ANNUAL REPORT 2010

BCB

Bermuda's Private Commercial Bank

Management & Staff of Bermuda Commercial Bank Limited's head office.

Contents

Corporate Profile

Over 40 years of providing dedicated personal services to its clients. During this time the Bank has evolved to become the only Bermudian bank focused solely on serving local and international corporate and commercial business communities as well as private wealth clients.

FOCUS

As the only bank in Bermuda focused solely on commercial, corporate and private wealth individuals, we offer wealth management and financial solutions through our banking, trust, fund administration and custody services. Our specialized market focus allows us to truly understand and meet our clients' diverse needs. We are able to deliver financial solutions 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.

Core Beliefs

The following principles form the basis of the Bank's core beliefs:

PERSONALISED 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 a focused client base. The provision of financial solutions depends upon maintaining the highest standard of service, 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 a conservative policy in balance sheet management.

Our services are offered through our principal subsidiaries, BCB Fund Services Limited and BCB Trust Company Limited. The Bermuda Commercial Bank Group provides clients with a one-stop solution for all their banking needs. 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 around the world. 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

It is with much pleasure that I write to you as Chairman of BCB and share with you the progress we have made since April when the Bank was sold to new controlling shareholders, and outline our revised strategy moving forward.

The Bank has returned to profit in the second half of the year largely as a result of investing the Bank's own capital in a portfolio of international bonds. The Bank's profit for the year was $1.18 million, compared to an operating loss of $0.38 million for the prior year.

In addition to increased interest income on the bonds the Bank realized gains following the sale of a number of its investments during the year. These gains offset the reduction in interest income on the remainder of the Bank's assets, primarily cash and money market funds, which reduced in line with global interest rates.

During the year ended September 30, 2010, the Bank recorded a net unrealized loss of $1.86 million within other comprehensive income compared to a gain of $1.81 million for 2009. The 2010 loss resulted primarily from a reclassification for investment gains included in the income statement.

The Directors have approved a dividend of $0.10 per share, payable on November 30, 2010. Dividends were last paid in 2008. The Board intends to adopt a progressive policy in regards to dividends and to introduce a dividend reinvestment plan for those shareholders who would prefer to receive their dividends in shares rather than paid in cash. The Bank's stock continues to trade below book value, currently at 89.7% of its book value of $10.87 per share.

CAPITAL INVESTMENT AND CAPITAL ADEQUACY RATIOS

Given the well publicised problems that many banks have encountered recently I am pleased to advise that BCB maintained an enviable financial position with 73% of the Bank's assets consisting of cash and cash products. Besides not being burdened by owning stressed mortgage loans, problematic corporate debt or sub-prime lending instruments, the Bank's Tier 1 capital adequacy ratio, which measures a bank's liquidity and stability, was 26.6% at year end. This is more than double the Bank of International Settlements' industry target of 12.0%. Indeed there are significantly sized banks across all jurisdictions that have capital adequacy ratios well below 12%.

We anticipate a slight reduction in the Bank's capital adequacy ratio as we gradually expand our investment program and the Board has set a target Tier 1 ratio of 20.0% for the Bank's capital adequacy ratio for the next twelve months.

Upon the successful sale of the Bank to the new investor group in April 2010, the new Board set in place broader investment guidelines incorporating a diversified mandate. This broader mandate has been successfully implemented by management and is generating a stronger return on investment assets in the current environment of low interest rates. The Bank has returned to an operating profit position and has overcome the operating losses reported for the first half of the 2010 fiscal year.

DEPOSIT BASE

With the adoption of the revised investment management program, BCB is now better positioned to offer more competitive deposit rates and has launched a series of new longer term deposit products. This revitalized approach has generated renewed interest in the Bank from both our domestic and international clients and intermediaries. Total assets of the Bank as at September 30, 2010, were $409.66 million compared to $423.35 million at September 30, 2009. While gross assets have reduced year on year the Bank will target deposit growth as a result of the Bank's improved profitability and revised investment strategy coupled with a revitalized marketing program. This turnaround has already commenced with year end assets showing a $39.35 million increase over March 31, 2010 assets of $370.31 million.

The Bank will seek to both broaden and lengthen the deposit base which will improve funding stability. This will enable the Bank to increase its investments and thereby enhance investment returns.

IMPROVED BANKING SERVICES

We anticipate that both the global and local business environment will continue to be challenging for the foreseeable future; indeed it is possible that economic conditions may worsen further before there is any material improvement in economic activity. Given this outlook and following the strategic meetings held during the year, the management team has mapped out a clear and sensible strategy going forward. Some of these initiatives are detailed below.

The Bank is on target to release a new and current day banking system in the first quarter of 2011. BCB has made a significant investment in its computing platform with an Internet and digitally driven architecture allowing the Bank to more easily tailor products to the needs of its clients, including securities handling, investment management, and other services.

To strengthen the institutional services offered by the Bank a strategic interest was taken in Westhouse Securities. BCB invested in a 5% convertible debt instrument, which if converted, would provide BCB with an economic interest in Westhouse in excess of 25%. Westhouse, listed and located in London, is an integrated corporate finance and broking house serving small to mid-cap companies. The business focuses on providing specialist corporate finance advice together with excellent research and trade execution through its institutional sales, sales trading and market making teams. Through this strategic interest BCB can now offer a broader set of services to its fund and corporate clients including UK listings, capital raising, and market making.

BCB will continue to fill out its product line by offering bespoke financial solutions to private wealth and institutional clients. These services will complement the Bank's existing business units, including fund administration, custody and trusts. BCB will selectively increase market share locally and will continue to monitor new global opportunities as the Bank moves forward. We will preserve the capital of the Bank initially by ensuring that we do not make lending decisions that we may later regret if economic conditions deteriorate further and instead we will focus the Bank's strategy on customers who are asset orientated and complement the Bank's suite of products.

Letter to Shareholders CONTINUED

GOVERNANCE AND RISK

I believe that BCB now has a board of directors with the required international experience, energy, and ability to meet both the challenges and opportunities that are expected to arise for the Bank. The directors' profiles are summarized below;

J. Michael Collier, JP | Chairman

Mr. Collier is a past President & CEO of Butterfield Bank, and is the Chairman of the Ascendant Group.

Warren McLeland | Deputy Chairman

Mr. McLeland is the CEO of Resimac Australia. He was formally with the Reserve Bank of Australia and was a senior executive at Chase Manhattan Bank in New York, Asia and Europe.

Horst E. Finkbeiner II, M.Sc

Mr. Finkbeiner is the Chief Operating Officer of BCB. He is a member of the International Compliance Association and the Institute of Directors.

Gavin Arton

Mr. Arton is the Chairman of BF&M Limited, and a former senior executive with XL Capital Ltd. He previously served as an executive of American International Group Inc. and CIGNA Corporation.

Jon Brunson, MA, JP

Mr. Brunson is a Director of the Orbis Scholar Program and a former Member of Parliament in Bermuda.

Gregory Reid, CA

Mr. Reid is a Chartered Accountant and the Chief Financial Officer of BCB.

Eric Stobart, M.Sc (Econ), FCA

Mr Stobart was previously Director of Public Policy and Regulation at Lloyds TSB Group plc (now Lloyds Banking Group plc), having worked in merchant and commercial banking for over 30 years. He is now a director of the Lloyds TSB Group Pension Schemes, Norwich & Peterborough Building Society, Lloyd's Superannuation Fund, Utilico Limited, Capita Managing Agent Limited and Throgmorton Trust plc.

Christopher Swan, BA, LLB, JP

Mr. Swan is the Senior Partner of Christopher E. Swan & Co. He is a member of Gray's Inn, the Law Society and the Bermuda Bar.

The Board is overseeing the evolution and implementation of a revitalized and dynamic corporate strategy as well as the implementation of a number of internal initiatives to meet the challenges and opportunities of 2011 and the future. These include a reorganization of the Bank's governance structure, an external review of risk management structures, and changing the Bank's reporting standards from Canadian accounting standards to International Financial Reporting Standards (IFRS). These initiatives continue the Bank's traditional conservative, risk-sensitive approach to its business.

EMPLOYEES

BCB’s employees have been enthusiastic and fully committed to the refocus of the Bank, and we thank them for their loyalty and support through the year in review. We have recruited new staff in key positions to support the Bank’s planned expansion. In addition, the Bank is fortunate in being able to draw specialist support, where necessary, from within the investor group, in particular Resimac Limited, the largest Australian non-bank mortgage securitiser. This will ensure that we continue to deliver the style and level of services that our clients expect and require.

BCB has a tradition of community and charity support, and has recently established the BCB Charitable Foundation. BCB staff will play an integral role in managing the work of the Foundation.

On behalf of the new Board of Directors of the Bank, I would like to express a very special thank you to our shareholders and clients for their continued support. I would also like to thank all our staff and management for their dedication and commitment to the Bank.

J. Michael Collier, JP
CHAIRMAN

Management's Discussion & 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, 2010

The Bank recorded a net profit of $1.18 million for 2010. This compares to a net loss of $0.38 million in 2009, an increase of $1.56 million. Basic and diluted earnings per share for the year ended September 30, 2010 were $0.19 and $0.17, respectively. Basic and diluted loss per share for the year ended September 30, 2009 were $0.06 and $0.06, respectively.

FINANCIAL CONDITION AS AT SEPTEMBER 30, 2010

Midway through 2010, Permanent Investments Limited ("Permanent") purchased a majority shareholding in the Bank. Management believes that this action will revitalise the business and position the Bank well for future growth. While year on year total asset and customer deposit levels have reduced, this reduction occurred in the first half of the fiscal year. Since the announcement of the Permanent purchase midway through the fiscal year we have noted a stabilisation and subsequent increase in asset and deposit levels.

The Bank's client deposit levels decreased to $323.61 million at September 30, 2010 from $345.55 million at September 30, 2009, a decrease of $21.94 million. This reduction represents the continuation of a trend of customers reallocating a portion of their funds out of cash and into other investments following the low yields on offer from term deposit accounts. As a result of the Bank's partial diversification into higher yielding securities, BCB is now in a position to provide competitive interest rates on its deposit products leading to the recent uptick in deposit balances.

