



2003 ANNUAL REPORT

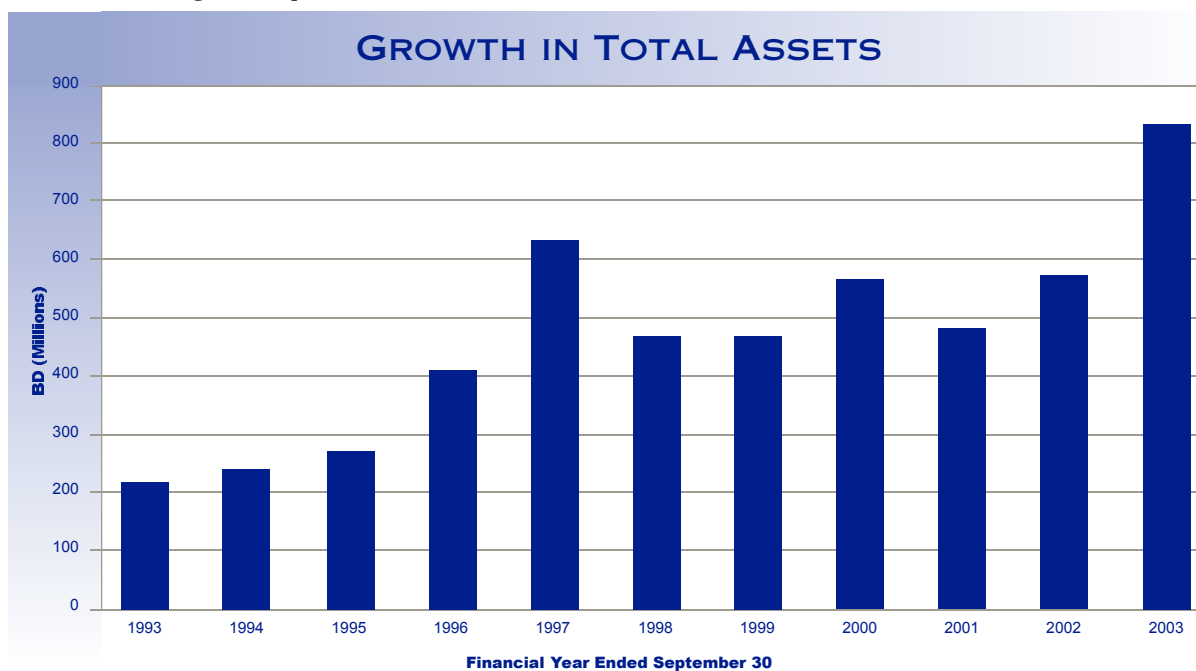
BERMUDA COMMERCIAL BANK LIMITED

LETTER TO SHAREHOLDERS

The Board of Directors of Bermuda Commercial Bank (“BCB” or “the Bank”) approved maintaining the half-yearly dividend of \$0.225, or \$0.45 per share for the year, matching the dividends for the preceding two financial years ended September 30, 2002 and 2001. This dividend represents 72.6% of annual 2003 earnings and generates an annual yield of 6.9% based on the average fiscal year 2003 trading price of \$6.54 for the Bank’s common stock. The Bank’s stock continues to trade below book value, approximately at 59.6% of its book value of \$10.98 per share.

BCB’s net income before discontinued operations and unusual items for the year ended September 30, 2003 increased \$590,000, or 28.8%, to \$2.64 million from \$2.05 million. Total assets were \$836.73 million at September 30, 2003 compared to \$582.74 million at September 30, 2002, an increase of \$253.99 million or 43.6%. At September 30, 2003, cash and cash equivalents represented 99.3% of total assets compared to 98.6% at September 30, 2002, emphasizing BCB’s policy to preserve a highly liquid balance sheet, whilst maintaining a low risk, fee income driven profile.

The following chart represents the increase in total assets of BCB since 1993.



The increase in total assets is fueled by growth in customer deposits placed with BCB. At September 30, 2003, customer deposits totaled \$785.94 million compared to \$533.23 million at September 30, 2002, an increase of \$252.71 million or 47.4%. Management is pleased with the growth in customer deposits considering that the US dollar interest rate environment is at lows last experienced in 1958. The average balance of customer deposits for the entire 2003 fiscal year was only slightly higher when compared to average balances held during fiscal year 2002. Significant fluctuations must be viewed as part of normal business driven by client cash flow requirements.

While BCB’s investment policy creates an extremely liquid, low risk balance sheet for its clients and shareholders, it exposes the Bank’s net income to vulnerability with changes to the interest rate environment. Net interest income declined from \$5.38 million at September 30, 2002 to \$4.76 million at September 30, 2003, a decrease of \$620,000 or 11.5%, largely a result of exceptionally low interest rates.

Total revenues increased to \$10.19 million for the year ending September 30, 2003 compared to \$9.48 million for

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the prior year, an increase of \$710,000 or 7.5%, due to a 30.7% increase in fees and commissions and a 40.4% increase in net foreign exchange gains which contributed \$1.28 million in additional client generated revenues. The increase in fees and commissions is attributable to a combination of new business and a modification of the Bank's fee structure, which had not been changed since 1993. As the Bank holds no investments other than cash and cash equivalents, no investment income was reported for fiscal year 2003 or 2002.

As with all banks and companies in the international financial services business, BCB is experiencing a challenging period as we have had to come to terms with the ongoing and far reaching effects of the tragic events of September 11th and the war against terrorism on the already depressed global economies and the cost of doing business after the terrorist attacks.

Total expenses for the year ended September 30, 2003 were \$7.54 million compared to prior year expenses of \$7.44 million, an increase of only 1.3% as a result of significant efforts to control costs.

Net income before discontinued operations and unusual items for the year ended September 30, 2003 increased \$590,000, or 28.8%, to \$2.64 million from \$2.05 million. BCB reported net income after discontinued operations and unusual items of \$2.64 million for the year ended September 30, 2003 compared to \$5.28 million for the year ended September 30, 2002.

In 2002, the Bank advised that the low risk, fee income driven business approach, combined with the drastic reduction in interest rates experienced since fiscal year 2001, had led to levels of operating income for fiscal year 2001 and 2002, very much below operating income levels during the preceding years. The 2002 Letter to Shareholders further stated that 2002 low levels of interest rates and potential further reductions by the U.S. Federal Reserve Bank would cause the Bank's operating income to remain under pressure, and for fiscal year 2003, operating income was budgeted at fiscal year 2002 levels.

The U.S. Federal Reserve Bank reduced interest rates in fiscal year 2003 twice – once in November 2002 and once in June 2003. Despite this further reduction in interest rates, BCB achieved an increase in operating income due to increased fees and commissions combined with relatively static expenses.

For fiscal year 2004, BCB's strategy will continue to emphasize full automation, digital delivery of services, and a liquid balance sheet. A low, almost no-risk, fee income driven profile will be maintained. The Bank will continue to provide personal, flexible service, as both the Bank and the eBanking platform are continually upgraded, to offer increasingly enhanced products and services to the Bank's expanding client base.

During the 2003 year, BCB announced the appointment of Mrs. Dominique Smith to the new position of Senior Vice President with responsibility to oversee the day-to-day management of the Bank and its subsidiaries, including business development and quality control. The Bank also announced the addition to its management team of Mr. Glendall Phillips as the General Manager, Banking & Custodial Services.

BCB invested in new custody and fund administration systems, both to provide enhanced reporting to clients and management, and to increase efficiency and accuracy via the automation of manual procedures, resulting in overall cost efficiencies to the Bank. These systems were fully implemented and enhanced during 2003. In the upcoming year, BCB intends to upgrade its trust system and main banking system with the continued objective of improving efficiency and reporting to clients and management.

