

BERMUDA COMMERCIAL BANK LIMITED

BCB

BERMUDA COMMERCIAL BANK LIMITED

ANNUAL REPORT 2009



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CORPORATE PROFILE

This year the Bermuda Commercial Bank celebrates its 40th birthday. This represents 40 years of dedicated personal services to its customers. During this time the Bank has evolved from a local savings and loan institution in Bermuda to the only Bermudian bank focused on serving local and international corporate and commercial business communities as well as high net worth clients.

FOCUS

As the only bank in Bermuda focused solely on commercial, corporate and high net worth individuals, we offer an array of banking solutions, as well as a full range of custody, fund administration and corporate services. Our specialized market focus allows us to truly understand and meet our clients' diverse needs. We are able to deliver services with efficiency not feasible elsewhere while maintaining the accuracy that our clients require.

Bermuda Commercial Bank Group continues to be guided by a corporate philosophy centered on the provision of quality services tailored to the specific needs of its clients. The following principles form the basis of the Bank's core beliefs:

QUALITY SERVICE

The Bank has sought, as a result of operating in a highly competitive and demanding environment, to take advantage of its relatively small size in providing highly personalized service to its client base. The provision of financial services depends upon maintaining the highest standard of quality, forming a strong bond with clients based on mutual trust and respect, keeping informed of relevant developments in the industry and updating the services provided to reflect the changing environment.

CONSERVATIVE RISK MANAGEMENT

The Management of risk is an important criterion to all users of financial services. The Bank has established a policy of minimizing its own corporate risk by following an extremely conservative policy in balance sheet management. The Bank does not take risk positions on its own account and runs a matched-book policy with its deposits.

Through our subsidiaries, International Corporate Management of Bermuda, BCB Trust Company Limited, Bercom Nominees Limited and BCB(Mauritius) Limited, The Bermuda Commercial Bank Group provides client with a one-stop solution for all their banking. Bermuda Commercial Bank is also a member of the SWIFT (Society of Worldwide Interbank Financial Telecommunication) network and has established correspondent banking relationships with major institutions, allowing us to provide wire transfer services globally. Through our global custodial network, we provide our global custody clients with access to markets all over the world.

Bermuda Commercial Bank is focused on growing its business in local and international markets through our investments in infrastructure and commitment to high quality service and products.

LETTER TO SHAREHOLDERS

Bermuda Commercial Bank Limited (“BCB” or “the Bank”) recorded a net operating loss of \$0.38 million for the year ended September 30, 2009 compared to a net profit of \$5.16 million in 2008. However there was a net gain in shareholders’ equity due to a \$1.81 million unrealized gain in investments in securities.

The financial turmoil over the last year has deeply impacted all levels of business and few companies remain untouched by the initial credit crisis or the lingering hangover in the financial markets. As a service provider to primarily financial companies, BCB has suffered the effects of the crisis as many of our clients have experienced reduced fortunes and continue to do so. In 2009 client attrition has outpaced new business.

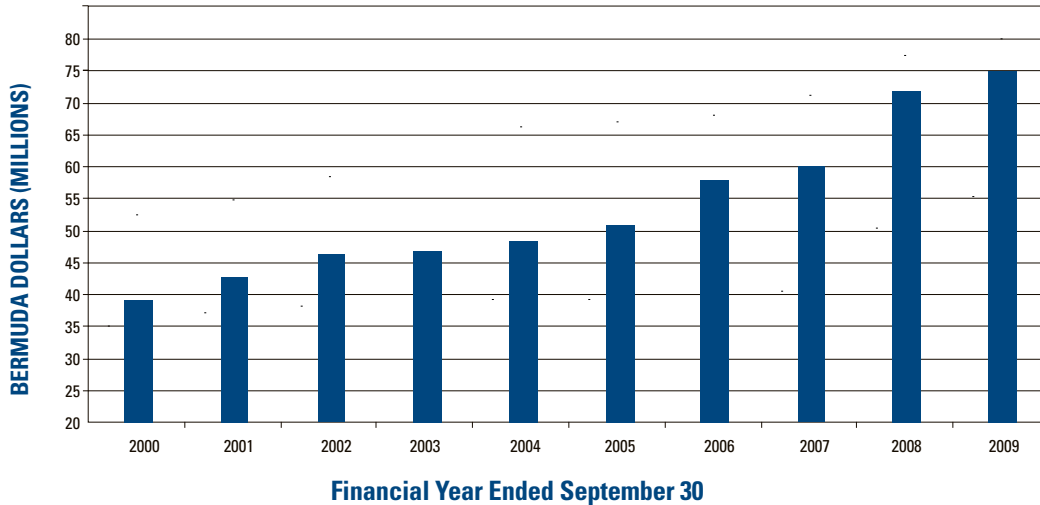
BCB’s business model has always been vulnerable to reductions in base interest rates – it is the trade-off we accepted for our low risk balance sheet approach. In 2009 this vulnerability has been severely tested by an unprecedented interest rate environment which has decimated our core interest income. Short term U.S. interest rates finished the year close to zero and resulted in the Bank’s interest income being reduced dramatically to \$6.51 million from \$19.26 million. While this was to some extent offset by lower interest expense, the net result was a \$3.76 million decrease in our net interest income.

On the plus side, the Bank does not have any of the credit derivative investments or high risk lending exposure that has caused problems for banks around the world and has therefore posted no related investment or credit losses. Both our liquidity and the safety of our client deposits remain exemplary. In 2009 our capital base reached its highest level ever, surpassing \$75 million.

Fee and other income decreased by \$1.70 million to \$2.88 million for the year ended September 30, 2009. This decrease was driven by reduced Custody and Fund Administration revenues compared to 2008 levels. In the second half of 2008 the Bank saw a number of large clients move their assets to other jurisdictions and the general tenor of our remaining clients’ business remains low. Foreign exchange income also reduced significantly following a slow-down in client activity.

The Bank’s total assets were \$423.35 million at September 30, 2009 compared to \$486.84 at September 30, 2008 a decrease of \$63.49 million or 13.0%. The Bank’s asset quality and liquidity remains excellent and at September 2009 our assets were 96.5% cash, money market funds and term deposits with 98.3% of this having maturities of less than one month. However, deposit levels at the Bank remain lower than previous years as many of our corporate and fund clients suffer reduced business activity at this time.

SHAREHOLDERS' EQUITY



At September 30, 2009 the Bank's shareholders' equity stood at \$75.05 million compared to \$71.62 million a year earlier. In light of the Bank's recorded operating loss for the year and continued historically low interest rates, the Board reluctantly decided to withhold any dividend payments during the year. Management considers that any economic recovery will be slow, but could bring increased interest rates and stronger corporate client activity as 2010 progresses. The Bank is well placed to benefit when this occurs.

