

Butterfield Bermuda Fund Limited

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2010 AND 2009

Butterfield Bermuda Fund Limited

Bermuda Fund Limited - Annual Report 2010

During the past year, the net asset value per share, exclusive of dividends, decreased from \$18.14 to \$15.90. In addition, for the year ended June 30, 2010, the Fund paid total dividends of \$0.58 per share. The Fund's quarterly dividend rate remained relatively stable throughout the year, with the dividend yield currently equalling 3.2%. The Fund continues to maintain a dividend policy whereby the dividend yield of the Fund is representative of the dividend yield for the Fund's Composite Benchmark.

For the year, the Fund decreased -9.45%, compared to the Composite Benchmark return of -10.53%. At June 30, 2010 the Fund had a 41.4% allocation to Bermuda domestic stocks, 54.5% to international stocks and 4.1% in cash. This compares to the Composite Benchmark of 40% domestic and 60% international.

Market Review

The recovery in the global financial markets from the March 2009 lows produced mixed results from the holdings of the Butterfield Bermuda Fund. The International sector of the Composite Benchmark rebounded strongly with global markets, returning 15.4%. However, the Domestic sector declined heavily, falling 42.8% for the year. This heavy domestic decline in the Bermuda stock market weighed heavily on the Fund's performance and prevented investors from enjoying the rebound which the International sector exposure produced.

On the domestic front, the large weighting in Butterfield Bank in both the Fund and the BSX Index coupled with the decline of 73.6% in the stock price had a strong negative effect on the Fund's performance. The financial institution's stock price fell as low as \$1.25 after an announcement that additional new equity worth up to \$550 million was to be sold to new investors including the Carlyle Group and CIBC. The resulting dilutive effect on the stock price drove asset values down, as Butterfield sought to use this new capital to improve its capital ratios and de-risk its balance sheet. The stock price rebounded slightly after strong interest in the ensuing Rights Issue, but the slow growth in the local economy coupled with record low interest rates caused concern that the earnings rebound would not be swift. The downward pressure on the local economy weighed on most other stocks also, as an extremely fragile tourism sector and concerns about the stability of international business affected asset values negatively across the board.

The performance of the International sector stocks was much more positive, with the higher correlation with global markets driving the majority up from their lows. Bermuda-based reinsurers rose strongly as many companies consistently announced earnings that surprised to the upside, stoking investor confidence that the worst was behind them. Impressive year-on-year investment returns helped to account for much of this improvement in earnings. An extremely rare and costly first quarter catastrophe season affected some companies negatively, as the combination of the Chile earthquake disaster and European windstorms took the industry by surprise and left some reinsurers overly exposed. However, low price-to-book values relative to historical norms provided the opportunity for companies with excess cash to fund cheap share repurchase programs, and the record low interest rate environment also led some reinsurers to borrow in the credit markets to finance their own programs.

The low historical correlation between the returns of the two benchmark components provided stability in the returns of the Fund, but also prevented the Fund from enjoying the full rally of the global markets this year. The Fund remains positioned roughly in line with the benchmark component weightings, with a small weighting in cash to take advantage of attractive investment opportunities as they arise.

Butterfield Bermuda Fund Limited

Outlook

The current soft market faced by the Bermuda-based reinsurers is creating headwinds going forward, with some companies relying on investment results to carry earnings expectations. However, strong capital positions at many of these companies should help them to weather the expected busy hurricane season with confidence. Relatively low valuation metrics should revert back to more normal levels, with the anticipated growth in book values and share repurchase programs providing incentives to drive multiples back to their historical means. The continued illiquidity in the Bermuda stock market may continue to weigh on asset values for the time being, but as the economy begins to take hold after the recession there are opportunities for stocks with high dividend yields to rise proportionately.

A handwritten signature in cursive script that reads "David Stewart".

David Stewart
President
Butterfield Bermuda Fund Limited
October 11, 2010

Butterfield Bermuda Fund Limited

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying statements of net assets of Butterfield Bermuda Fund Limited ("the Fund"), including the statements of portfolio investments, as at June 30, 2010 and 2009, and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2010 and 2009, and the results of its operations and the changes in its net assets for the years then ended, in accordance with accounting principles generally accepted in Canada and Bermuda.

