Bermuda Commercial Bank Limited reports net profit of $7.45 million for the year ended September 30, 2012. Capital increases to $104.76 million.

(Hamilton, Bermuda, December 6, 2012) – Details of the financial results and operations of Bermuda Commercial Bank Limited ("BCB" or "the Bank") for the year ended September 30, 2012 are as follows:

FINANCIAL PERFORMANCE HIGHLIGHTS

- Underlying profit for the year of $7.45 million (2011: $2.60 million)*
- Capital position has improved substantially to $104.76 million (2011: $82.92 million)
- Total assets increased by $40.03 million to $572.01 million (2011: $531.98 million)
- Diluted net asset value per share for BCB increased to $14.34 (2011: $11.36)
- Year-end total capital ratio of 23.34% (2011: 27.08%)
- Industry leading liquidity position - short term cash and cash equivalents amounted to $273.3 million, representing approximately 40% of total assets. In addition, the majority of other assets are in liquid securities
- Successful acquisitions of Paragon Trust Limited ("Paragon") and Charter Corporate Services Limited ("Charter") during the year

BCB reported a profit of $7.45 million for the year ended September 30, 2012. This compares to an underlying net profit of $2.60 million in 2011. Basic and diluted earnings per share for the year ended September 30, 2012 were $1.06 and $1.02, respectively. Basic and diluted earnings per share for the year ended September 30, 2011 were $1.92 and $1.86, respectively ($0.40 and $0.38 on an underlying basis). Total revenue for the year was $22.43 million compared to underlying revenue of $12.63 million in the prior year.

The Bank's Chairman, Michael Collier, stated that, "Our improved earnings and strong revenue growth reflect solid customer deposits, increased fee income and strong, stable interest earnings on our investment portfolio."

**In addition to the underlying operating profit for 2011 the Bank also recorded a one-time gain in that year of $10.01 million on its investment in West Hamilton Holdings Limited ("WHH"), a Bermuda-based development firm traded on the Bermuda Stock Exchange. During 2011 the Bank purchased 40.8% of the ordinary equity of WHH. As part of the acquisition process the Bank performed a fair value assessment of its investment resulting in a large premium over cost of investment. The premium related primarily to the valuation of WHH's land and property. We exclude this gain from our discussions on 2011 performance as the gain does not reflect any element of underlying operational performance.*

Mr. Collier continued, “The Bank’s profit, together with the unrealised growth of the Bank’s investment portfolio, boosted shareholders’ equity to $104.76 million at September 30, 2012, compared with $82.92 million at September 30, 2011. The Bank’s tier one capital ratio, which is a measure of strength and stability, was 26.42% at year-end, significantly higher than general industry standards and a clear indication of the strength of BCB’s balance sheet. BCB’s total capital ratio was 23.34%.”

INTEREST INCOME

The Bank recorded interest income of $18.87 million for the year ended September 30, 2012, up from $11.40 million in 2011. This increase resulted from the strong performance of our financial investment portfolio. Over the last couple of years, the Bank has been diversifying its balance sheet from predominantly cash to a mixture of cash, financial investments, and to a lesser extent, customer loans. This transition process continued in 2012 and the Bank benefited from a higher yielding average asset mix in 2012. The Bank also recorded increased interest income on its small loan portfolio following an increase in year-on-year average loan levels.

Mr. Collier stated, “The Bank’s interest income is earned across a diversified selection of industries, geographical locations and currencies and is highly diversified at the counterparty level. As a result of this balance sheet transition, the Bank’s profitability is now less influenced by changes in short term interest rates, primarily United States Federal rates. U.S rates remain at historically low levels but the Bank has adapted and diversified its business plan and model to meet this challenge.”

Interest from loans and advances to customers increased to $1.39 million from $0.93 million last year. The Bank provides loan facilities to customers that comply with the Bank’s required risk profiles. While year-end loan balances of $34.16 million remained at similar levels to the prior year, average loan balances for the year increased substantially leading to improved interest income.

Interest from money market funds showed a year-on-year decrease as money market funds currently make up a very limited component of the Bank’s asset mix.

Interest expense increased to $3.65 million compared to $1.86 million a year earlier. This increase reflects the continued strong growth of BCB’s customer term deposit balances along with the competitive deposit interest rates being offered by the Bank. Term deposits greater than one month showed a year-on-year increase of 49%, while average term deposits increased by 75% over the prior year. While a more expensive form of funding, the stability provided by this deeper maturity profile allows for improved investment opportunities and lower deposit volatility.

NON-INTEREST INCOME

Net non-interest income was $7.21 million, up from $3.09 million in 2011. These figures reflect the developing nature of the business and include certain changes from the prior year as the Bank diversifies into new areas of business.

Fees and commissions increased to $4.50 million compared with $2.70 million in 2011 as the Bank targeted new business and broadened its product offerings. This increase resulted primarily from the newly acquired trust and corporate services companies. Trust revenue was $1.35 million for the year, while corporate services revenue, which includes custody fees, was $2.30 million for the year. The revenue increase resulting from the acquisition of Paragon and Charter was somewhat offset by the reduction resulting from our exit from the fund administration business, which generated revenue of $0.66 million in 2011. Additionally, fees from the Bank's core banking services department reduced to $0.88 million from $0.99 million as more competitive fee rates offset the growth in overall customer numbers.