The Bank invests the majority of client deposits with essentially matching maturities in highly rated counterparties in either the interbank market or in select money market funds. During the year the Bank also diversified into financial investments and a small loan portfolio. The Bank has maintained its low-risk, conservative philosophy and at September 2010, 73.2% of total assets consisted of cash, money market funds, and term deposits.

At September 2010 the Bank held $82.41 million in financial investments compared with $12.88 million a year earlier. These investments, consisting primarily of corporate debt securities and debt securities issued by banks, are diversified across industry, currency and jurisdiction. The Bank's Asset and Liability Committee oversees the investment process with asset management being performed by an experienced investment management company within the Permanent group. At September 30, 2010 all investments were held at fair value resulting in a small unrealised gain for the Bank of $0.22 million. The Bank's strategy continues to encompass a low risk balance sheet and while we anticipate a future increase in the level of financial investments, any such increase will be predicated on and backed by an increase in long term customer deposits.

Interest receivable increased as a result of the partial diversification from cash and short term investments into longer maturing financial investments.

Loans and advances to customers were $9.85 million at September 30, 2010 compared to $0.15 million in the prior year. During the year the Bank provided overdraft facilities to a small number of customers with which it has close relationships and strong operational knowledge of.

Property and equipment remained at similar levels to last year while intangible assets, consisting entirely of computer software, increased to $0.98 million from $0.32 million in 2009. The increase in computer software resulted from the Bank's implementation of a new core banking system expected to go live in early 2011.

Other assets and other liabilities showed a large year on year increase on account of receivables and payables occurring at year end relating to the purchase and sale of financial investments. These receivables and payables were short term in nature and were cleared shortly after year end.

Shareholders' equity at September 30, 2010 was $74.95 million, a slight decrease of $0.10 million over the prior year balance of $75.05 million. This decrease partly resulted from a net comprehensive loss for the year of $0.68 million. Other items affecting equity were the exercise of 200,000 options by the Bank's previous majority shareholder, which contributed $1.03 million to equity and the buyback of 44,873 shares by the Bank as part of a limited share buyback process which reduced equity by $0.44 million.

INCOME

For the year ended September 30, 2010, net interest income was $3.77 million compared to $4.90 million at September 30, 2009, a decline of $1.13 million or 23.1%. This decrease resulted from a continued decrease in average interest rates. The Bank's profitability is materially influenced by changes in interest rates, primarily U.S. Fed rates. For the second year in a row U.S rates have remained at historically low levels with the effective U.S. Fed interest rate averaging just 0.13% for fiscal 2010 compared with the already low 0.36% average for fiscal 2009. Following the resolution of the sale process midway through the year, the Bank embarked on a new strategic direction facilitated by the banking expertise within the investor group. A full review of the Bank's asset base was performed leading to a migration of a portion of the balance sheet into higher yielding assets, primarily a diversified portfolio of financial investments along with a small loan book. All investments will be governed by the Bank's strict liquidity and risk management policies. The outcome of this shift was a large increase in interest income on available-for-sale financial securities. The Bank earned $3.09 million from these investments in 2010 compared to $0.24 million in the prior year. This large increase helped to soften the large reduction in interest income on the Bank's cash, term deposits and money market funds.

Fees and commissions increased by $0.21 million, or 9.6%, to $2.40 million compared with $2.19 million the previous year. This increase resulted primarily from fees and commissions earned on new business introduced by the investor group during the year. Total fee income from the Bank's fund administration, trust and custody departments remained broadly in line with the prior year.

Net foreign exchange gains increased to $0.83 million from $0.52 million, an increase of $0.31 million. This increase resulted almost entirely from gains recorded by the Bank on foreign currency denominated investments. BCB's customer net exchange gains are earned by taking a small spread on each foreign currency transaction effected by the Bank with no risk or positions being assumed by BCB. This income, which is dependent on the activity of our clients, remained at a similar level to 2009.

Dividend income of $0.06 million was recorded during the year on the Bank's new securities portfolio.

The Bank recorded gains of $3.89 million on the sale of financial investments. This compares to gains of $0.13 million during the prior year. As part of the Bank's interest income strategy, BCB has built up a diversified portfolio of bonds and other financial securities. These investments were purchased for their interest generating capacities but the Bank also recorded strong capital gains on a number of these investments. A small number of these investments were sold during the year resulting in strong

Management's Discussion & Analysis CONTINUED

realised gains. $2.08 million of this gain was already recorded in prior years within equity and this should be considered when assessing the net overall gain to the Bank.

In order to manage risk within the Bank's securities portfolio, BCB operates a strategy using equity indices put options. The Bank recorded losses of $0.67 million for the year on these indices options which partially offset the interest and capital gains on the Bank's securities investments.

EXPENSES

BCB continued its strict cost management policies in 2010 and, excluding non recurring items, recorded an overall year on year decrease in costs. As a result of one-time costs linked to the sale of the Bank, total expenses did however increase by $0.97 million to $9.25 million from $8.28 million last year.

Salaries and employee benefits increased by 1.0% from $4.06 million in 2009 to $4.10 million for fiscal 2010. This increase was a result of increased variable profit share compensation, an expense that is linked to the Bank's financial performance. The Bank's headcount increased slightly compared to the prior year as the Bank commenced the implementation of its new products and strategies. These new employees did not commence employment with the Bank until close to year-end thus having a negligible impact on 2010 payroll costs.

Fixed asset depreciation and amortisation costs decreased compared to 2009 levels as certain of the Bank's fixed assets became fully depreciated during the year resulting in lower depreciation and amortisation expense for fiscal 2010. The Bank is currently in the process of replacing its core banking system which will result in higher amortisation costs in future years. This system upgrade is expected to add strong efficiencies to our banking operations and the expectation is that these efficiencies will compensate for the increase in direct amortisation costs.

General and administrative expenses increased by $1.10 million from $3.84 million for the year ended September 30, 2009 to $4.94 million for 2010. During the year the Bank finalised the Bank sale process which originally commenced in 2006. Under the terms of the sale process BCB paid a one-time advisory fee of $1.00 million, during 2010, to the Bank's sale process advisors representing the minimum agreed fee. The remainder of the increase in expenses resulted from increased legal fees associated with the sales process.

Looking forward we anticipate our cost base increasing in a controlled manner as we position the Bank for future growth. New costs will be implemented and managed as part of a structured process to add overall value to the Bank and where opportunities arise, the Bank will utilise the diverse range of financial and operational experience available within the investor group.

STRATEGY AND OPERATIONS

BCB's goal is to be the undisputed leader in customer service in Bermuda. The Bank continues to consolidate its business and to maintain a visible market presence with a marketing campaign designed to emphasise our strengths, particularly our personal touch in dealing with the day to day business requirements of our clients. 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.

Considerable progress has been made since the buy-in by Permanent in April 2010, including the development of new products, the launch of new systems, and the strengthening of the Bank's governance structures.

BCB remains focused on delivering top tier service to private wealth and corporate clients both in Bermuda and internationally. With the completion of the sale process, the Bank commenced building and marketing new product lines such as flexible term fixed deposit and multi-currency fixed deposit products. Other new products and services will be released over the coming months. Concurrently, we continue to review and update our internal processes to seek improved efficiencies and cost reductions.

During the year, the Bank updated its branding with a new logo, updated website, and a stronger advertising presence.

As noted earlier BCB recently entered into a strategic investment with Westhouse which not only allows us to offer a broader range of corporate finance services but also gives the Bank a footprint in the UK. We recognize the importance of diversifying our business presence and will consider other similar investments in other jurisdictions.

The Bank has commenced a significant upgrade of its systems; a new core banking system implementation project has been launched and is expected to come on-line at the end of the first quarter, 2011. This new system will support a strong management information capability, as well as allow the Bank to more rapidly create new products and tailor existing financial solutions.

The management of risk is a key function of any bank and BCB adopts an extremely active approach to this area. The Bank operates within strict risk guidelines for its investment and asset management programs as well as its operational risk program. During the year, the Bank commissioned an Enterprise Risk Assessment and this review will be used to update the Bank's risk register and operational risk framework.

As in previous years the Bank has maintained a Capital Adequacy Ratio well in excess of the minimum required by the Bermuda Monetary Authority ("BMA"). As required by the BMA and in response to the requirements of 2004 Basel II Accord 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, 2010 the Bank's Tier 1 ratio was 26.6%, a level that comfortably exceeded these limits. The Board has set a target rate of 20% which while lower than current levels is still higher than the levels required by the BMA. 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.

The Bank has reviewed its governance structures and the way that the various Board committees work. The structure of the committees was reviewed and upgraded to more closely match industry best practices.

The Bank's strategy going forward will focus on those areas that the Bank does very well. We will adhere to our low risk culture while diversifying our balance sheet where opportunities arise. BCB offers full corporate services including custody, trust and fund administration and these areas will play an increasingly larger role within the company. The Bank will continue its service orientated approach to business while expanding our suite of products – we take pride in the premium service we offer all clients and look forward to adding increased investment management opportunities, card services and credit products.

Management's Discussion & Analysis CONTINUED

PERFORMANCE MEASURES

The performance measures below highlight the Bank's improved year on year performance. Our diversification into financial securities resulted in a reduction in the Bank's Tier 1 and risk weighted capital ratios however these ratios still remain at extremely high levels relative to the banking industry at large. Bolstered by the successful resolution of the bank sale process, management will focus on steadily building the Bank while maintaining our dual policies of strict risk and financial discipline.

Per Share Information	2010	2009
Cash dividends	$ 0.00	$ 0.00
Net book value – basic	$ 11.80	$ 12.20
Net book value – diluted	$ 10.87	$ 11.02
Market value at year-end	$ 9.88	$ 5.50
Net income (loss) – basic	$ 0.19	$ (0.06)
Net income (loss) – diluted	$ 0.17	$ (0.06)

Financial Ratios	2010	2009
Return on equity	1.57%	(0.51%)
Return on assets	0.28%	(0.08%)
Efficiency ratio	88.69%	104.74%
Dividend payout ratio	0.00%	0.00%
Dividend to share price ratio	0.00%	0.00%
Cash, money market, and term deposits / total assets	73.24%	96.50%

Capital Ratios	2010	2009
Tier 1 capital ratio	26.64%	29.35%
Risk weighted capital ratio	24.66%	29.36%

Horst Finkbeiner II
CHIEF OPERATING OFFICER

Greg Reid
CHIEF FINANCIAL OFFICER

Michael Cranfield
CHIEF INFORMATION OFFICER

Randy Morris
GENERAL MANAGER,
BCB FUND SERVICES LIMITED

P. Glendall Phillips
GENERAL MANAGER,
BANKING & CUSTODIAL SERVICES

Neil de ste Croix
GENERAL MANAGER,
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REPORT OF INDEPENDENT AUDITORS

We have audited the accompanying financial statements of Bermuda Commercial Bank Limited (the "Bank"), which comprise the consolidated statement of financial position as of September 30, 2010 and the consolidated statements of income, comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of September 30, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter (See Note 21)

The consolidated statements of financial position as at September 30, 2009 and October 1, 2008, and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended September 30, 2009, are unaudited.

