

Butterfield Bermuda Fund
Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017

Butterfield Bermuda Fund Limited

To the Shareholders:

The net asset value (NAV) per share increased from \$20.92 to \$28.25 over the Fiscal year to 30 June, 2017, representing a 37.62% return for the year, net of all fees and expenses. The Fund's blended benchmark returned 34.44% for the same period. The Fund paid \$0.54 in dividends throughout the year and continued 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 83.75% for the year, driven by the strong performance of Butterfield Bank stock following the completion of its IPO on the NYSE on 16 September, 2016. The stock then proceeded to rise from the IPO price of \$23.50, closing at \$33.50 on 30 June, 2017. Butterfield was the first Bermudian-owned company to list on the NYSE and stands out as the oldest bank trading on Wall Street.

Elsewhere in the local market, economic activity was stronger as an influx of goods, services and tourism arrived in support of the 35th America's Cup. Ascendant Group increased their dividend by 50% at the end of 2016 and local insurers Argus and BF&M both performed well. The main detractor from performance was ONE Communications, which fell after significant restructuring that saw them buy Cablevision and consolidate the entire firm under the new brand ONE.

Subsequent to the end of the fiscal year, a national election saw a change in the Bermuda Government, as the ruling OBA was replaced by the Progressive Labour Party in a landslide defeat. This is the second consecutive general election in which the incumbent Minister of Finance has lost his seat in Parliament. This signals that the local electorate continues to view the economy as a key issue. The new government has made a host of promises on how they will improve the economy and move the country forward. However, Bermuda continues to operate in a tough environment and continuing budget deficits. It remains to be seen how Bermuda's economy fared as a result of the 35th America's Cup and if it was the start of an economic catalyst that will continue for the long-term.

The foreign reinsurance market, as represented by the BSE Insurance Index, returned 13.03% for the year. M&A activity was the main headline in this space with a few firms held in the Fund securing and/or negotiating deals. Endurance Holdings was acquired by Japanese based Sompo Holdings in a \$6.28 billion deal, which represented a 40% premium on the share price at the time of announcement. Allied World Assurance was acquired by Canadian firm Fairfax Financial Holdings in a \$4.13 billion deal that further consolidated the industry.

Insured losses were up 42% to \$54 billion, which is the highest since 2012, according to Swiss Re Institute. Major world catastrophes came in all types and varied from Japanese and New Zealand earthquakes, Canadian wildfires and severe weather across the United States and Europe. Given the global and industry diversification of the firms in the Fund, the exposure was well-balanced. The Fund was positioned to be underweight P&C in anticipation of continued volatility from M&A in the insurance space. As capital levels have continued to rise, we will continue to monitor performance in the reinsurance space as management teams are forced to think of creative ways to build value. The sharp increase in global cyber and terrorism risks may provide an opportunity for firms to earn additional premiums by expanding coverage options.

Dwayne Outerbridge
President
Butterfield Bermuda Fund Limited
October 6, 2017



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Independent Auditors' Report

The Board of Directors
Butterfield Bermuda Fund Limited

We have audited the accompanying financial statements of Butterfield Bermuda Fund Limited (the Fund), which comprise the statements of financial position as at June 30, 2017 and 2016, and the statements of comprehensive income, changes in net assets attributable to holders of common shares and cash flows for the years 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 International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian 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 auditors' 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 auditors consider 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 audits 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 Butterfield Bermuda Fund Limited as at June 30, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young Ltd.

October 6, 2017

Butterfield Bermuda Fund Limited

DIRECTORS

Shane English
Sean Lee
Dwayne Outerbridge (appointed on April 19, 2017)
Michael Neff (resigned on April 19, 2017)

INVESTMENT ADVISER

Butterfield Asset Management Limited
65 Front Street
Hamilton HM 12
Bermuda

CUSTODIAN

Butterfield Trust (Bermuda) Limited
65 Front Street
Hamilton HM 12
Bermuda

REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

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

AUDITORS

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 11
Bermuda

Butterfield Bermuda Fund Limited

STATEMENT OF FINANCIAL POSITION

As at June 30, 2017

(Expressed in Bermuda Dollars)

	Notes	June 30, 2017 \$	June 30, 2016 \$
ASSETS			
Cash and cash equivalents	2 h)	39,871	438,076
Financial assets at fair value through profit or loss	3, 4	16,716,854	12,624,284
Due from broker		-	126,972
Dividends and interest receivable		37,377	27,685
Prepaid expenses		1,652	5,486
Total assets		16,795,754	13,222,503
LIABILITIES			
Dividends payable	6	88,379	81,353
Accrued expenses	7, 8	51,064	40,067
Subscriptions received in advance		1,500	300
Total liabilities		140,943	121,720
Organisational shares	5	12,000	12,000
Total liabilities and equity (including net assets attributable to holders of common shares)		16,795,754	13,222,503
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		16,642,811	13,088,783
Number of shares in issue - Class A	5	589,192	625,790
NET ASSET VALUE PER SHARE - CLASS A		28.25	20.92