Deloitte + Touche Ltd.

DELOITTE & TOUCHE LTD.
Chartered Accountants
Hamilton, Bermuda

October 11, 2010

Butterfield Bermuda Fund Limited

DIRECTORS

Sheila Brown
Curtis Dickinson
David Stewart (Appointed on December 10, 2009)
Ian Coulman (Resigned on July 20, 2009)

INVESTMENT ADVISOR

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

CUSTODIAN

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

REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

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

AUDITORS

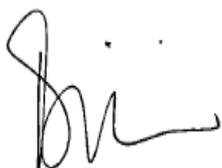
Deloitte & Touche Ltd.
P.O. Box HM 1556
Hamilton HM FX
Bermuda

Butterfield Bermuda Fund Limited

STATEMENT OF NET ASSETS As at June 30, 2010 and 2009 (Expressed in Bermuda Dollars)

	2010	2009
ASSETS		
Investments, at current value (Cost 2010 - \$18,359,998; 2009 - \$17,438,429)	\$ 16,967,257	\$ 18,124,192
Cash and cash equivalents	594,128	2,509,263
Accrued dividends and interest receivable	64,645	39,136
Prepaid expenses	5,334	-
	17,631,364	20,672,591
LIABILITIES		
Dividends payable	183,729	196,914
Accrued expenses	71,407	70,032
Redemption payable	532	15
	255,668	266,961
	17,375,696	20,405,630
Organisational shares	12,000	12,000
FUND NET ASSETS	\$ 17,363,696	\$ 20,393,630
NET ASSETS AVAILABLE TO CLASS A SHAREHOLDERS	\$ 16,032,898	\$ 19,573,282
Number of common shares in issue Class A	1,008,646	1,079,012
NET ASSET VALUE PER COMMON SHARE CLASS A	\$ 15.90	\$ 18.14
NET ASSETS AVAILABLE TO CLASS B SHAREHOLDERS	\$ 1,330,798	\$ 820,348
Number of common shares in issue Class B	3,037,055	1,517,279
NET ASSET VALUE PER COMMON SHARE CLASS B	\$ 0.44	\$ 0.54

Signed on Behalf of the Board



DIRECTOR



DIRECTOR

The accompanying notes are an integral part of these financial statements

Butterfield Bermuda Fund Limited

STATEMENTS OF PORTFOLIO INVESTMENTS

As at June 30, 2010 and 2009

(Expressed in Bermuda Dollars)

Investment	Shares	2010		Shares	2009	
		Current Value	% of Portfolio		Current Value	% of Portfolio
Common and Preference Shares						
ACE Limited	40,470	\$ 2,083,396	12.28%	35,970	\$ 1,590,953	8.78%
Arch Capital Group Limited	12,000	894,000	5.27%	-	-	-
Argus Group Holdings Limited	172,793	1,092,915	6.44%	172,793	1,356,424	7.48%
Ascendant Group Limited (formerly BELCO Holdings Limited)	164,826	2,274,599	13.41%	164,826	2,633,095	14.53%
Axis Capital Holdings Limited	12,820	381,010	2.25%	12,820	335,628	1.85%
Bank of N.T. Butterfield & Son Limited	1,096,518	1,535,125	9.05%	663,353	3,515,769	19.41%
Bank of N.T. Butterfield & Son Limited Contingent Value Preference Shares	38,460	53,844	0.32%	-	-	-
Bank of N.T. Butterfield & Son Limited 8% Non Cumulative Preference Shares	484	571,120	3.37%	500	600,000	3.31%
Bermuda Aviation Services Limited	223,056	1,076,245	6.34%	223,056	1,115,280	6.15%
Bermuda Commercial Bank Limited	-	-	-	2	15	0.00%
Bermuda Container Line Limited	-	-	-	2,100	25,725	0.14%
Bermuda Press (Holdings) Limited	5,431	56,347	0.33%	5,431	63,678	0.35%
BF&M Limited	25,573	332,446	1.96%	25,573	386,789	2.13%
Everest Re Group Limited	15,660	1,107,475	6.53%	15,660	1,120,786	6.18%
Flagstone Reinsurance Holdings S. A	31,080	336,286	1.98%	31,080	320,124	1.77%
IPC Holdings Limited	-	-	-	59,350	1,622,629	8.95%
KeyTech Limited	13,094	100,169	0.59%	13,094	110,317	0.61%
PartnerRe Limited	30,940	2,170,132	12.79%	30,940	2,009,553	11.09%
RenaissanceRe Holdings Limited	12,642	711,365	4.19%	12,642	588,359	3.25%
RenaissanceRe Holdings Limited Cl. C	35,339	692,291	4.08%	35,339	632,568	3.49%
Validus Holdings Limited	57,729	1,409,742	8.31%	-	-	-
West Hamilton Holdings Limited	10,000	88,750	0.51%	10,000	96,500	0.53%
TOTAL INVESTMENTS AT CURRENT VALUE						
(Cost 2010 - \$18,359,998 ; 2009 - \$17,438,429)		\$ 16,967,257	100.00%		\$ 18,124,192	100.00%

