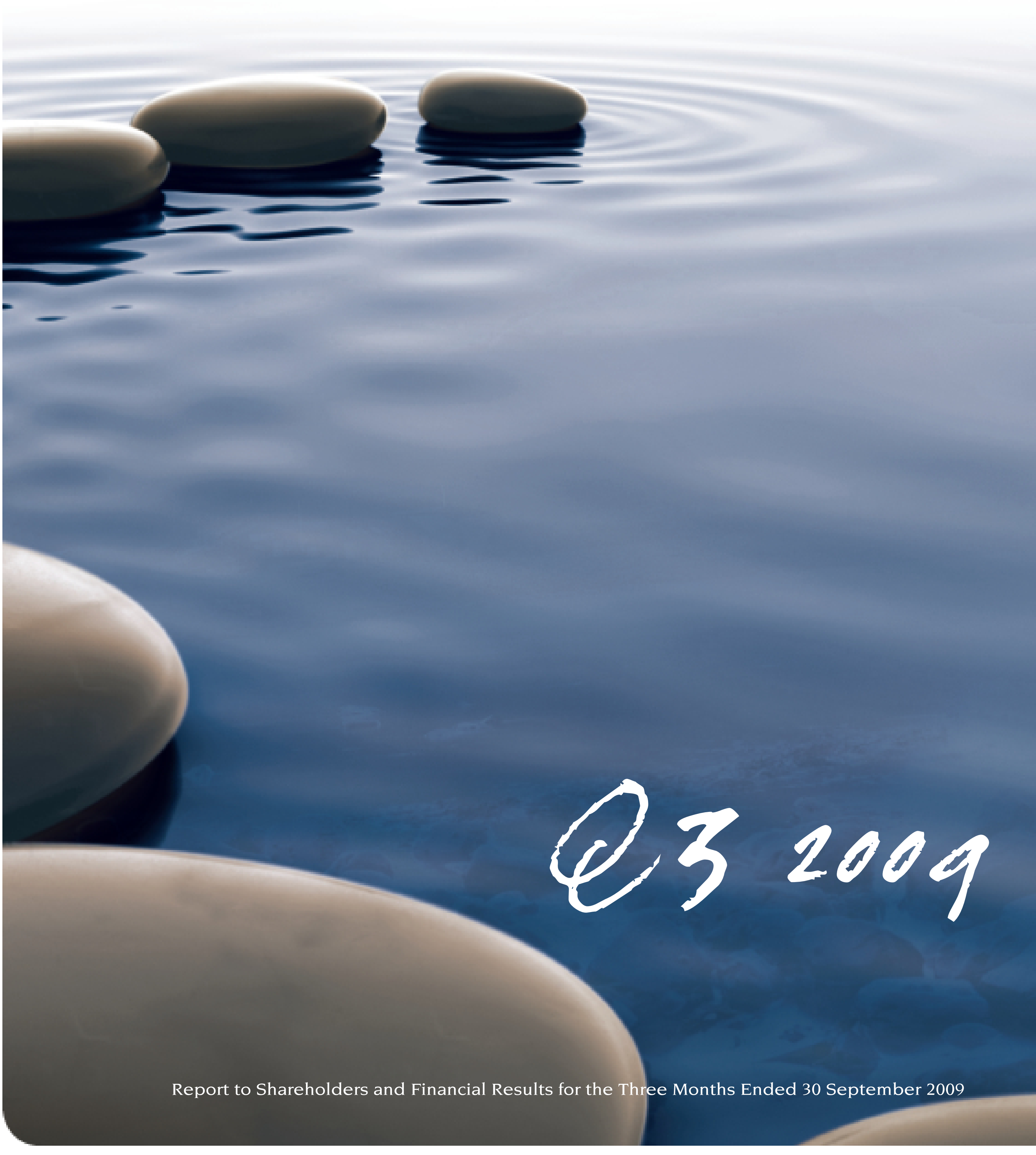
Butterfield



Q3 2009

Report to Shareholders and Financial Results for the Three Months Ended 30 September 2009

Consolidated Balance Sheet

(In $ thousands)

	As at	
	30 September 2009	31 December 2008
	Unaudited	
Assets		
Cash and demand deposits with banks	369,401	572,441
Term deposits with banks	1,386,555	1,648,949
Total cash and deposits with banks	1,755,956	2,221,390
Investments		
Trading	29,357	48,329
Available for sale	878,149	579,799
Held to maturity	2,106,420	3,195,951
Total investments	3,013,926	3,824,079
Loans, net of allowance for credit losses	4,364,550	4,418,277
Premises, equipment and computer software	244,800	197,155
Accrued interest	18,883	39,567
Goodwill	15,665	14,364
Intangible assets	56,528	57,250
Other assets	142,020	139,762
Total assets	9,612,328	10,911,844
Liabilities		
Deposits		
Non-interest bearing	1,018,664	920,866
Interest bearing		
Customers	7,306,270	8,485,309
Banks	56,313	395,094
Total deposits	8,381,247	9,801,269
Employee future benefits	130,489	120,038
Accrued interest	20,178	24,931
Dividend payable	5,253	3,819
Other liabilities	133,007	161,051
Total other liabilities	288,927	309,839
Subordinated capital	283,001	282,296
Total liabilities	8,953,175	10,393,404
Shareholders' equity		
Common share capital ($1.00 par: Authorised shares 260,000,000 (31 December 2008: 260,000,000) issued and outstanding: 98,399,858 (31 December 2008: 98,399,858))	98,400	98,400
Preferred share capital ($1,000 par: Authorised shares 200,000 (31 December 2008: nil) issued and outstanding: 200,000 (31 December 2008: nil))	200,000	-
Additional paid in capital	568,324	604,116
Accumulated deficit	(66,375)	(35,006)
Less: treasury common stock	(42,223)	(82,700)
Accumulated other comprehensive loss	(98,973)	(66,370)
Total shareholders' equity	659,153	518,440
Total liabilities and shareholders' equity	9,612,328	10,911,844

Consolidated Statement of Income

(In $ thousands, except per share data - unaudited)

