

Butterfield Bermuda Fund Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2012

Butterfield Bermuda Fund Limited

Butterfield Bermuda Fund Limited - Annual Report 2012

During the last year, the net asset value per share, exclusive of dividends, decreased -0.3% versus the composite benchmark return of 2.4% over the same period. In addition, for the year ended June 30, 2012, the Fund paid total dividends of \$0.52 per share giving a total return for the year of 2.8%. The Fund's quarterly dividend rate remained stable throughout the year, with the dividend yield currently at 3.1%. The Fund continues to maintain a dividend policy whereby the dividend yield of the Fund is representative of the dividend yield for the Fund's constituent companies.

Market Review

The domestic market, as represented by the BSE index, declined by -8.6% for the year as several of the companies with large weights in the index performed poorly. Butterfield declined 9.3% as the stock price returned to more realistic levels after running up as high as \$1.50 in early 2011 due to excitement in the market after Butterfield's announcement of a return to profitability and strengthened balance sheet. Butterfield continues to experience adequate improvements in performance with six quarters of positive and improving earnings and strong capital levels. Ascendant Group, the parent company of Belco and Bermuda Gas has been under increasing pressure as the local population continues to shrink leading to lower demand for electricity, both in residential and commercial business lines. The decision by regulators not to approve requested electricity rate increases, the scrapping of plans to modernise and expand Belco's generation plant, and poor financial results have all been well publicized and continue to place downwards pressure on the company's stock price. While Argus Group Holdings carries a lower weight in the BSE Index compared with the above mentioned companies, it was by far the worst performing stock over the year, declining by -29.5%, as investors fled from the company after the AM Best downgrade and suspension of dividend. As of the time of writing the Bermuda Government had announced a relaxation of the long standing 60/40 ownership rule. Under new regulations, any company listed on the Bermuda Stock Exchange will be able to apply for a license allowing them to exceed the 40% foreign ownership limit. While no applications have been announced to date, a potential flow of foreign capital into the local markets can only be positive for stock prices.

After the extreme catastrophe losses experienced in the first half of 2011, the last 12 months has been relatively quiet in terms of catastrophe losses. Fresh capital flowing into the industry, in response to an expected hardening of rates in mid 2011, meant that the average increase in rates was more muted than some had hoped. However, rates in regions experiencing losses last year saw significant hardening. This helped push average rates across all regions and business lines up approximately 9% year on year. This slight hardening of rates combined with low losses allowed companies to end 2011 with good profitability and capital levels equal to the beginning of 2011. The industry continued to report strong numbers through the first half of 2012 with the majority of companies announcing significant increases in profit and beating analyst estimates. Investors rewarded the industry with a 9.8% return for the year. During the last year the updated RMS v11 catastrophe modelling package was released. Companies have now had time to evaluate the new model and make adjustments as needed. Industry analysts have cited this as being one of the catalysts for a recent move towards individual companies assessing and realigning their product mix to areas which they feel have the greatest relative value to the firm. While it is too early to see the results of this shift, a divergence of business strategies within the industry may lead to more stock picking opportunities in what has traditionally been a somewhat commoditised industry. There has also recently been a trend in companies walking away from contact negotiations that don't meet pricing expectations. This willingness to withhold capacity combined with high capital levels and low returns on investment portfolios would suggest that we could see a pickup in share buyback programs.

We continue to see the low historical correlation between the Fund's two benchmark components providing stability and a degree of protection from the poor performance of the local economy. The Fund continues to be fully invested with a preference towards the foreign holdings versus the domestic holdings.

Butterfield Bermuda Fund Limited

Outlook

While there appears to have been somewhat of an acceptance over the last year that the current state of the local economy is not due entirely to the poor performance of the global economy, the reaction by policy makers has not been on the scale needed to turn the economy around. With local elections likely to be in the coming months we can not expect to see any significant policy changes, as many of the needed actions would likely alienate the electorate. In contrast, the outlook for the reinsurance holdings in the Fund is somewhat more positive.