The accompanying notes are an integral part of these financial statements

Butterfield Bermuda Fund Limited

STATEMENTS OF OPERATIONS For the years ended June 30, 2010 and 2009 (Expressed in Bermuda Dollars)

	2010	2009
INVESTMENT INCOME		
Dividends	\$ 729,860	\$ 953,340
Deposit interest	31,642	7,105
	761,502	960,445
EXPENSES		
Management fee	143,749	181,147
Registrar & transfer agent fee	85,800	85,813
Accounting fee	48,099	50,173
Audit Fee	28,574	20,500
Custodian fee	20,591	25,044
Miscellaneous fee	18,613	30,233
Secretarial fee	13,334	10,194
Government fee	1,713	4,839
	360,473	407,943
NET INVESTMENT INCOME	401,029	552,502
NET REALISED AND UNREALISED LOSS ON INVESTMENTS		
Net realised loss on investments	(210,229)	(2,748,561)
Net change in unrealised loss on investments	(2,078,504)	(7,643,109)
NET LOSS ON INVESTMENTS	(2,288,733)	(10,391,670)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (1,887,704)	\$ (9,839,168)

The accompanying notes are an integral part of these financial statements

Butterfield Bermuda Fund Limited

STATEMENTS OF CHANGES IN NET ASSETS For the years ended June 30, 2010 and 2009 (Expressed in Bermuda Dollars)

	2010	2009
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (1,887,704)	\$ (9,839,168)
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DISTRIBUTIONS TO INVESTORS		
Dividends paid and payable	(747,420)	(937,272)
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CAPITAL STOCK TRANSACTIONS		
Issue of shares	1,769,900	2,707,180
Redemption of shares	(2,164,710)	(3,052,323)
<hr/>		
Net capital stock transactions	(394,810)	(345,143)
<hr/>		
NET DECREASE IN NET ASSETS FOR THE YEAR	(3,029,934)	(11,121,583)
NET ASSETS - BEGINNING OF YEAR	20,393,630	31,515,213
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NET ASSETS - END OF YEAR	\$ 17,363,696	\$ 20,393,630

The accompanying notes are an integral part of these financial statements

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in Bermuda Dollars)

1. ABOUT THE FUND

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

The Fund commenced operations on March 31, 1994. Butterfield Trust (Bermuda) Limited, acts as Custodian. Butterfield Asset Management Limited acts as Investment Advisor. Butterfield Fulcrum Group (Bermuda) Limited acts as Registrar and Transfer Agent and as Accountants for the Fund. Butterfield Trust (Bermuda) Limited and Butterfield Asset Management Limited are wholly owned subsidiaries of The Bank of N.T. Butterfield & Son Limited (the "Bank"), and the Bank also holds a significant interest in Butterfield Fulcrum Group (Bermuda) Limited.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Valuation of Investments

Portfolio securities listed on an exchange are valued at the latest sale price reported by the principal securities exchange on which the issue is traded or, lacking any sales, at the closing bid prices. Over the counter securities are valued on the basis of the mean between the current bid and ask prices on that date. The net change during the year between these amounts and cost is shown as unrealized gain (loss) on investments.