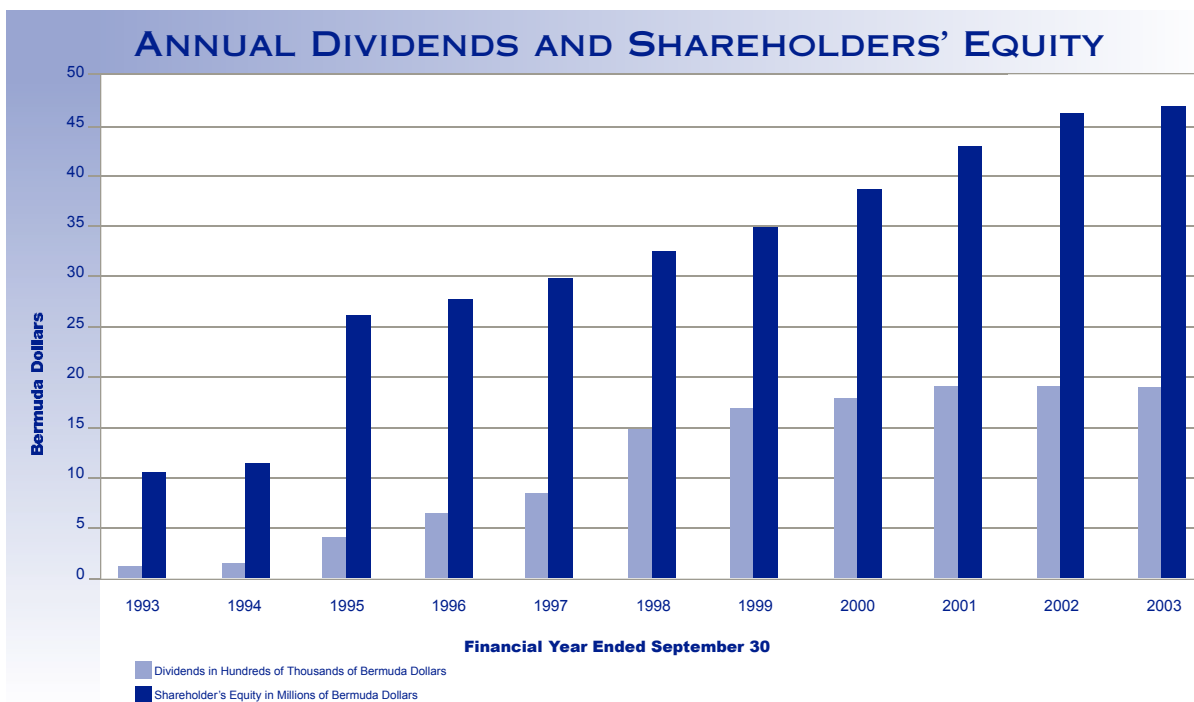
BCB also upgraded its Internet Banking System to include online dual and tiered authorization of financial transactions in order to mirror electronically the paper based signatory requirements of a corporate entity; launched a platform for its Fund Administration clients named 'eFund', which provides Fund Managers and the Shareholders online access to all relevant Fund and Shareholder transactions together with all relevant net asset value information; and implemented its eInvest product, granting clients the ability to make online subscriptions and redemptions from BCB's offerings of Barclays Global Investors' AAA rated money funds in dollars, sterling, and euros, as well as global

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equity index and fixed income funds.

BCB's philosophy of working closely with clients to determine product needs has resulted in offering a new share class in the eInvest platform that allows for same day liquidity in a US dollar money fund. In the upcoming year, enhancements will be added to eFund allowing Fund Managers greater reporting capabilities and access to further information, and the Internet Banking System will be further upgraded to meet client needs.

BCB's strategy of maintaining a low risk, highly liquid balance sheet while providing personal service to our clients has resulted in a steady increase in shareholders' equity. This increase has led to increasing dividends to our shareholders that have been held constant for the past three fiscal years. The following chart represents the steady growth in shareholders' equity and annual dividends since 1993, including the effects of a rights offering in June of 1995.



On behalf of the staff and management of Bermuda Commercial Bank, we thank our shareholders and clients for their continued support. We would also like to express a special appreciation to the staff and management for their continued dedication, hard work, and commitment to the Bank.

JOHN CHR. M.A.M. DEUSS
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

TIMOTHY W. ULRICH
PRESIDENT AND CHIEF OPERATING OFFICER

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MANAGEMENT'S DISCUSSION AND ANALYSIS

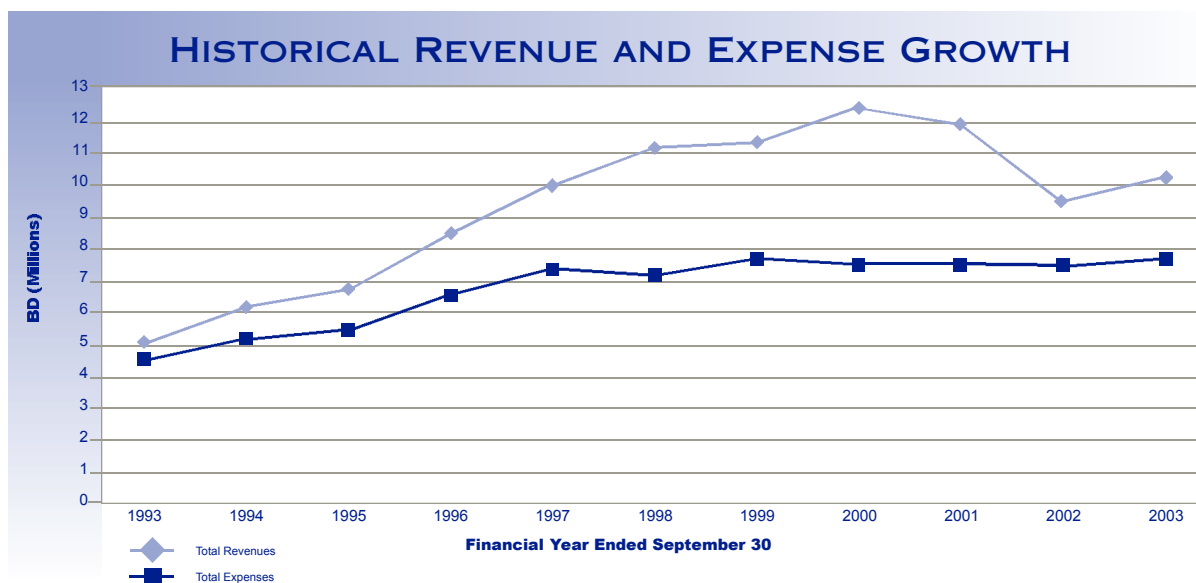
Management's Discussion and Analysis should be read in conjunction with our Consolidated Financial Statements, the notes to those financial statements, and the Letter to Shareholders. All references to BCB or the Bank refer to Bermuda Commercial Bank Limited and its subsidiaries on a consolidated basis.

RESULTS OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2003

Net income before discontinued operations and unusual items for 2003 was \$2.64 million, up 28.8% from \$2.05 million in 2002. There were no discontinued operations or unusual items in the current fiscal year. In the year ended September 30, 2002, unusual items of \$2.38 million were reported representing net recoveries associated with unauthorized transactions of a former employee in 2001. In 2002, \$857,000 was recorded as an addition to net income within discontinued operations as a result of the Bank divesting its holding in a property management subsidiary. These items are more fully discussed in the Notes to the Consolidated Financial Statements.

Basic and diluted earnings per share for the year ended September 30, 2003 are calculated at \$0.62 and \$0.58, respectively. Basic and diluted earnings per share after discontinued operations as at September 30, 2002 were \$1.23 and \$1.16, respectively; basic and diluted earnings per share before discontinued operations were calculated at \$1.03 and \$0.97, respectively in 2002.