Butterfield Bermuda Fund Limited - Annual Report 2012 (Continued)

The Fund will continue to hold an overweight position in the insurance markets versus the domestic markets until we get more clarity on policy initiatives and can identify tangible signs that the local economy has begun to improve.

Michael Neff
President
Butterfield Bermuda Fund Limited

October 30, 2012

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Directors of
Butterfield Bermuda Fund Limited

We have audited the accompanying statement of net assets and statement of portfolio investments of Butterfield Bermuda Fund Limited (the "Fund") as at June 30, 2012, and the related statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2012, and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian and Bermudian generally accepted accounting principles.

Other Matters

The financial statements of the Fund as at and for the year ended June 30, 2011, were audited by another auditor who expressed an unmodified opinion on those financial statements on October 31, 2011.

October 30, 2012



Butterfield Bermuda Fund Limited

DIRECTORS

Shane English (Appointed May 15, 2012)
Michael Neff (President) (Appointed June 15, 2011)
Michael Collins (Appointed June 30, 2011)

INVESTMENT ADVISER

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

CUSTODIAN

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

REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

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

AUDITORS

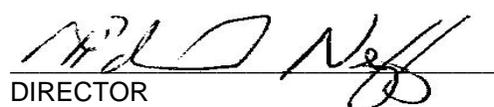
Ernst & Young Ltd.
P.O. Box HM 463
Hamilton HM BX
Bermuda

Butterfield Bermuda Fund Limited

STATEMENT OF NET ASSETS As at June 30, 2012 (Expressed in Bermuda Dollars)

ASSETS	Notes	2012	2011
Investments, at fair value (Cost: 2012 - \$15,542,290; 2011 - \$16,282,551)	3, 4	\$ 14,825,662	\$ 15,293,288
Cash and cash equivalents	2	113,719	298,257
Dividends and interest receivable		9,850	14,052
Prepaid expenses		9,122	7,201
		14,958,353	15,612,798
LIABILITIES			
Dividends payable	6	114,866	119,389
Accrued expenses	8	42,391	64,579
		157,257	183,968
Organisational shares	5	14,801,096 12,000	15,428,830 12,000
NET ASSETS		\$ 14,789,096	\$ 15,416,830
NET ASSETS AVAILABLE TO SHAREHOLDERS - CLASS A		\$ 14,789,096	\$ 15,416,830
Number of common shares in issue - Class A	5	883,582	918,372
NET ASSET VALUE PER COMMON SHARE - CLASS A		\$ 16.74	\$ 16.79

Signed on Behalf of the Board


DIRECTOR


DIRECTOR

The accompanying notes are an integral part of these financial statements

Butterfield Bermuda Fund Limited

STATEMENT OF PORTFOLIO INVESTMENTS

As at June 30, 2012

(Expressed in Bermuda Dollars)

