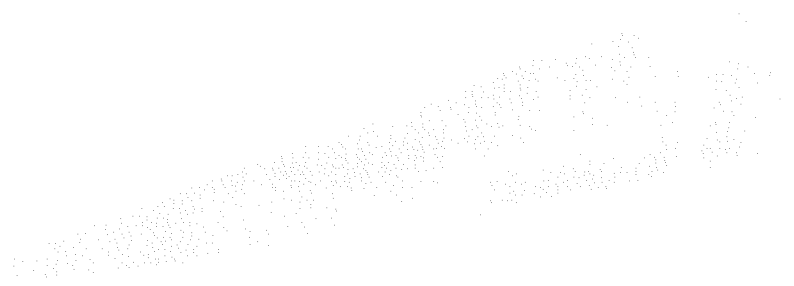


Butterfield Bermuda Fund Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2014

Ernst & Young Ltd.



Financial statements for Butterfield Bermuda Fund Limited for the year ended June 30, 2014, prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are presented in US dollars. The financial statements are audited by Ernst & Young Ltd., a member firm of Ernst & Young Global Limited, a Swiss entity. The financial statements are presented in the following order: Statement of Financial Position, Statement of Income, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows. The financial statements are presented in the following order: Statement of Financial Position, Statement of Income, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows. The financial statements are presented in the following order: Statement of Financial Position, Statement of Income, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows.



Building a better
working world

Butterfield Bermuda Fund Limited

To the Shareholders:

During the last year, the net asset value per share, exclusive of dividends, increased 6.2%. In addition, for the year ended June 30, 2014, the Fund paid total dividends of \$0.44 per share giving a total return for the year of 8.4%. The Fund's blended benchmark returned 14.6% for the same period. The strong benchmark performance for the year can be attributed to the performance of Butterfield Bank (up 47.4% for the year), which makes up 67% of the Bermuda Stock Exchange Index. The fund paid out \$0.11 for each of the quarterly dividends through the year giving a dividend yield of 2.2% (based on June 30, 2014 NAV). The Fund continues to maintain a dividend policy whereby the dividend yield of the Fund is representative of the dividend yield for the Fund's constituent companies.

Market Review

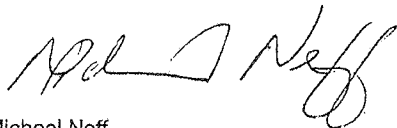
The domestic market, as represented by the BSE Index, returned 19.8% for the year, driven by the strong performance of Butterfield Bank stock. The Fund's 2014 fiscal year highlighted the difference between local financial companies which took the opportunity, or were forced, to restructure and strengthen their businesses after the 2008 crisis and the non-financial companies who have yet to adjust to the economic conditions present in Bermuda for the last 6 years. As a result BFM, Argus and Butterfield performed well though the year while Ascendant and Keytech have had a very poor year, ending with both companies having significantly negative returns and being forced to cut dividends in calendar 2014. Ascendant Group's dividend cut from \$0.2125 to \$0.075 was expected and prudent, as the company had been drawing down capital to pay dividends for several quarters, with the March dividend being more than double the company's earnings. The new dividend represents a more sustainable payout ratio and will allow retained earnings to build capital levels and contribute to Belco's large capital expenditure needs, as outlined under Ascendant Group's recently released energy plan. In addition, the Fund expects that Ascendant Group will raise capital in the form of either an equity or debt offering in the future to fund the capital projects needed to meet the islands power needs in a more efficient manner. The Bermuda Government continues to operate in a tough environment where they are, to some extent, restricted by the high per capita public debt levels and the high running costs of an overstuffed civil service. While renewed interest in tourist property developments, steady company registrations and a stabilisation of population levels are clear evidence that the new government has made progress during their first eighteen months in power, Bermuda has yet to see these efforts filter through into higher employment levels, higher consumer spending or the much needed population growth required to return GDP growth to positive territory. While the 2013 debt issue raised the cash needed to operate the civil service and fund deficits for several years, further debt issues will be needed in the coming years unless deficits are reduced by either cost cutting or an expansion of the tax base. The cost of borrowing will likely increase in future debt offerings as the island's debt to GDP ratio worsens and international yields begin to increase towards a more normalised level, a fact not missed by the rating agencies who have implemented several negative rating actions through the year.