Total income increased \$710,000, or 7.5%, to \$10.19 million from \$9.48 million while total expenses were contained to a nominal increase of 1.3%, or \$100,000, to \$7.54 million from \$7.44 million a year ago. The following chart demonstrates BCB's commitment to controlling expenses whilst increasing fee generated income, before unusual items and discontinued operations, since 1993:



For the year ended September 30, 2003, interest income was \$8.66 million compared to \$11.81 million at September 30, 2002, a decline of \$3.15 million or 26.7%. This decrease reflects the continued reduction of worldwide interest rates during the current fiscal year. Accompanying the decrease in interest income, interest expense fell \$2.53 million to \$3.91 million from \$6.44 million, a drop of 39.3%. The larger percentage decrease in interest expense compared to interest income can be attributed to the combined effect of vigilantly monitoring interest rates on our interbank and money market placements, whilst actively managing minor currency placements, and aggressively pricing our fixed deposits at a market competitive level.

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Fees and commissions increased by \$1.08 million, or 30.7%, from the previous year. As the cost of doing business has increased everywhere due to the threat of global terrorism, BCB, like most international banks, has had to increase its fees in order to meet the increased administrative expense related to the cost of compliance with the requirements to identify and prevent the trafficking of terrorist and criminal funds around the world. The adjustments were also made to the fee structures both to bring BCB in line with its international competitors and to ensure that the cost of providing quality banking services to its clients is adequately covered.

Transaction fees from Banking Services saw an increase of \$461,000, or 51.6%, for banking transaction fees and local market trading fees. The Bank experienced a decrease of \$5,000 in fees and commissions related to mortgage lending as a by-product of its run-off.

Our Corporate Trust business segment contributes to the majority of BCB's fees and commissions. This business segment provides trust, company management, fund management, corporate registrar, financial, and custodial services. Our Corporate Trust business continues to contribute to the overall group, as many of its clients maintain significant cash balances with Banking Services.

BCB, as the fund manager for Dollar Asset Portfolio (Bermuda) Limited ("DAP") and BCB Offshore Investment Fund Limited ("BCB Offshore"), earned approximately the same fees in 2003 as in 2002 at approximately \$400,000. However, fees associated with BCB Offshore have increased at the same rate as fees associated with DAP have decreased, with a corresponding movement in balances. The BCB Offshore prospectus stipulates that the investments into each of the fund's share classes will be limited to an investment into a single, corresponding Barclays Global Investors Limited ("BGI") Fund. We anticipate the trend of clients moving away from DAP and into BCB Offshore to continue in future years as we expect both existing clients and new clients to invest in BCB Offshore to take advantage of the AAA rating associated with the BGI Funds.

Fees and commissions associated with custodial services increased by \$382,000, or 37.5%, due to a combination of increased client activity, higher average balances under custody, and the amended fee schedule. In addition, new business for custodial services was obtained through joint marketing efforts with International Corporate Management of Bermuda Limited ("ICMOB"), the Bank's wholly owned subsidiary.

Fiscal year 2002/2003 has been another productive year for ICMOB continuing the trend of successful marketing efforts resulting in the take on of new fund administration business, which in turn has resulted in increased revenues. For the year ended September 30, 2003, ICMOB's fees and commissions increased by \$265,000, or 32.9%. Corporate Secretarial administration services remained a pillar of ICMOB's overall revenue base, and going forward, these services will continue to augment the growth of ICMOB's mutual fund business. ICMOB continues its focus of offering a packaged service encapsulating Corporate Services, Net Asset Value calculation, and Share Registration elements to both new and existing mutual fund companies.

Fees and commissions of BCB Trust Company Limited, the Bank's wholly owned subsidiary, decreased by \$25,000, or 6.2%, from September 30, 2002 primarily due to a lower volume of assets held in trust during the year.

Taking a small spread on each currency conversion as it passes through the Bank produces net exchange gains. The Bank does not however, assume any foreign exchange risk by taking unmatched positions, as it is expressly against Bank policy to take speculative positions in the foreign exchange markets. Net foreign exchange gains are \$202,000, or 40.5%, greater than in the prior year, and are a consequence of a higher volume of client foreign exchange activity. In addition, we have noticed higher average customer balances in currencies other than Bermuda Dollars and United States Dollars during the year. Higher foreign balances often lead to increased currency conversion activity thereby generating additional fees for BCB.

Other operating income, primarily recoveries from clients of pass-through charges, increased by \$41,000. In an ever more fee intensive environment, management and staff have increased their diligence of recovering expenses paid on behalf of clients from those clients in addition to implementing the revised fee schedule.

Total expenses for the year ended September 30, 2003 were \$7.54 million compared to \$7.44 million at September

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30, 2002, an increase of only 1.3% while the published Bermuda Consumer Price Index revealed a rate of inflation in excess of 3.0% emphasizing BCB's cost control efforts in these challenging interest rate times.

FINANCIAL CONDITION AS AT SEPTEMBER 30, 2003

Total customer deposits increased to \$785.94 million at September 30, 2003 from \$533.23 million at September 30, 2002, representing growth of 47.4% or \$252.71 million. Despite the significant increase as of year-end, some of our clients invest large amounts at month ends and quarter ends, thus reflecting the impact of client activity on balance sheet changes over time. Average customer balances placed with the Bank during fiscal year 2003 have approximated those placed during the prior year – represented by a slight increase of \$2.5 million or 0.5% on average balances during the current year. This modest expansion in our customer deposit balances is the result of new customers referred by intermediaries with whom the Bank has ongoing relationships, new client relationships, and increased balances deposited with BCB's eBanking platform offset by cash flow requirements of existing clients. Despite the lower interest rates offered, clients continue to have ongoing cash requirements and have elected to maintain significant balances with the Bank in addition to increasing total investments in money market funds managed by the Bank.

Customer deposits are placed with essentially matching maturities with highly rated counterparties in either the interbank market or in money market funds. Total cash and cash equivalents have risen to \$830.59 million from \$574.64 million, an increase of \$255.95 million or 44.5%. The increase in cash and cash equivalents is larger than the increase in customer deposits, which is in part due to the proceeds of loan repayments due to BCB being invested in cash and cash equivalents.

At September 30, 2003, net loans and advances were \$3.11 million compared to \$4.08 million at September 30, 2002, a decline of \$970,000 or 23.8%, due to principal payments and early repayments. Equipment and computer software decreased to \$1.61 million from \$1.94 million at September 30, 2002 primarily as a result of annual depreciation on existing capital assets reducing the carrying amount of those assets offset by purchases of upgrades. Other assets decreased by \$430,000 to \$1.18 million from \$1.61 million, or 26.7%, as a result of timing differences on the collection of receivables from customers and prepayments for services made by the Bank. The declines in interest receivable and interest payable are a function of the maturity schedules of deposits combined with lower interest rates on those deposits.

Other liabilities have increased to \$2.72 million from \$2.10 million at September 30, 2002, an increase of \$620,000 or 29.5% primarily because of customer activity. Specifically, Bermuda dollar drafts issued to customers were \$364,000 more than at September 30, 2002, which is solely a timing difference based on when customers purchase the drafts and present them for payment.

Shareholders' equity has increased to \$47.00 million from \$46.28 million, \$720,000, as a result of the net effect of net income offset by annual dividends due to shareholders.

PERFORMANCE MEASURES

Increasing revenues coupled with relatively static expenses resulted in the Bank's efficiency ratio – excluding discontinued operations and unusual items – improving to 74.1% from 78.4% during the prior period.

The Directors have declared a dividend of 22.5 cents per share for the six months ended September 30, 2003, which, when added to the 22.5 cents per share declared in March 2003, amounts to a total dividend of 45.0 cents per share for the year, equal to the 2002 full year annual dividend.

Due to the low interest rate environment and the impact of interest rates on BCB's net income, certain performance ratios have improved moderately but remained depressed when compared to those achieved in a more robust interest rate environment. Until interest rates increase, primarily United States Dollar interest rates, certain performance ratios will remain at similar levels to those experienced in the 2003 and 2002 fiscal years.

