



HONG KONG

The Group's Hong Kong subsidiaries provide third-party fund administration, custody, provident fund and other corporate services. A restricted licence branch supports these activities with treasury and foreign exchange services. The Hong Kong office also serves as an important local contact for business referred from the Asia-Pacific region to our offices in Bermuda, Cayman and Guernsey, particularly for those companies setting up and maintaining an offshore domicile.

During fiscal year 2000, the Hong Kong office produced a modest profit of \$0.4 million, in line with expectations, compared to a loss of \$0.1 million in 1999. At the same time, growth was seen in business introductions, and revenue generated for the Bank's offices, particularly Bermuda and Cayman. At the beginning of the fiscal year, the strategic decision was made to



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Davenham
Group Plc
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move the Hong Kong Branch's Capital Markets portfolio to Bermuda, enabling our Hong Kong operations to maintain their focus on core business activity. Growth in revenue over the year more than compensated for the resulting reduction in investment income, and at \$5.4 million was an effective increase of 6.7% on the previous year. The cost base continued to be well controlled with a reduction of 3.3% against 1999. Credit exposure is minimal.



Strongest growth in revenue was seen from our provident fund services where activity has increased in response to the introduction of the Mandatory Provident Fund legislation which is to be fully implemented by 2001. Butterfield Trust (Hong Kong) Limited has continued with its strategy to develop existing services and will be supporting a number of new provident fund arrangements, acting as Trustee, as well as fulfilling the role of fund administrator and custodian to the assets that are to be held in underlying unit trusts.

Our already well established Corporate Services business saw a surge in incorporations following the introduction of the new Growth Enterprises Market to the Hong Kong Stock Exchange. We have successfully maintained our market share of Bermuda based incorporations and managed to gain an increased share of new Cayman companies. In addition, we have been able to extend our trustee, custodian and escrow services to many newly listed companies by assisting in establishing employee benefit arrangements through the use of share ownership trusts and share option plans.

DAVENHAM GROUP Plc

As stated in the President & Chief Executive Officer's report, this company, based in Manchester, England, was sold in June 2000, at a small premium over net asset value. Whilst a member of the Butterfield Group, the company achieved revenues for fiscal 2000 of \$6.3 million, compared to \$5.8 million in 1999. Pre-tax income for the year

was \$3.1 million, compared to \$2.6 million in the prior year, and net income after tax was \$2.0 million, up from \$1.7 million on the prior year. Its earnings are included in the Group's income statement under continuing operations. The decision to sell Davenham Group Plc was for strategic reasons based on its businesses, principally the provision of specialised lending products to the UK corporate sector, no longer being considered as part of the Group's core activities.

Top left photograph: Management in Hong Kong, l-r: Ian Leung Tat Ming, Operations Director; Austin R. Caffrey, Chief Executive, Hong Kong Branch; and Alastair Murrey, Managing Director.