Ernst & Young Ltd.

November 15, 2010

Consolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2010. (expressed in United States dollars)

Assets	2010	2009	2008
Cash, money market funds and term deposits (Note 4)			
Due on demand	$ 10,018,564	$ 13,103,030	$ 11,521,297
Money market funds	124,824,117	167,453,850	–
Term deposits	165,192,812	228,076,626	473,010,124
Total cash, money market funds and term deposits	300,035,493	408,633,506	484,531,421
Derivative financial instruments (Note 5)	2,030,207	–	–
Interest receivable	1,313,388	227,479	275,944
Other assets (Note 10)	12,675,776	772,089	905,027
Financial investments available-for-sale (Note 6)	82,414,495	12,880,026	271,417
Loans and advances to customers (Note 7)	9,846,900	148,626	153,856
Property and equipment (Note 8)	360,875	376,857	456,174
Intangible assets (Note 9)	979,418	315,444	243,448
Total assets	$ 409,656,552	$ 423,354,027	$ 486,837,287
Liabilities			
Deposits (Note 11)			
Demand deposits	$ 225,590,501	145,285,104	112,736,502
Term deposits	98,017,479	200,265,590	294,906,282
Total deposits	323,607,980	345,550,694	407,642,784
Derivative financial instruments (Note 5)	1,319,808	–	–
Interest payable	52,129	74,093	252,368
Customer drafts payable	5,184,281	1,862,829	3,640,495
Other liabilities (Note 12)	4,537,536	813,827	1,381,576
Proposed dividend	–	–	2,301,075
Total liabilities	334,701,734	348,301,443	415,218,298
Equity			
Capital stock (Note 13)	15,246,449	14,766,449	13,806,449
Share premium (Note 13)	19,847,690	19,302,690	18,262,690
Treasury stock (Note 13)	(443,687)	–	–
Accumulated other comprehensive income	220,796	2,080,026	271,417
Retained earnings	40,083,570	38,903,419	39,278,433
Total equity	74,954,818	75,052,584	71,618,989
Total liabilities and equity	$ 409,656,552	$ 423,354,027	$ 486,837,287

See accompanying notes to the consolidated financial statements

J. Michael Collier, JP
CHAIRMAN

Warren J McLeland

Warren McLeland
DEPUTY CHAIRMAN

(Comparative figures as of September 30, 2009 and October 1, 2008 are unaudited - see Note 21)

Consolidated Statement of Income

FOR THE YEAR ENDED SEPTEMBER 30, 2010. (expressed in United States dollars)

Income	2010	2009
Interest income		
Cash and term deposits	$ 491,767	$ 5,142,926
Money market funds	414,575	1,071,205
Loans and advances to customers	157,516	58,829
Financial investments - available-for-sale	3,087,496	237,304
Total interest income	4,151,354	6,510,264
Interest expense	(385,887)	(1,608,862)
Net interest income	3,765,467	4,901,402
Fees and commissions	2,401,834	2,188,520
Net exchange gains	827,135	518,283
Loss on derivative financial instruments	(670,891)	–
Dividend income	58,952	–
Gain on sale of financial investments - available-for-sale	3,886,373	125,846
Other operating income	164,977	171,815
Total income	10,433,847	7,905,866
Expenses		
Salaries and employee benefits (Note 16)	4,095,985	4,057,169
Depreciation (Note 8)	127,136	265,386
Amortization (Note 9)	85,744	120,677
General and administrative expenses (Note 3)	4,944,831	3,837,648
Total expenses	9,253,696	8,280,880
Net profit (loss)	$ 1,180,151	$ (375,014)
Basic earnings (loss) per common share (Note 14)	$ 0.19	$ (0.06)
Diluted earnings (loss) per common share (Note 14)	$ 0.17	$ (0.06)

See accompanying notes to the consolidated financial statements

(Comparative figures for the year ended September 30, 2009 are unaudited - see Note 21)

Consolidated Statement of Comprehensive Loss

FOR THE YEAR ENDED SEPTEMBER 30, 2010. (expressed in United States dollars)

Income	2010	2009
Net profit (loss) for the year	$ 1,180,151	$ (375,014)
Other comprehensive income (loss)		
Net gain on financial investments - available-for-sale	2,027,143	1,934,455
Reclassification of gains realized in income	(3,886,373)	(125,846)
	(1,859,230)	1,808,609
Total comprehensive (loss) income	$ (679,079)	$ 1,433,595

See accompanying notes to the consolidated financial statements

(Comparative figures for the year ended September 30, 2009 are unaudited - See Note 21)

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED SEPTEMBER 30, 2010. (expressed in United States dollars)

	CAPITAL STOCK	SHARE PREMIUM	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL
October 1, 2008	$ 13,806,449	$ 18,262,690	–	$ 271,417	$ 39,278,433	$ 71,618,989
Total comprehensive income (loss)	–	–	–	1,808,609	(375,014)	1,433,595
Exercise of options (Note 13)	960,000	1,040,000	–	–	–	2,000,000
September 30, 2009	14,766,449	19,302,690	–	2,080,026	38,903,419	75,052,584
Total comprehensive income (loss)	–	–	–	(1,859,230)	1,180,151	(679,079)
Exercise of options	480,000	545,000	–	–	–	1,025,000
Net purchase of treasury stock (Note 13)	–	–	(443,687)	–	–	(443,687)
September 30, 2010	$ 15,246,449	$ 19,847,690	$ (443,687)	$ 220,796	$ 40,083,570	$ 74,954,818

See accompanying notes to the consolidated financial statements

(Comparative figures for the year ended September 30, 2009 are unaudited - See Note 21)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED SEPTEMBER 30, 2010. (expressed in United States dollars)

	2010	2009
Cash flows from operating activities		
Net profit (loss)	$ 1,180,151	$ (375,014)
Adjustments to reconcile net profit (loss) to cash flows used in operating activities:		
Depreciation	127,136	265,386
Amortization	85,744	120,677
(Increase) decrease in term deposits maturing 3-12 months	(791,639)	1,046,220
Gain on sale of investments in securities - available-for-sale	(3,886,373)	(125,846)
Increase in derivative financial instruments	(710,399)	–
(Increase) decrease in interest receivable	(1,085,909)	48,465
(Increase) decrease in other assets	(11,903,687)	132,938
Decrease in interest payable	(21,964)	(178,275)
Increase (decrease) in customer drafts payable	3,321,452	(1,777,666)
Increase (decrease) in other liabilities	3,723,709	(567,749)
Cash flows used in operating activities	(9,961,779)	(1,410,864)
Cash flows from investing activities		
Net (decrease) increase in loans and advances to customers	(9,698,274)	5,230
Proceeds from sale of financial investments - available-for-sale	18,732,190	125,846
Purchase of financial investments - available-for-sale	(86,239,516)	(10,800,000)
Purchase of property and equipment	(111,154)	(186,069)
Purchase of intangible assets	(749,718)	(192,673)
Cash flow used in investing activities	(78,066,472)	(11,047,666)
Cash flows from financing activities		
Net decrease in deposits	(21,942,714)	(62,092,090)
Proceeds from exercise of options	1,025,000	2,000,000
Purchase of treasury stock	(443,687)	–
Dividends paid	–	(2,301,075)
Cash flow used in financing activities	(21,361,401)	(62,393,165)

See accompanying notes to the consolidated financial statements

(Comparative figures for the year ended September 30, 2009 are unaudited - See Note 21)

Consolidated Statement of Cash Flows CONTINUED

FOR THE YEAR ENDED SEPTEMBER 30, 2010. (expressed in United States dollars)

	2010	2009
Net decrease in cash and cash equivalents	$ (109,389,652)	$ (74,851,695)
Cash and cash equivalents, beginning of year	408,633,506	483,485,201
Cash and cash equivalents, end of year	$ 299,243,854	$ 408,633,506
Cash and cash equivalents		
Cash, money market funds and term deposits	$ 300,035,493	$ 408,633,506
Less: term deposits maturing 3-12 months (Note 4)	(791,639)	–
Cash and cash equivalents	$ 299,243,854	$ 408,633,506
Operational cash flows from interests and dividends		
Interest paid	$ 407,851	$ 1,787,137
Interest received	$ 3,065,445	$ 6,558,729
Dividend received	$ 58,952	$ –

See accompanying notes to the consolidated financial statements

(Comparative figures for the year ended September 30, 2009 are unaudited - See Note 21)

Notes To The Consolidated Financial Statements

SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

1. Description of business

Bermuda Commercial Bank Limited ("BCB" or the "Bank") is a Bermuda incorporated company, licensed and regulated by the Bermuda Monetary Authority (the "BMA"). BCB provides banking, custody, fund administration and trustee services. BCB's shares are publicly traded on the Bermuda Stock Exchange. BCB's registered office is at Bermuda Commercial Bank Building, 19 Par-la-Ville Road, Hamilton HM GX, Bermuda.

In April 2010, Permanent Investments Limited ("Permanent") became the controlling shareholder of BCB. Permanent acquired the entire shareholding interest of First Curacao International Bank N.V. in BCB, representing approximately 54% of the issued and outstanding BCB common shares. Permanent subsequently acquired additional common shares of BCB by way of a tender offer. As at September 30, 2010, Permanent held 78.7% of BCB's common shares.

Permanent is a Bermuda exempted company that is owned and funded by a group of four investment funds/companies. Permanent's sole investment is its investment in BCB. Permanent's directors are also directors of BCB.

The consolidated financial statements for the year ended September 30, 2010 were authorized for issue in accordance with a resolution of the directors on November 15, 2010.

2. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale securities, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. The consolidated financial statements are presented in United States dollars, which is the Bank's functional and presentational currency. All values are rounded to the nearest dollar, except when otherwise indicated.

Previously, the Bank's consolidated financial statements were presented in Bermuda dollars, which is at par with United States dollars. Management believes that the change to United States dollars more accurately reflects the underlying transactions and balances of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

2. Significant accounting policies, cont'd.

Basis of preparation, cont'd.

Statement of compliance
The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Bank presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in Note 18.

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

All intercompany balances and transactions are eliminated in full on consolidation. The financial statements of the Bank's subsidiaries are presented for the same reporting year as the Bank, using consistent accounting policies.

Significant accounting judgments and estimates
The preparation of consolidated financial statements in conformity with IFRS requires management to make certain significant estimates and judgments that affect reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

2. Significant accounting policies, cont'd.

Significant accounting judgments and estimates, cont'd.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgments that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transaction or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimates of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the valuation models.

(b) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Bank makes judgments as to whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loan before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

2. Significant accounting policies, cont'd.

Significant accounting judgments and estimates, cont'd.

(c) Impairment of available-for-sale investments

The Bank reviews its debt and other securities classified as available-for-sale investments at each consolidated statement of financial position date and more frequently when conditions warrant to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Bank also records impairment charges on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

Summary of significant accounting policies

Foreign currency translation

Bermuda dollar balances and transactions are translated into United States dollars at par. Monetary assets and liabilities in other currencies are translated into United States dollars at the rates of exchange prevailing at the consolidated statement of financial position date and non-monetary assets and liabilities are translated at historic rates. Income and expense items in other currencies are translated into United States dollars at the rates prevailing at the dates of the transactions. Realized and changes in unrealized gains and losses on foreign currency positions are reported under net exchange gains or losses in the consolidated statement of income of the current year.

Segment reporting

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. Segment disclosures are shown in Note 19.

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise of cash and term deposits which 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. Cash and cash equivalents also include money market funds which have daily liquidity and invest in highly liquid instruments, such as term deposits and commercial papers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

2. Significant accounting policies, cont'd.

Summary of significant accounting policies, cont'd.

Initial recognition and subsequent measurement

(a) Date of recognition

All financial assets and financial liabilities are initially recognized on the trade basis, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the marketplace.

(b) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any direct attributable incremental cost of acquisition or issue.

The Bank classifies its financial assets into the following categories:

(i) Financial assets at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance re-evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded. This category comprises financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

2. Significant accounting policies, cont'd.

Summary of significant accounting policies, cont'd.

Initial recognition and subsequent measurement, cont'd.

(b) Initial recognition of financial instruments, cont'd.

(i) Financial assets at fair value through profit or loss, cont'd.

Financial assets or financial liabilities held for trading

These assets are recorded in the consolidated statement of financial position at fair value. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Included in this classification are debt securities, equities and short positions and customer loans which have been acquired for the purpose of selling or repurchasing in the near term. The Bank had no financial assets held for trading as at and for the years ended September 30, 2010, 2009 and 2008.

Derivatives recorded at fair value through profit or loss

Derivatives include foreign exchange forward contracts and index and equity option contracts. Derivatives are recorded at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative.

(ii) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as financial investment available-for-sale, or financial assets designated at fair value through profit or loss. After initial measurement, loans and advances are measured at amortized cost using the effective interest method, less allowance for impairment. The effective interest amortization arising from impairment is recognized in the consolidated statement of income.

(iii) Held-to-maturity investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate yield method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included and the losses arising from impairment of such investments are recognized in the consolidated statement of income. The Bank had no held-to-maturity investments as at and for the years ended September 30, 2010, 2009 and 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

2. Significant accounting policies, cont'd.

Summary of significant accounting policies, cont'd.

Initial recognition and subsequent measurement, cont'd.
(b) Initial recognition of financial instruments, cont'd.

(iv) Available-for-sale securities
Available-for-sale securities are those which are designated as such or do not qualify to be classified as designated as fair value through profit or loss, held-to-maturity or loans and advances to customers. They include equity instruments, mortgage-backed securities and other debt instruments. After initial measurement, available-for-sale securities are subsequently measured at fair value. Changes in unrealized gains and losses, with the exception of foreign exchange gains/losses which are recorded in profit or loss, are recognized directly in other comprehensive income or loss. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income in gain or loss on sale of financial investments - available-for-sale. Interest earned on available-for-sale securities is recognized in the consolidated statement of income as interest income when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

Derecognition of financial assets and financial liabilities
(a) Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

(i) The rights to receive cash flows from the asset have expired; or
(ii) The Bank has transferred substantially all the risks and rewards of the asset.

(b) Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Determination of fair value
The fair value for financial instruments traded in active markets at the statement of financial position date is determined based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deductions for transaction costs. For all other financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

2. Significant accounting policies, cont'd.

Summary of significant accounting policies, cont'd.

Determination of fair value, cont'd.
An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 20.

Impairment of financial assets
The Bank assesses at each consolidated statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

In assessing evidence of impairment, the Bank evaluates, among other factors, historical share prices, counterparty ratings, subordination, transaction nature and other market and security-specific factors.

If there is objective evidence that an impairment loss has been, incurred, the financial asset is written down to its realizable value, with the impairment loss being recognized in the consolidated statement of income. Any subsequent increase in the fair value of such assets that can be objectively related to an event that occurred after the impairment was recognized will result in a reversal of the impairment loss in the period in which the event occurs.

Impairment of non-financial assets
The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

2. Significant accounting policies, cont'd.

Summary of significant accounting policies, cont'd.

Derivative financial instruments

The Bank uses derivatives to manage its credit and market risk and also to provide clients with the ability to manage their own risk exposures. The Bank does not use derivatives for trading or for speculative purposes.

The most frequently used derivatives by clients are foreign exchange forward contracts. When the Bank enters into derivative contracts with a client, the client is required to settle the contract with the Bank in advance. The Bank also simultaneously enters into a matching and offsetting derivative contract.

The Bank uses foreign exchange forward contracts to manage the Bank's foreign exchange risk on certain investment securities denominated in foreign currencies. The Bank also uses option instruments to reduce exposure to credit or market risks.

Derivatives are carried at fair value and shown in the consolidated statement of financial position gross. These include derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. An embedded derivative is a component of a hybrid instrument that includes a non-derivative host contract, with the effect that some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivative. When an embedded derivative is separated, the host contract is accounted for based on accounting standards applicable to contracts of that type without the embedded derivative.

The fair value gain or loss on a derivative depends on whether the derivative is designated as a hedging instrument. Changes in the value of derivatives are included in the consolidated income statement in gains losses on derivative financial instruments unless they qualify for hedge accounting. The Bank does not currently apply hedge accounting.

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation 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 and the term of the lease for leasehold improvements.

Subsequent costs, such as repairs and maintenance, are charged to the consolidated statement of income during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

2. Significant accounting policies, cont'd.

Summary of significant accounting policies, cont'd.

Intangible assets

Intangible assets comprise of the value of computer software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives of up to five years.

Customer drafts payable

Customer drafts payable consists of the balance of un-cashed customer drafts at the consolidated statement of financial position date. This balance is customer-driven and fluctuates based on when customers purchase drafts and when they are presented for payment. Customer drafts payable is included under liabilities on the consolidated statement of financial position upon issue.

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(a) Interest income and expense

Interest income and expense are recognized in the consolidated statement of income for all interest bearing instruments on an accrual basis, using the effective interest rate method.

(b) Fees and commissions

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.

(c) Dividend income

Dividend income is recognized when the Bank's right to receive the payment is established.

Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term and included in other expenses in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

2. Significant accounting policies, cont'd.

Summary of significant accounting policies, cont'd.

Dividends on common shares
Dividends on common shares are recognized in equity in the period in which they are declared. There were no dividends declared during the years ended September 30, 2010 and 2009.

Earnings per share
Basic earnings per share ("EPS") is calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding during the year. The diluted EPS calculation assumes that stock options 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 year. Consequently, there is no imputed income on the proceeds and weighted average shares are only increased by the difference between the number of options exercised and the number of shares purchased by the Bank.

Income taxes
The Bank is not subject to income tax on the profit or loss for the year in Bermuda.

Provisions
Provisions are recognized when the Bank has present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Fiduciary activities
The Bank commonly acts as trustee in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Bank. As at September 30, 2010, the Bank had assets under trust, custody and/or administration on behalf of third parties amounting to $1.27 billion (2009: $0.84 billion and 2008: $1.74 billion).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

2. Significant accounting policies, cont'd.

New standards, interpretations and amendments to published standards relevant to the Bank

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after October 1, 2009 or later periods but which the Bank has not early adopted. The Bank intends to adopt those standards when they become effective.

IFRS 1	Additional Exemptions for First-time Adopters (Amendment)
	Limited Exemption from Comparative IFRS 7 Disclosures
IFRS 2	Group Cash-settled Share-based Payment Transactions (Amendment)
IFRS 9	Financial Instruments: Classification and Measurement
IAS 24	Related Party Disclosure (Amendment)
IAS 32	Financial Instruments: Presentation - Classification of Rights Issued (Amendment)
IFRIC 14	Prepayments of Minimum Funding Requirement (Amendment)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The Bank does not anticipate any material impact on the results of its operations from the implementation of these new standards when they become effective.

Early adoption
The Bank did not early adopt any new standards during the year.

3. Other expenses

Other expenses includes a one-time fee of $1,000,000 (2009: $Nil and 2008: $Nil) for advisory fees. 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

4. Cash, money market funds and term deposits

Cash, money market funds and term deposits include:

	2010	2009	2008
Cash and demand deposits	$ 10,018,564	$ 13,103,030	$ 11,521,297
Money market funds	124,824,117	167,453,850	–
Term deposits			
Deposits maturing within 1 month	164,401,173	221,019,758	470,161,304
Deposits maturing - 1-3 months	–	7,056,868	1,802,600
Deposits maturing - 3-12 months	791,639	–	1,046,220
Total term deposits	165,192,812	228,076,626	473,010,124
Total	$ 300,035,493	$ 408,633,506	$ 484,531,421

Cash and cash equivalents in the statement of cash flows exclude those deposits maturing 3-12 months.

