



Butterfield Bank

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Butterfield Bank

2007 | Q3

QUARTERLY REPORT

REPORT TO SHAREHOLDERS & FINANCIAL RESULTS

NINE MONTHS ENDED 30 SEPTEMBER 2007

Financial Highlights

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

	As at		
	30 September 2007	31 December 2006*	30 September 2006
Consolidated Balance Sheet			
Cash and deposits with banks	2,294,475	3,151,191	3,283,046
Investments	5,324,550	3,786,793	3,371,440
Loans	3,988,941	3,760,745	3,511,727
Total assets	12,101,531	11,132,802	10,574,166
Total deposits	10,985,667	10,042,832	9,528,918
Subordinated capital	283,511	280,168	280,514
Shareholders' equity	585,481	549,553	565,600

* Audited

	For the three month period ended			For the nine month period ended	
	30 September 2007	30 June 2007	30 September 2006	30 September 2007	30 September 2006
Consolidated Statement of Income					
Total non-interest income	55,358	53,534	48,103	159,443	144,553
Net interest income after provision for credit losses	63,786	61,649	55,058	184,693	157,533
Other gains and losses	1,880	866	2,915	3,782	5,697
Total revenue	121,024	116,049	106,076	347,918	307,783
Total non-interest expense	79,467	78,521	70,358	231,558	203,613
Income taxes	(1,911)	(1,619)	(1,066)	(5,121)	(2,570)
Net income	39,646	35,909	34,652	111,239	101,600

Shareholder data

Return on shareholders' equity (%)	27.1	25.1	24.5	26.0	25.2
Earnings per share (\$)					
Basic	0.47	0.42	0.41	1.31	1.20
Diluted	0.46	0.41	0.39	1.28	1.16
Number of common shares outstanding, in 000's	89,456	29,819	29,848	89,456	29,848
Dividend declared (cents)	16	16	15	48	44

Per Share Data

Per share data has been restated to reflect the 3 for 1 stock split in August 2007 (rounded to the nearest cent).

Further Financial Information

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

Q3 2007 Report to Shareholders

Dear Shareholder,

We are pleased to report that the third quarter of 2007 was another quarter of strong performance for Butterfield Bank Group. Net income for the three months ended 30 September was \$39.6 million, up 14.4% over the same period last year. Diluted earnings per share were \$0.46, up 7 cents year on year and up 5 cents from the previous quarter.

Against a backdrop of uncertainty in financial markets resulting from the global credit crisis, our strategy of diversification across business lines and regions contributed to solid results. The performance of the Group's core businesses remained in line with expectations and year on year asset and revenue growth across the Group were significant at 14.4% and 14.1%, respectively. Our Bermuda, Bahamas, Cayman, Guernsey and UK businesses all generated record net income during the quarter.

Since our last Report to Shareholders, we announced the formation of a new subsidiary in Switzerland to provide fiduciary, trust and company administration services. Butterfield Trust (Switzerland) Limited, to be based in Geneva, will complement our existing Swiss wealth management services, which are provided from our office in Zurich. In addition, in late October, we announced our acquisition of Bentley Reid Group, a privately held, international wealth management company. With this transaction, we acquired a sizeable and growing private

client business in Hong Kong and access to the dynamic Far East market. Bentley Reid's UK wealth management operations are an excellent complement to our private banking operations in London and their Malta trust business provides us with a foothold in one of Europe's newer financial jurisdictions.

We also introduced several products and service enhancements within our existing businesses during the quarter to attract new customers and retain existing business. Of particular note were the introduction of online banking services in Barbados, the opening of the Governor's Square branch in Grand Cayman (replacing the West Shore location) and the introduction of the British Airways Visa Platinum card in Bermuda.

Quarterly Dividend

Your Board has approved a quarterly dividend of 16 cents per share, which remains unchanged from the previous quarter when the impact of the August stock split (in which shareholders received two additional shares for each share held) is taken into account. The dividend is payable on Wednesday 21 November 2007 to shareholders of record on Wednesday 7 November 2007.

Quarterly Group Highlights

- **Return on equity** for the quarter was 27.1%, in line with the Group's target to achieve a return exceeding 20%.
- **Non-interest income**, at \$55.4 million, was a record and was up 15.1% or \$7.3 million year on year. This reflects strong growth in revenues from trust and custody, up

26.3%, customer-driven foreign exchange, up 25.1%, asset management, up 13.8%, and investment and pension fund administration, up 11.9%.

- **Net interest income** of \$63.8 million, before credit-related provisions, was also a record and is up by \$8.7 million, or 15.9%, year on year, reflecting balance sheet growth across all the Group's operations.
- **Non-interest expenses** grew by \$9.1 million, or 12.9%, to \$79.5 million, reflecting an increase in headcount to support business growth. The Group's efficiency ratio for the quarter was 64.6%, improving from 66.4% a year ago.
- **Total assets** rose to a record \$12.1 billion, compared to \$10.6 billion a year ago. The increase reflects solid growth in customer deposits, which have increased year on year by 16.4% to \$10.7 billion.
- The **loan portfolio** increased year on year by 13.6%, or \$477 million, to \$4.0 billion, reflecting increased loan demand, particularly in our Bermuda, Guernsey and UK businesses, and represents 33.0% of total assets, compared to 33.2% a year ago.
- **Assets under administration** across the Group increased year on year by 22.7% to \$141 billion.
- **Shareholders' equity** increased year on year by \$19.9 million to \$585.5 million. The loan to the Stock Option Trust at 30 September 2007 was \$43.5 million, up from \$37.7 million a year ago. The Group has financed the purchase for the Stock Option Trust of 4.5% of the

total shares in issue to satisfy its obligations under the Executive Officers' and Employee Stock Option Plans. During the quarter, the Bank's Stock Option Trust purchased 844,913 shares at a cost of \$17.7 million, compared to the purchase of 318,742 shares (pre the recent stock split) at a cost of \$18.9 million for the like quarter a year ago. Purchases made during the quarter under the Bank's Share Buy-Back Plan and held as treasury stock totalled 251,189 shares at a cost of \$5.1 million, compared to nil for the same quarter last year. There were no purchases of Bank shares during the quarter by the Bank's Charitable Foundation, compared to 85,122 shares purchased by the Foundation in the like period in 2006.

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