Butterfield Bermuda Fund Limited

The foreign reinsurance market, as represented by the BSE Insurance Index, returned 10.6% for the year. Insured losses continued to be low through the year leading to steadily increasing capital levels at both the primary insurers and the reinsurers. Combined with increasing levels of non-traditional capital being added to the market in the form of side cars and insurance linked securities, the latter half of 2013 saw supply for reinsurance cover outpace demand by a significant margin leading to drops in premium rates of up to 20% in January renewals. While the biggest reduction in rates was in the US property and casualty business line, where ILS issuance is most concentrated, other markets were also adversely affected as capital usually dedicated to the US property and casualty market moved into other business lines. The fund was well positioned for volatility caused by falling premium rates, as it had reduced its overweight position in reinsurance companies back to equal weight in late 2013 in anticipation of a softening of the reinsurance markets. As capital levels have been continually increasing at the reinsurance companies and margins have been decreasing, the companies' management teams must decide how to deploy excess capital. During the early part of calendar 2014 we saw an increase in merger and acquisition activity. The Fund expects to see further merger and acquisition activity as companies look to expand into specialty business lines with higher margins or to gain economies of scale in an ongoing soft market. After a long period of trading at a discount to book value, the reinsurance companies are now trading above book value and look to be more fairly valued when compared to historical price to book ratios.

Outlook

While it is encouraging to see the general acceptance, specifically from the Bermuda Government, that the current prolonged period of economic decline is due to structural issues within Bermuda and not entirely to blame on the 2008 financial crisis, the local economy still has a long way to go before returning to pre-crisis growth levels. While the Fund increased its allocation to local stocks during the year in response to a less negative outlook for the local economy and the progress made by several companies in the restructuring of their businesses, the Fund will be hesitant to increase the local allocation any further until signs of an actual recovery begin to show. This could include an increase in employment, a growing population or a reduction in Government deficits along with other indicators. On the reinsurance side, the Fund will continue to seek the best opportunities as the soft market forces companies to become more innovative and less commoditised.



Michael Neff
President
Butterfield Bermuda Fund Limited
October 9, 2014



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Hamilton HM08, Bermuda
P.O. Box HM 463
Hamilton, HM BX, Bermuda

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Independent Auditor's Report

The Shareholders and Directors
Butterfield Bermuda Fund Limited

We have audited the accompanying statement of net assets and statement of portfolio investments of Butterfield Bermuda Fund Limited (the "Fund") as at June 30, 2014, and the related statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian and Bermudian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian and Bermudian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2014, and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian and Bermudian generally accepted accounting principles.

October 9, 2014

Butterfield Bermuda Fund Limited

DIRECTORS

Shane English
Michael Neff (President)
Michael Collins

INVESTMENT ADVISER

Butterfield Asset Management Limited
P.O. Box HM 195
Hamilton HM AX
Bermuda

CUSTODIAN

Butterfield Trust (Bermuda) Limited
P.O. Box HM 195
Hamilton HM AX
Bermuda

REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

MUFG Fund Services (Bermuda) Limited*
The Belvedere Building**
69 Pitts Bay Road
Pembroke HM 08
Bermuda

*Effective September 30, 2013, Butterfield Fulcrum
Group (Bermuda) Limited changed its name to
MUFG Fund Services (Bermuda) Limited

**Effective July 30, 2014, MUFG Fund Services (Bermuda) Limited
changed its address from
26 Burnaby Street
Hamilton HM 11
Bermuda

AUDITORS

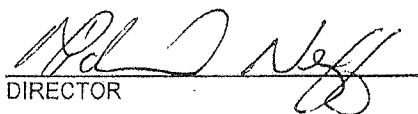
Ernst & Young Ltd.
P.O. Box HM 463
Hamilton HM BX
Bermuda

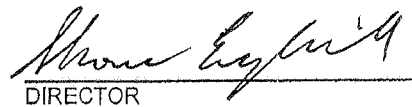
Butterfield Bermuda Fund Limited

STATEMENT OF NET ASSETS As at June 30, 2014 (Expressed in Bermuda Dollars)