The requirements of the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement ("CICA 3855"), became effective for fiscal years beginning on or after October 1, 2006. CICA 3855 prescribes specific guidance for establishing fair values under GAAP, including the use of bid prices for long positions and ask prices for short positions for investments quoted in active markets. Where active markets do not exist, fair values are established using a fair valuation technique. Prior to the adoption of CICA 3855, fair values were based on last traded or closing prices or based on management's best estimate where market quotations were not reliable or available.

The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed for these investments. The valuation of such securities can be based on various valuation techniques that could include mathematical models, comparable valuation models, fundamental valuation models, or other techniques that would reflect the specific business situation or market the security operates within. The models would use observable market data as inputs where possible. However, in some instances, certain investments are fair valued based on assumptions that may not be supported by observable inputs. Securities without observable market value inputs in their valuation require judgment in establishing their fair value. Changes in any of these assumptions could affect the reported fair value of financial assets or financial liabilities.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in Bermuda Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Valuation of Investments (cont'd)

CICA 3855 also requires that transaction costs (such as brokerage commissions) incurred on portfolio transactions be recognized immediately in net income and presented as a separate expense item in the financial statements. Prior to the adoption of CICA 3855, transaction costs were included in the average cost of investments or as a reduction in the proceeds on the disposition of investments. Transaction costs were recognized immediately in net assets and results of operations, but were not presented as a separate line item.

Had the Fund used the bid prices for long positions, as prescribed by CICA 3855, the current value of investments and fund net assets would have decreased by \$57,197 (2009: \$299,249) and the net asset value per common share would have decreased by \$0.05, for Class A, and \$0.00, for Class B (2009: Class A - \$0.27; Class B - \$0.09).

b) Investment Transactions and Income Recognition

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

c) Cash and Cash Equivalents

Cash equivalents are comprised primarily of shares in the Butterfield Money Market Fund Limited, an affiliated money market fund, denominated in US\$ shares. Shares may be redeemed on 24 hours notice.

d) Financial Assets and Liabilities

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

e) Adoption of New Accounting Standards

The CICA issued CICA Handbook Section 3862 ("CICA 3862"), Financial Instruments — Disclosures and Section 3863 ("CICA 3863"), Financial Instruments — Presentation, effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. These standards provide comprehensive disclosure and presentation requirements for financial instruments, and introduce new requirements for specific qualitative and quantitative disclosure about risks. The main objective of this standard is to enable investors to evaluate the significance of financial instruments, the nature and extent of risks involved, and how these risks are managed. CICA 3862 requirements were adopted since the prior year.

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in Bermuda Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Adoption of New Accounting Standards (cont'd)

During 2009, the Accounting Standards Board issued amendments to CICA 3862 that are effective for annual financial statements relating to fiscal years ending after September 30, 2009. These amendments are designed to enhance the existing disclosure around fair value and liquidity risk. This is accomplished by classifying the Fund's financial assets and financial liabilities into levels based on the input used to value the Fund's investments:

Level 1 — for unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 — for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 — for inputs that are based on unobservable market data.

As part of the disclosure requirements, significant transfers between level 1 and level 2 investments are disclosed. The adoption of these amendments did not have an impact on net assets, increase (decrease) in net assets from operations, or increase (decrease) in net assets from operations per unit of the Fund.

CICA Emerging Issues Committee Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Effective January 20, 2009, the Fund adopted retrospectively without restatement the CICA Emerging Issues Committee Abstract 173 ("EIC-173"), Credit Risk and the Fair Value of Financial Assets and Liabilities. EIC-173 requires the Fund's own credit risk and the credit risk of the counterparties to be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 did not have a material impact on the financial position or results of operations of the Fund.