	For the three month period ended		For the nine month period ended	
	30 September 2009	30 September 2008	30 September 2009	30 September 2008
Non-interest income				
Asset management	6,591	10,340	20,715	32,129
Banking	8,797	9,528	27,509	28,152
Foreign exchange revenue	7,551	10,448	25,414	32,817
Investment and pension fund administration	-	10,045	-	35,583
Trust	7,347	7,582	21,012	22,084
Custody and other administration services	3,321	4,641	10,305	14,393
Other non-interest (expense) income	(848)	(574)	8,614	5,252
Total non-interest income	32,759	52,010	113,569	170,410
Interest income				
Loans	53,921	65,394	159,890	201,411
Investments	9,058	45,853	38,393	153,441
Deposits with banks	2,069	21,652	10,643	72,171
Total interest income	65,048	132,899	208,926	427,023
Interest expense				
Deposits	14,428	68,956	55,050	226,691
Subordinated capital	3,705	3,652	11,411	10,050
Securities sold under repurchase agreements	-	-	258	-
Total interest expense	18,133	72,608	66,719	236,741
Net interest income before provision for credit losses	46,915	60,291	142,207	190,282
Provision for credit losses	(1,877)	(282)	(3,987)	(1,754)
Net interest income after provision for credit losses	45,038	60,009	138,220	188,528
Revenue before gains and losses	77,797	112,019	251,789	358,938
Net realised gains on available for sale securities	571	-	240	-
Gain on sale of subsidiaries	-	115,479	-	115,479
Net realised / unrealised gains (losses) on trading securities	594	(3,242)	1,164	(3,219)
Net realised gains (losses) on held to maturity investments	322	-	2,391	(23,032)
Other-than-temporary impairments on held to maturity investments	-	(7,600)	(40,949)	(7,600)
Net other gains (losses)	1,481	(39,808)	6,354	(58,714)
Total revenue	80,765	176,848	220,989	381,852
Non-interest expense				
Salaries and other employee benefits	36,644	50,658	119,302	152,205
Technology and communications	12,986	11,881	36,950	30,861
Professional and outside services	4,675	8,506	13,218	25,703
Property	7,140	8,055	20,971	24,278
Non-income taxes	3,548	4,084	10,058	11,874
Amortisation of intangible assets	1,609	1,851	4,645	5,771
Marketing	1,297	1,610	4,051	5,546
Other expenses	5,254	7,185	15,968	19,775
Total non-interest expense	73,153	93,830	225,163	276,013
Net income (loss) before income taxes	7,612	83,018	(4,174)	105,839
Income taxes (expense) benefit	(601)	(2,566)	737	(5,559)
Net income (loss)	7,011	80,452	(3,437)	100,280
Earnings (loss) per share				
Basic	0.02	0.85	(0.09)	1.06
Diluted	0.02	0.84	(0.09)	1.04

Earnings (loss) per share comparative figures have been restated for the $0.04 stock dividend declared for March, May and August 2009.

Consolidated Statement of Changes in Retained Earnings and Comprehensive Income

(In $ thousands - unaudited)

	For the three month period ended		For the nine month period ended	
	30 September 2009	30 September 2008	30 September 2009	30 September 2008
Retained earnings (accumulated deficit)				
Balance at beginning of period	(60,443)	(2,044)	(35,006)	167,607
Effect of changing employee future benefit plans' measurement date	-	-	-	(1,068)
Net income (loss)	7,011	80,452	(3,437)	100,280
Common dividends declared payable in cash	(3,809)	(14,710)	(11,282)	(44,208)
Preferred dividends declared	(4,400)	-	(4,400)	-
Preferred shares guarantee fee	(550)	-	(550)	-
Stock dividend	(4,184)	-	(11,700)	(158,913)
Balance at end of period	(66,375)	63,698	(66,375)	63,698
Accumulated other comprehensive loss				
Balance at beginning of period	(56,972)	(13,163)	(66,370)	(11,271)
Net change in unrealised gains and losses on translation of net investment in foreign operations	(5,214)	(6,078)	470	(8,100)
Net change in unrealised gains and losses on available for sale securities	(37,877)	155	(36,474)	(477)
Net change in employee future benefits	1,090	305	3,401	1,067
Balance at end of period	(98,973)	(18,781)	(98,973)	(18,781)

Consolidated Statement of Cash Flows

(In $ thousands - unaudited)

	For the three month period ended		For the nine month period ended	
	30 September 2009	30 September 2008	30 September 2009	30 September 2008
Cash flows from operating activities				
Net income (loss)	7,011	80,452	(3,437)	100,280
Adjustments to reconcile net income (loss) to operating cash flows				
Depreciation and amortisation	8,443	9,034	21,225	21,161
Write down of computer software	-	29,180	-	29,180
Decrease (increase) in carrying value of investments in affiliates	2,858	1,479	1,586	(717)
Share-based compensation	869	759	2,476	5,144
Gain on sale of subsidiaries	-	(115,479)	-	(115,479)
Loss on sale of premises and equipment	27	108	9	40
Net realised and unrealised (gains) losses on private equity investments	(1,550)	2,923	(2,987)	(21,873)
Net losses (gains) on credit derivative instruments	-	6,915	(3,304)	50,375
Other-than-temporary impairments on held to maturity investments	-	7,600	40,949	7,600
Net realised (gains) losses on held to maturity investments	(322)	-	(2,391)	23,032
Net realised gains on sale of available for sale securities	(571)	-	(240)	-
Provision for credit losses	1,877	282	3,987	1,754
Changes in operating assets and liabilities				
Decrease in accrued interest receivable	1,572	8,555	21,650	21,787
(Increase) decrease in other assets	(10,694)	(8,056)	1,090	3,450
(Decrease) increase in accrued interest payable	(2,103)	1,154	(5,313)	(3,762)
Increase (decrease) in other liabilities	2,899	51,326	(21,807)	45,103
	10,316	76,232	53,493	167,075
Net change in trading account securities	992	(97,450)	20,746	(98,364)
Cash provided by (used in) operating activities	11,308	(21,218)	74,239	68,711
Cash flows from investing activities				
Net decrease in term deposits with banks	355,349	456,018	320,345	637,234
Net additions to premises, equipment and computer software	(9,764)	(3,861)	(42,638)	(25,760)
Net decrease (increase) in loans	5,248	(210,159)	105,322	(397,646)
Held to maturity securities: proceeds from maturities	90,160	4,404,901	787,148	5,454,841
Held to maturity securities: purchases	(2,056)	(4,347,524)	(2,056)	(5,328,558)
Available for sale securities: proceeds from sale and maturities	512,304	1,796,818	1,450,666	5,127,310
Available for sale securities: purchases	(812,596)	(1,815,326)	(1,467,064)	(5,580,978)
Proceeds on sale of private equity investment	-	-	-	12,872
Proceeds on sale of subsidiaries	-	131,721	-	131,721
Cash provided by investing activities	138,645	412,588	1,151,723	31,036
Cash flows from financing activities				
Net (decrease) increase in demand and term deposit liabilities	(270,217)	(278,076)	(1,602,863)	33,025
Issuance of subordinated capital	-	-	-	78,000
Repayment of subordinated capital	-	-	-	(78,000)
Issuance of preferred share capital	-	-	200,000	-
Cost of issuing preferred share capital	(527)	-	(11,783)	-
Proceeds from dividend re-investment plan	690	3,027	2,160	8,659
Stamp duty paid to increase authorised share capital	-	-	-	(800)
Common shares repurchased	-	(4,941)	-	(28,701)
Treasury common stock	3	264	133	3,752
Cash dividends paid on common shares	(3,774)	(14,738)	(11,181)	(43,003)
Cash dividends paid on preferred shares	(3,067)	-	(3,067)	-
Preferred shares guarantee fee paid	(550)	-	(550)	-
Cash used in financing activities	(277,442)	(294,464)	(1,427,151)	(27,068)
Effect of exchange rates on cash and demand deposits with banks	5,853	(9,464)	(1,851)	(8,587)
Net (decrease) increase in cash and demand deposits with banks	(121,636)	87,442	(203,040)	64,092
Cash and demand deposits with banks: beginning of period	491,037	243,911	572,441	267,261
Cash and demand deposits with banks: end of period	369,401	331,353	369,401	331,353
Supplemental disclosure of cash flow information				
Cash interest paid	37,667	147,816	62,778	234,616
Cash income tax paid	528	2,543	899	2,602