ASSETS	Notes	2014	2013
Investments, at fair value (Cost: 2014 - \$10,269,054; 2013 - \$10,617,563)	3, 4	\$ 13,873,770	\$ 12,773,339
Cash and cash equivalents	2 c)	208,615	737,097
Due from broker		-	160,475
Dividends and interest receivable		22,540	7,930
Prepaid expenses		8,018	4,562
		14,112,943	13,683,423
LIABILITIES			
Dividends payable	6	74,969	77,123
Accrued expenses	8, 9	33,066	36,310
		108,035	113,433
Organisational shares	5	14,004,908 12,000	13,569,990 12,000
NET ASSETS		\$ 13,992,908	\$ 13,557,990
NET ASSETS AVAILABLE TO SHAREHOLDERS - CLASS A		\$ 13,992,908	\$ 13,557,990
Number of common shares in issue – Class A	5	681,541	701,114
NET ASSET VALUE PER COMMON SHARE – CLASS A		\$ 20.53	\$ 19.34

Signed on behalf of the Board


DIRECTOR


DIRECTOR

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF PORTFOLIO INVESTMENTS As at June 30, 2014 (Expressed in Bermuda Dollars)

	Number of Shares	2014 Fair Value	% of Portfolio	Number of Shares	2013 Fair Value	% of Portfolio
INVESTMENTS						
Common Stock and Preferred Shares						
ACE Limited	16,000	\$ 1,659,200	11.96%	21,200	\$ 1,896,976	14.85%
Allied World Assurance Company Limited	15,300	581,706	4.20%	5,100	466,701	3.65%
Arch Capital Group Ltd.	11,350	651,944	4.70%	18,400	945,944	7.41%
Argus Group Holdings Limited	210,894	860,447	6.20%	79,193	330,234	2.59%
Ascendant Group Limited	67,326	446,371	3.22%	83,326	916,586	7.18%
Aspen Insurance Holdings Limited	16,340	742,163	5.35%	21,400	793,726	6.21%
Assured Guaranty Ltd.	32,000	784,000	5.65%	32,000	705,920	5.53%
Axis Capital Holdings Limited	11,620	514,534	3.71%	11,620	531,964	4.16%
Bank of N.T. Butterfield & Son Limited	925,896	1,842,533	13.28%	889,518	1,267,563	9.92%
Bank of N.T. Butterfield & Son Limited Contingent Value Preference Shares	38,460	76,535	0.55%	38,460	54,806	0.43%
Bermuda Aviation Services Ltd.	110,556	346,040	2.49%	110,556	505,241	3.96%
Bermuda Press (Holdings) Ltd.	5,431	53,631	0.39%	5,431	43,448	0.34%
BF&M Limited	60,532	1,041,147	7.50%	18,973	309,257	2.42%
Endurance Specialty Holdings Ltd.	8,650	446,254	3.22%	12,200	627,690	4.91%
Everest Re Group Ltd.	4,260	683,687	4.93%	6,860	879,864	6.89%
KeyTech Limited	134,502	638,885	4.60%	7,994	50,922	0.40%
Montpelier Re Holdings Ltd.	16,800	536,760	3.87%	16,800	420,168	3.29%
PartnerRe Ltd.	6,140	670,549	4.83%	6,140	556,038	4.35%
RenaissanceRe Holdings Ltd.	7,642	817,694	5.89%	7,642	663,249	5.19%
RenaissanceRe Holdings Ltd. Series C 6.08% Preferred Shares	-	-	-	6,420	158,125	1.24%
Validus Holdings Limited	12,179	465,725	3.36%	17,579	634,953	4.97%
West Hamilton Holdings Limited	1,900	13,965	0.10%	1,900	13,964	0.11%
TOTAL INVESTMENTS, AT FAIR VALUE						
(Cost: 2014 - \$10,269,054; 2013 - \$10,617,563)		\$ 13,873,770	100.00%		\$ 12,773,339	100.00%

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF OPERATIONS For the year ended June 30, 2014 (Expressed in Bermuda Dollars)

