us to raise capital in any market, should it be needed to facilitate acquisitions in Bermuda or elsewhere, or to support organic growth. Capital could be raised by private placement or by an additional listing of the Bank's shares, which are already listed on the Bermuda and Cayman Islands stock exchanges. Having said this, it is our firm intention to maintain the very strong influence that Bermuda and Bermudians have always exercised on the management and governance of the Group.

The year that ended 30 June 2001 saw the departure of Board member Lt. Col. M. L. Darling, who was appointed to the Board in September 1982 and has served on several important Board Committees. I would like to thank Col. Darling for his valuable service over the years. I again extend a warm welcome to Arlene Brock, our newest Board member, who was appointed in September 2000.

a successful 2001

This year we began a process to identify a candidate to replace Calum Johnston, President & CEO, who has now served the Bank for almost four years. Since his appointment Mr. Johnston has demonstrated outstanding leadership, and his superb knowledge of banking and the finance industry in general have significantly contributed to the Bank's success. We have given ourselves ample time to find a qualified replacement and I am encouraged by the progress on the search thus far.

Looking back on another successful year, it is my pleasure to congratulate the management and employees of Bank of Butterfield for their combined efforts, which resulted in such strong performance.

We are also grateful to our shareholders and customers for their contribution to our success. We aim to continue to earn their loyalty and support by building on our strengths and focusing on our core business and strategic goals.