Notes to Interim Unaudited Consolidated Financial Statements

(In $ thousands, except per share data)

1. Accounting Policies

These interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2008, as set out in the Annual Report. The accounting policies used in the preparation of these interim consolidated financial statements are consistent with the accounting policies used in The Bank of N.T. Butterfield & Son Limited (the Bank) year end audited financial statements for 2008.

In the opinion of management, all adjustments (consisting principally of normal recurring adjustments) necessary for fair presentation of the interim consolidated financial statements have been included therein. The results of interim periods are not necessarily indicative of results for the entire year.

2. Employee Future Benefits

The Bank maintains trusteed pension plans including non-contributory defined benefit plans and a number of defined contribution plans, and provides post-retirement medical benefits to its qualifying retirees. The defined benefit provisions under the pension plans are generally based upon years of service and average salary during the final years of employment. The defined benefit plans are not open to new participants and are non-contributory and the funding required is provided by the Bank, based upon the advice of an independent actuary.

The following table summarises the components of the Bank's defined benefit and post-retirement medical benefit plans' net expense recognised in the consolidated statement of income:

	For the three month period ended		For the nine month period ended	
	30 September 2009	30 September 2008	30 September 2009	30 September 2008
Defined benefit pension expense				
Service cost	646	716	1,878	2,213
Interest cost	1,713	1,817	5,038	5,558
Expected return on plan assets	(2,044)	(2,160)	(6,019)	(6,606)
Amortisation of past service cost	10	9	27	29
Amortisation of net actuarial loss (gain)	735	(4)	2,209	(12)
Total defined benefit pension expense	1,060	378	3,133	1,182
Post-retirement medical benefit expense				
Service cost	857	792	2,779	2,375
Interest cost	1,797	1,768	5,521	5,305
Amortisation of net actuarial loss	337	322	1,140	966
Total post-retirement medical benefit expense	2,991	2,882	9,440	8,646

Estimated Bank contributions to the defined benefit pension plans and estimated benefit payments to the medical benefit plan for the 2009 financial year are $2.7 million and $3.4 million respectively.

3. Stock Option Plan

At the Annual General Meeting of Shareholders held on 29 October 1997, the Directors were granted authority to implement a Stock Option Plan for executive officers and employees. As at 30 September 2009 the total number of options which can be exercised until 2019 was 11,790,563 with a weighted average exercise price of $12.19. The total compensation cost that has been charged against net income for this plan for the quarter ended 30 September 2009 was $0.8 million (30 September 2008: $0.6 million).

(In $ thousands, except per share data)

4. Investments

The following table presents securities by remaining term to maturity:

30 September 2009	Remaining term to maturity: Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Carrying value
Trading						
Debt securities issued by non-US governments	-	-	4,220	3,557	-	7,777
Corporate securities and other	-	-	-	-	21,580	21,580
Total trading	-	-	4,220	3,557	21,580	29,357
Available for sale						
Certificates of deposit	240,027	441,429	136,355	-	-	817,811
Debt securities issued by non-US governments	7,470	-	-	-	-	7,470
Equity securities	-	-	-	-	108	108
Other, primarily asset-backed securities	-	-	52,760	-	-	52,760
Total available for sale	247,497	441,429	189,115	-	108	878,149
Held to maturity						
US government and federal agencies / corporations	-	5,730	35,428	36,600	-	77,758
Collateralised mortgage obligations	-	13,120	193,841	215,043	-	422,004
Debt securities issued by non-US governments	3,167	2,167	16,601	10,126	-	32,061
Corporate debt securities	99,586	129,817	630,417	5,973	-	865,793
Other, primarily asset-backed securities	-	40,007	349,671	319,126	-	708,804
Total held to maturity	102,753	190,841	1,225,958	586,868	-	2,106,420
Total investments	350,250	632,270	1,419,293	590,425	21,688	3,013,926
Total by currency						
Bermuda dollars	-	-	-	-	262	262
US dollars	88,272	337,129	1,160,338	527,356	16,007	2,129,102
Other	261,978	295,141	258,955	63,069	5,419	884,562
Total investments	350,250	632,270	1,419,293	590,425	21,688	3,013,926

31 December 2008	Remaining term to maturity: Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Carrying value
Trading						
Debt securities issued by non-US governments	-	731	3,945	3,186	-	7,862
Corporate securities and other	-	-	-	-	40,467	40,467
Total trading	-	731	3,945	3,186	40,467	48,329
Available for sale						
Certificates of deposit	471,249	95,959	-	-	-	567,208
Debt securities issued by non-US governments	9,773	-	-	-	-	9,773
Equity securities	-	-	-	-	2,818	2,818
Total available for sale	481,022	95,959	-	-	2,818	579,799
Held to maturity						
US government and federal agencies / corporations	-	-	38,129	75,558	-	113,687
Certificates of deposit	51,000	304,000	156,406	-	-	511,406
Collateralised mortgage obligations	3,675	61,611	164,411	296,784	-	526,481
Debt securities issued by non-US governments	-	6,275	12,083	13,293	-	31,651
Corporate debt securities	187,073	326,723	739,911	6,326	2,356	1,262,389
Other, primarily asset-backed securities	15,416	26,960	449,572	258,389	-	750,337
Total held to maturity	257,164	725,569	1,560,512	650,350	2,356	3,195,951
Total investments	738,186	822,259	1,564,457	653,536	45,641	3,824,079
Total by currency						
Bermuda dollars	-	-	-	-	440	440
US dollars	376,492	712,447	1,324,334	542,955	37,631	2,993,859
Other	361,694	109,812	240,123	110,581	7,570	829,780
Total investments	738,186	822,259	1,564,457	653,536	45,641	3,824,079

(In $ thousands, except per share data)

As at 30 September 2009, the carrying value of investments includes $2,044 million (31 December 2008: $2,536 million) of floating-rate instruments and $948 million (31 December 2008: $1,248 million) of fixed-rate instruments. The approximate yield on floating-rate securities at 30 September 2009 was 0.54% (31 December 2008: 2.25%), while the approximate yield on fixed-rate securities was 2.15% (31 December 2008: 4.10%).

