

Financial Highlights

(In \$ thousands except per share data - unaudited except where stated)

	As at		
	31 March 2007	31 December 2006*	31 March 2006
Consolidated Balance Sheet			
Cash and deposits with banks	3,126,370	3,151,191	3,134,558
Investments	3,948,355	3,786,793	3,007,342
Loans	3,827,375	3,760,745	3,212,520
Total assets	11,350,667	11,132,802	9,724,695
Total deposits	10,259,945	10,042,832	8,738,499
Subordinated capital	282,017	280,168	278,761
Shareholders' equity	575,487	549,553	522,297

* Audited

	For the three month period ended		
	31 March 2007	31 December 2006	31 March 2006
Consolidated Statement of Income			
Total non-interest income	50,551	49,101	47,130
Net interest income after provision for credit losses	59,258	57,688	48,902
Other gains and losses	1,036	480	1,024
Total revenue	110,845	107,269	97,056
Total non-interest expense	73,570	73,564	63,490
Income taxes	(1,591)	(1,222)	(475)
Net income	35,684	32,483	33,091

Shareholder data

Return on shareholders' equity (%)	25.8	22.7	26.3
Earnings per share (\$)			
Basic	1.26	1.15	1.18
Diluted	1.22	1.11	1.15
Number of shares outstanding, in 000's	29,887	29,870	27,013
Dividend declared (cents)	48	44	44

Per Share Data

With the exception of dividends, per share data has been restated to reflect the 1 for 10 stock dividend in August 2006.

Further Financial Information

The Group's results are stated in accordance with US GAAP. Further financial information may be found on our web site at: www.butterfieldbank.com.



Butterfield Bank



Butterfield Bank

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QUARTERLY REPORT

REPORT TO SHAREHOLDERS & FINANCIAL RESULTS

THREE MONTHS ENDED 31 MARCH 2007

Q1 2007 Report to Shareholders

Dear Shareholder,

We are pleased to report that the Butterfield Bank Group realised another strong performance in the first quarter of 2007, following record 2006 results. Net income for the three months ended 31 March 2007 was \$35.7 million, up 7.8% year on year. Pre-tax net income was \$37.3 million, up 11.0% on a year ago. Diluted earnings per share were \$1.22, up 7 cents year on year.

Earnings growth was coupled with sizeable increases in assets under administration and assets under management. Of particular significance was the growth seen in the contributions from our Wealth Management and Fund Administration businesses in Bermuda, Cayman, Guernsey and the United Kingdom.

Our focus on strengthening and expanding our core businesses continued to shape our business strategy in Bermuda and internationally. During the quarter under review, we opened our new Fund Services office in Halifax as a base from which to extend our services to North American hedge funds. Our Swiss Asset Management operation also began building business during the quarter, accumulating assets under investment totalling \$16 million.

Reflecting the success of our business model and the Group's financial strength, *Global Finance* magazine named Butterfield Bank "Best Developed Market Bank" in Bermuda for 2007, the third consecutive year we have received this award. During the

quarter, Moody's Investor Services also increased the Bank's long-term deposit rating from A3 to Aa3. The short-term deposit rating was increased from P2 to P1.

In February, Dr. James A.C. King, a Director of the Bank for 29 years and Chairman for 10 years, announced his intention to retire following the Annual General Meeting of Shareholders on 18 April. During the quarter, Mr. Roderick Ferguson III, a Director for 19 years, also announced his intention to retire. Your Board nominated Messrs. Shaun Morris and Julian Francis to fill the vacancies, and these nominations were approved at the AGM. Mr. Brian Duperreault, who was previously Co-Vice Chair, was appointed by the Board to the position of Chairman upon Dr. King's retirement.

Quarterly Dividend

The Board approved a quarterly dividend of 48 cents per share, payable on Wednesday 16 May to shareholders of record on Wednesday 2 May 2007.

Quarterly Group Highlights

- **Return on equity** for the quarter was 25.8%, in line with the Group's target to achieve a return exceeding 20%.
- **Non-interest income** grew by 7.3% to \$50.6 million, up \$3.4 million year on year. This reflects strong growth in revenues from investment and pension fund administration, up 14.0%, customer-driven foreign exchange, up 12.3%, and trust and custody, up 8.4%.
- **Net interest income after credit provisions** increased to \$59.3 million, up 21.2%, reflecting balance sheet growth across all of the Group's operations.

- **Non-interest expenses** grew by \$10.1 million during the quarter, up 15.9% year on year. The increase reflects personnel related expenses associated with a rise in headcount from 1,619 a year ago to 1,784. The Group's efficiency ratio for the quarter was 64.7%.
- **Total assets** rose to \$11.4 billion, up from \$9.7 billion a year ago. The increase reflects solid growth in customer deposits, which have increased year on year by \$1.3 billion, or 14.7%, to \$9.8 billion.
- The **loan portfolio** increased year on year by 19.1%, or \$615 million, to \$3.8 billion, reflecting increased loan demand in Bermuda, Guernsey and the United Kingdom. The loan portfolio represents 33.7% of total assets, compared to 33.0% a year ago.
- The **Balance Sheet** remains highly liquid with a loan-to-assets ratio of 33.7%. Deposits with banks and investments were \$7.1 billion by quarter end, up from \$6.1 billion a year earlier, and representing 62.3% of total assets.
- **Assets under administration** across the Group increased by \$17.9 billion, or 16.7%, year on year, to reach \$125 billion. This reflects growth in administration services to mutual funds and hedge funds.
- **Assets under management** stood at \$10.8 billion at 31 March 2007, reflecting significant growth in client assets invested in Butterfield Funds, up year on year by 12.0% to \$6.3 billion.
- **Shareholders' equity** increased year on year by 10.2% to \$575.5 million. The loan to the Stock Option Trust at 31 March 2007 was \$34.5 million, up from \$24.4 million a

year ago. The Group has financed the purchase for the Stock Option Trust of 5.0% of the total shares in issue to satisfy its obligations under the Executive Officers' and Employee Stock Option Plans. During the quarter under review, the Bank's Stock Option Trust purchased 28,500 shares at a cost of \$1.7 million compared to the purchase of 103,459 shares at a cost of \$5.7 million for the like quarter a year ago. Under the Bank's Share Buy-Back Plan, 56,920 shares were also purchased and cancelled at a cost of \$3.3 million. No purchases by the Buy-Back Plan were made in the corresponding quarter in 2006.

- The **increase in shareholder value** for the quarter, defined as the increase in share price plus reinvestment of dividends in the Bank's shares, was 5.8%.

For full financial results and a detailed review of the Group's performance, please visit our website, www.butterfieldbank.com.



Brian Duperreault
Chairman



Alan Thompson
President & Chief Executive Officer