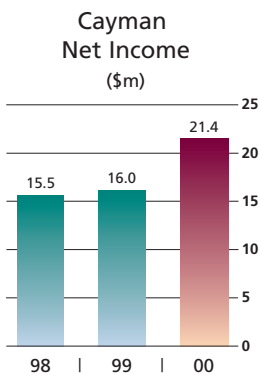




Above: Management in Cayman, l-r: Sheree L. Ebanks, Director and Senior Manager of Investment Services; Conor J. O'Dea, Managing Director, Bank of Butterfield International (Cayman) Ltd.; and Barry J. Yetton, Director and Senior Manager of Treasury.

Bank of Butterfield International (Cayman) Ltd. maintains a very strong balance sheet





CAYMAN ISLANDS

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 45,000, 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



*Cayman
had an
outstanding
year with
net income
up 33.2% to
\$21.4 million*

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.



This year, our Cayman Islands operation had an outstanding year with net income up 33.2% to \$21.4 million, marking the 12th consecutive year of sustained growth and maintaining its key contribution to the parent company's consolidated earnings performance. All of the core business activities showed strong revenue growth year over year. Total revenue grew by 27.4% while expenses grew by 20.6%. The efficiency ratio improved from 46.2% to 43.8%, while return on equity was 22.0%, up from 18.8% in 1999.

The Cayman operation maintains a very strong balance sheet, both in terms of the capital base and the quality of assets. We have built a substantial capital base through the retention of earnings, which maintains stability in our business and gives depositors confidence in our institution. The quality of the balance sheet assets is excellent and is comprised of money market placements, loans and a floating rate note portfolio, which is rated Af (credit) and S1 (volatility) by Standard & Poor's.

The strategic and financial importance of our Cayman operation to the Butterfield Group is evidenced by the secondary listing of The Bank of N.T. Butterfield & Son Limited stock on the Cayman Islands Stock Exchange.

Our Cayman employees rose to the challenge of handling the considerable growth in business volumes this year, whilst maintaining our first class reputation for excellent service in the market. As the financial services industry requires greater than ever emphasis on relevant education and training, our employees are taking advantage of the opportunity to learn and achieve success in their studies as a benefit to their job. During the year, employees enrolled in courses and successfully completed their exams. This, along with ongoing training, augurs well for their future and the future of the Bank.

Community Banking

With five branches to serve our customers, our Community Banking operations in Cayman are a vital activity. Strong double-digit volume growth this year increased the contribution of this core business area to overall earnings.



Personal Banking

The growth in the population of the Cayman Islands over the last five years, and the operation's strong reputation for customer service, has allowed us to be successful in winning new personal banking business.



Corporate Banking

A Corporate Banking team was established this year to enhance customer relationships and promote our range of banking, credit and investment services to the corporate community. Corporate Banking shows exciting prospects for growth, not only in Cayman but also internationally, with new relationships being established and transactions executed for a range of customers.

Early this financial year, we implemented SWIFT, a global financial messaging service used by over 3,000 banks. This was a significant step forward and enhanced service levels in the corporate banking area.

Credit Services

Cayman experienced continued strong credit demand, with year over year growth of 22.8% in the loan portfolio. This growth was achieved while maintaining quality and improving service levels. We are a leading player in the residential mortgage market and demand for mortgages continues to be strong.

A key contributing factor to the growth was the acquisition of a Cayman bank's US \$16 million loan book, comprised of well secured residential mortgages. We were also successful in adding good commercial mortgages for the financing of several large office developments.

Asset Management

Investment Services

Cayman's investment services department provides discretionary portfolio management for institutional and private clients, stock brokerage and safe custody services. The department had another outstanding year, with strong growth in revenues and investment assets under management, which rose from \$283.6 million in 1999 to \$421.9 million in 2000.



There was strong growth in discretionary portfolios under management, both for existing and new relationships

The two Cayman based Butterfield Funds; Butterfield International Balanced Fund and Butterfield Global Blue Chip Fund, had a successful year, with strong investment returns and a continuing high rate of subscriptions from both individual and institutional investors. Butterfield International Balanced Fund surpassed the \$100 million mark in net asset value, with the US Dollar class of this fund receiving a five star ranking from Standard & Poor's, based on its 1997-99 returns. Butterfield Global Blue Chip Fund, launched in December 1998, grew from US \$12.7 million to US \$55.0 million and produced a one year return of 30%. Both funds are listed on the Cayman Islands Stock Exchange and the Bermuda Stock Exchange.

There was strong growth in discretionary portfolios under management, both for existing and new relationships. The strength of world stock markets during most of this financial year boosted brokerage commissions as customers actively traded equities on the world stock exchanges. Increasing competition from brokerage houses on the Internet did not have any noticeable impact on volumes or revenues.

We commenced implementation of investment industry-leading software, which will benefit customers and the Bank for many years to come. This investment is a reflection of the commitment that the Cayman office has to this core business.

Trust and Corporate Services

Trust and Corporate Services experienced strong revenue growth of 22.3%. 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 key element of the Trust and Corporate Services division and it experienced strong revenue growth from existing relationships with highly reputable financial institutions. This business shows excellent signs of sustained growth and the relationships we have with these large, reputable institutions is a reflection of our commitment to service.

The corporate management and trust business shows good sustained growth. We continue to explore new opportunities and strengthen relationships to ensure that we grow the personal and institutional business successfully.



Mutual Fund and Pension Fund Administration

The Cayman office provides full administration services to mutual funds and pension funds and achieved strong growth of 48.7% in revenues this year. In addition to providing mutual fund administration 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.

We were appointed administrator of the islands' largest pension plan at the beginning of this financial year. The plan has over 9,000 members who are all Cayman residents and this business allows us to showcase both our investment management and pension fund administration service capabilities to the plan members and their employers.

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 are proving to be fruitful. We are optimistic about prospects for further growth.