



United Kingdom

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The United Kingdom is one of the most dynamic and competitive banking centres in the world. Bank of Butterfield re-entered this market in 2001, and our presence in London complements our other businesses and enables us to offer UK banking facilities to our international client base.



Pictured Left to Right :

Alan S. Gray Managing Director

Richard Doughty Director & Head of Banking

Our core activities in the UK are multicurrency deposits, foreign exchange, secured credit facilities and custody of investment portfolios. The Bank's stable and growing customer base consists of corporate, institutional and private clients.

Over the past year we successfully integrated this business into Bank of Butterfield, with good co-operation and increasing business referrals from Bermuda, the Cayman Islands and Guernsey. We have upheld our reputation for quality service and experienced excellent client retention during the transition period following the acquisition.

During the year under review we maintained a strong and highly liquid balance sheet and our favourable Fitch ratings were reaffirmed. Total assets were steady throughout the year and averaged \$332.7 million. We are pleased with the reception given to the Bank in the London Money Market and expect to see balance sheet growth in the coming year.

Net income for the year was \$0.2 million, down from \$0.4 million achieved during the five months in fiscal 2001 in which we were a member of the Butterfield Group. Profitability has been adversely affected by the low level of global interest rates, which impacts on earnings from shareholder's funds. There was also a lower volume of customer foreign exchange activity compared to the previous year. In addition, the change of ownership has added to our stand-alone administrative costs with the integration into the Butterfield Group and as we invest for profitable growth and development.

The introduction of a new UK regulatory regime in December 2001 increased our compliance obligations. We anticipate that this will continue to add to costs as we ensure that we continue to observe fully our regulatory requirements and best practice.

Banking

We have developed a proactive marketing strategy, which includes the launch of our web site at www.bankofbutterfield.co.uk, and the design of customer presentations and information packs. Additionally, the Bank has introduced targeted mailing and visiting programmes and conducted limited product specific advertising. We continued to develop our range of services with the introduction of chequebooks. These initiatives have developed new relationships resulting in the opening of additional corporate, private client and custody accounts.

Lending

We provide secured credit facilities in sterling and other currencies for a variety of purposes. One of our specialties is the provision of mortgage loans for UK residential property purchases by expatriates and foreign nationals whether resident in the UK or not. These loans are available for owner occupied or investment property.

Treasury

Our treasury dealers provide a comprehensive service to corporate and private clients utilising our deposit and foreign exchange facilities. We continue to accept funds from a wide range of public and private sector entities that are located both in the UK and overseas.

Private Client Services

We provide a range of banking and other services to high net worth families and individuals who require detailed attention to their financial affairs. We have targeted this area for growth and have consequently added experienced people to our team.