As this letter goes to press we are seeing some signs of a muted recovery within the Bank. Downward trends appear to be leveling off and pipeline business is strengthening, albeit from a very weak base.

On behalf of the Board, we would like to take this opportunity to thank our shareholders and clients for their continued support. We would also like to thank all our staff and management for their hard work and commitment to Bermuda Commercial Bank in these trying economic times.

DR. CLARENCE R. TERCEIRA
CHAIRMAN

E. JOHN SAINSBURY
PRESIDENT

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, 2009

The Bank recorded a net loss of \$380,000 for 2009. This compares to net income of \$5.16 million in 2008, a reduction of \$5.54 million. Basic and diluted loss per share for the year ended September 30, 2009 were \$0.06 and \$0.06, respectively. Basic and diluted earnings per share for the year ended September 30, 2008 were \$1.06 and \$0.85, respectively.

INCOME

For the year ended September 30, 2009, net interest income was \$4.90 million compared to \$8.66 million at September 30, 2008, a decline of \$3.76 million or 43.4%. This decrease resulted from a year on year decrease in interest rates coupled with a decline in customer deposits. The Bank's profitability is materially influenced by changes in interest rates, primarily U.S. Fed rates. For fiscal 2009 the effective U.S. Fed interest rate was 0.36% compared with 2.97% for fiscal 2008. The Bank has taken a number of steps to mitigate this interest rate reduction. We have expanded our asset portfolio to include money market funds and where we identify opportunities we invested in low-risk securities, commencing with an investment in a government-backed preference shares offering. Investments will continue to be governed by the Bank's strict risk management policies.

Fees and commissions decreased by \$1.28 million, or 36.9%, to \$2.19 million compared with \$3.47 million the previous year. This decrease was caused by the withdrawal of a number of large Corporate Services clients in the latter half of fiscal year 2008. The Bank had provided Fund Administration and Custody services to these clients. Fees in BCB Trust Company Limited, the Bank's wholly owned subsidiary also reduced substantially following a number of one time trust termination fee receipts in 2008.

The reduction in client activity also impacted fees from Banking Services which recorded a \$0.16 million decrease from \$1.00 million in 2008 to \$0.84 million. Reduced funds transfer fees accounted for the majority of this decrease.

Net foreign exchange income decreased to \$520,000 from \$940,000. BCB's net exchange gains are earned from a small spread on each foreign currency transaction effected by the Bank with no risk or positions being assumed by BCB. This income is wholly dependent on the activity of our clients and income decreased due to decreased activity within the Bank both in terms of number and size of deals.

EXPENSES

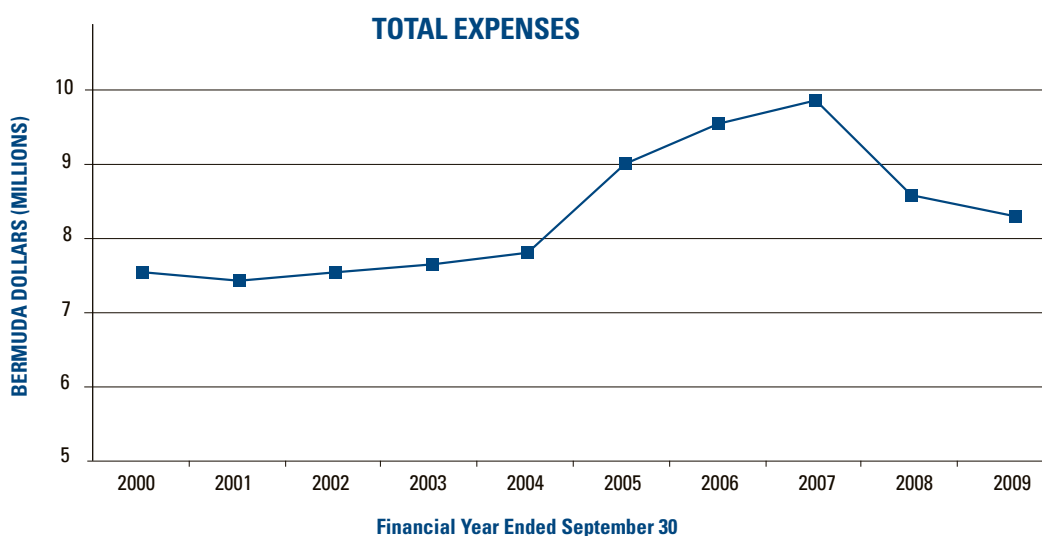
Due to the high fixed costs of operating a bank in Bermuda, BCB was unable to reduce expenses to match the decrease in revenue. Management did however reduce expenses by \$0.28 million or 3.3% to \$8.28 million from \$8.56 million last year.

Salaries and employee benefits decreased by 12.5% from \$4.64 million to \$4.06 million. This decrease was a result of a decrease in variable profit share compensation, an expense that is linked to the Bank's financial performance. Company-wide staff headcount was also reduced slightly compared to the prior year.

Fixed asset amortization costs decreased by \$0.06 million from \$0.45 million in fiscal year 2008 to \$0.39 million for the year ended September 30, 2009. Certain of the Bank's software systems became fully amortized during the year resulting in a lower amortization expense for fiscal 2009.

Other expenses increased by \$0.37 million from \$3.47 million for the year ended September 30, 2008 to \$3.84 million for 2009. During the year the Bank terminated its relationship with a credit card processor. As part of this termination process we incurred one-time costs which we expect to recoup over the coming years via lower credit card processing fees. Our business development and license fee costs also increased over 2008 levels.

The Bank's operational costs remain tightly controlled. At the same time, we continue to embrace the latest system technologies to enhance our customer experience, remain compliant with regulatory requirements and to build our suite of financial products.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL CONDITION AS AT SEPTEMBER 30, 2009

The Bank's client deposit levels decreased to \$345.55 million at September 30, 2009 from \$407.64 million at September 30, 2008, a decrease of \$62.09 million. This reduction was driven by the activity of a small number of very large clients who reallocated their funds out of cash and into other investments following the low yields on offer from term deposit accounts. Our fund clients have also suffered a reduction in financial activity resulting in less funds being placed on deposit with the Bank during the year.

Client deposits are placed with essentially matching currencies and maturities with highly rated counterparties in either the interbank market or in select money market funds. Total cash, money market, and term deposits decreased by \$75.90 million to \$408.63 million at September 30, 2009 from \$484.53 million a year before.