INVESTMENTS	Number of Shares	2012		Number of Shares	2011	
		Fair Value	% of Portfolio		Fair Value	% of Portfolio
Common Stock and Preferred Shares						
ACE Limited	21,200	\$ 1,571,556	10.60%	23,300	\$ 1,533,606	10.03%
Allied World Assurance Company Limited	5,100	405,297	2.73%	-	-	-
Arch Capital Group Ltd.	32,400	1,285,956	8.67%	32,400	1,034,208	6.76%
Argus Group Holdings Limited	156,593	622,457	4.20%	160,092	820,476	5.36%
Ascendant Group Limited	133,026	1,712,710	11.55%	160,426	2,270,028	14.84%
Aspen Insurance Holdings Limited	23,000	664,700	4.48%	23,000	591,790	3.87%
Assured Guaranty Ltd.	32,000	451,200	3.04%	48,000	782,880	5.12%
Axis Capital Holdings Limited	11,620	378,231	2.55%	11,620	359,755	2.35%
Bank of N.T. Butterfield & Son Limited	1,089,518	1,383,688	9.33%	1,089,518	1,525,325	9.97%
Bank of N.T. Butterfield & Son Limited Contingent Value Preference Shares	38,460	48,844	0.33%	38,460	53,844	0.36%
Bermuda Aviation Services Ltd.	223,056	724,932	4.89%	223,056	892,224	5.83%
Bermuda Press (Holdings) Ltd.	5,431	57,704	0.39%	5,431	71,961	0.47%
BF&M Limited	18,973	300,624	2.03%	18,973	280,797	1.84%
Endurance Specialty Holdings Ltd.	20,000	766,400	5.17%	20,000	826,600	5.40%
Everest Re Group Ltd.	14,060	1,455,069	9.82%	14,060	1,149,405	7.52%
KeyTech Limited	7,994	45,966	0.31%	7,994	50,202	0.33%
Montpelier Re Holdings Ltd.	16,800	357,672	2.41%	16,800	302,400	1.98%
PartnerRe Ltd.	6,140	464,614	3.13%	6,140	422,739	2.76%
RenaissanceRe Holdings Ltd.	10,242	778,494	5.25%	11,342	793,373	5.19%
RenaissanceRe Holdings Ltd. Series C 6.08% Preferred Shares	22,839	580,111	3.91%	22,839	545,167	3.56%
Validus Holdings Limited	23,579	755,235	5.10%	29,829	923,208	6.04%
West Hamilton Holdings Limited	1,900	14,202	0.10%	10,000	63,300	0.42%
TOTAL INVESTMENTS, AT FAIR VALUE						
(Cost: 2012 - \$15,542,290; 2011 - \$16,282,551)						
		\$ 14,825,662	100.00%		\$ 15,293,288	100.00%

The accompanying notes are an integral part of these financial statements

Butterfield Bermuda Fund Limited

STATEMENT OF OPERATIONS For the year ended June 30, 2012 (Expressed in Bermuda Dollars)

	Notes	2012	2011
INVESTMENT INCOME			
Dividends		\$ 458,282	\$ 495,703
Deposit interest		507	3,156
		458,789	498,859
EXPENSES			
Management fee	8 a)	109,361	125,205
Administration fee	8 c)	66,018	137,006
Audit fee		18,000	18,155
Custodian fee	8 b)	14,423	17,511
Miscellaneous		13,260	15,528
Corporate secretarial fee	8 d)	2,139	4,921
Government fee		9,518	5,665
		232,719	323,991
NET INVESTMENT INCOME		226,070	174,868
NET REALISED AND CHANGE IN UNREALISED GAIN/(LOSS) ON INVESTMENTS			
Net realised (loss)/gain on investments	7	(90,401)	1,001,508
Net change in unrealised gain on investments		272,638	403,477
NET GAIN ON INVESTMENTS		182,237	1,404,985
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$ 408,307	\$ 1,579,853

The accompanying notes are an integral part of these financial statements

Butterfield Bermuda Fund Limited

STATEMENT OF CHANGES IN NET ASSETS For the year ended June 30, 2012 (Expressed in Bermuda Dollars)

	Note	2012	2011
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$ 408,307	\$ 1,579,853
<hr/>			
DISTRIBUTIONS TO INVESTORS			
Dividends paid and payable	6	(465,696)	(553,235)
<hr/>			
CAPITAL STOCK TRANSACTIONS			
Issue of shares		568,457	1,267,150
Redemption of shares		(1,138,802)	(4,240,634)
<hr/>			
Net capital stock transactions		(570,345)	(2,973,484)
<hr/>			
NET DECREASE IN NET ASSETS FOR THE YEAR		(627,734)	(1,946,866)
NET ASSETS - BEGINNING OF YEAR		15,416,830	17,363,696
<hr/>			
NET ASSETS - END OF YEAR		\$ 14,789,096	\$ 15,416,830

The accompanying notes are an integral part of these financial statements

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in Bermuda Dollars)

1. ABOUT THE FUND

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Valuation of Investments

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

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

b) Investment Transactions and Income Recognition

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

c) Cash and Cash Equivalents

Cash equivalents are comprised primarily of shares in Butterfield Money Market Fund Limited, an affiliated money market fund, denominated in US\$ shares. Shares may be redeemed on 24 hours' notice. The fair value of the Fund's holding in the money market fund as of June 30, 2012 was to \$61,055 (2011 - \$166,866).