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

Butterfield Bermuda Fund Limited

SCHEDULE OF PORTFOLIO INVESTMENTS

As at June 30, 2017

(Expressed in Bermuda Dollars)

	Number of Shares	2017 Fair Value	% of Portfolio
INVESTMENTS			
Common Stock			
Arch Capital Group Ltd.	9,000	\$ 839,610	5.01%
Argo Group International	3,800	230,280	1.38%
Argus Group Holdings Limited	315,493	1,261,971	7.55%
Ascendant Group Limited	135,124	1,165,444	6.97%
Aspen Insurance Holdings Limited	12,740	635,089	3.80%
Assured Guaranty Ltd.	20,000	834,800	4.99%
Axis Capital Holdings Limited	10,000	646,600	3.87%
Bank of N.T. Butterfield & Son Limited	109,486	3,730,431	22.32%
Bermuda Aviation Services Ltd.	110,556	300,160	1.80%
Bermuda Press (Holdings) Ltd.	5,431	40,733	0.24%
BF&M Limited	70,000	1,470,000	8.79%
Chubb Ltd	7,000	1,017,660	6.09%
Everest Re Group Ltd.	2,260	575,373	3.44%
HSBC Holdings PLC	45,477	421,799	2.52%
Maiden Holdings Ltd.	33,000	366,300	2.19%
One Communications Ltd.	269,166	678,298	4.06%
RenaissanceRe Holdings Ltd.	5,250	730,013	4.37%
Validus Holdings Limited	12,179	632,943	3.79%
West Hamilton Holdings Limited	1,900	14,250	0.09%
XL Group Ltd.	20,000	876,000	5.24%
		<u>16,467,754</u>	<u>98.51%</u>
Preferred Stock			
Axis Capital Holdings Limited	10,000	249,100	1.49%
		<u>249,100</u>	<u>1.49%</u>
TOTAL INVESTMENTS, AT FAIR VALUE		\$ 16,716,854	100%

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

Butterfield Bermuda Fund Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2017

(Expressed in Bermuda Dollars)

	Notes	2017 \$	2016 \$
INCOME			
Net realised and change in unrealised gain on financial assets at fair value through profit or loss		4,603,606	346,236
Dividends		442,671	648,939
Deposit interest		2,184	3,547
Total income		5,048,461	998,722
EXPENSES			
Management fee	7 a)	116,929	107,570
Administration fee	8	42,063	43,747
Audit fee		18,153	16,000
Custodian fee	7 b)	15,774	14,442
Investment service fee	7 d)	4,917	4,260
Government fee		6,473	6,509
Miscellaneous		43,710	30,255
Total expenses		248,019	222,783
NET INCOME		4,800,442	775,939
Less: Withholding tax on dividends		-	1,904
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		4,800,442	774,035

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

Butterfield Bermuda Fund Limited

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES For the year ended June 30, 2017 (Expressed in Bermuda Dollars)

	Note	2017 \$	2016 \$
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		4,800,442	774,035
DISTRIBUTIONS TO INVESTORS			
Dividends paid and payable	6	(328,697)	(355,471)
CAPITAL STOCK TRANSACTIONS			
Issue of redeemable shares		3,521,621	971,994
Redemption of redeemable shares		(4,439,338)	(3,749,948)
Net capital stock transactions		(917,717)	(2,777,954)
NET INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		3,554,028	(2,359,390)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES - BEGINNING OF THE YEAR		13,088,783	15,448,173
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES - END OF THE YEAR		16,642,811	13,088,783

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

Butterfield Bermuda Fund Limited

STATEMENT OF CASH FLOWS For the year ended June 30, 2017 (Expressed in Bermuda Dollars)