At September 2009 the Bank held \$12.88 million in securities. The Bank's Asset and Liability Committee (ALCO) investigates opportunities to achieve higher yields without compromising the Bank's low-risk, conservative philosophy. In a year of rapidly fluctuating asset prices few suitable opportunities were identified. At year-end, 3% of total assets were invested in securities backed by the Bermuda Government. These securities are carried at fair value resulting in unrealized gains for the Bank of \$1.81 million. ALCO has strict credit limits and risk guidelines and investment recommendations are approved by the Board of Directors.

Equipment, leasehold improvements and computer software remained at similar levels to last year with annual amortization charges offsetting capital expenditure for the year.

Interest receivable and interest payable balances vary in line with the maturity profile and value of clients' deposits. As BCB matches its assets and liabilities, the interest receivable and interest payable balances typically move in tandem with each other. BCB's maturity schedule continues to be short term in nature with the majority of assets and liabilities maturing within one month.

Other assets and other liabilities typically consist of standard operational prepayments and accruals. Variations between 2009 and 2008 balances resulted from normal, short term operational movements.

Client drafts payable consist of the balance of un-cashed client drafts at year-end. These balances are client driven and fluctuate based on when clients purchase drafts and when they are presented for payment.

No year-end dividend has been proposed due to the Bank's recorded net operating loss for the year.

Shareholders' equity at September 30, 2009 was \$75.05 million, an increase of \$3.43 million over the prior year balance of \$71.62 million. This increase resulted from the exercise of 400,000 options by the Bank's majority shareholder which contributed \$2.00 million to equity. Additionally, accumulated other comprehensive income increased by \$1.81 million due to unrealized gains on the Bank's Available-for Sale securities. Partially offsetting these increases was undistributed net losses of \$380,000 for the year.

OPERATIONS

BCB's goal is to be the undisputed leader in customer service in Bermuda. The Bank continued to consolidate its business and to maintain a visible market presence with a marketing campaign designed to emphasize our strengths particularly our personal touch in dealing with the day to day business requirements of our clients. The outsourcing of our marketing, advertising, and public relations together with the direct involvement by the heads of each major department in client relationship and marketing has ensured that a consistent message outlining the Bank's ability to deliver the highest professional service continues to be presented in the market place.

The 1988 Basel Capital Accord's capital adequacy framework was replaced in June 2004 by the Basel Committee on Banking Supervision (commonly known as 'Basel II'). As Bermuda is a party to the Basel Accord, the Bermuda Monetary Authority is tasked with providing guidance for the implementation framework that the Bank must follow. On January 1, 2009, the BMA adopted the Basel II Accord which calls for additional and more detailed disclosures and risk management. The Bank established a working committee to oversee the Bank's capital assessment review process. Under Basel II, and in agreement with the BMA, the Bank is required to maintain higher Tier 1 capital ratios than previously required under Basel I. As at September 30, 2009 the Bank's Tier 1 ratio comfortably exceeded these limits. The Bank also implemented the Basel II, Pillar III Disclosure requirements (Market Discipline of the New Capital Adequacy Framework) and has published on its website key elements of its risk exposure and risk mitigation regime.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERFORMANCE MEASURES

Performance measures were significantly down on prior year levels reflecting the Bank's disappointing financial results. The Bank's Tier 1 and risk weighted capital ratios while down on last year still remained at extremely high levels relative to the industry at large. 2009 regulatory capital ratios have been calculated using Basel II, which is only required to be applied on a prospective basis. 2008 ratios were calculated using Basel I making it difficult to meaningfully compare the two sets of ratios. However, the decrease was primarily due to higher risk weighted asset levels reflecting the Bank's increased diversification away from cash and into money market funds and other low risk securities.

	Per Share Information			Financial Ratios	
	2009	2008		2009	2008
Cash dividends	\$ 0.00	\$ 0.80	Return on equity	(0.51%)	7.83%
Net book value – basic	\$ 12.20	\$ 12.45	Return on assets	(0.08%)	0.93%
Net book value – diluted	\$ 11.02	\$ 10.83	Efficiency ratio	104.74%	62.39%
Market value at year-end	\$ 5.50	\$ 10.00	Dividend payout ratio	0.00%	88.89%
Net (loss) income – basic	\$ (0.06)	\$ 1.06	Dividend to share price ratio	0.00%	8.00%
Net (loss) income – diluted	\$ (0.06)	\$ 0.85	Cash, money market, and term deposits / total assets	96.50%	99.53%
			Capital Ratios		
Tier 1 capital ratio	29.35%	71.21%			
Tier 2 capital ratio	0.01%	0.02%			
Risk weighted capital ratio	29.36%	71.23%			



HORST E. FINKBEINER II
Chief Operating Officer



MICHAEL CRANFIELD
Chief Information Officer



P. GLENDALL PHILLIPS
General Manager, Banking & Custodial Services



GREG REID
Chief Financial Officer



RANDY MORRIS
General Manager, International Corporate Management of Bermuda Limited.



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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Bermuda Commercial Bank Limited

We have audited the consolidated balance sheet of Bermuda Commercial Bank Limited (the "Bank") as at September 30, 2009 and the consolidated statements of operations and retained earnings, comprehensive income 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, 2009 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.

Deloitte + Touche

November 19, 2009

Audit . Tax . Consulting . Financial Advisory

A member firm of
Deloitte Touche Tohmatsu

CONSOLIDATED BALANCE SHEET

as at September 30, 2009 (Expressed in Bermuda dollars)

	2009	2008
ASSETS		
Cash, money market funds and term deposits (Note 3)		
Due on demand	\$ 13,103,030	\$ 11,521,297
Money market funds	167,453,850	-
Term deposits	228,076,626	473,010,124
Total cash, money market funds and term deposits	408,633,506	484,531,421
Investments in securities (Note 4)	12,880,026	271,417
Equipment, leasehold improvements and computer software (Note 5)	692,301	699,622
Interest receivable	227,479	275,944
Other assets	920,715	1,058,883
Total assets	<u>\$ 423,354,027</u>	<u>\$ 486,837,287</u>
LIABILITIES		
Deposits (Note 6)		
Demand deposits	\$ 145,285,104	\$ 112,736,502
Term deposits	200,265,590	294,906,282
Total deposits	345,550,694	407,642,784
Interest payable	74,093	252,368
Clients drafts payable	1,862,829	3,640,495
Other liabilities	813,827	1,381,576
Proposed dividend	-	2,301,075
Total liabilities	<u>348,301,443</u>	<u>415,218,298</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	14,766,449	13,806,449
Share premium (Note 7)	19,302,690	18,262,690
Accumulated other comprehensive income (Note 4)	2,080,026	271,417
Retained earnings	38,903,419	39,278,433
Total shareholders' equity	<u>75,052,584</u>	<u>71,618,989</u>
Total liabilities and shareholders' equity	<u>\$ 423,354,027</u>	<u>\$ 486,837,287</u>