The cost of available for sale securities, the amortised cost of held to maturity securities and their estimated fair values were as follows:

	30 September 2009				31 December 2008			
	Cost	Gross unrealised gains	Gross unrealised losses	Fair value	Cost	Gross unrealised gains	Gross unrealised losses	Fair value
Available for sale								
Certificates of deposit	816,053	3,395	(1,637)	817,811	565,321	2,017	(130)	567,208
Debt securities issued by non-US governments	7,470	-	-	7,470	9,773	-	-	9,773
Equity securities	124	-	(16)	108	2,818	-	-	2,818
Other, primarily asset-backed securities	90,804	-	(38,044)	52,760	-	-	-	-
Total available for sale	914,451	3,395	(39,697)	878,149	577,912	2,017	(130)	579,799

	30 September 2009				31 December 2008			
	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value
Held to maturity								
US government and federal agencies / corporations	77,758	103	(1,941)	75,920	113,687	28	(3,784)	109,931
Collateralised mortgage obligations	422,004	148	(173,554)	248,598	526,481	372	(211,060)	315,793
Debt securities issued by non-US governments	32,061	1,054	-	33,115	31,651	551	(53)	32,149
Corporate debt securities	865,793	2,305	(23,362)	844,736	1,262,389	2,091	(79,763)	1,184,717
Other, primarily asset-backed securities	708,804	-	(80,626)	628,178	750,337	-	(148,523)	601,814
Total held to maturity	2,106,420	3,610	(279,483)	1,830,547	3,195,951	5,854	(443,183)	2,758,622

The following table shows the fair value and gross unrealised losses of the Bank's investments with unrealised losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealised loss position. Debt securities on which we have taken only credit-related other-than-temporary impairments are categorised as being "less than 12 months" or 12 months or more" in a continuous loss position based on the point in time that the fair value declined below the cost basis and not the period of time since the other-than-temporary impairment was recognised.

	Less than 12 months		12 months or more			
30 September 2009	Fair value	Gross unrealised losses	Fair value	Gross unrealised losses	Total fair value	Total gross unrealised losses
Available for sale						
Certificates of deposit	225,287	(1,637)	-	-	225,287	(1,637)
Equity securities	108	(16)	-	-	108	(16)
Other, primarily asset-backed securities	52,760	(38,044)	-	-	52,760	(38,044)
Total available for sale securities with unrealised losses	278,155	(39,697)	-	-	278,155	(39,697)
Held to maturity						
US government and federal agencies / corporations	-	-	72,171	(1,941)	72,171	(1,941)
Collateralised mortgage obligations	-	-	242,039	(173,554)	242,039	(173,554)
Corporate debt securities	4,598	(100)	728,821	(23,262)	733,419	(23,362)
Other, primarily asset-backed securities	-	-	443,316	(80,626)	443,316	(80,626)
Total held to maturity securities with unrealised losses	4,598	(100)	1,486,347	(279,383)	1,490,945	(279,483)
Total securities with unrealised losses	282,753	(39,797)	1,486,347	(279,383)	1,769,100	(319,180)

(In $ thousands, except per share data)

31 December 2008	Less than 12 months Fair value	Less than 12 months Gross unrealised losses	12 months or more Fair value	12 months or more Gross unrealised losses	Total fair value	Total gross unrealised losses
Available for sale						
Certificates of deposit	125,310	(130)	-	-	125,310	(130)
Held to maturity						
US government and federal agencies / corporations	16,065	(874)	90,065	(2,910)	106,130	(3,784)
Collateralised mortgage obligations	16,083	(2,402)	291,202	(208,658)	307,285	(211,060)
Debt securities issued by non-US governments	2,964	(36)	983	(17)	3,947	(53)
Corporate debt securities	136,722	(3,524)	885,738	(76,239)	1,022,460	(79,763)
Other, primarily asset-backed securities	44,627	(11,133)	356,771	(137,390)	401,398	(148,523)
Total held to maturity securities with unrealised losses	216,461	(17,969)	1,624,759	(425,214)	1,841,220	(443,183)
Total securities with unrealised losses	341,771	(18,099)	1,624,759	(425,214)	1,966,530	(443,313)

Management recognises other-than-temporary impairments for debt securities classified as held to maturity in accordance with ASC 825 "Financial Instruments". As required by ASC 825, management assesses whether it intends to sell or it is more likely than not that the Bank will be required to sell a security before recovery of its amortised cost basis. For debt securities that are considered other-than-temporarily impaired and that management does not intend to sell and the Bank will not be required to sell prior to recovery of the amortised cost basis, management separates the amount of the impairment into 1) the amount that is credit related (credit loss component) and 2) the amount due to all other factors. The credit loss component is recognised in earnings and is the difference between the security's amortised cost basis and the expected cash flows of the security discounted at the interest rate used to recognise interest income on the security. The remaining difference between the security's fair value and the present value of future expected cash flows is due to factors that are not credit related and is recognised in other comprehensive income.

Unrealised losses for US Government and federal agencies / corporations, Collateralised mortgage obligations, Debt securities issued by non-US governments, Corporate debt securities and Other, primarily asset-backed securities, were due to widening credit spreads caused by illiquidity and credit concerns resulting from the disruption in the financial markets, the weakening of the US housing market, and credit rating downgrades of certain securities in the marketplace. However, given that a substantial portion of these securities are investment grade securities, and the unrealised losses are primarily in higher rated securities, management believes these losses are a result of technical spread widening rather than fundamental deterioration. Management believes that these securities will continue to perform and concludes that these securities are not other-than-temporarily impaired as at 30 September 2009.