International Financial Reporting Standards

In February 2008, the CICA announced that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented publicly accountable enterprises. The change will be effective for fiscal years commencing on or after January 1, 2011. The Fund is currently determining the impact of IFRS on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT

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

Credit Risk

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

The value of such securities on the Statement of Portfolio Investments includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund.

Currency Risk

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

As at June 30, 2010 and 2009, the Fund's exposure to currencies other than the Funds' reporting currency was limited to small balances of cash and cash equivalents denominated in foreign currencies which are not significant to the Fund as a whole.

Interest Rate Risk

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

The Fund's exposure to cash flow interest rate risk is limited to its cash at bank which represents 0.74% (2009 - 0.43%) of the Fund's net assets. The Fund does not have any other significant interest-bearing assets or liabilities.

Liquidity Risk

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

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

Other price/market risk

Other price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. All investments of the Fund are exposed to other price/market risk. The Investment Advisor attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy. All of the Fund's investments at June 30, 2010 and 2009, are listed on stock exchanges.

As at June 30, 2010, all of the Fund's investments were exposed to changes in equity prices. As at June 30, 2010, if equity prices had been 5% higher or lower with all other variables held constant, the net assets of the Fund would have been \$295,230 (2009 - \$657,002) higher or lower. 5% is the sensitivity rate used when reporting other price/market risk internally to key management personnel and represents management's assessment of possible change in market prices.

4. FAIR VALUE OF FINANCIAL ASSETS

The following is a summary of the inputs used as of June 30, 2010 in valuing the Fund's financial assets and financial liabilities carried at current value:

Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Equity	\$16,967,257	\$ -	\$ -	\$16,967,257
Total Financial Assets	\$16,967,257	\$ -	\$ -	\$16,967,257

Transfers of assets between level 1 and level 2

Financial assets and liabilities transferred from level 1 to level 2 are the result of the securities no longer being traded in an active market. There were no transfers of financial assets and liabilities from level 1 to level 2 in the current period. Financial assets and liabilities transferred from level 2 to level 1 are the result of the securities now being traded in an active market. There were no transfers of financial assets and liabilities from level 2 to level 1 during the year ended June 30, 2010.

Reconciliation of financial asset and liability movement — level 3

The Fund did not hold any level 3 investments at the beginning, during, or at the end of the year ended June 30, 2010.

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock is as follows:

- 12,500,000 Class A common shares of a par value of \$1.00 each
- 12,500,000 Class B common shares of a par value of \$1.00 each
- 12,000 organisational shares of a par value of \$1.00 each

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in Bermuda Dollars)

5. SHARES ISSUED AND OUTSTANDING (CONT'D)

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

Common Shares	2010		2009	
	CLASS A	CLASS B	CLASS A	CLASS B
Balance - beginning of year	1,079,012	1,517,279	1,132,047	529,158
Issue of common shares	53,863	1,519,880	88,921	988,150
Redemption of common shares	(124,229)	(102)	(141,956)	(29)
Balance - end of year	1,008,646	3,037,055	1,079,012	1,517,279
Organisational shares	12,000	-	12,000	-

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

6. DIVIDENDS

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

	2010	2009	Payment Date
\$0.15 per share (2009 \$0.23 per share)	\$ 162,452	\$ 258,390	October 5, 2009
\$0.15 per share (2009 \$0.23 per share)	161,659	257,525	January 5, 2010
\$0.14 per share (2009 \$0.15 per share)	149,079	163,938	April 5, 2010
\$0.14 per share (2009 \$0.16 per share)	141,210	172,638	July 5, 2010
	\$ 614,400	\$ 852,491	

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

	2010	2009	Payment Date
\$0.015 per share (2009 \$0.023 per share)	\$ 26,326	\$ 17,874	October 5, 2009
\$0.015 per share (2009 \$0.023 per share)	29,635	24,367	January 5, 2010
\$0.014 per share (2009 \$0.015 per share)	34,540	18,263	April 5, 2010
\$0.014 per share (2009 \$0.016 per share)	42,519	24,277	July 5, 2010
	\$ 133,020	\$ 84,781	

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in Bermuda Dollars)