	2017	2016
	\$	\$
Cash flows from operating activities		
Net increase in net assets resulting from operations attributable to holders of common shares	4,800,442	774,035
<i>Adjustments for:</i>		
Purchase of financial assets	(11,529,782)	(751,150)
Net proceeds from sale of financial assets	13,074,651	3,759,896
Net realised and change in unrealised gain on financial assets	(4,603,153)	(346,204)
Changes in:		
Dividends and interest receivable	(9,692)	10,505
Prepaid expenses	3,834	2,567
Due from broker	126,972	(126,972)
Accrued expenses	10,997	(190)
Net cash provided by operating activities	1,874,269	3,322,487
Cash flows from financing activities		
Subscriptions received in advance	1,200	300
Proceeds from issuance of shares	2,282,759	296,766
Payments from redemption of shares	(4,439,338)	(3,749,948)
Dividends paid	(117,095)	(185,338)
Net cash used in financing activities	(2,272,474)	(3,638,220)
Net decrease in cash and cash equivalents	(398,205)	(315,733)
Cash and cash equivalents – beginning of year	438,076	753,809
Cash and cash equivalents – end of year	39,871	438,076
Supplemental cash flow information:		
Interest received	2,184	3,547
Dividends received, net of withholding taxes	432,599	657,920
Supplemental non-cash information:		
Shares – Class A issued through dividend reinvestment	204,576	187,825
Subscription in-kind – receipt of securities from an investor in exchange for Class A common shares in the Fund (Note 5)	1,034,286	487,403

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, 2017

(Expressed in Bermuda Dollars)

1. CORPORATE INFORMATION

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 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 registered address of the Fund is c/o MUFG Fund Services (Bermuda) Limited, The Belvedere Building 69 Pitts Bay Road, Pembroke HM 08, Bermuda.

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. BASIS OF PREPARATION

Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared on a historical-cost basis, except for financial assets held at fair value through profit or loss.

The financial statements are presented in Bermuda dollars, which is the functional currency of the Fund, and all values are rounded to the nearest dollar, except when otherwise stated.

The Fund presents its statement of financial position in order of liquidity.

Summary of significant accounting policies

a) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the Fund's management to make judgements, estimates and assumptions that affect the amounts reported and disclosures made in the financial statements, and accompanying notes. Management believes that the estimates and assumptions utilised in preparing the Fund's financial statements are reasonable and prudent. Actual results could differ from these estimates.

b) Financial instruments

i. Classification

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2017 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through profit or loss is sub-divided into:

Financial assets and liabilities held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes equities. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

Financial instruments designated at fair value through profit or loss upon initial recognition: these include equity securities not held for trading. The Fund did not hold any financial instruments designated at fair value through profit or loss upon initial recognition as at June 30, 2017 and 2016.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market.

Other financial liabilities

This category includes all financial liabilities, other than those classified as held for trading. The Fund includes in this category amounts for other short-term payables.

ii. **Recognition**

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

iii. **Initial measurement**

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Receivables and other financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the statement of comprehensive income, unless specified otherwise.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2017

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

iv. Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised gain/(loss) on financial assets at fair value through profit or loss in the statement of comprehensive income. Interest and dividend earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense in the statement of comprehensive income.

Receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

v. Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired or the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either: the Fund has transferred substantially all the risks and rewards of the asset, or the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2017

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

c) Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs.

It is the policy of the Fund to value any asset quoted, listed, traded or dealt with on an exchange or market by reference to the last traded price on or prior to the relevant Valuation Day on the major exchange or market in which the assets are dealt, to the extent that such valuation is based on a price within the bid-ask spread that is most representative of fair value on valuation date. In circumstances where the last traded price is not within the bid-ask spread, the Directors will determine the point within the bid-ask spread that is most representative of fair value.

The Directors at their absolute discretion may permit some other method of valuation to that described above if they consider such valuation better reflects the fair value of any investment.

d) Impairment of financial assets

The Fund assesses at each reporting date whether a financial asset or group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor/counterparty or a group of debtors/counterparties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate.

e) Functional and presentation currency

The Fund's functional currency is the Bermuda Dollar, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in Bermuda Dollars. Therefore, the Bermuda Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the Bermuda Dollar.

f) Offsetting and financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Management has determined that, as at June 30, 2017 and 2016, there were no assets and liabilities offset in the statement of financial position, nor were there any assets or liabilities available for offset. The Fund does not have a legally enforceable right to offset, nor does it have master netting agreements or similar arrangements that would allow for related amounts to be set off.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2017

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

g) Foreign currency translations

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 comprehensive income.