See accompanying notes to the consolidated financial statements

Signed on behalf of the Board:



DR. CLARENCE R. TERCEIRA
CHAIRMAN



E. JOHN SAINSBURY
PRESIDENT

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the year ended September 30, 2009 (Expressed in Bermuda dollars)

	2009	2008
INCOME		
Interest income	\$	\$
Cash and term deposits	5,201,755	19,254,173
Money market funds	1,071,205	-
Investments in securities	237,304	-
	<hr/>	<hr/>
	6,510,264	19,254,173
Interest expense	(1,608,862)	(10,596,997)
	<hr/>	<hr/>
Net interest income	4,901,402	8,657,176
Fees and commissions	2,188,520	3,468,651
Other operating income	171,815	181,219
Net exchange gains	518,283	936,960
Gain on sale of investments in securities	125,846	468,378
	<hr/>	<hr/>
Total income	7,905,866	13,712,384
EXPENSES		
Salaries and employee benefits (Note 11)	4,057,164	4,640,307
Amortization	386,063	447,780
Other expenses	3,837,653	3,467,253
	<hr/>	<hr/>
Total expenses	8,280,880	8,555,340
NET (LOSS) INCOME	(375,014)	5,157,044
RETAINED EARNINGS, BEGINNING OF YEAR	39,278,433	38,320,429
	<hr/>	<hr/>
Dividends (Note 8)	-	(4,199,040)
RETAINED EARNINGS, END OF YEAR	\$ 38,903,419	\$ 39,278,433
Basic (loss) earnings per common share (Note 9)	\$ (0.06)	\$ 1.06
Diluted (loss) earnings per common share (Note 9)	\$ (0.06)	\$ 0.85

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended September 30, 2009 (Expressed in Bermuda dollars)

	2009	2008
NET (LOSS) INCOME	\$ (375,014)	\$ 5,157,044
OTHER COMPREHENSIVE INCOME		
Unrealized gain on investments in securities occurring during the year	1,934,455	739,795
Adjustment for reclassification of gains realized in income	(125,846)	(468,378)
COMPREHENSIVE INCOME	<u>1,433,595</u>	<u>5,428,461</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended September 30, 2009 (Expressed in Bermuda dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (375,014)	\$ 5,157,044
Adjustments to reconcile net income to cash flows from operating activities:		
Amortization	386,063	447,780
Gain on sale of investments in securities	(125,846)	(468,378)
Decrease in interest receivable	48,465	636,390
Decrease in other assets	138,168	144,422
Decrease in interest payable	(178,275)	(383,587)
(Decrease) increase in clients drafts payable	(1,777,666)	1,953,265
Decrease in other liabilities	(567,749)	(379,320)
Cash flows (used in) provided by operating activities	<u>(2,451,854)</u>	<u>7,107,616</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in term deposits with banks having maturity greater than three months	1,046,220	983,980
Proceeds from sale of investments in securities	125,846	468,378
Purchase of investments in securities	(10,800,000)	-
Purchase of equipment, leasehold improvements and computer software	(378,742)	(315,224)
Cash flows (used in) provided by investing activities	<u>(10,006,676)</u>	<u>1,137,134</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in customer deposits	(62,092,090)	(147,902,836)
Proceeds from exercise of warrants	-	10,228,455
Proceeds from exercise of options	2,000,000	-
Dividends paid	(2,301,075)	(3,653,522)
Cash flows used in financing activities	<u>(62,393,165)</u>	<u>(141,327,903)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(74,851,695)	(133,083,153)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	483,485,201	616,568,354
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 408,633,506	\$ 483,485,201
CASH AND CASH EQUIVALENTS		
Cash, money market funds and term deposits	408,633,506	484,531,421
Less: term deposits with banks having maturity greater than three months	-	(1,046,220)
Cash and cash equivalents	<u>\$ 408,633,506</u>	<u>\$ 483,485,201</u>
SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 1,787,137</u>	<u>\$ 10,980,584</u>

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009 (Expressed in Bermuda dollars)

1. DESCRIPTION OF BUSINESS

Bermuda Commercial Bank Limited (“BCB”) is a Bermuda incorporated company, regulated by the Bermuda Monetary Authority. BCB provides banking, custody, fund administration and trustee services. BCB is publicly traded on the Bermuda Stock Exchange.

First Curacao International Bank N.V. (“FCIB”) is the majority shareholder of BCB. FCIB is under the supervision of The Central Bank of the Netherland Antilles.

The Board of Directors of BCB has agreed that a merger or outright sale is desirable to further the Bank’s growth. In October 2006, the Bank hired the financial advisory firm of Keefe, Bruyette & Woods, Inc. to assist the board in the sale process. The sale process remains ongoing and discussions continue with a number of interested parties.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted (“GAAP”) in Bermuda and Canada. The preparation of consolidated financial statements in conformity with Bermudian and Canadian GAAP requires management to make estimates and assumptions that affect assets and liabilities, income and other related information.

Basis of Consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Bank and its wholly owned subsidiaries, International Corporate Management of Bermuda Limited, BCB Trust Company Limited, BCB (Mauritius) Limited and Bercom Nominees Limited. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents

Term deposits are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value and have original maturities of three months or less. Money market funds have daily liquidity and invest in highly liquid instruments, such as term deposits and commercial paper.

Investments in Securities

Bermudian and Canadian GAAP requires that investments in securities are classified as held-for-trading, available-for-sale or held-to-maturity.

Available-for-sale securities include securities which may be sold in response to or in anticipation of changes in interest rate, foreign currency risk, changes in funding sources or terms, or to meet liquidity needs. Available-for-sale securities are measured at fair value with the difference between the fair value and its amortized cost, including changes in foreign exchange rates, recognized in Other Comprehensive Income.

The Bank regularly reviews its available-for-sale securities to determine whether any unrealized losses are other-than-temporary. Where it is considered that the impairment in value is other-than-temporary, or the Bank does not have the intent or ability to hold the security until its fair value recovers, the security is written down to its current fair value, and a loss is recognized in net income.

Gains and losses realized on disposal of available-for-sale securities and losses related to other-than-temporary impairment in value of available-for-sale securities are included in gain on sale of investments in securities.

Equipment, Leasehold Improvements and Computer Software

Equipment, leasehold improvements, and computer software are carried at cost less accumulated amortization. Amortization is 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.