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	<i>Per Share Information</i>		<i>Financial Ratios</i>	
	2003	2002	2003	2002
Cash dividends	\$ 0.45	\$ 0.45	Return on equity ¹	5.67% 4.59%
Net book value	\$ 10.98	\$ 10.81	Return on equity ²	5.67% 11.84%
Market value at year-end	\$ 6.75	\$ 6.05	Return on assets ¹	0.37% 0.38%
Net income - basic ¹	\$ 0.62	\$ 0.48	Return on assets ²	0.37% 0.98%
Net income - basic ²	\$ 0.62	\$ 1.23	Efficiency ratio ¹	74.05% 78.42%
Net income - diluted ¹	\$ 0.58	\$ 0.45	Efficiency ratio ²	74.05% 58.46%
Net income - diluted ²	\$ 0.58	\$ 1.16	Dividend payout ratio ¹	72.58% 93.75%
			Dividend payout ratio ²	72.58% 36.59%
			Dividend to share price ratio	6.67% 7.44%
			Cash and cash equivalents	
			/ total assets	99.27% 98.61%
			Tier 1 capital ratio	27.46% 38.30%
			Tier 2 capital ratio	0.05% 0.07%
			Risk weighted capital ratio	27.51% 38.37%

¹ Before unusual items and discontinued operations

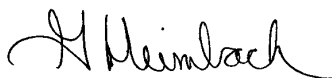
² After unusual items and discontinued operations



JOHN CHR. M.A.M. DEUSS
Chairman and Chief Executive Officer



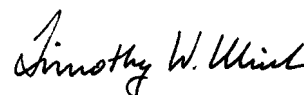
DOMINIQUE SMITH
Senior Vice President



GRETA L. HEIMBACH
Controller



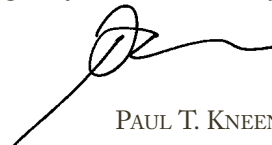
P. GLENDALL PHILLIPS
General Manager, Banking & Custodial Services



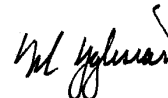
TIMOTHY W. ULRICH
President and Chief Operating Officer



MICHAEL CRANFIELD
General Manager, Information Technology



PAUL T. KNEEN
General Manager, International Corporate Management of Bermuda Limited



MANUEL YGLESIAS
General Manager, Marketing

INDEPENDENT AUDITORS' REPORT

Chartered Accountants
Corner House
Church and Parliament Streets
P.O. Box HM 1556
Hamilton HM FX, Bermuda

Telephone: (441) 292-1500
Fax: (441) 292-0961

**Deloitte
& Touche**

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Bermuda Commercial Bank Limited

We have audited the consolidated balance sheet of Bermuda Commercial Bank Limited as at September 30, 2003 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.



November 12, 2003

**Deloitte
Touche
Tohmatsu**

CONSOLIDATED BALANCE SHEET

as at September 30, 2003

	2003	2002
ASSETS		
Cash and cash equivalents (Note 2)		
Due on demand	\$ 93,351,483	\$ 33,684,826
Money market funds	99,909,078	100,000,000
Term deposits	637,331,004	440,959,784
 Total cash and cash equivalents	 830,591,565	 574,644,610
 Loans and advances (net of allowance for loan losses) (Note 3)	 3,106,390	 4,084,164
Equipment and computer software (Note 4)	1,613,983	1,935,531
Interest receivable	241,109	466,299
Other assets	1,176,876	1,610,156
 Total assets	 \$ 836,729,923	 \$ 582,740,760
 LIABILITIES		
Deposits (Note 5)		
Demand deposits	\$ 302,582,806	\$ 166,732,168
Term deposits	483,356,199	366,498,654
 Total deposits	 785,939,005	 533,230,822
Interest payable	108,855	167,194
Other liabilities	2,717,496	2,095,844
Proposed dividend	962,971	962,971
 Total liabilities	 789,728,327	 536,456,831
 SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	10,271,690	10,271,690
Share premium (Note 7)	10,751,329	10,751,329
Retained earnings	25,978,577	25,260,910
 Total shareholders' equity	 47,001,596	 46,283,929
 Total liabilities and shareholders' equity	 \$ 836,729,923	 \$ 582,740,760

See accompanying notes to the consolidated financial statements

Signed on behalf of the Board:

Chairman, John Chr. M.A.M. Deuss



Vice Chairman, Dr. Clarence R. Terceira



CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the year ended September 30, 2003

	2003	2002
I N C O M E		
Interest income	\$ 8,664,825	\$ 11,813,708
Interest expense	3,905,726	6,437,350
Net interest income	4,759,099	5,376,358
Fees and commissions	4,602,380	3,521,925
Net exchange gains	699,029	497,985
Other operating income	126,402	85,465
Total income	10,186,910	9,481,733
E X P E N S E S		
Salaries and employee benefits	3,774,140	3,663,115
Depreciation	595,359	710,457
Other expenses	3,173,802	3,062,173
Total expenses	7,543,301	7,435,745
I N C O M E B E F O R E D I S C O N T I N U E D O P E R A T I O N S A N D U N U S U A L I T E M S		
	2,643,609	2,045,988
Unusual items (Note 6)	-	2,379,778
I N C O M E B E F O R E D I S C O N T I N U E D O P E R A T I O N S		
	2,643,609	4,425,766
Discontinued operations (Note 6)	-	856,967
N E T I N C O M E		
	2,643,609	5,282,733
R E T A I N E D E A R N I N G S , B E G I N N I N G O F Y E A R		
	25,260,910	21,904,119
Dividends (Note 8)	(1,925,942)	(1,925,942)
R E T A I N E D E A R N I N G S , E N D O F Y E A R		
	\$ 25,978,577	\$ 25,260,910
Basic earnings per common share (Note 9)		
Including discontinued operations	\$ 0.62	\$ 1.23
Excluding discontinued operations	\$ 0.62	\$ 1.03
Diluted earnings per common share (Note 9)		
Including discontinued operations	\$ 0.58	\$ 1.16
Excluding discontinued operations	\$ 0.58	\$ 0.97

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended September 30, 2003

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,643,609	\$ 5,282,733
Adjustment to reconcile net income to cash flows from operating activities:		
Depreciation, amortization, and write-offs	604,501	736,231
Reduction in provision for loan losses	(7,676)	(15,359)
Bad debt (recoveries) expense	1,458	(23,856)
Decrease in interest receivable	225,190	356,977
Decrease in other assets	433,280	62,171
Decrease in interest payable	(58,339)	(802,447)
Increase (decrease) in other liabilities	621,652	(2,722,962)
Cash flows from operating activities	4,463,675	2,873,488
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in loans and advances	985,450	2,569,623
Purchase of equipment and computer software	(284,411)	(1,176,054)
Proceeds on disposal of property and equipment	-	600
Cash flows from investing activities	701,039	1,394,169
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in customer deposits	252,708,183	90,685,556
Dividends paid	(1,925,942)	(1,925,807)
Cash flows from financing activities	250,782,241	88,759,749
NET INCREASE IN CASH AND CASH EQUIVALENTS	255,946,955	93,027,406
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	574,644,610	481,617,204
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 830,591,565	\$ 574,644,610

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation - The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 period. Actual results could differ from those estimates.

Basis of Consolidation - The consolidated financial statements include the assets, liabilities, and results of operations of the Bank and its wholly owned subsidiaries. Intercompany transactions are eliminated on consolidation.

Foreign Currency Translation - United States dollar balances and transactions are translated into Bermuda dollars at par. Monetary assets and liabilities in other currencies are translated into Bermuda dollars at the rates of exchange prevailing at the balance sheet date. Income and expense items in other currencies are translated into Bermuda dollars at the rates prevailing at the dates of the transactions. Differences arising on the translation of assets and liabilities are charged or credited directly to net exchange gains.

Loans and Advances - Loans and advances are stated net of any related allowance for loan losses.