	Notes	2014	2013
INVESTMENT INCOME			
Dividends		\$ 420,452	\$ 409,292
Deposit interest		1,483	906
		421,935	410,198
EXPENSES			
Management fee	8 a)	110,078	97,917
Administration fee	9	29,992	28,980
Audit fee		15,988	14,062
Custodian fee	8 b)	15,062	12,837
Investment service fee	8 d)	4,500	4,500
Government fee		3,486	11,968
Miscellaneous		20,569	16,231
		199,675	186,495
NET INVESTMENT INCOME		222,260	223,703
NET REALISED AND CHANGE IN UNREALISED GAIN/(LOSS) ON INVESTMENTS			
Net realised loss on investments	7	(405,175)	(955,271)
Net change in unrealised gain on investments		1,448,938	2,872,397
NET GAIN ON INVESTMENTS		1,043,763	1,917,126
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$ 1,266,023	\$ 2,140,829

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF CHANGES IN NET ASSETS For the year ended June 30, 2014 (Expressed in Bermuda Dollars)

	Note	2014	2013
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$ 1,266,023	\$ 2,140,829
<hr/>			
DISTRIBUTIONS TO INVESTORS			
Dividends paid and payable	6	(331,015)	(315,356)
<hr/>			
CAPITAL STOCK TRANSACTIONS			
Issue of shares		4,542,096	779,184
Redemption of shares		(5,042,186)	(3,835,763)
<hr/>			
Net capital stock transactions		(500,090)	(3,065,579)
<hr/>			
NET INCREASE/(DECREASE) IN NET ASSETS FOR THE YEAR		434,918	(1,231,106)
NET ASSETS - BEGINNING OF YEAR		13,557,990	14,789,096
<hr/>			
NET ASSETS - END OF YEAR		\$ 13,992,908	\$ 13,557,990

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(Expressed in Bermuda Dollars)

1. ABOUT THE FUND

Butterfield Bermuda Fund Limited (the "Fund") is an open-ended investment company which was incorporated under the laws of Bermuda on February 22, 1994.

The Fund commenced operations on March 31, 1994. Butterfield Trust (Bermuda) Limited acts as custodian (the "Custodian"). Butterfield Asset Management Limited acts as investment adviser (the "Investment Adviser"). MUFG Fund Services (Bermuda) Limited (formerly Butterfield Fulcrum Group (Bermuda) Limited) acts as registrar and transfer agent and as accountants/administrator (the "Registrar and Transfer Agent" or "Administrator") for the Fund. The Custodian and Investment Adviser are wholly owned subsidiaries of The Bank of N.T. Butterfield & Son Limited (the "Bank").

The Investment Adviser, Custodian and Bank each maintains separate business units, roles and responsibilities to ensure segregation between different functions.

The investment objective of the Fund is to provide long term capital growth and current income by investing in a diversified portfolio of Bermuda assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and Bermuda ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and the difference could be material. The following is a summary of significant accounting policies followed by the Fund:

a) Valuation of Investments

The fair values of investments traded in active markets are based on quoted market prices at the close of trading on the period end date. The quoted market price used for investments held by the Fund is the bid price reported by the principal securities exchange on which the issue is traded. An investment is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The net change during the year between these amounts and cost is shown as net change in unrealised gain/(loss) on investments in the statement of operations.

b) Investment Transactions and Income Recognition

Investment transactions are accounted for on the trade date. Gains or losses arising from the sale of investments are determined using the average cost basis. Income from investments is recorded on the accrual basis. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

c) Cash and Cash Equivalents

Cash equivalents are comprised of shares in Butterfield Money Market Fund Limited, an affiliated money market fund, denominated in US\$ shares. Shares may be redeemed on 24 hours' notice. The fair value of the Fund's holding in the money market fund as of June 30, 2014 was \$15,418 (2013 - \$149,353).