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 and offsetting derivative contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009 (Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition

Interest income and interest expense is recognized in the income statement using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

Fees and commissions include fees and commissions earned from banking and custodial services, fund administration, trust, company management, financial, and corporate registrar. Income is recognized as revenue on the accruals basis over the period during which the services are provided.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that all publicly accountable enterprises will be required to report under IFRS in 2011, when IFRS will replace Canadian GAAP. These standards will apply to the Bank for the year ended September 30, 2011. The Bank is currently evaluating the impact of the initial application of these standards on the consolidated financial statements. While not fully determined, the change is not expected to materially impact the Bank's consolidated financial position or results of operations.

3. CASH, MONEY MARKET FUNDS AND TERM DEPOSITS

Cash and term deposits are limited to investments that are readily convertible to known amounts of cash and, are subject to an insignificant risk of changes in value. Money market funds are investment in funds that provide daily liquidity and invest in highly liquid instruments, such as term deposits and commercial paper.

Credit Risk

All counterparty banks and money market funds must be approved by the Bank's Credit Committee and approved by the Bank's President. The maximum amount that may be deposited with any single bank or money market fund is governed by a number of controlling variables including the Fitch and Moody's IBCA rating for that bank or money market fund. Banks and money market funds with a rating lower than B/C are not used to place deposits or investments. These limits will be reviewed periodically and will be adjusted as the capital of the Bank changes or the rating of a counterparty bank or money market fund goes below B/C.

3. CASH, MONEY MARKET FUNDS AND TERM DEPOSITS (cont'd)

The credit rating of a counterparty bank or money market fund cannot exceed the rating of its home country or the country where most assets are invested. A bank's credit rating already reflects the country risk associated with the home country of that bank.

No deposit in excess of six months will be made unless it matches a client deposit.

The maturities are as follows

	Within 1 Month		1-3 Months		3-6 Months		6-12 Months		Total	
United States Dollar	\$	345,438,929	\$	-	\$	-	\$	-	\$	345,438,929
Euro		25,199,394		3,368,350		-		-		28,567,744
British Pound		18,001,491		-		-		-		18,001,491
Canadian Dollar		4,136,669		-		-		-		4,136,669
Bermuda Dollar		1,686,282		-		-		-		1,686,282
Other		7,113,873		3,688,518		-		-		10,802,391
2009 Total	\$	401,576,638	\$	7,056,868	\$	0	\$	0	\$	408,633,506

	Within 1 Month		1-3 Months		3-6 Months		6-12 Months		Total	
United States Dollar	\$	414,298,420	\$	-	\$	-	\$	700,000		414,998,420
Euro		29,029,113		-		-		-		29,029,113
British Pound		18,043,960		1,802,600		-		-		19,846,560
Canadian Dollar		6,830,560		-		-		-		6,830,560
Bermuda Dollar		2,622,080		-		-		-		2,622,080
Other		10,858,468		-		-		346,220		11,204,688
2008 Total	\$	481,682,601	\$	1,802,600	\$	0	\$	1,046,220	\$	484,531,421

The average effective yields earned are as follows:

	2009	2008
Term deposits	1.58%	3.54%
Demand deposits with other banks	0.24%	2.79%
Money market funds	0.89%	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009 (Expressed in Bermuda dollars)

4. INVESTMENTS IN SECURITIES

During the year the Bank purchased \$10,800,000 of Bank of N.T. Butterfield Limited preference shares at par value. Management has classified these securities as available-for-sale and valued them at fair value. The difference between fair value and cost has been recognized in other comprehensive income. As of September 30, 2009, the fair value of the shares is \$12,690,000. The remaining investments in securities of \$190,026 are shares in Visa Inc., which are restricted for sale until March 2011.

5. EQUIPMENT, LEASEHOLD IMPROVEMENTS AND COMPUTER SOFTWARE

	Cost	Accumulated Amortization	Net Book Value 2009
Equipment	\$1,048,743	\$677,552	\$371,191
Leasehold improvements	408,556	402,890	5,666
Computer software	2,086,867	1,771,423	315,444
Total	<u>\$3,544,166</u>	<u>\$2,851,865</u>	<u>\$692,301</u>

	Cost	Accumulated Amortization	Net Book Value 2008
Equipment	\$879,496	\$533,097	\$346,399
Leasehold improvements	408,556	298,781	109,775
Computer software	1,944,402	1,700,954	243,448
Total	<u>\$3,232,454</u>	<u>\$2,532,832</u>	<u>\$699,622</u>

6. 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:

	Demand Deposits	Within 1 Month	1-3 Months	3-6 Months	6-12 Months	Total Term Deposits	Total Deposits
United States Dollar	\$109,121,006	\$158,223,318	\$6,228,102	\$1,229,686	\$5,530,000	\$171,211,106	\$280,332,112
Euro	16,981,831	7,490,448	3,913,954	-	-	11,404,402	28,386,233
British Pound	9,911,172	4,981,365	1,846,653	-	1,041,815	7,869,833	17,781,005
Bermuda Dollar	3,347,337	690,649	-	231,362	21,194	943,205	4,290,542
Canadian Dollar	1,550,002	905,132	1,571,471	-	105,290	2,581,893	4,131,895
Other	4,373,756	2,492,151	3,763,000	-	-	6,255,151	10,628,907
2009 Total	\$145,285,104	\$174,783,063	\$17,323,180	\$1,461,048	\$6,698,299	\$200,265,590	\$345,550,694

	Demand Deposits	Within 1 Month	1-3 Months	3-6 Months	6-12 Months	Total Term Deposits	Total Deposits
United States Dollar	\$75,444,552	\$257,672,831	\$2,179,727	\$602,762	\$1,040,005	\$261,495,325	\$336,939,877
Euro	21,905,539	6,900,180	142,775	-	-	7,042,955	28,948,494
British Pound	8,019,448	10,605,055	976,571	-	-	11,581,626	19,601,074
Bermuda Dollar	2,544,137	1,488,327	103,888	126,995	20,753	1,739,963	4,284,100
Canadian Dollar	1,626,761	3,754,110	1,270,103	-	177,263	5,201,476	6,828,237
Other	3,196,065	7,498,717	-	346,220	-	7,844,937	11,041,002
2008 Total	\$112,736,502	\$287,919,220	\$4,673,064	\$1,075,977	\$1,238,021	\$294,906,282	\$407,642,784

The average effective interest rates paid were:

	2009	2008
Term deposits, based on book values and contractual interest rates	0.61%	3.01%
Demand deposits	0.00%	0.07%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009 (Expressed in Bermuda dollars)

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, 2009	10,000,000	24,000,000	6,152,687	\$ 14,766,449	\$ 19,302,690
Balance at September 30, 2008	10,000,000	24,000,000	5,752,687	\$ 13,806,449	\$ 18,262,690

As part of a Rights Offering in June 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, December 2001 and December 2002, the expiry dates of the warrants were extended to May 31, 2002, 2003 and 2005, respectively. In December 2004, the expiry date of the warrants was further extended to May 30, 2008. The expiry date of May 30, 2008 was not further extended and all unexercised warrants expired at this date and are of no value.