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in Bermuda Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Assets and Liabilities

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

e) Translation of Foreign Currencies

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

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

f) Adoption of New Accounting Standards

International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which include investment funds and other reporting issuers. Under the general transition rules for publicly accountable enterprises, the Fund would adopt IFRS for its fiscal period beginning on or after January 1, 2011. On December 12, 2011, the Canadian Accounting Standards Board amended the requirement to prepare financial statements in accordance with IFRS as issued by the International Accounting Standards Board, permitting investment companies, which include investment funds, to defer adoption of IFRS to fiscal years beginning on or after January 1, 2013.

The Fund has elected to defer the adoption of IFRS and is still assessing the impact IFRS will have on its financial statements.

3. FINANCIAL RISK MANAGEMENT

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

Credit Risk

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

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

Currency Risk

Currency risk is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates. When the Fund enters into transactions which are denominated in currencies other than the Fund's reporting currency, the Investment Adviser attempts to mitigate the associated currency risk, which may include the use of forward currency contracts.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at June 30, 2012 and 2011, the Fund's exposure to currencies other than the Fund's reporting currency was limited to small balances of cash and cash equivalents denominated in foreign currencies which are not significant to the Fund as a whole.

Interest Rate Risk

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

The Fund's exposure to cash flow interest rate risk is limited to its cash at the bank which represents 0.77% (2011 - 1.91%) of the Fund's net assets. The Fund does not have any other significant interest-bearing assets or liabilities.

Liquidity Risk

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

Price/Market Risk

Price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. All investments of the Fund are exposed to price/market risk. The Investment Adviser attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy. All of the Fund's investments at June 30, 2012 and 2011 were listed on stock exchanges.

All of the Fund's investments were exposed to changes in equity prices. As at June 30, 2012, 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 \$741,283 (2011 - \$242,800) 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

For the year ended June 30, 2012

(Expressed in Bermuda Dollars)

4. FAIR VALUE OF FINANCIAL ASSETS (CONTINUED)

June 30, 2012				
Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common stock	14,196,707	-	-	14,196,707
Preferred shares	580,111	48,844	-	628,955
Total Financial Assets	\$14,776,818	\$48,844	\$ -	\$14,825,662

June 30, 2011				
Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common stock	14,694,277	53,844	-	\$14,748,121
Preferred shares	545,167	-	-	545,167
Total Financial Assets	\$15,239,444	\$ 53,844	\$ -	\$15,293,288

Transfers of Assets between Level 1 and Level 2

Financial assets and liabilities transferred from Level 1 to Level 2 are the result of the securities no longer being traded in an active market. There were no transfers of financial assets and liabilities from Level 1 to Level 2 during the years ended June 30, 2012 and 2011. 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, 2012 and 2011.

Reconciliation of Financial Asset and Liability Movement - Level 3

The Fund did not hold any level 3 investments at the beginning, during, or at the end of the years ended June 30, 2012 and 2011.

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock is as follows:

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

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

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

Details of number of shares issued and outstanding during the year are as follows:

Common Shares	2012		2011	
	Class A	Class B	Class A	Class B
Balance - beginning of year	918,372	-	1,008,646	3,037,055
Issue of common shares	35,043	-	52,853	819,356
Redemption of common shares	(69,833)	-	(143,127)	(3,856,411)
Balance - end of year	883,582	-	918,372	-
Organisational Shares	12,000	-	12,000	-

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in Bermuda Dollars)

5. SHARES ISSUED AND OUTSTANDING (CONTINUED)

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

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

6. DIVIDENDS

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

	Payment Date	2012	2011
\$0.13 per share (2011 - \$0.13 per share)	October 12, 2011	\$ 119,156	\$ 132,023
\$0.13 per share (2011 - \$0.13 per share)	January 6, 2012	115,852	128,966
\$0.13 per share (2011 - \$0.13 per share)	April 3, 2012	115,822	126,502
\$0.13 per share (2011 - \$0.13 per share)	July 9, 2012	114,866	119,388
		\$ 465,696	\$ 506,879

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

	2012	2011
\$Nil per share (2011 - \$0.13 per share)	\$ -	\$ 46,356
	\$ -	\$ 46,356