The average effective yields earned were as follows:

	2010	2009	2008
Cash and demand deposits with other banks	0.04%	0.24%	2.79%
Money market funds	0.32%	0.89%	N/A
Term deposits	0.23%	1.58%	3.54%

5. Derivative financial instruments

The Bank uses the following financial derivatives for hedging and risk management purposes:

Foreign exchange forward contracts
Foreign exchange forward contracts are contractual agreements to buy or sell a specified amount of foreign currency at a future date at an exchange rate fixed at inception of the contract.

Option contracts
Option contracts are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy or sell a security at or by a specific future date. The only option contracts that the Bank enters into are index and equity options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

5. Derivative financial instruments, cont'd.

The table below shows the fair values of derivative financial instruments recorded as assets and liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts of the derivatives are not recorded on the consolidated statement of financial position.

	2010		
	Assets	Liabilities	Notional amount
Foreign exchange forward contracts	$ –	$ 1,255,808	$ 29,821,999
Index option contracts	1,250,000	64,000	21,500,000
Equity option contracts	780,207	–	5,564,300
	$ 2,030,207	$ 1,319,808	$ 56,886,299

At September 30, 2010, the maturity of all derivatives was within one year and the net cost amounted to $2,952,273.

The Bank had no derivative financial instruments at September 30, 2009 and 2008.

6. Financial investments - available-for-sale

The fair values of financial investments - available-for-sale by major classifications of financial investments at September 30 were as follows:

	2010	2009	2008
Government debt securities	$ 2,690,695	$ –	$ –
Debt securities issued by banks	28,471,236	12,690,000	–
Corporate debt securities	42,659,298	–	–
Mortgage-backed securities	4,020,520	–	–
Equities	4,572,746	190,026	271,417
	$ 82,414,495	$ 12,880,026	$ 271,417

At September 30, 2010, the cost of financial investments - available-for-sale amounted to $81,896,597 (2009: $10,800,000 and 2008: $Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

7. Loans and advances to customers

Loans and advances to customers and the allowance for loan losses at September 30 were as follows:

	2010		
	Gross	Allowance	Net
Commercial overdrafts	$ 9,735,783	$ –	$ 9,735,783
Consumer mortgage loans	256,531	148,757	107,774
Other	3,343	–	3,343
Total	$ 9,995,657	$ 148,757	$ 9,846,900

	2009		
	Gross	Allowance	Net
Commercial overdrafts	$ –	$ –	$ –
Consumer mortgage loans	292,688	148,757	143,931
Other	4,695	–	4,695
Total	$ 297,383	$ 148,757	$ 148,626

	2008		
	Gross	Allowance	Net
Commercial overdrafts	$ –	$ –	$ –
Consumer mortgage loans	302,250	148,757	153,493
Other	363	–	363
Total	$ 302,613	$ 148,757	$ 153,856

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(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

7. Loans and advances to customers, cont'd.

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

	2010					
	Within 1 year	1-5 years	5-10 years	More than 10 years	Impaired	Total
Commercial overdrafts	$ 9,735,783	$ –	$ –	$ –	$ –	$ 9,735,783
Consumer mortgage loans	2,627	–	–	132,007	121,897	256,531
Other	3,343	–	–	–	–	3,343
Total	$ 9,741,753	$ –	$ –	$ 132,007	$ 121,897	$ 9,995,657

	2009					
	Within 1 year	1-5 years	5-10 years	More than 10 years	Impaired	Total
Commercial overdrafts	$ –	$ –	$ –	$ –	$ –	$ –
Consumer mortgage loans	–	10,459	–	159,981	122,248	292,688
Other	4,695	–	–	–	–	4,695
Total	$ 4,695	$ 10,459	$ –	$ 159,981	$ 122,248	$ 297,383

	2008					
	Within 1 year	1-5 years	5-10 years	More than 10 years	Impaired	Total
Commercial overdrafts	$ –	$ –	$ –	$ –	$ –	$ –
Consumer mortgage loans	–	21,682	–	158,506	122,062	302,250
Other	363	–	–	–	–	363
Total	$ 363	$ 21,682	$ –	$ 158,506	$ 122,062	$ 302,613

The average effective yields earned were as follows:

	2010	2009	2008
Commercial overdrafts	2.88%	N/A	N/A
Other	– %	– %	– %

Yields are not provided for consumer mortgage loans as these products are in run-off.

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(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

8. Property and equipment

	2010		
	Equipment	Leasehold improvements	Total
Cost			
Beginning of year	$ 1,048,743	$ 408,556	$ 1,457,299
Additions	97,342	13,812	111,154
Disposals	–	–	–
End of year	1,146,085	422,368	1,568,453
Accumulated depreciation			
Beginning of year	677,552	402,890	1,080,442
Disposals	–	–	–
Depreciation charge for the year	122,603	4,533	127,136
End of year	800,155	407,423	1,207,578
Net book value at end of year	$ 345,930	$ 14,945	$ 360,875

	2009		
	Equipment	Leasehold improvements	Total
Cost			
Beginning of year	$ 879,496	$ 408,556	$ 1,288,052
Additions	186,069	–	186,069
Disposals	(16,822)	–	(16,822)
End of year	1,048,743	408,556	1,457,299
Accumulated depreciation	122,603	4,533	127,136
Beginning of year	533,097	298,781	831,878
Disposals	(16,822)	–	(16,822)
Depreciation charge for the year	161,277	104,109	265,386
End of year	677,552	402,890	1,080,442
Net book value at end of year	$ 371,191	$ 5,666	$ 376,857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

8. Property and equipment, cont'd.

	2008		
	Equipment	Leasehold improvements	Total
Cost			
Beginning of year	$ 1,037,936	$ 408,556	$ 1,446,492
Additions	245,906	–	245,906
Disposals	(404,346)	–	(404,346)
End of year	879,496	408,556	1,288,052
Accumulated depreciation			
Beginning of year	788,955	150,682	939,637
Disposals	(404,346)	–	(404,346)
Depreciation charge for the year	148,488	148,099	296,587
End of year	533,097	298,781	831,878
Net book value at end of year	$ 346,399	$ 109,775	$ 456,174

9. Intangible assets

	2010	2009	2008
Cost			
Beginning of year	$ 2,086,867	$ 1,944,402	$ 2,085,132
Additions	749,718	192,673	69,318
Disposals	–	(50,208)	(210,048)
End of year	2,836,585	2,086,867	1,944,402
Accumulated amortization			
Beginning of year	1,771,423	1,700,954	1,759,809
Disposals	–	(50,208)	(210,048)
Amortization charge for the year	85,744	120,677	151,193
End of year	1,857,167	1,771,423	1,700,954
Net book value at end of year	$ 979,418	$ 315,444	$ 243,448

Intangible assets, which comprise of computer software, were reclassified from property and equipment on the consolidated statement of financial position effective October 1, 2008 in accordance with IAS 38 Intangible Assets.

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SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

10. Other assets

	2010	2009	2008
Receivables for investments sold pending settlement	$ 11,886,697	$ –	$ –
Accrued income	311,893	328,551	311,707
Prepayments	477,186	443,538	593,320
Total	$ 12,675,776	$ 772,089	$ 905,027

11. Deposits

	2010	2009	2008
Demand deposits	$ 225,590,501	$ 145,285,104	$ 112,736,502
Term deposits			
Deposits maturing within 1 month	76,183,246	174,783,063	287,919,220
Deposits maturing - 1-3 months	11,448,560	17,323,180	4,673,064
Deposits maturing - 3-12 months	9,842,743	8,159,347	2,313,998
Deposits maturing - 1-5 years	542,930	–	–
	98,017,479	200,265,590	294,906,282
Total	$ 323,607,980	$ 345,550,694	$ 407,642,784

The average effective rates paid were as follows:

	2010	2009	2008
Term deposits based on book values and contractual interest rates	0.25%	0.61%	3.01%
Demand deposits	0.02%	– %	0.07%

12. Other liabilities

	2010	2009	2008
Payables for investments purchased pending settlement	$ 3,644,576	$ –	$ –
Accounts payable	216,868	227,933	231,767
Accrued liabilities	676,092	585,894	1,149,809
Total	$ 4,537,536	$ 813,827	$ 1,381,576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

13. Equity

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 October 1, 2008	10,000,000	24,000,000	5,752,687	13,806,449	18,262,690
400,000 options exercised during the year			400,000	960,000	1,040,000
Balance at September 30, 2009	10,000,000	24,000,000	6,152,687	14,766,449	19,302,690
200,000 options exercised during the year			200,000	480,000	545,000
Balance at September 30, 2010	10,000,000	24,000,000	6,352,687	15,246,449	19,847,690

During the year ended September 30, 2010, 44,873 (2009: Nil) common shares were purchased by the Bank to be held as treasury stock at a cost of $443,687 (2009: $Nil).

Options to acquire common shares were issued to the Bank's previous controlling shareholder. These options were purchased by the current majority shareholder, Permanent. The options outstanding at September 30, 2010 were 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

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, 2010, 200,000 (2009: 400,000 and 2008: Nil) options were exercised by the previous controlling shareholder resulting in an issuance of the same number of common shares, with a par value of $480,000 (2009: $960,000 and 2008: $Nil) and share premium of $545,000 (2009: $1,040,000 and 2008: $Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
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(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

13. Equity, cont'd.

Regulatory capital

On January 1, 2009, the BMA adopted the Basel II Accord which calls for additional and more detailed disclosures and risk management. Under Basel II, and in agreement with the BMA, all banks in Bermuda are required to maintain higher Tier 1 and total regulatory capital ratios than previously required under Basel I. The BMA assesses the risk of each institution and determines a separate Individual Capital Guidance for each bank. The group has complied with all minimum capital requirements prescribed by the BMA and at September 30, 2010 the Bank's Tier 1 and total regulatory capital ratios of 26.64% (2009: 29.35% and 2008: 71.21%) and 24.66% (2009: 29.36% and 2008: 71.23%), respectively, exceeded the prescribed limits.

Capital management

In keeping with the Bank's low risk strategic profile, BCB maintains capital base and capital ratios above externally imposed capital requirements. The Bank's capital levels are continuously reviewed by the Board of Directors in light of changes in economic conditions and the risk characteristics of the Bank's activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new capital securities.