A loan is classified as non-performing when, in the opinion of management, there is reasonable doubt as to the collectibility of interest or principal, or there are circumstances that indicate an account will be difficult to recover in full within a reasonable period. Loans for which collection is more than 90 days overdue are classified as non-performing. When a loan is classified as non-performing, accrued but uncollected interest is reversed against income. Thereafter, interest income is recognized on a cash basis only after specific provisions for losses have been recovered and provided there is no further doubt as to the collectibility of principal. Non-performing loans may revert to performing status when all payments become fully up-to-date and, in the opinion of management, there is no reasonable doubt as to the ultimate collectibility of the principal or interest.

All non-performing loans are considered to be impaired. Impairment is measured as the difference between the recorded value of the loan and its estimated realizable amount, determined by discounting the expected future cash flows at the interest rate inherent in the loan at the date of impairment or the fair value of collateral for certain collateral dependent loans. If the estimated realizable amount of the loan is less than its recorded value, an allowance for loan losses is charged to other expenses.

The allowance for loan losses is based on management's assessment of an adequate provision to meet losses on existing loans and advances. The adequacy of the allowance for loan losses is continually reviewed by management, taking into consideration matters such as current economic conditions, past loss experience, individual circumstances affecting loan quality, and other relevant factors.

The allowance for loan losses consists of specific provisions against loan and advance exposures determined on an item-by-item basis, as well as a general provision. The general provision for loan losses is established to absorb losses attributable to the deterioration of loan quality and reflects management's best estimate of losses existing in the loan portfolio in respect of loans for which individual specific provisions cannot yet be determined.

The allowance is increased by provisions for loan losses charged to other expenses and reduced by write-offs net of recoveries. The provision is the amount required to bring the allowance to the level management determines is required to estimate losses. This evaluation is inherently subjective as it requires material estimates including the amount and timing of future cash flows expected to be received on impaired loans and advances that may be susceptible to significant change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derivative Financial Instruments - Derivatives are used to provide clients with the ability to manage their own market risk exposures. The most frequently used derivatives by clients are forward foreign exchange contracts. When the Bank enters into derivative contracts with clients, the client is required to settle the contract with the Bank in advance. The Bank will also simultaneously enter into a matching derivative contract.

Equipment and Computer Software - Equipment, leasehold improvements, and computer software are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the related assets, which are up to seven years for equipment, three years for computer hardware, up to five years for computer software, and the term of the lease for leasehold improvements.

Earnings per Share - Basic Earnings per Share (EPS) is calculated by dividing net income by the weighted average number of common shares outstanding during the year. The Diluted EPS calculation assumes that stock options and warrants are only exercised and converted when the exercise price is below the average market price of the shares. It also assumes that the Bank will use any proceeds to purchase its common shares at their average market price during the period. Consequently, there is no imputed income on the proceeds and weighted average shares are only increased by the difference between the number of options and warrants exercised and the number of shares purchased by the Bank.

Fair Value of Financial Instruments - The estimated fair values of financial instruments approximate their carrying values. Management estimates fair value on the basis of quoted market prices and financial rates, net present values of expected future cash flows, and such other methods as management considers appropriate in light of all existing information. Because management's methodologies necessarily involve assumptions about future events, the estimates are subject to considerable uncertainty.

Comparative Figures - Certain comparative figures have been reclassified to conform to the current year's presentation.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts due on demand, term deposits, and money market funds. The maturities are as follows:

	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	Total
United States Dollar	\$ 727,014,513	\$ 10,000,000	\$ -	\$ -	\$ 737,014,513
British Pound	35,634,459	831,050	-	-	36,465,509
Euro	29,373,058	-	-	-	29,373,058
Other	15,945,695	1,015,228	-	-	16,960,923
Canadian Dollar	7,781,585	481,449	740,690	222,207	9,225,931
Bermuda Dollar	1,551,631	-	-	-	1,551,631
2003 Total	\$ 817,300,941	\$ 12,327,727	\$ 740,690	\$ 222,207	\$ 830,591,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2. CASH AND CASH EQUIVALENTS (cont'd)

	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	Total
United States Dollar	\$ 497,144,019	\$ -	\$ 10,000,000	\$ -	\$ 507,144,019
British Pound	19,759,963	1,071,203	-	-	20,831,166
Euro	22,787,686	-	-	-	22,787,686
Other	14,534,275	903,635	-	21,450	15,459,360
Canadian Dollar	4,384,163	292,026	222,194	126,968	5,025,351
Bermuda Dollar	3,397,028	-	-	-	3,397,028
2002 Total	\$ 562,007,134	\$ 2,266,864	\$ 10,222,194	\$ 148,418	\$ 574,644,610

The average effective yields earned are as follows:

	2003	2002
Term deposits	1.52%	2.04%
Money market funds	1.25%	1.97%
Demand deposits with other banks	1.05%	1.79%

3. LOANS AND ADVANCES

Loans and advances and the allowance for loan losses at September 30 are as follows:

	2003			2002		
	Gross	Allowance	Net	Gross	Allowance	Net
Mortgage loans	\$ 3,675,796	\$ 576,747	\$ 3,099,049	\$ 4,639,715	\$ 591,048	\$ 4,048,667
Other	14,145	6,804	7,341	35,676	179	35,497
Total	\$ 3,689,941	\$ 583,551	\$ 3,106,390	\$ 4,675,391	\$ 591,227	\$ 4,084,164

Mortgage loans consist primarily of first mortgages on Bermuda properties held by the Bank. These mortgages are generally repayable over periods not exceeding 18 years and are callable on 90 days notice.

The loan portfolio at September 30 by contractual maturity is as follows:

	Within 1 Year					Impaired	Total	Average Effective Yield
	1 - 5 Years	5 - 10 Years	>10 Years					
Mortgage loans	\$ 17,868	\$ 1,213,585	\$ 1,137,141	\$ 661,445	\$ 645,757	\$ 3,675,796	6.49%	
Other	7,341	-	-	-	6,804	14,145	3.78%	
2003 Total	\$ 25,209	\$ 1,213,585	\$ 1,137,141	\$ 661,445	\$ 652,561	\$ 3,689,941		
	Within 1 Year					Impaired	Total	Average Effective Yield
	1 - 5 Years	5 - 10 Years	>10 Years					
Mortgage loans	\$ 17,141	\$ 420,243	\$ 2,354,318	\$ 1,064,960	\$ 783,053	\$ 4,639,715	6.70%	
Other	14,150	21,347	-	-	179	35,676	4.43%	
2002 Total	\$ 31,291	\$ 441,590	\$ 2,354,318	\$ 1,064,960	\$ 783,232	\$ 4,675,391		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

3. LOANS AND ADVANCES (cont'd)

The following is an analysis of the allowance for loan losses at September 30:

	2003			2002		
	Specific	General	Total	Specific	General	Total
Balance at beginning of year	\$ 507,226	\$ 84,001	\$ 591,227	\$ 592,206	\$ 84,001	\$ 676,207
Released	(15,600)	-	(15,600)	(19,700)	-	(19,700)
Increases and new provisions	7,924	-	7,924	4,341	-	4,341
Written off	-	-	-	(69,621)	-	(69,621)
Balance at end of year	\$ 499,550	\$ 84,001	\$ 583,551	\$ 507,226	\$ 84,001	\$ 591,227

4. EQUIPMENT AND COMPUTER SOFTWARE

	Cost	Accumulated Depreciation	Net Book Value 2003	Net Book Value 2002
Equipment	\$ 868,888	\$ 699,222	\$ 169,666	\$ 311,440
Leasehold improvements	1,303,977	263,650	1,040,327	1,193,736
Computer software	2,015,017	1,611,027	403,990	430,355
Total	\$ 4,187,882	\$ 2,573,899	\$ 1,613,983	\$ 1,935,531

5. DEPOSITS

Deposits include both demand and term deposits. Deposits payable on demand are interest and non-interest bearing deposits. Deposits payable on a fixed date are interest-bearing deposits that mature on a specified date. The maturities are as follows:

	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	Total
United States Dollar	\$ 647,056,198	\$ 6,169,358	\$ 3,130,194	\$ 1,182,456	\$ 657,538,206
Bermuda Dollar	37,706,464	336,826	2,346	-	38,045,636
Euro	35,185,750	735,058	-	20,389	35,941,197
British Pound	29,284,138	-	-	-	29,284,138
Other	15,829,395	-	1,008,073	-	16,837,468
Canadian Dollar	7,010,154	439,305	640,426	202,475	8,292,360
2003 Total	\$ 772,072,099	\$ 7,680,547	\$ 4,781,039	\$ 1,405,320	\$ 785,939,005

	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	Total
United States Dollar	\$ 447,862,801	\$ 7,865,381	\$ 1,708,015	\$ 1,168,265	\$ 458,604,462
Bermuda Dollar	11,180,478	334,896	172,800	-	11,688,174
British Pound	19,171,944	1,082,338	-	18,670	20,272,952
Euro	22,509,494	-	-	-	22,509,494
Other	14,275,180	902,065	-	20,893	15,198,138
Canadian Dollar	4,363,208	310,766	129,563	154,065	4,957,602
2002 Total	\$ 519,363,105	\$ 10,495,446	\$ 2,010,378	\$ 1,361,893	\$ 533,230,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

5. DEPOSITS (cont'd)

The average effective interest rates paid were:

	2003	2002
Term deposits based on book values and contractual interest rates	1.05%	1.61%
Demand deposits	0.08%	0.14%

6. DISCONTINUED OPERATIONS AND UNUSUAL ITEMS

Unauthorized transactions of a former Bank employee were identified during the 2001 financial year, the financial impact of which was estimated by management at \$2,369,623 before insurance recoveries. Management pursued insurance coverage and recovery from the former employee. Net recoveries of \$2,379,778 were recorded during 2002, including recovery of expenses incurred pursuing this matter. No further expenses or recoveries were experienced during the 2003 financial year.

During the 2001 financial year, the Bank exited the Property Management business through the divestiture of its subsidiary, Bermuda Provident Properties Limited. At September 30, 2001, reserves for lease commitments were taken for portions of the Bank's new rental premises that would not be utilized and had no future benefit to the Bank. Effective July 1, 2002, the Bank surrendered the lease for the unoccupied space. Financial year 2001 reserves of \$856,967 for the premises that would not be utilized were reversed and included in Discontinued Operations during the 2002 financial year. There were no items related to Discontinued Operations for the year ended September 30, 2003.

7. CAPITAL STOCK

All shares are common shares with a par value of \$2.40 each.

	Authorized Shares	Par Value	Issued & Fully Paid Shares	Par Value	Share Premium
Balance at September 30, 2003 and 2002	10,000,000	\$ 24,000,000	4,279,871	\$ 10,271,690	\$ 10,751,329

As part of a Rights Offering in June of 1995, the Bank issued 1,625,036 warrants which were convertible to common shares at \$7.50 between May 1997 and May 2001. In May 2001 and December 2001, the expiry dates of the warrants were extended to May 31, 2002 and 2003, respectively. In December 2002, the expiry date of the warrants was further extended to May 31, 2005. Of these warrants, 805,576 (2002:805,576) are held by the Bank's controlling shareholder. As of September 30, 2003, 1,620,273 (2002:1,620,273) warrants remain outstanding.

During the year, no warrants were exercised. In 2002, 600 warrants were exercised, resulting in an issuance of the same number of common shares, with a par value of \$1,440 and share premium of \$3,060.

Options to acquire common shares have been issued to the Bank's controlling shareholder as follows:

Issue Date	Number of options	Exercise Price	Exercise Date
December 2000	500,000	\$5.6972	January 1, 2003 through December 31, 2009
December 1999	400,000	\$7.05	January 1, 2002 through December 31, 2008
December 1998	300,000	\$5	January 1, 2001 through December 31, 2007
December 1997	200,000	\$5.125	January 1, 2000 through December 31, 2006
December 1996	200,000	\$5	January 1, 1999 through December 31, 2005
December 1995	200,000	\$5	January 1, 1998 through December 31, 2005

In December 2001, the exercise date of the options originally issued in December 1995 was extended from December 31, 2002 to December 31, 2003. In December 2002, the exercise date of each lot of options was extended by two years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

8. DIVIDENDS

	2003	2002
Declared and Paid: Half Year (2003: 22.5 cents per common share;2002: 22.5 cents)	\$ 962,971	\$ 962,971
Declared: Year End (2003: 22.5 cents per common share;2002: 22.5 cents)	962,971	962,971
	\$ 1,925,942	\$ 1,925,942

9. EARNINGS PER SHARE

The following table presents the computation of basic and diluted earnings per share:

	Net Earnings	Weighted Average Shares	Earnings per Share
2003			
<u>Basic Earnings Per Share</u>			
Income before discontinued operations and unusual items	\$ 2,643,609	4,279,871	\$ 0.62
Unusual items	-	4,279,871	-
Income before discontinued operations	2,643,609	4,279,871	0.62
Discontinued operations	-	4,279,871	-
Net income	2,643,609	4,279,871	0.62
Add: Incremental shares from assumed			
Exercise of stock options (Note 7)		272,542	
Conversion of warrants (Note 7)		-	
Adjusted weighted average shares outstanding		4,552,413	
<u>Diluted Earnings Per Share</u>			
Income before discontinued operations and unusual items	2,643,609	4,552,413	0.58
Unusual items	-	4,552,413	-
Income before discontinued operations	2,643,609	4,552,413	0.58
Discontinued operations	-	4,552,413	-
Net income	\$ 2,643,609	4,552,413	\$ 0.58
	Net Earnings	Weighted Average Shares	Earnings per Share
2002			
<u>Basic Earnings Per Share</u>			
Income before discontinued operations and unusual items	\$ 2,045,988	4,279,521	\$ 0.48
Unusual items	2,379,778	4,279,521	0.55
Income before discontinued operations	4,425,766	4,279,521	1.03
Discontinued operations	856,967	4,279,521	0.20
Net income	5,282,733	4,279,521	1.23
Add: Incremental shares from assumed			
Exercise of stock options (Note 7)		276,623	
Conversion of warrants (Note 7)		-	
Adjusted weighted average shares outstanding		4,556,144	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

9. EARNINGS PER SHARE (cont'd)

	Net Earnings	Weighted Average Shares	Earnings per Share
<u>Diluted Earnings Per Share</u>			
Income before discontinued operations and unusual items	2,045,988	4,556,144	0.45
Unusual items	2,379,778	4,556,144	0.52
Income before discontinued operations	4,425,766	4,556,144	0.97
Discontinued operations	856,967	4,556,144	0.19
Net income	\$ 5,282,733	4,556,144	\$ 1.16

10. RELATED PARTY CONSIDERATIONS

First Curacao International Bank N.V. ("FCIB"), which is incorporated in the Netherlands Antilles, owns 48.05% (2002: 48.05%) of the Bank's issued shares.

The Bank and FCIB were parties to a Service and Management Agreement where the latter provided managerial services and advice to the Bank in consideration of which the Bank was charged an annual management fee based on net income. The management fee, which was incurred in the normal course of operations, had traditionally been waived by FCIB (2002: \$1,399,924.) The Service and Management Agreement expired during the 2003 financial year and was not renewed. FCIB continues to provide managerial services and advice to the Bank for which it is not seeking any claim for reimbursement. The Bank has no liability to FCIB for the services provided. Management estimates the value of those services to approximate \$190,000 for the year ended September 30, 2003.

The Bank provides banking services to FCIB under the same terms as an unrelated party would receive.