7. NET REALISED (LOSS)/GAIN ON INVESTMENTS

The net realised (loss)/gain on sale of investments was as follows:

	2012	2011
Proceeds from sale of investments	\$ 1,042,802	\$ 5,709,948
Less cost of investments sold:		
Investments owned - beginning of year	16,282,551	18,359,998
Investments purchased during year	392,942	2,630,993
Investments owned - end of year	(15,542,290)	(16,282,551)
Investments sold during the year	1,133,203	4,708,440
Net realised (loss)/gain on investments	\$ (90,401)	\$ 1,001,508

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in Bermuda Dollars)

8. RELATED PARTY TRANSACTIONS

a) Management Fee

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

Under the terms of the management agreement, the Investment Adviser is entitled to receive a monthly fee calculated at the rate of no more than 1% per annum of the average valuation of the net assets of the Fund carried out on the Valuation Days during each month. Presently, the monthly fee is calculated at the rate of 0.75% per annum for the Class A shares and 0.45% per annum for the Class B shares. There are currently no outstanding shares for Class B. The fee of the Investment Adviser is reduced to take account of the management fee already levied on assets held in shares of other funds managed by the Investment Adviser. Management fee for the year was \$109,361 (2011 - \$125,205) with \$9,322 (2011 - \$11,478) being payable and included in accrued expenses at year end.

b) Custodian Fee

The Custodian is related to the Fund through common directorship.

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 \$14,423 (2011 - \$17,511) with \$6,341 (2011 - \$4,494) being payable and included in accrued expenses at year end.

c) Administration Fee (including Accounting Fee and Registrar and Transfer Agent Fee)

The Administrator was previously related to the Fund by way of the Administrator being owned by the Bank. In May 2011, the Administrator was purchased by unrelated parties and full ownership and control of the Administrator were transferred to such unrelated parties.

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 \$66,018 (2011 - \$137,006) with \$5,874 (2011 - \$27,500) being payable and included in accrued expenses at year end.

d) Corporate Secretarial Fee

The Corporate Secretary is related to the Fund through common directorship.

Corporate secretarial fee was charged on a time spent basis at their normal rates. In accordance with the administration agreement, effective January 2012, corporate secretarial fee was no longer charged at the Fund level. The corporate secretarial fee for the year was \$2,139 (2011 - \$4,921) with \$nil (2011 - \$800) being payable and included in accrued expenses at year end.

e) Credit Facility

On October 7, 2010, the Fund entered into a credit facility with the Bank for \$2 million, to a maximum of 10% of the Fund's net assets. The agreement expired on July 31, 2011 and was subsequently renewed until May 31, 2013.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in Bermuda Dollars)

9. TAXATION

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

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

10. COMPARATIVE FIGURES

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

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in Bermuda Dollars)

11. FINANCIAL HIGHLIGHTS

Class B shares were fully redeemed as of November 25, 2010. The information as follows is presented for the end of years June 30, 2012 and 2011 for Class A shares, and end of period November 25, 2010 for Class B shares.

	2012 CLASS A	CLASS A	2011 CLASS B
Per Share Information			
Net asset value - beginning of year	\$ 16.79	\$ 15.90	\$ 0.44
Income from investment operations			
Net investment income	0.25	0.18	0.00
Net realised and change in unrealised gain/(loss) on investments	0.22	1.23	0.04
Total from investment operations	0.47	1.41	0.04
Distributions to investors	(0.52)	(0.52)	(0.02)
Net asset value - end of year	\$ 16.74	\$16.79	\$ 0.46
Ratios / Supplemental Data			
Total net assets - end of year	\$ 14,789,096	\$ 15,416,830	\$ -
Weighted average net assets*	\$ 14,695,303	\$ 16,772,285	\$ 693,345
Ratio of expenses to weighted average net assets annualised	1.58%	1.84%	2.27%
Portfolio turnover rate**	2.70%	6.70%	6.70%
Annual rate of return***	2.80%	8.87%	9.09%

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

** Portfolio turnover rate is calculated for the total of Class A and B 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.