The fair value of the Bank's collateralised mortgage obligations related exposure depends on market conditions and assumptions that are subject to change over time. The Bank expects that market conditions will continue to evolve, and that the fair value of the Bank's positions will frequently change. The degree of judgment involved in determining the fair value of an investment security is dependent upon the availability of observable market prices or observable market parameters. When observable market prices and parameters do not exist as was the case in a number of circumstances as at 30 September 2009, judgment is necessary to estimate fair value which gives rise to added uncertainty in the valuation process. The valuation process takes into consideration factors such as interest rate changes, movements in credit spreads, default rate assumptions, prepayment assumptions, type and quality of collateral, and market sentiment.

Our fair valuations may include inputs and assumptions that are less observable or require greater estimation as well as valuation methods that are more sophisticated, thereby resulting in values which may be greater than the actual value at which the investments may be ultimately sold. If the assumptions on which we based our fair valuations change, we may experience a greater decline in fair value on our balance sheet than our current valuation indicates. Furthermore, rapidly changing and unprecedented credit and equity market conditions could materially affect the valuation of securities as reported within our consolidated financial statements, and the period-to-period changes in value could vary significantly.

In respect of the following categories, the Bank does not consider those investments to be other-than-temporarily impaired at 30 September 2009:

Certificates of deposit

The unrealised losses on the Bank's certificates of deposit were due to increased interest rates and widening credit spreads caused by illiquidity and credit concerns resulting from the disruption in the financial markets. However, given that all of these securities are investment grade securities and based on management's analysis of credit quality of the issuers, management believes that these investments will perform and were not other-than-temporarily impaired as at 30 September 2009.

US Government and federal agencies / corporations

The unrealised losses for US Government and federal agencies / corporations were due to widening credit spreads caused by illiquidity and credit concerns resulting from the disruption in the financial markets, the weakened US housing market, and credit rating downgrades of certain securities in the marketplace. However, given that these investments and any unrealised losses are all in investment grade securities, management believes these losses are a result of technical spread widening rather than fundamental deterioration. These securities are expected to perform and accordingly management does not believe these investments are other-than-temporarily impaired as at 30 September 2009.

Collateralised mortgage obligations

The unrealised losses on the Bank's investments in collateralised mortgage obligations were due to widening credit spreads caused by illiquidity and credit concerns resulting from the disruption in the financial markets, the weakening of the US housing market, and credit rating downgrades of certain securities in the marketplace. However, given that a substantial portion of these securities are investment grade securities, management assesses each security individually for impairment, and based upon our assessment that these securities will continue to perform, management concludes that these securities are not other-than-temporarily impaired as at 30 September 2009.

Debt securities issued by non-US governments

The unrealised losses on the Bank's investments in non-US government debt securities obligations and direct obligations of non-US government agencies were due to widening credit spreads caused by illiquidity and credit concerns resulting from the disruption in the financial markets. Given that these securities are investment grade, and based upon our assessment that these securities will continue to perform, management concludes that these securities are not other-than-temporarily impaired as at 30 September 2009.

Corporate debt securities

The unrealised losses on the Bank's investments in corporate bonds were due to widening credit spreads caused by illiquidity and credit concerns resulting from the disruption in the financial markets, and the weakening of the US housing market. However, given that these securities are predominantly investment grade, and based upon our assessment that these securities will continue to perform, management concludes that these securities are not other-than-temporarily impaired as at 30 September 2009.

Other, primarily asset-backed securities

The unrealised losses on the Bank's other investments, primarily asset-backed securities were due to widening credit spreads caused by illiquidity and credit concerns resulting from the disruption in the financial markets, the weakening of the US housing market, and credit rating downgrades of certain securities in the marketplace. However, given that a substantial portion of these securities are investment grade securities, and management's assessment of each security individually for impairment, management believes that these securities are not other-than-temporarily impaired at 30 September 2009.

In September 2009, under an existing credit enhancement agreement, the Bank purchased from a related party, namely the AAAm rated Butterfield Money Market Fund Ltd., $131.9 million of primarily asset backed securities and placed these securities into the available for sale portfolio with a carrying value of $52.8 million, the difference reflecting previously recognised unrealised marked to market losses from the credit enhancement agreement as well as the 30 September 2009 unrealised mark to market loss.

As at 30 September 2009, total investments, exclusive of US residential mortgage backed securities, were $2.8 billion, with a market value of $2.6 billion. As at 30 September 2009, 93% of the Bank's investment securities were of investment grade rated 'BBB' or higher.

Significant risk and uncertainty

In it's held to maturity portfolio as at 30 September 2009, the Bank holds certain investments backed by mortgage collateral (the Mortgage Backed Investments) at amortised cost of $109.9 million. Although realisation of the Mortgage Backed Investments' amortised cost is not assured, management does not believe the Mortgage Backed Investments to be other-than-temporarily impaired. The valuation of our investments includes methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations that may adversely affect our results of operations or financial condition. If it is determined that the amortised cost of the security is less than the present value of the cash flows expected to be collected, an other-than-temporary impairment equal to the credit loss shall be recorded in income. Management's best estimate of this amount is $68.2 million.

Other currently non-investment grade securities in the collateralised mortgage obligation and other, primarily asset backed portfolios are not immune to future assessment for other-than-temporary impairment.

(In $ thousands, except per share data)

5. Segmented information

	For the three month period ended						For the nine month period ended					
	30 September 2009			30 September 2008			30 September 2009			30 September 2008		
	Revenue before gains and losses	Net income (loss) before gains and losses	Net income (loss)*	Revenue before gains and losses	Net income (loss) before gains and losses	Net income (loss)*	Revenue before gains and losses	Net income (loss) before gains and losses	Net income (loss)*	Revenue before gains and losses	Net income (loss) before gains and losses	Net income (loss)*
Bermuda												
Community Banking	32,826	792	3,337	39,166	(476)	(15,455)	103,803	828	(20,874)	124,512	13,125	(45,769)
Wealth Management**	9,253	1,507	1,507	20,397	6,808	6,808	34,069	10,433	10,433	66,268	24,904	24,905
Real Estate	250	(2,512)	(2,512)	298	(2,629)	(2,629)	1,602	(6,250)	(6,250)	856	(7,103)	(7,103)
Sub-total Bermuda	42,329	(213)	2,332	59,861	3,703	(11,276)	139,474	5,011	(16,691)	191,636	30,926	(27,967)
Overseas businesses												
Barbados	3,504	(97)	73	3,402	481	178	10,828	1,268	1,623	9,863	1,072	3,049
Cayman	15,837	3,243	3,543	23,379	6,661	83,991	52,219	14,178	14,439	76,891	26,232	103,562
Guernsey	8,454	779	771	15,221	4,318	4,451	24,462	2,543	2,249	48,639	14,794	14,927
Switzerland	75	(544)	(583)	90	(749)	(749)	240	(1,928)	(1,967)	237	(2,917)	(2,917)
The Bahamas	2,011	272	272	2,714	372	372	5,878	632	632	8,961	1,798	1,798
United Kingdom	6,060	492	492	9,320	381	3,029	20,184	5,540	(3,841)	30,265	4,182	6,549
Malta	379	(30)	(30)	465	17	17	977	245	245	1,315	317	317
Hong Kong	240	141	141	858	439	439	1,799	(126)	(126)	2,800	962	962
Sub-total overseas	36,560	4,256	4,679	55,449	11,920	91,728	116,587	22,352	13,254	178,971	46,440	128,247
Less: inter-segment eliminations ***	(1,092)	-	-	(3,291)	-	-	(4,272)	-	-	(11,669)	-	-
Total	77,797	4,043	7,011	112,019	15,623	80,452	251,789	27,363	(3,437)	358,938	77,366	100,280

* All amounts shown before central allocations.