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(Expressed in Bermuda Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Assets and Liabilities

In addition to the estimated fair values of investments as disclosed in the statements of portfolio investments, the estimated fair values of the Fund's other financial instruments, including cash and cash equivalents, due from broker, dividends and interest receivable, dividends payable and accrued expenses approximate their carrying values.

e) Translation of Foreign Currencies

Assets and liabilities that are denominated in foreign currencies are translated into Bermuda dollars at rates of exchange on the period end date. Transactions during the period are translated at the rate in effect at the date of the transaction. Foreign currency translation gains and losses are included in the statement of operations.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realised and change in unrealised gain/(loss) on investments in the statement of operations.

f) Adoption of New Accounting Standards

Investment companies that are publicly accountable enterprises are required to adopt International Financial Reporting Standards ("IFRS") for the first time for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. As a result, the Fund will adopt IFRS beginning July 1, 2014 and publish its first financial statements, prepared in accordance with IFRS, for the annual period ending June 30, 2015. The 2015 annual financial statements will include 2014 comparative financial statements and an opening statement of net assets as of July 1, 2013, also prepared in accordance with IFRS.

The Investment Adviser has developed a transition plan to changeover to IFRS and meet the required timetable. As at June 30, 2014, the expected impact to the financial statements based on the Investment Adviser's assessment of the differences between GAAP and IFRS are as follows:

- IFRS 13 *Fair Value Measurement* permits the use of mid-market prices or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, net assets for financial reporting purposes (NAV) may be impacted and could align with the value used to price unitholder transactions (Transaction NAV), eliminating the need for a reconciliation.
- Shares of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. As a result, shareholders' equity may be required to be presented as a liability in the statements of net assets with related distributions presented as an expense in the statements of operations. Alternatively, equity presentation would require additional disclosure of the components of equity.
- IFRS requires the presentation of a statement of cash flows, including comparatives. The Fund has not previously presented this statement as permitted by GAAP.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management approach includes formal guidelines to govern the extent of exposure to various types of risk. The Investment Adviser also has various internal controls to oversee the Fund's investment activities, including monitoring compliance with the investment objective and strategies, internal guidelines and securities regulations.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. Financial instruments that potentially expose the Fund to credit risk consist primarily of cash and cash equivalents and balances held at brokers.

The value of such balances on the statement of net assets includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund. The Fund monitors the credit rating of its broker to mitigate this risk.

Currency Risk

Currency risk is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates. When the Fund enters into transactions which are denominated in currencies other than the Fund's reporting currency, the Investment Adviser attempts to mitigate the associated currency risk, which may include the use of forward currency contracts. As at June 30, 2014 and 2013, the Fund's exposure to currencies other than the Fund's reporting currency was limited to small balances of cash and cash equivalents denominated in foreign currencies which are not significant to the Fund as a whole.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Predominantly all of the Fund's investments are liquid securities which are actively traded on stock exchanges. As a result, the Fund is not subject to fair value interest rate risk due to possible fluctuations in the prevailing levels of market interest rates.

The Fund's exposure to interest rate risk is limited to its cash and at the bank which represents 1.49% (2013 - 5.44%) of the Fund's net assets. The Fund does not have any other significant interest-bearing assets or liabilities.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to liquidity risk by way of weekly cash redemptions of redeemable units. However, the Fund retains sufficient cash, cash equivalents and actively traded marketable securities to maintain adequate liquidity to address this risk. The Fund also has a credit facility in place to assist the Fund in meeting short term liquidity obligations.

Price/Market Risk

Price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. All investments of the Fund are exposed to price/market risk. The Investment Adviser attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy. All of the Fund's investments at June 30, 2014 and 2013 were listed on stock exchanges.

All of the Fund's investments were exposed to changes in equity prices. As at June 30, 2014, if equity prices had been 5% higher or lower, adjusted for the correlation of the actual investment portfolio value held to equity price movements with all other variables held constant, the net assets of the Fund would have been \$693,689 (2013 - \$638,667) higher or lower. A sensitivity rate of 5% is used when reporting price/market risk internally to key management personnel and represents management's assessment of possible change in market prices.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(Expressed in Bermuda Dollars)

4. FAIR VALUE OF FINANCIAL ASSETS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are market observable for the asset or liability, either directly or indirectly; and,
- Level 3 - inputs for the asset or liability that are not based on observable market data, including the Fund's own assumptions in determining the fair value of investments.

