



OVERVIEW OF PERFORMANCE

The Bank of N. T. Butterfield & Son Limited had record Group earnings of \$40.3 million, after losses from discontinued operations of \$14.5 million for the year ending 30 June 2000. This represents a \$3.9 million increase in net income over that achieved in fiscal 1999.

This continuing trend of record net income reinforces the Group's strategy of concentrating on its core businesses and existing strengths. This progress rewards our determined pursuit of efficiency in our operations. Our focus throughout the year has been on doing what we do well, then doing it more effectively. We have, at the same time, been actively and selectively marketing our services so that we are also doing more of what we do well.

In all our core businesses, financial performance grew from strength to strength. There was marked improvement in our Community Banking business in Bermuda and our operation in Cayman achieved record income. Guernsey continues to surpass its own records and this year, following its restructuring in 1999, our Hong Kong operation returned to profitability.

Performance Indicators

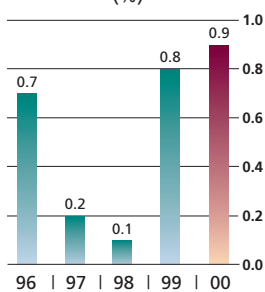
The effect of the Bank's improved performance is evident in our financial ratios. Of particular interest to the Butterfield Group is our efficiency ratio – total expenses expressed

as a percentage of total income. Improving this productivity indicator has been a key financial objective. For the year under review, the productivity ratio for continuing operations was 69.7%, down significantly from 75.7% in 1999.

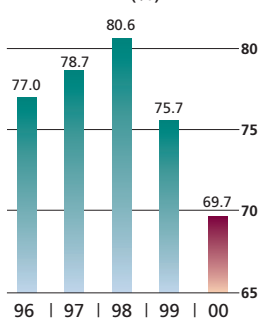
Our steady progress in improving financial performance is due to the efforts of the 1,113 people we employ. Across the Group, average net contribution per employee in respect of our continuing operations was \$48,000, up 50% from \$32,000 in 1999. Employees are seizing opportunities to build business while seeking ways to reduce costs, build efficiency and improve service.

The growth of the Bank's loan portfolio reflects our ability to meet new lending demand in Community Banking in Bermuda and Cayman. As well as quantity, the quality of our loan book has improved. We experienced continued success in reducing non-performing loans, with non-accrual loans reducing by 64.0% to \$18.8 million. During the year, we continued to experience difficulty in collecting the book of loans from our former London businesses. These loans have been segregated into a discontinued book against which a further loss of \$14.5 million was recognised in the third quarter. This book has now been reduced to a total of \$10.0 million, a size that no longer poses any threat to the continued good performance of the Bank.

Return on Assets (%)



Efficiency Ratio* (%)



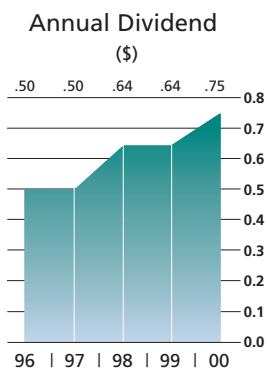
* excludes discontinued operations



Above: Management in Bermuda, l-r: Richard J. Ferrett, Executive Vice President and Chief Financial Officer; Graham C. Brooks, Executive Vice President – International & Trust; and C. Wendell Emery, Executive Vice President – Operations.

*In all
our core
businesses,
financial
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strength
to strength*





The Group's Return on Equity (ROE) for the year was 16.4%, up from 15.6% in 1999. Earnings per Share (EPS) from continuing operations was \$3.02, compared to \$1.92 the previous year. After losses from discontinued operations EPS was \$2.22. Return on Assets (ROA) improved from 0.8% in 1999 to 0.9% in 2000. The Bank's Net Book Value per share increased by 9.9% to \$14.13.

During the year, 612,303 shares were purchased and cancelled, at an average cost of \$16.57 per share, under the Bank's share buy-back plan. The Board increased the dividend to shareholders three times, with the total dividend for the year being \$0.75 per share. This represents a 34% payout on 2000 net income.

OUTLOOK

We expect that favourable conditions in our core markets – Bermuda, the Cayman Islands and Guernsey – will be sustained, and we are confident that the Bank will continue to find opportunities to maintain and grow its business in these regions. It may be some time before the Hong Kong economy stabilises, yet our office there is now operating profitably and is taking advantage of changes in that market.

We believe the progress we are making in improving key financial measures will continue and that our careful attention to improving efficiency will further reduce our cost of doing business while, simultaneously, raising service quality.