14. Earnings per share

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

	2010		
	Net earnings	Weighted average shares	Earnings per share
Basic earnings per share			
Net profit	$ 1,180,151	$ 6,302,824	$ 0.19
Add: Incremental shares from assumed exercise of stock options (Note 13)		470,913	
Adjusted weighted average shares outstanding		6,773,737	
Diluted earnings per share			
Net profit	$ 1,180,151	$ 6,773,737	$ 0.17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

14. Earnings per share, cont'd.

	2009					
		Net loss		Weighted average shares		Loss per share
Basic loss per share						
Net loss	$	(375,014)		6,052,961	$	(0.06)
Add: Incremental shares from assumed						
exercise of stock options (Note 13)				454,857		
Adjusted weighted average shares outstanding				6,507,818		
Diluted loss per share						
Net loss	$	(375,014)	$	6,052,961*	$	(0.06)

* Diluted income or loss per share is calculated on the weighted average shares instead of the adjusted weighted average shares, as this would have an anti-dilutive impact.

15. Related party disclosures

As at September 30, 2010, Permanent owned 78.7% (2009: Nil% and 2008: Nil%) of the Bank's issued shares. The four shareholders of Permanent are as follows:

(a) Ingot Capital Management Pty Limited ("Ingot") - a limited liability company incorporated in Australia and regulated by the Australian Securities & Investments Commission.

(b) RESIMAC Limited ("RESIMAC") - a limited liability company incorporated in Australia and regulated by the Australian Securities & Investment Commission.

(c) Eclectic Investment Company plc ("Eclectic") - a limited liability company incorporated in the United Kingdom and listed on the Alternative Investment Market of the London Stock Exchange. Eclectic's investment manager is Ingot.

(d) Utilico Limited ("Utilico") - an exempted limited liability company incorporated in Bermuda and listed on the London Stock Exchange. Utilico's investment manager is Ingot.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
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(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

15. Related party disclosures, cont'd.

Investment adviser agreement

During the year, the Bank entered into an investment adviser agreement with a related party, ICM Limited (or the "Investment Adviser"), which remains in force until terminated by the Bank's Asset and Liability Committee ("the Bank's ALCO") or the Investment Adviser upon giving the other party not less than three month's written notice of termination or such lesser period of notice as the Bank's ALCO or the Investment Adviser agree.

Pursuant to the agreement, the Bank's investment objective is to achieve an appropriate income return and/or growth in the value of the portfolio by investing in suitable investments, which may be amended by a specific written instruction to ICM Limited by the Bank's ALCO.

In addition, under the terms of the agreement, the Investment Adviser, having regard to the Bank's investment objective, provides investment advisory services to the Bank, for which Ingot shall have no entitlement to fees. However, depending upon the performance of the portfolio, the Bank's ALCO may, in its sole discretion, determine that the Investment Adviser ought to receive a payment on account of the services provided. The Investment Adviser is also entitled to recover all and any expenses incurred by it that relate exclusively to the services specified in the agreement, following disclosure of details of the expense (including amount) to the Bank's ALCO. For the year ended September 30, 2010, no expenses were incurred by the Bank relating to this agreement (2009: N/A).

Related party transactions with Permanent and Permanent's related parties

The Bank provides banking services and enters into transactions with Permanent and Permanent's related parties under the same terms as an unrelated party would receive. Outstanding balances and/or transactions with Permanent and Permanent's related parties were as follows:

(a) For the year ended September 30, 2010, the Bank earned interest and fees of approximately $181,000 for banking services provided to such related parties.

(b) At September 30, 2010, total loans and advances amounted to $9,238,171, all of which were unsecured. There have been no guarantees provided or received for these related party transactions. For the year ended September 30, 2010, the Bank has not made any provision for doubtful debts relating to amounts owed by such related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

15. Related party disclosures, cont'd.

Related party transactions with Permanent and Permanent's related parties cont'd.

(c) At September 30, 2010, deposit balances of such related parties with the Bank amounted to $3,124.

(d) In order to manage transaction costs associated with the Bank's investment portfolio, BCB entered into a number of transactions with related parties. During the year ended September 30, 2010, the Bank purchased and sold investments to such related parties. Total proceeds from the sale of investments totaled $16,282,907, while total payments for the purchase of financial instruments totaled $16,297,386. The Bank recorded gains of $3,113,174 on these transactions recorded within gain on sale of financial investments - available-for-sale. Associated receivables due to the Bank and payables due by the Bank at September 30, 2010 amounted to $3,079,907 and $3,094,386, respectively.

(e) At September 30, 2010, the Bank had investments in funds managed, but not controlled, by RESIMAC totaling $4,020,530. These investments were recorded in the consolidated statement of financial position within financial investments - available-for-sale.

(f) During the year, the Bank entered into a call option deed with Permanent, whereby, in consideration for an option fee paid by Permanent in the amount of $1 and upon exercise of the call option by Permanent, the Bank agrees to sell to Permanent its investment in corporate debt securities for a price equivalent to cost plus an annualized rate of 10%. The option period expires on December 30, 2010. This investment in corporate debt securities was recorded in the consolidated statement of financial position within financial investments - available-for-sale at fair value and cost of $5,000,000.

At September 30, 2009 and 2008 and for the year ended September 30, 2009, there were no such balances and/or transactions with Permanent and Permanent's related parties.

Transactions with directors

Total directors' fees for the year ended September 30, 2010 amounted to $122,070 (2009: $84,000). The Bank provides banking services to directors under the same terms as an unrelated party would receive. At September 30, 2010 directors and parties associated with directors had deposit balances with the Bank of $1,071,776 (2009: $1,552,844 and 2008: $606,548).

Compensation of key management personnel of the Bank

The Bank classifies the directors of the Bank as the key management personnel. For the year ended September 30, 2010, salaries and employee benefits of key management personnel amounted to $381,553 (2009: $349,163).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

15. Related party disclosures, cont'd.

Principal subsidiary undertakings

Name	Location
BCB Fund Services Limited (previously named International Corporate Management of Bermuda Limited)	Bermuda
BCB Trust Company Limited	Bermuda
BCB (Mauritius) Limited	Mauritius
Bercom Nominees Limited	Bermuda

As at September 30, 2010, 2009 and 2008, all subsidiaries were wholly-owned by the Bank.

16. 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 5% annually 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 2010 amounted to $181,919 (2009: $164,566 and 2008: $151,336).

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17. 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.

Future minimum rental payables under the operating lease as at September 30 were as follows:

	2010	2009	2008
Within one year	$ 640,342	$ 651,274	$ 603,700
After one year but not more than five years	–	663,549	1,334,249
More than five years	–	–	–
	$ 640,342	$ 1,314,823	$ 1,937,949

The Bank is contingently liable for letters of credit, which are fully matched by offsetting customer deposits in the amount of $1,180,000 (2009: $1,180,000 and 2008: $1,180,000). The Bank has issued a confirmed letter of credit in its own name in the amount of $300,000 (2009: $300,000 and 2008: $300,000) that is supported by a term deposit.

18. Risk management

Risk is inherent in banking and is part of every bank's activities. The management of risk is a key function of all banks and it is core to a bank's profitability; a failure to manage risk can result in losses. BCB 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. The Bank manages risk through a set of formal processes that includes controls, policies, reporting and review.

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 its commitments as they come due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
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18. Risk management, cont'd.

Risk management

The management of risk is a core function of the Bank and it has policies, procedures and reports designed to facilitate the management of risks arising from financial instruments. The Bank's risk management structure is as follows:

Board of Directors

The Board of Directors is responsible for overall risk management and sets the level of risk tolerance through policy. It delegates authority for implementing risk control activities to board and management committees.

Business Risk, Asset & Liability Committee ("BRALCO")

BRALCO is a senior executive committee that oversees the work of the management committees, provides policy level direction and assesses performance of the risk management framework.

Management Asset & Liability Committee ("MALCO" or "ALCO")

MALCO is focused on fiscal risk matters; in particular it reviews investment management activities closely. Liquidity and concentration risk issues, as well as setting margin targets are also handled by MALCO. MALCO also manages the fiscal risk elements of the Bank's Capital Adequacy & Risk Profile ("CARP") and Basel II submissions to the BMA.

Audit Committee

The Audit Committee is a committee of the Board and is chaired by a senior independent director. It provides oversight and direction for internal audit functions and manages the relationship with the Bank's external auditors. It reviews the results of both audit programs and the progress of work undertaken to correct risk issues. It agrees the annual financial report, and also acts as the point of contact for whistleblowers.

Operational Risk Committee ("ORC")

The ORC is focused on operational risk matters; systems, processes, controls, and procedures. It maintains the operational risk register, reviews risk incidents, and manages work to address or mitigate risk incidents.

Investment Committee ("INVESTCO")

The INVESTCO meets quarterly to review the overall performance of the investment portfolio, to evaluate investment advisors and agreements, and recommend changes to BRALCO.

Credit Committee

The Credit Committee reviews all requests for lending and may approve, decline, or return request packages for further review. The Credit Committee looks at the entire loan request package and evaluates the credit risk, compliance matters, and the entirety of the client relationship as a whole.

Related Party & Conflicts Committee

In order to manage the risks of conflicts of interest, transactions with related parties are reviewed by the Related Party and Conflicts Committee. The role of this committee is to ensure that transactions with related parties where a conflict of interest may arise are handled on commercial terms and at an arm's length. It is chaired by an independent director.

Compensation & Conduct Committee

This committee reviews and approves compensation as a whole for all staff, and specifically for senior executives. It includes an independent director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
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(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

18. Risk management, cont'd.

Significant risk categories

Credit risk
Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

All counterparty banks and money market funds must be approved by the Bank's Credit Committee and approved by MALCO. 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" or "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" or "C".

The limits within which MALCO operates are set by the Board and reviewed by the BMA. The BMA has set large exposure limits for managing counterparty risk. As at September 30, 2010, the Bank's current counterparty exposure limits are $50,000,000 for "A" and "B" rated banks, and 25% of the Bank's capital for money market funds.

Liquidity risk and funding management
Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

The Bank maintains significant balances of short maturing interbank deposits along with a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The tables on the succeeding pages summarize the maturity profile of the Bank's assets and liabilities as at September 30. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
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18. Risk management, cont'd.

Significant risk categories, cont'd.