June 30, 2014				
Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common stock	\$ 13,797,235	\$ -	\$ -	\$ 13,797,235
Preferred shares	-	76,535	-	76,535
Total Financial Assets	\$ 13,797,235	\$ 76,535	\$ -	\$ 13,873,770

June 30, 2013				
Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common stock	\$ 12,560,408	\$ -	\$ -	\$ 12,560,408
Preferred shares	158,125	54,806	-	212,931
Total Financial Assets	\$ 12,718,533	\$ 54,806	\$ -	\$ 12,773,339

Transfers of Assets between Level 1 and Level 2

Financial assets and liabilities transferred from Level 1 to Level 2 are the result of the securities no longer being traded in an active market. There were no transfers of financial assets and liabilities from Level 1 to Level 2 during the years ended June 30, 2014 and 2013. Financial assets and liabilities transferred from Level 2 to Level 1 are the result of the securities now being traded in an active market. There were no transfers of financial assets and liabilities from Level 2 to Level 1 during the years ended June 30, 2014 and 2013.

Reconciliation of Financial Asset and Liability Movement- Level 3

The Fund did not hold any level 3 investments at the beginning, during, or at the end of the years ended June 30, 2014 and 2013.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(Expressed in Bermuda Dollars)

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock is as follows:

12,500,000 Class A participating, non-voting common shares of a par value of \$1.00 each share

12,500,000 Class B participating, non-voting common shares of a par value of \$1.00 each share

12,000 organisational non-participating, voting shares of a par value of \$1.00 each share

Details of number of shares issued and outstanding as of June 30, 2014 and 2013 are as follows:

Common Shares	2014		2013	
	Class A	Class B	Class A	Class B
Balance - beginning of year	701,114	-	883,582	-
Issue of common shares	231,627	-	42,606	-
Redemption of common shares	(251,200)	-	(225,074)	-
Balance - end of year	681,541	-	701,114	-
Organisational Shares	12,000	-	12,000	-

Common shares are allotted to subscribers at a value determined by reference to the weekly valuation of the net assets of the Fund. Common shares may be redeemed weekly for an amount equal to the net asset value per share as at the close of business on the Valuation Day, following receipt of the properly completed request for redemption, subject to the power of the directors to deduct there from an amount sufficient in their opinion to meet sale and fiscal charges incurred in realising assets to provide funds to meet the request.

The organisational shares are owned by the Investment Adviser and its nominees. Under the Bye-Laws, the organisational shares have only nominal rights if and so long as there are any other shares of the Fund in issue.

6. DIVIDENDS

Dividends declared by the Fund on Class A were as follows:

	Declaration Date	2014	Declaration Date	2013
\$0.11 per share (2013 - \$0.11 per share)	Sept 30, 2013	\$ 98,988	Sept 28, 2012	\$ 85,370
\$0.11 per share (2013 - \$0.11 per share)	Dec 31, 2013	82,718	Dec 31, 2012	77,078
\$0.11 per share (2013 - \$0.11 per share)	March 31, 2014	74,340	March 28, 2013	75,785
\$0.11 per share (2013 - \$0.11 per share)	June 30, 2014	74,969	June 28, 2013	77,123
		\$ 331,015		\$ 315,356

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended June 30, 2014 (Expressed in Bermuda Dollars)

7. NET REALISED LOSS ON INVESTMENTS

The net realised loss on sale of investments was as follows:

	2014	2013
Proceeds from sale of investments	\$ 4,457,805	\$ 3,969,456
Less cost of investments sold:		
Investments owned - beginning of year	10,617,563	15,542,290
Investments purchased during year	4,514,471	-
Investments owned - end of year	(10,269,054)	(10,617,563)
Investments sold during the year	4,862,980	4,924,727
Net realised loss on investments	\$ (405,175)	\$ (955,271)

8. RELATED PARTY TRANSACTIONS

a) Management Fee

The Investment Adviser is related to the Fund through common directorship.