** Includes Asset management, Fiduciary Services, Private Banking and Investment & Pension Fund Administration (2008 only).

*** Principally rent and management fees.

Total assets

As at	30 September 2009	31 December 2008
Bermuda	5,008,500	5,468,113
Barbados	275,180	264,521
Cayman	2,271,844	3,328,712
Guernsey	1,518,557	1,448,609
Switzerland	790	984
The Bahamas	163,524	155,260
United Kingdom	1,239,419	1,321,678
Malta	2,323	3,169
Hong Kong	8,870	8,633
	10,489,007	11,999,679
Less: inter-segment eliminations	(876,679)	(1,087,835)
Total	9,612,328	10,911,844

(In $ thousands, except per share data)

6. Fair value measurements

ASC 820 "Fair Value Measurements and Disclosures" defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Bank determines the fair values of its financial instruments based on the fair value hierarchy established in ASC 820 which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. The Bank carries at fair value investments classified as trading and available for sale, and derivative assets and liabilities. The Bank carries a private equity investment in a credit card company at fair value in accordance with ACS 825 "Financial Instruments".

Level 1, 2 and 3 valuation inputs

Financial instruments are considered Level 1 when valuation can be based on unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Cash and deposits with banks

The fair value of cash and deposits with banks, being short term in nature, is deemed to equate to the carrying value.

Investments

The fair values of investments are determined based on observable quoted prices for identical assets or liabilities in active markets when available. If unavailable, observable inputs from similar items in active markets or identical / similar items with inactive markets are used. In the absence of observable quoted prices unobservable inputs are used.

Loans

The majority of loans are variable rate and re-price in response to changes in market rates and hence the fair value has been estimated as the carrying value. For fixed-rate loans, the fair value has been estimated by performing a discounted cash flow calculation using market rates for similar loans made at the balance sheet date.

Deposits

The fair value of fixed-rate deposits has been estimated by discounting the contractual cash flows, using market interest rates offered at the balance sheet date for deposits of similar terms. The fair value of deposits with no stated maturity date is deemed to equate to the carrying value.

Subordinated capital

The fair value of the subordinated capital has been estimated by discounting the contractual cash flows, using current market interest rates applicable to the Bank.

Derivatives

Fair value of exchange traded derivatives is based on quoted market prices. Fair value of over the counter derivatives is calculated as the net present value of contractual cash flows using prevailing market rates. The aggregate of the estimated fair value of amounts presented does not represent management's estimate of the underlying value to the Bank.

The following table presents the financial assets and liabilities that are measured at fair value on a recurring basis and classifies such fair value based on the type of input used in the related valuations:

a) Items that are recognised at fair value on a recurring basis

30 September 2009	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total fair value / carrying value
Assets				
Investments				
Trading	11,650	9,500	8,207	29,357
Available for sale	-	878,149	-	878,149
Other assets - derivatives	-	22,662	-	22,662
Liabilities				
Other liabilities - derivatives	-	(30,333)	-	(30,333)

(In $ thousands, except per share data)

31 December 2008	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total fair value / carrying value
Assets				
Investments				
Trading	27,868	7,862	12,599	48,329
Available for sale	-	579,799	-	579,799
Other assets - derivatives	-	68,945	-	68,945
Liabilities				
Other liabilities - derivatives	-	(129,214)	-	(129,214)

b) Item measured on a recurring basis using significant unobservable inputs

	For the three month period ended		For the nine month period ended	
	30 September 2009	30 September 2008	30 September 2009	30 September 2008
Trading investment				
Carrying value at beginning of period	9,551	13,640	12,599	12,510
Unrealised (losses) gains recognised in net income	(1,336)	319	(4,159)	1,341
Foreign exchange translation adjustment	(8)	(499)	(233)	(391)
Carrying value at end of period	8,207	13,460	8,207	13,460

The trading investment measured using significant unobservable inputs consists of shares of a non-redeemable private equity fund investing primarily in the real estate sector (the "Fund"). The Fund's advisor retains the services of an independent valuation company at each reporting date. Due to the nature of the properties held by the Fund and lack of comparable market data, the fair values of investment properties are estimated based on the income capitalisation method, where the value is estimated from the expected future benefits to be generated by the property in the form of income streams from renting out of premises. The method considers net income generated by comparable property, capitalised to determine the value for the subject property.

The change in unrealised gains or losses in shares of the Fund are reported under Net realised / unrealised gains (losses) on trading securities in the Consolidated Statement of Income.

c) Items other than those recognised at fair value on a recurring basis

	30 September 2009			31 December 2008		
	Carrying value	Fair value	Appreciation / (depreciation)	Carrying value	Fair value	Appreciation / (depreciation)
Financial assets						
Cash and deposits with banks	1,755,956	1,755,956	-	2,221,390	2,221,390	-
Investments held to maturity	2,106,420	1,830,547	(275,873)	3,195,951	2,758,622	(437,329)
Loans, net of allowance for credit losses						
Commercial	2,010,735	2,012,010	1,275	2,205,790	2,200,051	(5,739)
Consumer	2,353,814	2,354,903	1,089	2,212,487	2,212,591	104
Financial liabilities						
Customer deposits						
Demand deposits	5,374,261	5,374,261	-	5,952,238	5,952,238	-
Term deposits	2,950,673	2,957,265	6,592	3,453,937	3,464,756	10,819
Deposits from banks	56,313	56,313	-	395,094	395,094	-
Subordinated capital	283,001	274,102	(8,899)	282,296	256,751	(25,545)

7. Derivative instruments

Effective 1 January 2009, the Bank adopted SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133", now codified in ASC 815 "Derivatives and Hedging" which enhanced required disclosures regarding derivatives and hedging activities, including disclosures regarding how an entity uses derivative instruments and how derivative instruments and related hedged items are accounted for and affect an entity's financial position, financial performance, and cash flows.