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 in the net realised and change in unrealised gain/(loss) on investments in the statement of comprehensive income.

h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, money market funds with daily liquidity and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

i) Due from and due to broker

Amounts due from and to brokers represents cash held with brokers and receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date, respectively. These amounts are recognised at fair value.

j) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

k) Dividend income and expense

Dividend income is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

l) Realised and change in unrealised gains and losses

Realised and change in unrealised gains/(losses) on financial assets at fair value through profit or loss are recognised in the statement of comprehensive income. The cost of investments sold is accounted for using the average cost basis.

m) Expenses

All expenses (including management fees) are recognised in the statement of comprehensive income on an accrual basis.

n) Going concern

The Fund's management has assessed the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2017

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

o) Share capital

The Fund's Organisational Shares are classified as equity in accordance with the Fund's articles of association. These shares do not participate in the profits of the Fund.

p) Redeemable participating shares

Redeemable participating shares (i.e., Class A shares) are redeemable at the shareholder's option and are classified as financial liabilities. The redeemable participating shares can be put back to the Fund on any dealing day (normally the next business day following the Valuation Day, which is on Wednesday in each week) at a value equal to a proportionate share of the Fund's net asset value ("NAV"). The Fund's net asset value per share is calculated by dividing the net assets attributable to holders of common shares with the total number of outstanding common shares.

q) Investment entity

IFRS 10 defines an investment entity and requires a reporting entity that meets the definition of an investment entity not to consolidate but instead to measure its investments at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments

Management has determined that the Fund meets the definition of an investment entity and recognizes all investments at fair value through profit and loss.

r) Impact of accounting pronouncements issued but not yet effective

IAS 7 Disclosure Initiative – Amendments to IAS 7

In January 2016, the IASB issued amendments to IAS 7 *Statement of Cash Flows* to aid users of financial statements to better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from cash flows and non-cash changes. IAS 7 Disclosure Initiative is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Fund is currently assessing the impact of IAS 7 Disclosure Initiative and plans to adopt the amendment on the required effective date.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Fund is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended June 30, 2017
(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

r) Impact of accounting pronouncements issued but not yet effective (continued)

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Fund is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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 financial position includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund.

Substantially all of the assets of the Fund are held by the Fund's Custodian and the Bank. The Fund monitors its risk by monitoring the credit quality of the Custodian and the Bank. As at June 30, 2017, the credit rating of the Custodian and the Bank, as provided by Standard and Poor's, were both BBB (2016 – BBB).

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, 2017 and 2016, 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.

The Bermuda Dollar is pegged to the US dollar. The Fund invests in both US Dollar and Bermuda Dollar instruments. There is no guarantee that the Bermuda Dollar will always be pegged to the US dollar or that the ratio will remain at 1:1.

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.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2017

(Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk (continued)

The Fund's exposure to interest rate risk is limited to its cash at the bank which represents 0.24% (2016 – 3.35%) of the Fund's net assets. The Fund also holds an interest bearing unsecured credit facility agreement with the Bank (as disclosed in Note 7 c)). As at June 30, 2017 and 2016, the credit facility remained unused.

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.

As at June 30, 2017, the Fund holds \$249,100 (2016 - \$115,025) in preferred stocks with a maturity of greater than five years from year-end.

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, 2017 and 2016 were listed on stock exchanges.

All of the Fund's investments were exposed to changes in equity prices. As at June 30, 2017, 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 \$835,843 (2016 - \$631,214) 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.

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.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended June 30, 2017
(Expressed in Bermuda Dollars)

4. FAIR VALUE OF FINANCIAL ASSETS (Continued)

June 30, 2017 Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common Stock	\$ 16,467,754	\$ -	\$ -	\$ 16,467,754
Preferred Stock	-	249,100	-	249,100
Total Financial Assets	\$ 16,467,754	\$ 249,100	\$ -	\$ 16,716,854
June 30, 2016 Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common Stock	\$ 12,509,259	\$ -	\$ -	\$ 12,509,259
Preferred Stock	-	115,025	-	115,025
Total Financial Assets	\$ 12,509,259	\$ 115,025	\$ -	\$ 12,624,284

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, 2017 and 2016. 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, 2017 and 2016. The Fund did not hold any Level 3 investments at the beginning, during, or at the end of the years ended June 30, 2017 and 2016.

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock of the Fund is \$25,012,000 (2016: \$25,012,000) divided into:

25,000,000 (2016: 12,500,000) Class A participating, non-voting common shares of a par value of \$1.00 each share

12,000 (2016: 12,000) organisational non-participating, voting shares of a par value of \$1.00 each share

During 2016, the authorised capital stock of the Fund also included 12,500,000 Class B participating, non-voting common shares of a par value of \$1.00 each share. Class B was closed in July 2016 and the authorized capital stock of Class A increased to 25,000,000 participating, non-voting common shares.