During the year ended September 30, 2008, 1,363,794 warrants were exercised resulting in an issuance of the same number of common shares, with a par value of \$3,273,106 and share premium of \$6,955,349. Of these warrants, 805,576 were exercised by FCIB.

Options to acquire common shares have been issued to the Bank's controlling shareholder. The options outstanding at September 30, 2009 are as follows:

Options to acquire common shares have been issued to the Bank's controlling shareholder. The options outstanding at September 30, 2009 are as follows:

Issue Date	Number of Options	Exercise Price	Exercise Period
December 2000	500,000	\$5.6972	January 1, 2003 through December 31, 2012
December 1999	400,000	\$7.05	January 1, 2002 through December 31, 2011
December 1998	300,000	\$5	January 1, 2001 through December 31, 2010
December 1997	200,000	\$5.125	January 1, 2000 through December 31, 2009

7. CAPITAL STOCK (cont'd)

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. In December 2004, the exercise date of each lot of options was extended by a further three years.

During the year ended September 30, 2009, 400,000 (2008: nil) options were exercised by FCIB resulting in an issuance of the same number of common shares, with a par value of \$960,000 (2008: \$nil) and share premium of \$1,040,000 (2008: \$nil).

8. DIVIDENDS

	2009	2008
Declared and Paid: Half Year (2009: nil cents per common share; 2008: 40.0 cents)	\$ -	\$ 1,897,965
Declared and Paid: Year End (2009: nil cents per common share; 2008: 40.0 cents)	-	2,301,075
Total	\$ -	\$ 4,199,040

No half year or year end dividends were declared or paid during the year ended September 30, 2009.

9. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009 (Expressed in Bermuda dollars)

9. EARNINGS PER SHARE (cont'd)

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

	Net (Loss) Earnings	Weighed Average Shares	Loss (Earnings) per Share
2009			
Basic Loss Per Share			
Net loss	\$(375,014)	6,052,961	\$(0.06)
Add: Incremental shares from assumed Exercise of stock options (Note 7)		454,857	
Adjusted weighted average shares outstanding		6,507,818	
Diluted Loss Per Share			
Net loss	(375,014)	6,052.961*	(0.06)
* Diluted Loss Per Share are calculated on the weighted average shares instead of the adjusted weighted average shares, as this would have an anti-dilutive impact.			
2008			
Basic Earnings Per Share			
Net income	\$5,157,044	4,860,267	\$1.06
Add: Incremental shares from assumed Exercise of stock options (Note 7) Conversion of warrants (Note 7)		896,142 333,857	
Adjusted weighted average shares outstanding		6,090,266	
Diluted Earnings Per Share			
Net income	\$5,157,044	6,090,266	\$0.85

10. RELATED PARTY CONSIDERATIONS

At September 30, 2009 FCIB owns 53.00% (2008: 49.74%) of the Bank's issued shares.

The Bank provides banking services to FCIB and other related parties of FCIB under the same terms as an unrelated party would receive. The Bank earned interest and fees on these services of approximately \$373,000 during the year ended September 30, 2009 (2008: \$220,000).

The Bank and FCIB entered into a Software License and Support Agreement for an Internet Banking System effective October 1, 2003 providing for an initial license fee of \$80,000 together with an annual support and maintenance fee equal to 15% of the license fee. In the interest of expedience the Bank performs all routine support and maintenance itself using in-house technical expertise. The Internet Banking System has operated continuously since 2004, and, while this agreement remains in force, the Bank has no reliance on FCIB for routine support.

10. RELATED PARTY CONSIDERATIONS (cont'd)

During the year FCIB exercised 400,000 (2008: nil) options resulting in an issuance of the same number of common shares, and holds other options as described in Note 7.

11. EMPLOYEE BENEFITS

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.

As permitted under the legislation, staff members are required to contribute annually 5% 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 2009 amounted to \$164,566 (2008: \$151,336).

12. COMMITMENTS AND CONTINGENT LIABILITIES

In September 2006, the Bank moved premises and entered into a five-year lease, which contains two options to renew the lease for five additional years, for a total of fifteen years.

Payments due for premises rented under long-term lease at September 30, 2009 are:

2010	\$651,274
2011	\$663,549

The Bank is contingently liable for letters of credit, which are fully matched by offsetting customer deposits in the amount of \$1,180,000 (2008: \$1,180,000). The Bank has issued a confirmed letter of credit in its own name in the amount of \$300,000 (2008: \$300,000) that is supported by a term deposit.

In October 2006, the Bank hired the financial advisory firm of Keefe, Bruyette & Woods, Inc. ("KBW") to assist the board in the Bank's sale process. Under the terms of the agreement with KBW, the Bank has agreed to pay KBW a cash fee based on a percentage of the market value of the aggregate sales consideration offered in exchange for the outstanding common stock of the Bank, with a minimum fee of \$1,000,000, plus out of pocket expenses. Such fee would be payable by the Bank and thus reduce shareholder proceeds. To date no fees have been paid to KBW.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009 (Expressed in Bermuda dollars)

13. INTEREST RATE SENSITIVITY

Interest rate risk arises from maturity mismatches. The following is an analysis of the maturity of assets and liabilities:

2009	Within 1 Month	1-3 Months	3-12 Months	Over 12 Months	Non-Interest Sensitive	Total
ASSETS						
Due on demand	\$13,103,030	\$ -	\$ -	\$ -	\$ -	\$13,103,030
Money market funds	167,453,850	-	-	-	-	167,453,850
Term deposits	221,019,758	7,056,868	-	-	-	228,076,626
Securities	-	-	-	-	12,880,026	12,880,026
Other assets	-	-	-	-	1,840,495	1,840,495
Total assets	\$401,576,638	\$7,056,868	\$ 0	\$ 0	\$14,720,521	\$423,354,027
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits	\$320,068,167	\$17,323,180	\$8,159,347	\$ -	\$ -	\$345,550,694
Other liabilities	-	-	-	-	2,750,749	2,750,749
Shareholders' equity	-	-	-	-	75,052,584	75,052,584
Total liabilities and shareholders' equity	320,068,167	17,323,180	8,159,347	0	77,803,333	423,354,027
Net surplus (deficit)	81,508,471	(10,266,312)	(8,159,347)	0	(63,082,812)	0
Cumulative net surplus	\$81,508,471	\$71,242,159	\$63,082,812	\$63,082,812	\$ 0	\$ 0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009 (Expressed in Bermuda dollars)