The Bank uses derivatives in the asset and liability management (ALM) of positions and to meet the needs of its customers with their risk management objectives. The Bank's derivative contracts principally involve over the counter transactions that are privately negotiated between the Bank and the counterparty to the contract and include interest rate contracts and foreign exchange contracts.

The Bank pursues opportunities to reduce its exposure to credit losses on derivatives by entering into International Swaps and Derivatives Association Master Agreements (ISDAs). Depending on the nature of the derivative transaction, bilateral collateral arrangements may be used as well. When the Bank is engaged in more than one outstanding derivative transaction with the same counterparty, and also has a legally enforceable master netting agreement with that counterparty, the net marked to market exposure represents the netting of the positive and negative exposures with that counterparty. When there is a net negative exposure, the Bank regards its credit exposure to the counterparty as being zero. The net marked to market position with a particular counterparty represents a reasonable measure of credit risk when there is a legally enforceable master netting agreement between the Bank and that counterparty.

Certain of these agreements contain credit-risk-related contingent features in which the counterparty has the option to accelerate cash settlement of our net derivative liabilities with the counterparty in the event the Bank's credit rating falls below specified levels or the liabilities reaches certain levels. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on 30 September 2009, was $16.9 million. The Bank has posted $10.2 million collateral against these liabilities and therefore the maximum amount of termination payments that could have been required at 30 September 2009 was $6.7 million. Accelerated settlement because of such events would not affect net income and would not have a material effect on the consolidated financial position or liquidity of the Bank.

All derivative financial instruments, whether designated as hedges or not, are recorded on the consolidated balance sheet at fair value within other assets or other liabilities. These amounts include the effect of netting as permitted under ASC 210-20 "Balance Sheet - Offsetting". The accounting for changes in the fair value of a derivative in the consolidated statement of income depends on whether the contract has been designated as a hedge and qualifies for hedge accounting in accordance with ASC 815.

Notional amounts

The notional amounts are not recorded as assets or liabilities on the Consolidated Balance Sheet as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged. Notional amounts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with market risk or credit risk of such instruments. Credit risk is limited to the positive fair value of the derivative instrument, which is significantly less than the notional amount.

Fair value

Derivative instruments, in the absence of any compensating up-front cash payments, generally have no market value at inception. They obtain value, positive or negative, as relevant interest rates, exchange rates, equity or commodity prices or indices change, such that previously contracted derivative transactions have become more or less favourable than what can be negotiated under current market conditions for contracts with the same remaining period to maturity. The potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk. Market risk is managed within clearly defined parameters as prescribed by senior management of the Bank. The fair value is defined as the profit or loss associated with replacing the derivative contracts at prevailing market prices.

Risk management derivatives

The Bank primarily enters into derivative contracts as part of its overall interest rate risk management strategy to minimise significant unplanned fluctuations in earnings that are caused by interest rate volatility. The Bank's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain consolidated balance sheet assets and liabilities so that movements in interest rates do not adversely affect the net interest margin. Derivative instruments that are used as part of the Bank's interest rate risk management strategy include interest rate swap contracts that have indices related to the pricing of specific consolidated balance sheet assets and liabilities. Interest rate swaps generally involve the exchange of fixed and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date.

The Bank uses derivative instruments to hedge its exposure to interest rate risk. Certain hedging relationships are formally designated and qualify for hedge accounting under ASC 815 as fair value or cash flow hedges. Other derivatives that are entered into for risk management purposes as economic hedges are not formally designated as hedges and, therefore, are accounted for as if they were trading instruments. In order to qualify for hedge accounting, a formal assessment is performed on a calendar quarter basis to verify that derivatives used in designated hedging transactions continue to be highly effective as offsets to changes in fair value or cash flows of the hedged item. If a derivative ceases to be highly effective, or if the hedged item matures, is sold, or is terminated, hedge accounting is terminated and the derivative is treated as if it were a trading instrument.

(In $ thousands, except per share data)

Fair value hedges

Derivatives are designated as fair value hedges to minimise the Bank's exposure to changes in the fair value of assets and liabilities due to movements in interest rates. The Bank enters into interest rate swaps to convert its fixed-rate long-term loans to floating-rate loans, and convert fixed-rate deposits to floating-rate deposits. Changes in fair value of these derivatives are recognised in income. For fair value hedges, the Bank applies the "shortcut" method of accounting, available under ASC 815, which assumes there is no ineffectiveness in a hedge. As a result, changes recorded in the fair value of the hedged item are equal to the offsetting gain or loss on the derivative and are reflected in the same line item. For the quarters ended 30 September 2009 and 2008, no gains or losses were realised from ineffective portions of fair value hedges.

Cash flow hedges

Derivatives are designated as cash flow hedges in order to minimise the variability in cash flows of interest earning assets caused by movements in interest rates. The effective portion of changes in the fair value of such derivatives is recognised in accumulated other comprehensive income, a component of shareholders' equity. When the hedged item impacts earnings, balances in other comprehensive income are reclassified to the same income or expense classification as the hedged item. The Bank applies the "shortcut" method of accounting for cash flow hedges of held to maturity investments under ASC 815, in assessing whether these hedging relationships are highly effective at inception and on an ongoing basis. Any ineffectiveness in cash flow hedge is recognised in earnings. As at 30 September 2009 and 2008, there was no hedge ineffectiveness related to cash flow hedges.

As of 30 September 2009 and 2008 there were no cash flow hedges in place and there were no deferred net gains or losses on derivative instruments accumulated in other comprehensive income in relation with cash flow hedges.

Derivatives not formally designated as hedges under ASC 815

Derivatives not formally designated as hedges under ASC 815 are entered into to manage the interest rate risk of fixed rate deposits with banks. Changes in the fair value of derivative instruments not formally designated as hedges are recognised in income.

Client service derivatives

The Bank enters into foreign exchange contracts primarily to meet the foreign exchange needs of its customers. Foreign exchange contracts are agreements to exchange specific amounts of currencies at a future date at a specified rate of exchange. Changes in the fair value of client services derivative instruments are recognised in income.

The following table shows the aggregate notional amounts of derivative contracts outstanding listed by type and respective gross positive or negative fair values and divided by those used for risk management (sub-classified as hedging and those that do not qualify for hedge accounting), client services and credit derivatives. Fair value of derivatives are recorded in the Consolidated Balance Sheet in Other assets and Other liabilities. Gross positive fair values are recorded in Other assets and gross negative fair values are recorded in Other liabilities, subject to netting when master netting agreements are in place.