Details of number of shares issued and outstanding as of June 30, 2017 and 2016 are as follows:

Participating Shares	2017	2016
	Class A	Class A
Balance - beginning of year	625,790	761,884
Issue of common shares	136,208	46,870
Redemption of common shares	(172,806)	(182,964)
Balance - end of year	589,192	625,790
Organisational Shares	12,000	12,000

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2017

(Expressed in Bermuda Dollars)

5. SHARES ISSUED AND OUTSTANDING (Continued)

Class A shares are allotted to subscribers at a value determined by reference to the weekly valuation of the net assets of the Fund. Class A 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 initial minimum subscription is \$1,000.00 for Class A Shares. Additional subscriptions will be accepted in any amount. The management fees payable to the Investment Adviser in respect of Class A shares are described in Note 7 a.

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.

During the year, the Fund received securities having a fair value of \$1,034,286 (2016: \$487,403) in exchange for Class A common shares in the Fund.

Capital Management

As a result of the ability to issue, repurchase and resell shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable shares beyond those included in the Fund's Prospectus.

6. DIVIDENDS

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

	Declaration Date	2017	Declaration Date	2016
\$0.13 per share (2016 - \$0.13 per share)	Sept 30, 2016	\$ 81,188	Sept 30, 2015	\$ 92,614
\$0.13 per share (2016 - \$0.13 per share)	Dec 30, 2016	78,860	Dec 31, 2015	93,441
\$0.13 per share (2016 - \$0.13 per share)	March 31, 2017	80,270	March 31, 2016	88,063
\$0.15 per share (2016 - \$0.13 per share)	June 30, 2017	88,378	June 30, 2016	81,353
		\$ 328,697		\$ 355,471

7. 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. 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 \$116,929 (2016 - \$107,570) with \$10,270 (2016 - \$9,681) being payable and included in accrued expenses at year end.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2017

(Expressed in Bermuda Dollars)

7. RELATED PARTY TRANSACTIONS (Continued)

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 \$15,774 (2016 - \$14,442) with \$8,536 (2016 - \$3,298) being payable and included in accrued expenses at year end.

c) Credit Facility

On August 30, 2016, the Fund renewed the unsecured credit facility agreement with the Bank in the amount of \$1,400,000. 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. The full amount of any amount advanced under the revolving facility, together with the accrued interest and other amounts payable by the Fund to the Bank, is payable on the earlier of seven days following the utilization date or the expiry date, unless extended at the Bank's sole discretion. If any payment falls due and payable on a day which is not a business day the payment shall be made on the next following business day. The renewed unsecured facility expired on June 30, 2017.

On August 14, 2017, the Fund renewed the unsecured credit facility agreement with the Bank. The terms remain unchanged from the previous agreement, as outlined above, with the additional condition that advances will be limited to 10% of the borrower's net asset value. The renewed unsecured facility expires on June 30, 2018.

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 2017 was \$4,917 (2016 - \$4,260), \$417 of which remained payable at year end.

e) Others

The Bank owns 0 Class A shares (2016 – 31,744 Class A shares) of the Fund.

8. 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 \$42,063 (2016 - \$43,747) with \$12,066 (2016 - \$10,464) being payable and included in accrued expenses at year end.

9. TAXATION

The Fund is a local Bermuda Company and under current Bermuda law, the Fund is not obligated to pay taxes in Bermuda on either income or capital gains.

10. COMMITMENTS AND CONTINGENCIES

Management has determined that the Fund had no commitments or contingencies as at June 30, 2017 (2016: none).

11. SUBSEQUENT EVENTS

The Fund has evaluated all the events or transactions that occurred after June 30, 2017 through October 6, 2017, the date the financial statements were available to be issued. The Fund did not have any other material subsequent events.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended June 30, 2017
(Expressed in Bermuda Dollars)

12. FINANCIAL HIGHLIGHTS

	2017 CLASS A	2016 CLASS A
Per Share Information		
Net asset value - beginning of year	\$ 20.92	\$ 20.28
Income from investment operations		
Net investment income****	0.32	0.62
Net realised and change in unrealised gain on investments	7.55	0.54
Total from investment operations	7.87	1.16
Distributions to investors	(0.54)	(0.52)
Net asset value – end of year	\$ 28.25	\$ 20.92

	2017 CLASS A	2016 CLASS A
Ratios / Supplemental data		
Total net assets - end of year	\$ 16,642,811	\$ 13,088,783
Weighted average net assets*	15,810,264	14,189,754
Ratio of expenses to weighted average net assets annualised	1.57%	1.57%
Portfolio turnover rate**	75.15%	8.98%
Annual rate of return***	37.62%	5.72%

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

** Portfolio turnover rate is calculated 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.

*** 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.

****Net investment income represents dividends, deposit interest and other income net of expenses.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on October 6, 2017.