Liquidity risk and funding management, cont'd.

	2010					
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Due on demand	$ 10,018,564	$ –	$ –	$ –	$ –	$ 10,018,564
Money market funds	124,824,117	–	–	–	–	124,824,117
Term deposits	164,401,173	–	791,639	–	–	165,192,812
Derivative financial instruments	–	898,500	351,500	780,207	–	2,030,207
Interest receivable	410,021	627,268	276,099	–	–	1,313,388
Other assets - receivables for investments sold	11,886,697	–	–	–	–	11,886,697
Other assets - accrued income and prepayments	–	789,079	–	–	–	789,079
Financial investments - available-for-sale	4,572,746	6,280,204	1,001,500	22,931,206	47,628,839	82,414,495
Loans and advances to customers	2,847,896	5,970	6,887,887	–	105,147	9,846,900
Property and equipment	–	–	–	360,875	–	360,875
Intangible assets	–	–	–	979,418	–	979,418
	$ 318,961,214	$ 8,601,021	$ 9,308,625	$ 25,051,706	$ 47,733,986	$ 409,656,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

18. Risk management, cont'd.

Significant risk categories, cont'd.

Liquidity risk and funding management, cont'd.

	2010					
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Demand deposits	$ 225,590,501	$ –	$ –	$ –	$ –	$ 225,590,501
Term deposits	76,183,246	11,448,560	9,842,743	542,930	–	98,017,479
Derivative financial instruments	64,000	1,255,808	–	–	–	1,319,808
Interest payable	52,129	–	–	–	–	52,129
Customer drafts payable	5,184,281	–	–	–	–	5,184,281
Other liabilities	4,537,536	–	–	–	–	4,537,536
	311,611,693	12,704,368	9,842,743	542,930	–	334,701,734
Net assets (liabilities)	$ 7,349,521	$ (4,103,347)	$ (534,118)	$ 24,508,776	$ 47,733,986	$ 74,954,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

18. Risk management, cont'd.

Significant risk categories, cont'd.

Liquidity risk and funding management, cont'd.

	2009					
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	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
Interest receivable	155,739	71,740	–	–	–	227,479
Other assets	–	772,089	–	–	–	772,089
Financial investments - available-for-sale	–	–	–	190,026	12,690,000	12,880,026
Loans and advances to customers	–	–	4,695	10,459	133,472	148,626
Property and equipment	–	–	–	376,857	–	376,857
Intangible assets	–	–	–	315,444	–	315,444
	$ 401,732,377	$ 7,900,697	$ 4,695	$ 892,786	$ 12,823,472	$ 423,354,027
Liabilities						
Demand deposits	$ 145,285,104	$ –	$ –	$ –	$ –	$ 145,285,104
Term deposits	174,783,063	17,323,180	8,159,347	–	–	200,265,590
Interest payable	74,093	–	–	–	–	74,093
Customer drafts payable	1,862,829	–	–	–	–	1,862,829
Other liabilities	813,827	–	–	–	–	813,827
	322,818,916	17,323,180	8,159,347	–	–	348,301,443
Net assets (liabilities)	$ 78,913,461	$ (9,422,483)	$(8,154,652)	$ 892,786	$ 12,823,472	$ 75,052,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

18. Risk management, cont'd.

Significant risk categories, cont'd.

Liquidity risk and funding management, cont'd.

	2008					
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Due on demand	$ 11,521,297	$ –	$ –	$ –	$ –	$ 11,521,297
Term deposits	470,161,304	1,802,600	1,046,220	–	–	473,010,124
Interest receivable	275,944	–	–	–	–	275,944
Other assets	–	905,027	–	–	–	905,027
Financial investments - available-for-sale	–	–	–	271,417	–	271,417
Loans and advances to customers	–	–	363	21,682	131,811	153,856
Property and equipment	–	–	–	456,174	–	456,174
Intangible assets	–	–	–	243,448	–	243,448
	$ 481,958,545	$ 2,707,627	$ 1,046,583	$ 992,721	$ 131,811	$ 486,837,287
Liabilities						
Demand deposits	$ 112,736,502	$ –	$ –	$ –	$ –	$ 112,736,502
Term deposits	287,919,220	4,673,064	2,313,998	–	–	294,906,282
Interest payable	252,368	–	–	–	–	252,368
Customer drafts payable	3,640,495	–	–	–	–	3,640,495
Other liabilities	1,381,576	–	–	–	–	1,381,576
Proposed dividend	–	2,301,075	–	–	–	2,301,075
	$ 405,930,161	$ 6,974,139	$ 2,313,998	$ –	$ –	$ 415,218,298
Net assets (liabilities)	$ 76,028,384	$ (4,266,512)	$ (1,267,415)	$ 992,721	$ 131,811	$ 71,618,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

18. Risk management, cont'd.

Significant risk categories, cont'd.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The market risk for the Bank's financial instruments is managed and monitored using sensitivity analyses.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank has adopted a predominantly matched book approach with its asset and liability management which significantly reduces the Bank's interest rate risk. The Board has established limits on interest rate gaps over different time horizons and positions are monitored on a daily basis.

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 profit or loss and the value of 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 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 profit and loss and on the amount of equity. At September 30, 2010 and 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 Bank assesses the impact on net income due to negative variation in interest rates to be limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

18. Risk management, cont'd.

Significant risk categories, cont'd.

Interest rate risk cont'd.

The following table demonstrates the Bank's sensitivity to a reasonable possible change in interest rates, with all other variables held constant. The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the floating rate financial assets and financial liabilities held at September 30.

		2010		2009
25-basis-point increase in interest rates				
Impact on profit (for the next 12 months)	$	532,024	$	488,162
Impact on equity (for the next 12 months)	$	532,024	$	488,162
25-basis-point decrease in interest rates				
Impact on profit (for the next 12 months)	$	(532,024)	$	(488,162)
Impact on equity (for the next 12 months)	$	(532,024)	$	(488,162)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. A 10 per cent increase in the currency rates to which the Bank had significant exposure at September 30, 2010 would have increased profit and equity by $1,103,232 (2009: $Nil and 2008: $Nil). An equivalent decrease would have resulted in an equivalent but opposite impact.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. A 10 per cent increase in the value of the Bank's available-for-sale equities at September 30, 2010 would have increased equity by $457,275 (2009: $Nil and 2008: $Nil). An equivalent decrease would have resulted in an equivalent but opposite impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

19. Segment information

For management purposes, the Bank is organized into two business segments:

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.

Management monitors the operating results of these business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Inter-segment transfer prices are on an arm's length basis in a manner similar to transactions with third parties.

The Bank operates in a single jurisdiction, Bermuda, and therefore no geographical information is presented. No one single customer accounted for 10% or more of the Bank's revenues in 2010 or 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

19. Segment information, cont'd.

The following table presents income and profit and certain asset and liability information regarding the Bank's business segments:

	2010			
	Banking services	Corporate services	Elimination of inter-segment amounts	Totals
Net interest income from external customers	$ 3,765,467	$ –	$ –	$ 3,765,467
Fees and other income from external customers	2,115,098	1,337,800	–	3,452,898
Loss on derivative financial instruments	(670,891)	–	–	(670,891)
Gain on sale of financial investments - available-for-sale	3,886,373	–	–	3,886,373
Inter-segment fees and other income	–	71,943	(71,943)	–
Total income	9,096,047	1,409,743	(71,943)	10,433,847
Depreciation	(57,123)	(1,025)	–	(58,148)
Operating expenses	(3,151,061)	(1,762,311)	35,001	(4,878,371)
Net profit before head office allocation	5,887,863	(353,593)	(36,942)	5,497,328
Head office allocation	(2,718,266)	(1,635,853)	36,942	(4,317,177)
Net profit	$ 3,169,597	$ (1,989,446)	$ –	$ 1,180,151
Segment assets	$ 409,228,642	$ 723,489	$ (295,579)	$ 409,656,552
Segment liabilities	$ 334,608,220	$ 93,514	$ –	$ 334,701,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

19. Segment information, cont'd.

	2009			
	Banking services	Corporate services	Elimination of inter-segment amounts	Totals
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)	–
Total income	6,560,236	1,403,436	(57,806)	7,905,866
Depreciation	(101,874)	(2,978)	–	(104,852)
Operating expenses	(3,533,732)	(1,775,196)	21,500	(5,287,428)
Net profit 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)	$ –	$ (375,014)
Segment assets	$ 422,921,316	$ 701,274	$ (268,563)	$ 423,354,027
Segment liabilities	$ 348,200,229	$ 101,214	$ –	$ 348,301,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

20. Financial instruments

The Bank uses a three level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique. The table below presents financial assets and liabilities that are measured at fair value on a recurring basis:

Level 1: quoted prices in active markets for identical instruments;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2010			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Index option contracts	$ 1,250,000	$ –	$ –	$ 1,250,000
Equity option contracts	–	–	780,207	780,207
Financial investments - available-for sale				
Government debt securities	2,690,695	–	–	2,690,695
Debt securities issued by banks	28,471,236	–	–	28,471,236
Corporate debt securities	30,431,705	5,000,000	7,227,593	42,659,298
Mortgage-backed securities	–	–	4,020,520	4,020,520
Equity securities	4,572,746	–	–	4,572,746
	66,166,382	5,000,000	11,248,113	82,414,495
	$ 67,416,382	$ 5,000,000	$ 12,028,320	$ 84,444,702
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	$ –	$ 1,255,808	$ –	$ 1,255,808
Index option contracts	64,000	–	–	64,000
	$ 64,000	$ 1,255,808	$ –	$ 1,319,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

20. Financial instruments, cont'd.

	2009			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments - available-for-sale				
Debt securities issued by banks	$ 12,690,000	$ –	$ –	$ 12,690,000
Equity securities	–	190,026	–	190,026
	$ 12,690,000	$ 190,026	$ –	$ 12,880,026

	2008			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments - available-for-sale				
Equity securities	$ –	$ 271,417	$ –	$ 271,417
	$ –	$ 271,417	$ –	$ 271,417

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value:

	2010			
	Corporate debt securities	Mortgage - backed securities	Equity option contracts	Total
Fair value, beginning of year	$ –	$ –	$ –	$ –
Purchases	7,033,712	3,730,002	824,073	11,587,787
Sales	–	–	–	–
Transfers	–	–	–	–
Net exchange gains	193,881	290,518	–	484,399
Loss on derivative financial instruments	–	–	(43,866)	(43,866)
Fair value, end of year	$ 7,227,593	$ 4,020,520	$ 780,207	$ 12,028,320

There were no Level 3 financial liabilities during the year ended September 30, 2010. There were also no Level 3 financial assets or liabilities during the year ended September 30, 2009 and 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2010. (expressed in United States dollars)

(Comparative figures as of September 30, 2009 and October 1, 2008 and for the year ended September 30, 2009 are unaudited - See Note 21)

21. First time adoption of IFRS

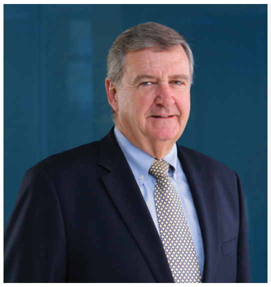
For all periods up to and including the year ended September 30, 2009, the Bank prepared its consolidated financial statements in accordance with accounting principles generally accepted in Bermuda and Canada ("Bermudian and Canadian GAAP"). These consolidated financial statements, for the year ended September 30, 2010, are the first the Bank has prepared in accordance with IFRS. The consolidated financial statements of the Bank as at and for the years ended September 30, 2009 and 2008 were audited in accordance with auditing principles generally accepted in Bermuda and Canada by other auditors whose reports dated November 19, 2009 and November 10, 2008, respectively, expressed unqualified opinions on those statements prepared in accordance with Bermudian and Canadian GAAP.