30 September 2009	Derivative Instrument	Notional amounts	Positive fair value	Negative fair value	Net fair value
Risk Management Derivatives					
Fair Value Hedges					
Fixed rate loans	Interest rate swaps	193,286	-	(17,328)	(17,328)
Customer deposits	Interest rate swaps	10,444	29	(586)	(557)
Subtotal fair value hedges		203,730	29	(17,914)	(17,885)
Not designated as hedging instruments					
Term deposits with banks	Interest rate swaps	181,071	-	(11)	(11)
Subtotal risk management derivatives		384,801	29	(17,925)	(17,896)
Client Services Derivatives					
	Spot and forward foreign exchange	2,494,388	21,877	(11,652)	10,225
	Interest rate caps	38,402	756	(756)	-
Subtotal risk management derivatives		2,532,790	22,633	(12,408)	10,225
Total derivative instruments		2,917,591	22,662	(30,333)	(7,671)

31 December 2008	Derivative Instrument	Notional amounts	Positive fair value	Negative fair value	Net fair value
Risk Management Derivatives					
Fair Value Hedges					
Fixed rate loans	Interest rate swaps	209,928	62	(26,775)	(26,713)
Customer deposits	Interest rate swaps	12,337	59	(351)	(291)
Subtotal fair value hedges		222,265	122	(27,126)	(27,004)
Not designated as hedging instruments					
Time deposits with banks	Interest rate swaps	102,143	-	(97)	(97)
Subtotal risk management derivatives		324,408	122	(27,223)	(27,101)
Client Services Derivatives					
	Spot and forward foreign exchange	3,597,529	68,440	(57,208)	11,232
	Interest rate caps	35,021	383	(383)	-
Subtotal risk management derivatives		3,632,549	68,823	(57,591)	11,232
Other	Credit derivative	148,000	-	(44,400)	(44,400)
Total derivative instruments		4,104,957	68,945	(129,214)	(60,269)

The following table shows the location and amount of net gains (losses) recorded in the Consolidated Statement of Income.

		For the three month period ended		For the nine month period ended	
Derivative Instrument	**Location**	**30 September 2009**	30 September 2008	**30 September 2009**	30 September 2008
Interest rate swaps	Net other gains (losses)	**686**	(6)	**799**	(6)
Forward foreign exchange	Foreign exchange revenue	**768**	430	**3,038**	2,090
Credit derivative	Net other gains (losses)	**-**	(11,415)	**3,304**	(54,875)
Total net gains (losses) recognised in net income (loss)		**1,454**	(10,991)	**7,141**	(52,791)

8. Earnings per share

Earnings per share has been calculated using the weighted average number of common shares outstanding during the year after deduction of the shares held as treasury stock and adjusted for the $0.04 stock dividends declared for March, May and August 2009. The dilutive effect of share-based compensation plans was calculated using the treasury stock method, whereby the proceeds received from the exercise of share-based awards are assumed to be used to repurchase outstanding shares, using the average market price of the Bank's shares for the period.

	For the three month period ended		For the nine month period ended	
	30 September 2009	30 September 2008	**30 September 2009**	30 September 2008
Basic earnings per share				
Net income (loss) for the period	**7,011**	80,452	**(3,437)**	100,280
Less: Preferred dividends declared and guarantee fee	**(4,950)**	-	**(4,950)**	-
Net income (loss) available for common shareholders	**2,061**	80,452	**(8,387)**	100,280
Weighted average number of common shares issued (in thousands)	**98,789**	100,611	**99,600**	100,611
Weighted average number of common shares held as treasury stock (in thousands)	**(4,388)**	(6,448)	**(5,624)**	(6,099)
Adjusted weighted average number of common shares (in thousands)	**94,401**	94,163	**93,976**	94,512
	0.02	0.85	**(0.09)**	1.06

Notes to Interim Unaudited Consolidated Financial Statements (continued)

(In $ thousands, except per share data)

	For the three month period ended		For the nine month period ended	
	30 September 2009	30 September 2008	**30 September 2009**	30 September 2008
Diluted earnings per share				
Net income (loss) available for common shareholders	**2,061**	80,452	**(8,387)**	100,280
Adjusted weighted average number of common shares (in thousands)	**94,401**	94,163	**93,976**	94,512
Effect of dilutive stock options (in thousands)	**23**	1,229	**153**	1,494
Adjusted weighted average number of diluted common shares (in thousands)	**94,424**	95,392	**94,129**	96,006
	0.02	0.84	**(0.09)**	1.04

9. Share Buy-Back Plan

During the three month period ended 30 September 2009 nil common shares were purchased to be held as treasury stock at a cost of nil (30 September 2008: 352,254 shares at a cost of $4.9 million).

10. Large Shareholders

The following professional nominees at 30 September 2009 were registered holders of 5% or more of the issued common share capital: Harcourt & Co. (14.62%), Palmar Limited (6.21%), Wilson & Co. (5.42%) & Murdoch & Co. (5.0%). Known beneficial holding of 5% or more of issued common share capital at that date was Bermuda Life Insurance Limited (7.28%).

11. Future Accounting Developments

(a) Disclosure about Assets of Employee Future Benefits Plans

In December 2008, the FASB issued FASB Staff Position (FSP) No. FAS 132(R)-1, Employer's Disclosures about Postretirement Benefit Plan Assets (FSP No. FAS 132(R)-1), now codified in ASC 715 "Compensation-Retirement Benefits" under subtopic 20-65, which addresses information that employers shall disclose about postretirement plan assets as of each annual reporting date. ASC 715-20-65 is designed to improve the relevance, comparability, and transparency of financial information relating to Postretirement Benefit Plan Assets. ASC 715-20-65 will be effective for fiscal years ending after 15 December 2009, and therefore, effective from the Bank's fourth quarter in 2009. Management is currently evaluating the effect of adoption.

(b) Consolidation of variable interest entities

In June 2009, the FASB issued FASB Statement No. 167, Amendments to FASB Interpretation No.46(R) (FAS No. 167) (referenced by ASC 105-10-65-1(d)), which addresses which entities shall be considered as variable interest entities and whether such entities shall be consolidated. FAS No. 167 is designed to improve financial reporting by enterprises involved with variable interest entities. FAS No. 167 will be effective for annual and interim periods beginning after 15 November 2009, and therefore, effective from the Bank's first quarter in 2010. Management is currently evaluating the effect of adoption.

12. Subsequent event

Subsequent events were evaluated up to 28 October 2009. The financial statements were available to be issued as of 28 October 2009.

13. Comparative Information

Certain prior period's figures have been reclassified to conform to current period presentation.