7. NET REALISED GAIN (LOSS) ON INVESTMENTS

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

	2010	2009
Proceeds on sale of investments	\$ 1,129,911	\$ 3,625,550
Less cost of investments sold:		
Investments owned at beginning of year	17,438,429	23,257,406
Investments purchased during year	2,261,709	555,134
Investments owned at end of year	(18,359,998)	(17,438,429)
Investments sold during the year	1,340,140	6,374,111
Net realized loss on investments	\$ (210,229)	\$ (2,748,561)

8. RELATED PARTY TRANSACTIONS

a) Management Fee

Under the terms of the Management Agreement, the Investment Advisor is entitled to receive a monthly fee calculated at the rate of no more than 1% per annum of the average valuation of the net assets of the Fund carried out on the Valuation Days during each month. Presently, the monthly fee is calculated at the rate of 0.75% per annum for the class A shares and 0.45% per annum for the class B shares. The fee of the Investment Advisor is reduced to take account of the management fee already levied on assets held in shares of other funds managed by the Investment Advisor.

b) Custodian Fee

Under the Custodian Agreement, the Custodian is entitled to receive a quarterly fee calculated at the rate of 0.1% per annum, such fees to be calculated on each valuation of the gross assets of the Fund carried out on the Valuation Days during each quarter. For purposes of the fee calculation, the valuation excludes accrued income and prepaid expenses. Relevant out-of-pocket expenses may also be charged to the Fund by the Custodian. The Custodian pays the Sub-Custodian out of its fees.

c) Accounting Fee and Registrar and Transfer Agent Fee

Accounting fees and Registrar and Transfer Agent fees were charged at a rate of 20 basis points per annum of the net asset value of the Fund accrued on a weekly basis.

d) Corporate Secretarial Fee

Corporate secretarial fees are charged on a time spent basis at their normal rates.

e) Credit Facility

On June 17, 2009, the Fund entered into a revolving standby credit facility with the Bank of \$1 million to a maximum of 10% of the Fund's net asset value which expired on March 31, 2010. The facility was intended to assist the Fund in meeting short term liquidity. No amounts were drawn on the facility at March 31, 2010 upon expiration and the facility has not been subsequently renewed.

9. TAXATION

Under current Bermuda law the Fund is not required to pay any taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Fund will be exempted from taxation until the year 2016.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in Bermuda Dollars)

10. FINANCIAL HIGHLIGHTS

Per Share Information	2010		2009	
	CLASS A	CLASS B	CLASS A	CLASS B
Net asset value				
- beginning of year	\$ 18.14	\$ 0.54	\$ 27.43	\$ 0.88
Income from investment operations				
Net investment income	0.36	0.01	0.49	0.00
Net realised and unrealised loss on investments	(2.02)	(0.05)	(9.01)	(0.27)
Total from investment operations	(1.66)	(0.04)	(8.52)	(0.27)
Distributions to investors	(0.58)	(0.06)	(0.77)	(0.07)
Net asset value - end of year	\$ 15.90	\$ 0.44	\$ 18.14	\$ 0.54
Ratios / Supplemental Data	CLASS A	CLASS B	CLASS A	CLASS B
Total net assets - end of year	\$ 16,032,898	\$ 1,330,798	\$ 19,573,282	\$ 820,348
Weighted average net assets*	\$ 19,251,773	\$ 1,125,795	\$ 24,126,949	\$ 679,497
Ratio of expenses to weighted average net assets annualized	1.77%	1.81%	1.65%	1.39%
Portfolio turnover rate**	6.17%	6.17%	2.36%	2.36%
Annual rate of return***	(9.45%)	(8.83%)	(32.54%)	(31.16%)

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

** Portfolio turnover rate is calculated for the total of Class A and B using the lesser of purchases or sales of investments for the year divided by the weighted average value of investments, calculated using the last valuation date of each month.

*** Annual rate of return for shareholders who reinvested dividends is calculated by comparing the end of year net asset value multiplied by the beginning of the year number of shares plus any shares from dividend reinvestments to the beginning of year net asset value multiplied by the beginning of the year number of shares.