2008	Within 1 Month	1-3 Months	3-12 Months	Over 12 Months	Non-Interest Sensitive	Total
ASSETS						
Due on demand	\$11,521,297	\$ -	\$ -	\$ -	\$ -	\$11,521,297
Money market funds	-	-	-	-	-	0
Term deposits	470,161,304	1,802,600	1,046,220	-	-	473,010,124
Securities	-	-	-	-	271,417	271,417
Other assets	363	-	-	153,493	1,880,593	2,034,449
Total assets	\$481,682,964	\$1,802,600	\$1,046,220	\$153,493	\$2,152,010	\$486,837,287
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits	\$400,655,722	\$4,673,064	\$2,313,998	\$ -	\$ -	\$407,642,784
Other liabilities	-	-	-	-	7,575,514	7,575,514
Shareholders' equity	-	-	-	-	71,618,989	71,618,989
Total liabilities and shareholders' equity	400,655,722	4,673,064	2,313,998	0	79,194,503	486,837,287
Net surplus (deficit)	81,027,242	(2,870,464)	(1,267,778)	153,493	(77,042,493)	0
Cumulative net surplus	\$81,027,242	\$78,156,778	\$76,889,000	\$77,042,493	\$ 0	\$ 0

Interest Rate Risk

As part of its normal operating activities, the Bank is exposed to structural interest rate risk. Interest rate risk is subject to specific policies and is managed and overseen by management. Interest rate movements cause changes in interest income and interest expense and, although these changes move in the same direction, their relative magnitude will favorably or unfavorably impact annual net income and the value of shareholders' equity. The extent of that impact depends on several factors, including matching of asset and liability maturities and the interest rate curve. Assets and liabilities are managed to optimize the impact of interest rate movements in view of anticipated rate changes.

As a result of the unprecedented low interest rate environment and the current uncertainty prevailing in the credit markets it is difficult to accurately forecast the potential impact of an immediate and sustained variation in interest rates on net income and on the amount of shareholders' equity. At September 30, 2009 the U.S. Federal Funds rate, a key driver of the Bank's interest income ranged between 0 - 0.25%. On the assumption that interest rates remain positive, the impact on net income due to negative variation in interest rates is limited:

As at September 30, 2009 (millions of \$)

Positive variation in interest rates	50bps	100bps
Impact on net income (for the next 12 months)	1.1	2.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009 (Expressed in Bermuda dollars)

14. RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Bank is exposed to a variety of risks as a result of holding financial instruments, the most significant of which are credit risk, market risk and liquidity risk.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability or unwillingness to fulfill its payment obligations. Credit risk may arise directly from claims against, an issuer of securities, or indirectly from claims against a guarantor of credit obligations.

Market Risk

Investments in securities are exposed to market risk, which is the risk of a financial loss resulting from unfavorable changes in equity prices, commodity prices and market volatility.

Liquidity Risk

Liquidity risk is the risk that the Bank may be unable to generate or obtain sufficient funds in a timely and cost-effective manner to meet our commitments as they come due.

Risk Management

The management of risk is a core function of the Bank and BCB has a number of policies, procedures and reports designed to facilitate the management of risks arising from financial instruments.

The Bank's Asset & Liability Committee ("ALCO") is tasked with managing financial risk exposure, a responsibility delegated to it from the Board of Directors. It is the task of ALCO to manage within the policies and risk tolerance profile defined by the Board of Directors. ALCO meets on a scheduled and needs be basis to determine current performance and to review the investment risk within established limits.

The limits within which ALCO operates are set by the Board and reviewed by the Bermuda Monetary Authority ("BMA"). The BMA has set large exposure limits for managing counterparty risk. As at September 30, 2009, the Bank's current counterparty exposure limits are \$50,000,000 for 'A' and 'B' rated banks, and \$17,000,000 for money market funds.

The Bank utilises matched deposit maturities to manage interest rate risk and liquidity risk, and counterparty limits, criteria, and approved instruments lists to manage counterparty risk. Compliance with policy is monitored via daily management reporting. The Bank manages price risk through balancing deposits with other banks and money market funds.

15. BUSINESS SEGMENTS

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

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.

Corporate Services

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

	Banking Services	Corporate Services	Elimination of inter-segment amounts	Totals
2009				
Net Interest Income from external customers	\$ 4,901,402	\$ -	\$ -	\$ 4,901,402
Fees and other income from external customers	1,658,834	1,345,630	-	3,004,464
Inter-segment fees and other income	-	57,806	(57,806)	0
Total income	6,560,236	1,403,436	(57,806)	7,905,866
Operating expenses	(3,635,606)	(1,778,174)	21,500	(5,392,280)
Net income before head office allocation	2,924,630	(374,738)	(36,306)	2,513,586
Head office allocation	(1,785,724)	(1,139,182)	36,306	(2,888,600)
Net loss	1,138,906	(1,513,920)	0	(375,014)
Segment assets	\$ 422,921,316	\$ 701,274	\$ (268,563)	\$ 423,354,027

	Banking Services	Corporate Services	Elimination of inter-segment amounts	Totals
2008				
Net Interest Income from external customers	\$ 8,657,176	\$ -	\$ -	\$ 8,657,176
Fees and other income from external customers	2,588,351	2,466,857	-	5,055,208
Inter-segment fees and other income	-	68,940	(68,940)	0
Total income	11,245,527	2,535,797	(68,940)	13,712,384
Operating expenses	(3,182,180)	(1,907,908)	27,975	(5,062,113)
Net income before head office allocation	8,063,347	627,889	(40,965)	8,650,271
Head office allocation	(2,297,353)	(1,236,839)	40,965	(3,493,227)
Net income	5,765,994	(608,950)	0	5,157,044
Segment assets	\$ 486,419,663	\$ 1,657,866	\$ (1,240,242)	\$ 486,837,287