On November 8, 2000, BCB, FCIB, and an affiliate of FCIB entered into an Agreement on Principal Terms Regarding E-Banking Joint Venture under which software developed by FCIB and an affiliate of FCIB would be used by BCB as its Internet Banking System. FCIB and its affiliates had responsibility for development at their sole expense and would own all intellectual property rights related to the Internet Banking System. Because FCIB incurred the entire development costs and risks of the Internet Banking System, the agreement allowed for all net profits to be shared equally by BCB and an affiliate of FCIB. Another element of the agreement was the grant by FCIB to BCB of a non-exclusive license to use the platform for an annual fee of \$1.00.

The Agreement on Principal Terms Regarding E-Banking Joint Venture was terminated effective February 12, 2003 and will be replaced with a software license agreement providing for an initial license fee together with an annual support and maintenance fee. The initial license fee has not yet been finalized as the Internet Banking System is undergoing final user acceptance and testing. In addition, robust upgrades, enhancements, and additional functions requested by BCB are in the final stages of development, testing, and user acceptance. In consideration of these factors, the initial agreed upon license fee and the annual license fees will not become due and payable until the fiscal year commencing October 1, 2004. It is anticipated that the initial license fee will be approximately \$80,000 per year and the annual support and maintenance fee will be approximately 15% of the initial license fee.

Included in money market funds as at September 30, 2003 was \$99,909,078 (2002: \$100,000,000) in investments in money market funds on which BCB was the appointed manager and custodian.

11. PENSION PLAN

The Bank meets the minimum requirements of the Bermuda National Pension Scheme (Occupational Pensions) Act 1998, related amendments and regulations. Under this legislation, the Bank contributes to its employees' pension requirements using a defined contribution plan at the following rates, following any probationary period for new staff:

- 5% of gross salary if service does not exceed 15 years; and
- 10% of gross salary if service exceeds 15 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

11. PENSION PLAN (cont'd)

As permitted under the legislation, staff members are required to contribute annually from 1% in 2002 to 5% in 2004 based on the employees' pensionable earnings. Staff members with greater than 15 years of service are not required to make contributions.

The scheme is administered by an independent party, and all such funds are segregated from the assets and liabilities of the Bank. Pension expense incurred during 2003 amounted to \$121,013 (2002: \$149,150.)

12. ASSETS UNDER TRUST AND CUSTODY

Securities and properties, other than demand or term deposits with the Bank, held in a trust or a custodial capacity for customers, are not included in the consolidated balance sheet as such assets are not the property of the Bank or its subsidiaries. The value of assets under trust and custody as at September 30, 2003 are estimated to be \$3.63 billion (2002: \$3.55 billion.)

13. COMMITMENTS AND CONTINGENT LIABILITIES

In December 2001, BCB moved premises and entered into a three-year lease, which contains two options to renew the lease for three additional years for a total of nine years.

Payments due for premises rented under long-term leases at September 30, 2003 are:

2004	\$ 540,984
2005	\$ 135,246

The Bank is contingently liable for letters of credit, which are fully matched by offsetting customer deposits, in the amount of \$13,844,242 (2002: \$4,526,600.) The Bank has issued a confirmed letter of credit in its own name in the amount of \$300,000 (2002: \$300,000) that is supported by a term deposit.

During the ordinary course of business, the Bank and its subsidiaries are subject to pending or threatened legal action and proceedings. Management believes that the actions and proceedings and losses, if any, resulting from the final outcome thereof would not be material in the aggregate to the Bank's financial position or results of operations.

14. BUSINESS SEGMENTS

The Bank's reportable business segments are strategic operating units that offer substantially different products and services. The Bank has three reportable business segments: Banking Services, Corporate Trust, and Mortgage Lending.

Banking Services - The Banking Services segment is responsible for monitoring and managing the risks associated with the majority of the Bank's financial assets and liabilities, including interest rate, foreign exchange, and credit risks. Results of the Bank's eBanking initiative are included within the Banking Services segment due to the correlation of activity.

Corporate Trust - The Corporate Trust segment provides trust, company management, fund management, corporate registrar, financial, and custody services to third parties as well as to the Bank's other business segments.

Mortgage Lending - The Mortgage Lending segment operated as follows prior to February 11, 1997:

- i. advance and lend money on mortgage or otherwise upon the security of real property
- ii. advance and lend money on ordinary and personal loans; and,
- iii. receive money on deposit, paying interest thereon.

On February 11, 1997, the Board of Directors approved a resolution to terminate active lending and to run-off the mortgage book. This segment no longer accepts new deposits and is not offering new lending.

The segment accounting policies are the same as those described in Note 1. Each segment is allocated a portion of head office costs. The net interest income earned on the deposits of customers acquired by segments other than Banking Services is not allocated to those acquiring segments. The following tables set forth information about segment net income and segment assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

14. BUSINESS SEGMENTS (cont'd)

2003	Banking Services	Corporate Trust	Mortgage Lending	Elimination of inter-segment amounts	Totals
Net interest income					
from external customers	\$ 4,332,911	\$ -	\$ 426,188		\$ 4,759,099
Inter-segment net interest income	112	(112)	-		-
Fees and other income from					
external customers	2,108,869	3,316,094	2,848		5,427,811
Inter-segment fees and other income	-	159,002	-	(159,002)	-
Total income	6,441,892	3,474,984	429,036	(159,002)	10,186,910
Operating expenses	(2,957,207)	(2,179,864)	(136,633)	114,989	(5,158,715)
Net income before head office allocation	3,484,685	1,295,120	292,403	(44,013)	5,028,195
Head office allocation	(1,128,483)	(1,185,472)	(114,644)	44,013	(2,384,586)
Net income	\$ 2,356,202	\$ 109,648	\$ 177,759		\$ 2,643,609
Segment assets	\$ 832,657,555	\$ 1,645,690	\$ 3,127,616	(\$ 700,938)	\$ 836,729,923
2002	Banking Services	Corporate Trust	Mortgage Lending	Elimination of inter-segment amounts	Totals
Net interest income					
from external customers	\$ 4,867,175	\$ -	\$ 509,183		\$ 5,376,358
Inter-segment net interest income	5,335	(3,928)	(1,407)		-
Fees and other income from					
external customers	1,399,503	2,698,343	7,529		4,105,375
Inter-segment fees and other income	-	118,324	-	(118,324)	-
Total income	6,272,013	2,812,739	515,305	(118,324)	9,481,733
Operating expenses	(2,919,866)	(2,365,502)	(143,444)	85,537	(5,343,275)
Net income before head office allocation	3,352,147	447,237	371,861	(32,787)	4,138,458
Head office allocation	(894,915)	(1,139,607)	(90,735)	32,787	(2,092,470)
Unusual items		2,379,778			2,379,778
Discontinued operations					856,967
Net income	\$ 2,457,232	\$ 1,687,408	\$ 281,126		\$ 5,282,733
Segment assets	\$ 577,607,822	\$ 1,610,334	\$ 4,084,455	(\$ 561,851)	\$ 582,740,760

BERMUDA COMMERCIAL BANK LIMITED

CONSOLIDATED FIVE YEAR SUMMARY

BALANCE SHEET

	2003	2002	2001	2000	1999
ASSETS					
Cash and cash equivalents	\$ 830,591,565	\$ 574,644,610	\$ 481,617,204	\$ 538,875,431	\$ 434,715,092
Loans and advances, net	3,106,390	4,084,164	6,638,428	14,708,778	19,625,494
Investments	-	-	-	157,250	157,250
Premises, equipment, and computer software	1,613,983	1,935,531	1,468,087	8,999,565	9,268,870
Interest receivable and other assets	1,417,985	2,076,455	2,495,603	2,968,268	3,024,942
Total assets	\$ 836,729,923	\$ 582,740,760	\$ 492,219,322	\$ 565,709,292	\$ 466,791,648
LIABILITIES					
Total deposits	\$ 785,939,005	\$ 533,230,822	\$ 442,545,266	\$ 522,586,695	\$ 428,173,672
Interest payable and other liabilities	3,789,322	3,226,009	6,751,418	4,597,468	3,699,959
Total liabilities	789,728,327	536,456,831	449,296,684	527,184,163	431,873,631
SHAREHOLDERS' EQUITY					
Capital stock	10,271,690	10,271,690	10,270,250	10,260,259	10,260,259
Share premium	10,751,329	10,751,329	10,748,269	10,727,037	10,727,037
Property appraisal excess	-	-	-	1,854,364	1,973,337
Retained earnings	25,978,577	25,260,910	21,904,119	15,683,469	11,957,384
Total shareholders' equity	47,001,596	46,283,929	42,922,638	38,525,129	34,918,017
Total liabilities and shareholders' equity	\$ 836,729,923	\$ 582,740,760	\$ 492,219,322	\$ 565,709,292	\$ 466,791,648