Under the terms of the management agreement, the Investment Adviser is entitled to receive a monthly fee calculated at the rate of no more than 1% per annum of the average valuation of the net assets of the Fund carried out on the Valuation Days during each month. Presently, the monthly fee is calculated at the rate of 0.75% per annum for both the Class A and Class B shares. There are currently no outstanding shares for Class B. The fee of the Investment Adviser is reduced to take account of the management fee already levied on assets held in shares of other funds managed by the Investment Adviser. Management fee for the year was \$110,078 (2013 - \$97,917) with \$9,564 (2013 - \$10,725) being payable and included in accrued expenses at year end.

b) Custodian Fee

In accordance with the custodian agreement, the Custodian receives a fee based upon the nature and extent of the services provided. Relevant out-of-pocket expenses may also be charged to the Fund by the Custodian. The custodian fee for the year was \$15,062 (2013 - \$12,837) with \$2,362 (2013 - \$2,130) being payable and included in accrued expenses at year end.

c) Credit Facility

On July 15, 2013, the Fund renewed the unsecured credit facility agreement with the Bank in the amount of \$1,300,000 (2013 - \$2,000,000). The agreement bears an interest rate of 1% per annum above the higher of the LIBOR or the funding costs incurred by the Bank in making the revolving credit facility available on any date of drawdown with accrued interest payable monthly in arrears. The facility expired on June 30, 2014 and was subsequently renewed on July 4, 2014. Refer to Note 12 for further details.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

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8. RELATED PARTY TRANSACTIONS (CONTINUED)

d) Investment Service Fee

The investment services fee is paid to the Bank for additional registrar and transfer agent services provided to the Fund which had been previously provided by the administrator. The investment services fee is a set fee for the Butterfield group of funds, allocated to the individual funds based on their proportion of Net Asset Value. The fee for 2014 was \$4,500 (2013 - \$4,500), none of which remained payable at year end.

9. ADMINISTRATION FEE

In accordance with the administration agreement, the Administrator receives a fee based upon the nature and extent of the services provided. Administration fee for the year was \$29,992 (2013 - \$28,980) with \$3,558 (2013 - \$5,496) being payable and included in accrued expenses at year end.

10. TAXATION

Under current Bermuda law, the Fund is not obligated to pay taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda, pursuant to the provisions of the exempted undertaking Tax Protection Act, 1966 which exempts the Fund from any such Bermuda taxes until March 28, 2016.

In March 2011, the Bermuda Government enacted the Exempted Undertakings Tax Protection Amendment Act 2011 allowing the Minister of Finance to grant assurance up to March 31, 2035.

11. FINANCIAL HIGHLIGHTS

The financial highlights information for Class A shares is as follows:

	2014 CLASS A	2013 CLASS A
Per Share Information		
Net asset value - beginning of year	\$ 19.34	\$ 16.74
Income from investment operations		
Net investment income	0.27	0.31
Net realised and change in unrealised gain on investments	1.36	2.73
Total from investment operations	1.63	3.04
Distributions to investors	(0.44)	(0.44)
Net asset value - end of year	\$ 20.53	\$ 19.34

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended June 30, 2014 (Expressed in Bermuda Dollars)

11. FINANCIAL HIGHLIGHTS (CONTINUED)

	2014 CLASS A	2013 CLASS A
Ratios / Supplemental Data		
Total net assets - end of year	\$ 13,992,908	\$ 13,557,990
Weighted average net assets*	\$ 14,923,841	\$ 13,187,797
Ratio of expenses to weighted average net assets annualised	1.34%	1.41%
Portfolio turnover rate**	31.53%	0.00%
Annual rate of return***	8.43%	18.16%

* Weighted average net assets are calculated using net assets on the last valuation date of each month.

** Portfolio turnover rate is calculated for the total of Class A shares using the lesser of purchases or sales of investments for the year divided by the weighted average value of investments, calculated using the last valuation date of each month. No portfolio turnover rate was presented for the year ended June 30, 2013 as there were no net purchases during the year.

*** Annual rate of return for shareholders who reinvested dividends is calculated by comparing the end of year net asset value per share plus any dividend per share amounts to the beginning of year net asset value per share.

12. SUBSEQUENT EVENTS

On July 4, 2014, the Fund renewed the unsecured credit facility with the Bank for \$1,400,000. The renewed credit facility bears an interest rate of 1% per annum above the higher of the LIBOR or the funding cost incurred by the Bank in making the revolving facility available on any date of drawdown with accrued interest payable monthly in arrears. The renewed unsecured credit facility expires on June 30, 2015.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year presentation.