CONSOLIDATED FIVE YEAR SUMMARY

BALANCE SHEET

	2009	2008	2007	2006	2005
Assets					
Cash, money market funds and term deposits	\$ 408,633,506	\$ 484,531,421	\$ 618,598,554	\$ 461,456,772	\$ 854,004,191
Loans and advances, net	-	-	166,253	223,722	1,413,542
Investments in securities	12,880,026	271,417	-	-	-
Equipment, leasehold improvements and computer software	692,301	699,622	832,178	1,201,301	1,352,320
Interest receivable and other assets	1,148,194	1,334,827	1,949,386	1,390,693	2,053,035
Total assets	\$ 423,354,027	\$ 486,837,287	\$ 621,546,371	\$ 464,272,488	\$ 858,823,088
Liabilities					
Total deposits	\$ 345,550,694	\$ 407,642,784	\$ 555,545,620	\$ 399,740,365	\$ 803,075,117
Interest payable and other liabilities	2,750,749	7,575,514	5,839,638	7,095,549	4,427,603
Total liabilities	348,301,443	415,218,298	561,385,258	406,835,914	807,502,720
Shareholders' Equity					
Capital stock	14,766,449	13,806,449	10,533,343	10,434,252	10,397,666
Share premium	19,302,690	18,262,690	11,307,341	11,096,772	11,019,028
Accumulated other comprehensive income	2,080,026	271,417	-	-	-
Retained earnings	38,903,419	39,278,433	38,320,429	35,905,550	29,903,674
Total shareholders' equity	75,052,584	71,618,989	60,161,113	57,436,574	51,320,368
Total liabilities and shareholders' equity	\$ 423,354,027	\$ 486,837,287	\$ 621,546,371	\$ 464,272,488	\$ 858,823,088

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, 2009 are estimated to be \$0.42 billion (2008: \$0.45 billion).

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	2009	2008	2007	2006	2005
Income					
Interest income	\$ 6,510,264	\$ 19,254,173	\$ 24,168,051	\$ 29,764,625	\$ 16,923,208
Interest expense	1,608,862	10,596,997	13,661,079	18,162,866	8,692,860
Net interest income	4,901,402	8,657,176	10,506,972	11,601,759	8,230,348
Fees and commissions	2,188,520	3,468,651	4,201,302	6,374,718	4,871,530
Other operating income	171,815	181,219	216,280	218,751	257,545
Net exchange gains	518,283	936,960	791,044	654,652	778,080
Gain on sale of investments in securities	125,846	468,378	-	-	-
Other income	-	-	-	689,805	-
Total income	7,905,866	13,712,384	15,715,598	19,539,685	14,137,503
Expenses					
Salaries and employee benefits	4,057,169	4,640,307	4,780,231	5,020,624	4,467,193
Amortization and write-offs	386,063	447,780	538,382	866,379	687,348
Other expenses	3,837,648	3,467,253	4,458,567	3,520,595	3,812,770
Total expenses	8,280,880	8,555,340	9,777,180	9,407,598	8,967,311
Net (Loss) Income	(375,014)	5,157,044	5,938,418	10,132,087	5,170,192
Retained Earnings ¹	39,278,433	38,320,429	35,905,550	29,903,674	26,790,726
Dividends	-	(4,199,040)	(3,523,539)	(4,130,211)	(2,057,244)
Retained Earnings ²	\$ 38,903,419	\$ 39,278,433	\$ 38,320,429	\$ 35,905,550	\$ 29,903,674
Basic earnings per share	\$ (0.06)	\$ 1.06	\$ 1.36	\$ 2.34	\$ 1.19

¹ Beginning of year

² End of year

BOARD OF DIRECTORS AS AT SEPTEMBER 30, 2009

Dr. Clarence R. Terceira JP

CHAIRMAN

Founding Director, Former President
Retired Dental Surgeon

E. John Sainsbury

PRESIDENT

Former CEO, Argus Insurance Co. Limited.

Anthony Cijntje¹

Managing Director ACC and Partners BV,
Netherlands Antilles

Michael Cranfield

Chief Information Officer,
Bermuda Commercial Bank

C. Jerome Dill

Executive Vice President, General Counsel,
Validus Reinsurance Limited

Horst Finkbeiner II

Chief Operating Officer,
Bermuda Commercial Bank

R. Anthony Jones MA

Managing Director,
Washington Properties (Bermuda) Limited

Geomaly Martes¹

Managing Director
Foundation Governmental Audit Bureau (SOAB)

Greg Reid¹

Chief Financial Officer,
Bermuda Commercial Bank

Delaey Robinson

Innkeeper

¹Denotes non-Bermudian director.

As at September 30, 2009, the total interest of all Directors, Statutory Officers, and Executive Officers amounted to 163,568 (2.66%) in common shares and nil (0%) in options.

There are no service contracts with directors.

SUBSIDIARIES AS AT SEPTEMBER 30, 2009

INTERNATIONAL CORPORATE

MANAGEMENT OF BERMUDA LIMITED

Telephone: (441) 295-5678 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) 295-5678 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.

BCB (MAURITIUS) LIMITED

c/o Abax Corporate Services
Level 6, One Cathedral Square
Jules Koenig Street, Port Louis, Mauritius
Telephone: (230) 206-8600 Fax: (230) 208-7949
Incorporated in Mauritius on November 2, 1994.
Provides custodial services for BCB in Mauritius.

The registered address for above companies is:

Bermuda Commercial Bank Building
19 Par-la-Ville Road, Hamilton HM 11, Bermuda

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

MANAGEMENT AND STAFF

Horst E. Finkbeiner II
Chief Operating Officer

Greg Reid
Chief Financial Officer

Michael Cranfield
Chief Information Officer

Granville Gibbons
Manager, General & Administration

Steven R. Morris
General Manager, International
Corporate Management of Bermuda
Limited

P. Glendall Phillips
General Manager, Banking Services

Neil de St.Croix
Consulting Manager, BCB Trust
Company

Robin Dyer
Compliance Officer

Ishwar Narayanan
Internal Auditor

Karen Blankendal
Assistant Manager, Head of Client
Administrators

Shanalette DeSilva
Assistant Manager, Head of Custodial
Services

Angelique Dowling
Human Resources Generalist

Janet Field
Corporate Secretary

Sophia Ming
Assistant Manager, Head of Treasury
Operations

Ann Robinson
Assistant Manager, Head of Banking
Operations

Natascia Bertoli-Badoli

Alan Bird

Kal-lyn Crockwell

Milton Darrell

Susan Davis

Michelle Johnston

Cindy Lambe

Dezané Lathan

Reneé McHardy

Marek Noha

Stephen Outerbridge

Charmette Phillip

Heather Roque

Donnette Simons

Jill Smith

Khamla Smith

Melissa Smith

Donnell Taylor

Eugena Wainwright

Brian Ward

Elsie Webb

Reneé Wilson

Marc Zinsmeister



BCB

BERMUDA COMMERCIAL BANK LIMITED

Registered Address:

Bermuda Commercial Bank Building

19 Par-la-Ville Road

Hamilton HM 11, Bermuda

Mailing Address:

P.O. Box HM 1748, Hamilton HM GX, Bermuda

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