BERMUDA COMMERCIAL BANK LIMITED

CONSOLIDATED FIVE YEAR SUMMARY (cont'd)

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	2003	2002	2001	2000	1999
I N C O M E					
Interest income	\$ 8,664,825	\$ 11,813,708	\$ 27,465,402	\$ 34,235,209	\$ 24,348,823
Interest expense	3,905,726	6,437,350	20,866,750	27,312,324	18,686,268
Net interest income	4,759,099	5,376,358	6,598,652	6,922,885	5,662,555
Fees and commissions	4,602,380	3,521,925	3,654,865	4,506,841	4,665,238
Net exchange gains	699,029	497,985	553,309	755,883	796,578
Net investment income	-	-	178,720	-	32,601
Other operating income	126,402	85,465	970,671	200,512	193,136
Total income	10,186,910	9,481,733	11,956,217	12,386,121	11,350,108
E X P E N S E S					
Salaries and employee benefits	3,774,140	3,663,115	4,242,787	4,521,121	4,520,510
Depreciation	595,359	710,457	472,821	511,228	565,471
Other	3,173,802	3,062,173	2,677,327	2,411,217	2,593,014
Total expenses	7,543,301	7,435,745	7,392,935	7,443,566	7,678,995
O P E R A T I N G I N C O M E	2,643,609	2,045,988	4,563,282	4,942,555	3,671,113
Unusual Items	-	2,379,778	(2,369,623)	-	-
Discontinued Operations	-	856,967	4,097,362	481,478	403,746
N E T I N C O M E	2,643,609	5,282,733	6,291,021	5,424,033	4,074,859
R E T A I N E D E A R N I N G S ¹	25,260,910	21,904,119	15,683,469	11,957,384	9,473,595
Dividends	(1,925,942)	(1,925,942)	(1,924,735)	(1,816,921)	(1,710,044)
Transfer from property appraisal excess	-	-	1,854,364	118,973	118,974
R E T A I N E D E A R N I N G S ²	\$ 25,978,577	\$ 25,260,910	\$ 21,904,119	\$ 15,683,469	\$ 11,957,384
Basic earnings per share	\$ 0.62	\$ 1.23	\$ 1.47	\$ 1.27	\$ 0.95

¹ Beginning of year

² End of year

BERMUDA COMMERCIAL BANK LIMITED

MANAGEMENT AND STAFF

Dominique Smith – Senior Vice President

Michael Cranfield – General Manager, Information Technology

Greta L. Heimbach – Controller

Paul T. Kneen – General Manager, International Corporate

Management of Bermuda Limited

P. Glendall Phillips – General Manager, Banking & Custodial Services

Manuel Yglesias – General Manager, Marketing

Cheryl E. Eve – Manager, BCB Trust Company Limited

K. Amani Lawrence – Corporate Secretary / Legal Compliance Officer

Alan Moore – Manager, International Corporate

Management of Bermuda Limited

Ishwar Narayanan – Internal Auditor

Gregory Summers – Manager, Banking & Custodial Services

Karen Blankendal – Assistant Manager, Head of Corporate Administrators

Shanalette DeSilva – Assistant Manager, Head of Custodial Services

Sophia Ming – Assistant Manager, Head of Treasury Operations

Ann Robinson – Assistant Manager, Head of Operations

Pamela Bardill

Keona Bennett

Alan Bird

Amy Browne

Wanneeka Butterfield

Alice Cedenio

Susan Davis

Makeba DeShields

Angelique Dowling

Yaisa Drayton

Zoi Durrant

Carlton Fleming

Lisa Foggo

Sarai Hill

Samira Hollis

Lynne Holmes

Michelle Johnston

Dezané Lathan

Sindy Lowe

Tanya Lowry

Renéé McHardy

Charmette Phillip

Kim Pratt

Heather Roque

Marilyn Scott

Amanda Simons

Donnette Simons

Keita-Roy Simons

Mark Simpson

Jill Smith

Melissa Smith

Rochelle Somner

Georgette Trott

Rhonda Trott

Eugena Wainwright

Brian Ward

Elsie Webb

BERMUDA COMMERCIAL BANK LIMITED

BOARD OF DIRECTORS AS AT SEPTEMBER 30, 2003

John Chr. M.A.M. Deuss ^{1,2,3}
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
President, Transworld Oil Limited
President and CEO,
First Curaçao International Bank N.V.

Dr. Clarence R. Terceira JP
VICE CHAIRMAN AND VICE PRESIDENT
Founding Director, Former President
Retired Dental Surgeon

Timothy W. Ulrich ^{1,2}
PRESIDENT AND CHIEF OPERATING OFFICER
Vice President and General Counsel,
Transworld Oil Limited
Vice President and General Counsel,
First Curaçao International Bank N.V.

Andrew Carr CMA
President and CEO, Marsh Management
Services (Bermuda) Ltd.

Martina E.W.M. Deuss ^{1,2}
Treasurer, Transworld Oil Limited
Managing Director/Treasurer,
First Curaçao International Bank N.V.

C. Jerome Dill
Partner, Appleby, Spurling & Kempe

Arnold A. Francis CBE, QC, JP
Founding Director, Former President
Consultant, Francis & Forrest

R. Anthony Jones MA
Managing Director, Washington Properties
(Bermuda) Limited

Michael J. Mello QC, JP
Senior Partner, Mello Jones & Martin

Delaey Robinson
Innkeeper

E. John Sainsbury
Former CEO, Argus Insurance Co. Ltd.

SUBSIDIARIES AS AT SEPTEMBER 30, 2003

**INTERNATIONAL CORPORATE MANAGEMENT
OF BERMUDA LIMITED**
Telephone: (441) 292-3580 Fax: (441) 292-5898
Incorporated in Bermuda on December 21, 1992. Provides
corporate and partnership management and corporate registrar
and financial services.

BCB TRUST COMPANY LIMITED
Telephone: (441) 292-3580 Fax: (441) 292-6128
Incorporated in Bermuda on February 24, 1970. Provides trust
and financial services to individuals and companies.

BERCOM NOMINEES LIMITED
Telephone: (441) 295-5678 Fax: (441) 295-8091
Incorporated in Bermuda on July 8, 1987 as a nominee
company.

The registered address for above companies is:
Bermuda Commercial Bank Building
43 Victoria Street
Hamilton HM 12 Bermuda

Bermuda is the principal country of operations for the above
companies.

BCB (MAURITIUS) LIMITED
c/o B.C.M. (Secretaries) Ltd., Third Floor, TM Building, Pope
Hennessy Street, Port Louis, Mauritius
Telephone: (230) 207-1000 Fax: (230) 212-8227
Incorporated in Mauritius on November 2, 1994. Provides
custodial services for BCB in Mauritius.

¹ Denotes non-Bermudian directors.

² Denotes directors who have waived directors' fees for the year.

³ FCIB is a material shareholder of the Bank and is wholly-owned by Mr. Deuss. The
Bank's related party transactions with FCIB are discussed in Footnote #10 of the
Consolidated Financial Statements.

As at September 30, 2003, the total interest of all Directors, Statutory Officers, and
Executive Officers in common shares and warrants and options amounted to
2,225,314 (51.99%) and 2,654,284 (77.60%) respectively.

There are no service contracts with directors.