Accordingly, the Bank has prepared its consolidated financial statements which comply with IFRS applicable for periods beginning on or after October 1, 2009, as described in the accounting policies in Note 2. In preparing these consolidated financial statements, the Bank's opening consolidated statement of financial position was prepared as at October 1, 2008, the Bank's date of transition to IFRS.

Restatement of equity from Bermudian and Canadian GAAP to IFRS

The Bank has applied IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these first IFRS consolidated financial statements. The transition from Bermudian and Canadian GAAP to IFRS had no material impact on the Bank's financial position, financial performance, changes in equity, or cash flows.

Board of Directors AS AT SEPTEMBER 30, 2010



J. Michael Collier, JP | Chairman

CHAIRMAN AND MANAGING DIRECTOR

Mr. Collier is a past President & CEO of Butterfield Bank, and is the Chairman of the Ascendant Group.

Warren McLeland* | Deputy Chairman

CHIEF EXECUTIVE OFFICER, RESIMAC LIMITED

Mr. McLeland is the CEO of Resimac Australia. He was formally with the Reserve Bank of Australia and was a senior executive at Chase Manhattan Bank in New York, Asia and Europe.

Horst Finkbeiner II, M.Sc

DIRECTOR AND CHIEF OPERATING OFFICER

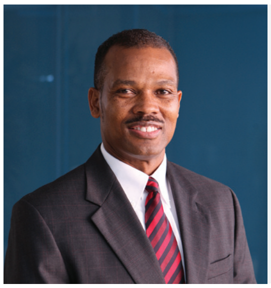
Mr. Finkbeiner is the Chief Operating Officer of BCB. He is a member of the International Compliance Association and the Institute of Directors.

Gavin Arton

FORMER SENIOR EXECUTIVE, XL CAPITAL LIMITED

Mr. Arton is the Chairman of BF&M Limited, and a former senior executive with XL Capital Ltd. He previously served as an executive of American International Group Inc., and CIGNA Corporation.

As at September 30, 2010, the total interest of all Directors, Statutory Officers, and Executive Officers amounted to 13,261 (0.2%) in common shares and nil (0%) in options. There are no service contracts with directors.



Jon L. Brunson, MA, JP

DIRECTOR, ORBIS SCHOLARS PROGRAM, ORBIS FOUNDERS PHILANTHROPIES

Mr. Brunson is a Director of the Orbis Scholar Program and a former Member of Parliament in Bermuda.

Greg Reid, CA*

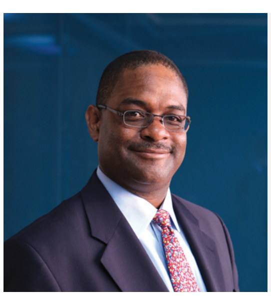
DIRECTOR AND CHIEF FINANCIAL OFFICER

Mr. Reid is a Chartered Accountant and the Chief Financial Officer of BCB.

Eric Stobart, M.Sc (Econ), FCA*

FORMER DIRECTOR OF PUBLIC POLICY AND REGULATION, LLOYDS BANKING GROUP

Mr Stobart was previously Director of Public Policy and Regulation at Lloyds TSB Group plc (now Lloyds Banking Group plc), having worked in merchant and commercial banking for over 30 years. He is now a director of the Lloyds TSB Group Pension Schemes, Norwich & Peterborough Building Society, Lloyd's Superannuation Fund, Utilico Limited, Capita Managing Agent Limited and Throgmorton Trust plc.



Christopher Swan, BA, LLB, JP

SENIOR PARTNER, CHRISTOPHER E. SWAN & CO., BARRISTERS-AT-LAW

Mr. Swan is the Senior Partner of Christopher E. Swan & Co. He is a member of Gray's Inn, the Law Society and the Bermuda Bar.

* Denotes non-Bermudian director.

Subsidiaries AS AT SEPTEMBER 30, 2010

BCB FUND SERVICES LIMITED

Telephone: (441) 295-5678 | Fax: (441) 292-5898

Incorporated in Bermuda on December 21, 1992.
Provides corporate and partnership management, custody and fund administration 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.

The registered address for the 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.

BCB (MAURITIUS) LIMITED

c/o Abax Corporate Services Ltd.
Tower A, 1 CyberCity, Ebene, Mauritius
Telephone: (230) 206-8600 Fax: (230) 208-7949

Incorporated in Mauritius on November 2, 1994.
Provides custodial services for BCB in Mauritius.

Management & 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,
BCB Fund Services Limited

Neil de ste Croix
General Manager,
BCB Trust Company Limited

P. Glendall Phillips
General Manager, Banking Services

Robin Dyer
Compliance Officer

Kim Armstrong
Corporate Secretary,
BCB Fund Services Limited

Shanalette DeSilva
Assistant Manager,
Head of Custodial Services

Sophia Ming
Assistant Manager,
Head of Treasury Operations

Angelique Dowling
Human Resources Generalist

Janet Field
Corporate Secretary

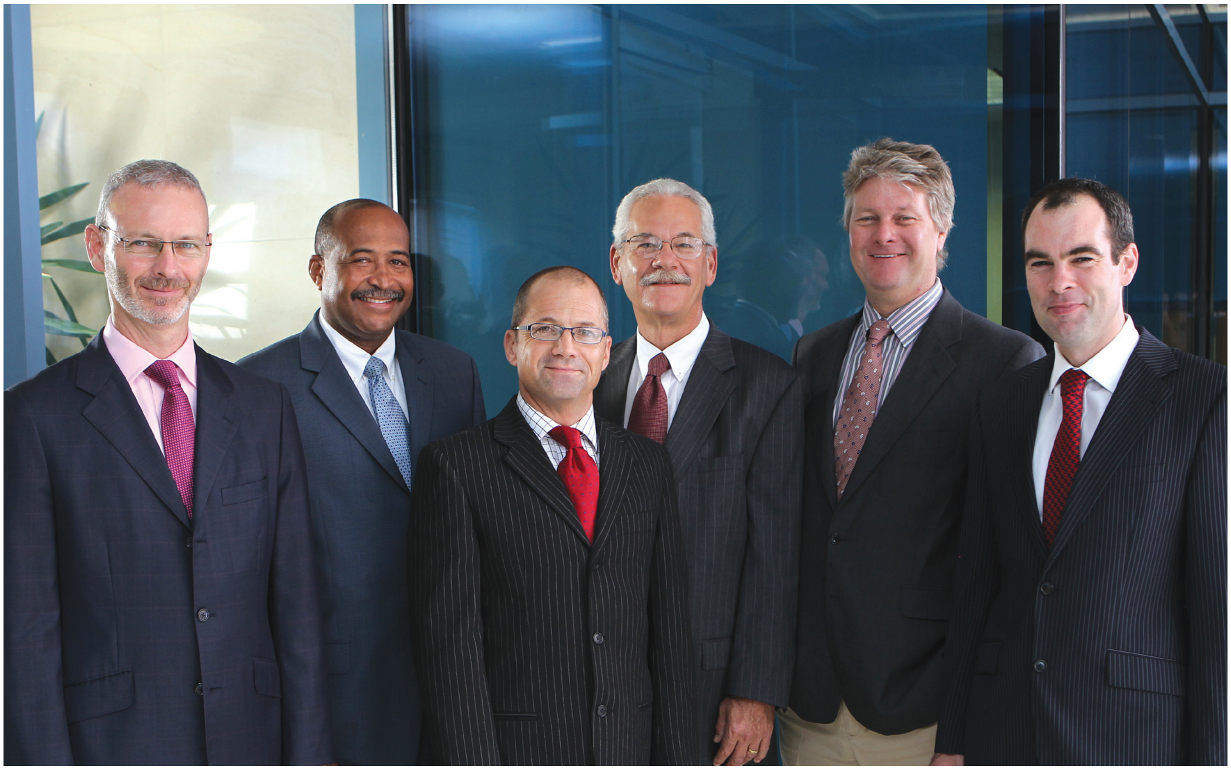
Karen Blankendal
Assistant Manager,
Head of Client Administrators

Ann Robinson
Assistant Manager,
Head of Banking Operations

Natascia Bertoli-Badoli
Alan Bird
Kal-lyn Crockwell
Milton Darrell
Susan Davis
Rebecca Dunstan
Michelle Johnston
Cindy Lambe
Darlene Lambert

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



Senior Management of Bermuda Commercial Bank Limited

Bermuda Commercial Bank Limited

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Bermuda

Registered Address

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Email: enquiries@bcb.bm

Business Hours

Monday - Friday
9:00am - 5:00pm

Banking Hall Hours

Monday - Friday
9:00am - 4:00pm

BERMUDA COMMERCIAL BANK LIMITED

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BERMUDA

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BERMUDA'S PRIVATE COMMERCIAL BANK