Dividend income of $1.06 million was recorded during the year compared to $0.47 million in 2011. The Bank's available-for-sale investment portfolio includes $27.20 million of dividend paying equities, up from $13.70 million at September 30, 2011. The Bank has materially reduced its equity portfolio subsequent to the year-end and a corresponding decrease is therefore projected for dividend income in 2013.

The Bank realised gains of $7.86 million following the sale and maturity of financial investments during the year. This compares to gains of $4.45 million in 2011. This year-on-year growth includes a one-off gain relating to the early call of a security within the Bank's investment portfolio. While welcome, it has served to inflate this line item over normalised levels. As part of BCB's interest income strategy, BCB has built up a diversified portfolio of bonds and other financial investments. The Bank's investments are purchased for their interest generating capabilities, but in a number of instances the Bank also recorded strong capital gains, particularly in the second half of the 2012 financial year. This capital appreciation resulted in a decreasing percentage yield from these securities compared to the remaining portfolio and relative to the Bank's risk models. A number of these investments were sold during the year resulting in realised gains. This income stream is heavily influenced by general market performance and is also somewhat offset by economic hedges put in place by the Bank to dampen risk. For these reasons, the Bank assesses performance both before and after the impact of these items.

The Bank incurred foreign exchange and derivative costs of $4.57 million primarily in relation to hedging its investment portfolio. This compares to a net cost of $2.42 million in 2011. These derivatives, primarily foreign exchange and equity index derivatives, reduce the risk associated with foreign currency and market price fluctuations. Any increase in costs should be measured in the context of the increased investment interest income, the gains on sale of investments, and the strong improvement in the unrealised investment position. In order to manage risk within the Bank's securities portfolio, BCB operates a strategy utilising equity indices put options. Due to the performance of the market in 2012, the Bank recorded corresponding losses of $3.84 million compared to $1.19 million in 2011 on these indices options. This loss partially offset the strong realised gains recorded on the Bank's investment portfolio.

As a risk mitigating tool, the Bank's portfolio is heavily diversified by geography, resulting in foreign currency exposure for the Bank. The Bank has implemented an active hedging program to reduce these exposures. On average, during 2012, prevailing interest rates in these foreign jurisdictions exceeded those of the Bank's functional currency, the U.S. dollar. The result was foreign exchange forward hedging costs of approximately $1.20 million. The Bank also earns foreign exchange fee income by taking a small spread on each customer foreign currency transaction performed by the Bank with no risk or positions being assumed by BCB. This income, which is dependent on the activity of our customers, remained at a similar level to the prior year.

The Bank recorded impairment losses of $2.06 million compared to $2.49 million in 2011 on the Bank's available-for-sale investment portfolio. This annual impairment loss level is consistent with the Bank's internal loss expectations based on historical loss data.

EXPENSES

Total expenses increased to $14.98 million from $10.03 million. This increase resulted both from an expanded cost base following the acquisitions of Paragon and Charter, along with increased head count costs following the expansion and strengthening of the Bank's professional employee base as its core banking business grows. Additionally, investment advisory fees increased following the growth of the Bank's investment portfolio.

Salaries and employee benefits increased to $8.02 million from $4.92 million in 2011. This increase reflected the growth in the Bank's employee head count from 49 at September 30, 2011 to 69 at September 30, 2012.

Mr. Collier stated that, "By investing in our employee base we are looking to broaden and solidify our business, thereby creating a stronger enterprise for our customers. Head count rose primarily from the consolidation of the employees at Paragon and Charter. We also increased head count in our banking division due to increased business levels, new products and initiatives, and a general strengthening of employee depth."

Year-on-year amortisation costs increased from $0.11 million in 2011 to $0.44 million in 2012. This increase resulted primarily from a $0.28 million annual amortisation charge associated with our purchase of Paragon and Charter.

Total general and administrative expenses increased from $4.87 million for the year ended September 30, 2011 to $6.23 million for 2012. This increase was the result of an expanded cost base particularly following the acquisition of Paragon and Charter, along with increased investment advisory fees. Following the growth and strong performance of the investment portfolio, along with increased management and reporting requirements, investment advisory fee costs increased to $1.02 million in 2012 from $0.49 million a year earlier. Additionally, the day-to-day requirements of servicing a larger, more complex organisation resulted in increased premises, licenses and professional fees costs.

Looking forward, it is anticipated that there will be a levelling off in the growth rate of our cost base as the first phase of its growth strategy has been largely implemented. Any future expenditure will be implemented in a controlled manner and will be managed as part of the Bank's overall strategic planning. We will continue to seek out value-adding opportunities and, where such opportunities present themselves, will utilise the diverse range of financial and operational experience available to the Bank.

ASSETS

The Bank continued to grow during 2012, recording a 7.5% yearly increase in total assets. Cash, money market funds and term deposits were $226.91 million at September 30, 2012 compared to $273.29 million a year earlier following the reallocation of funds into longer term assets in line with the lengthening of the Bank's customer deposit maturity. At September 30, 2012, cash and cash equivalents represented 39.7% of total assets.

The Bank's financial investment portfolio increased to $256.76 million from $191.99 million one year ago. Over the course of the year BCB has grown its investment portfolio in line with the deepening maturity and development of its customer deposit base. Additionally, the portfolio also recorded a pleasing $15.65 million year on year increase in market valuations following a strong year for global bond markets.

In accordance with the Bank's investment remit and governance mandates, the professionally managed portfolio of securities provides a high level of asset diversification and generates a stable interest income stream for the Bank. The Bank also seeks to minimize the interest rate gap between its assets and liabilities thereby dampening the impact on profitability associated with any interest rate movements. This interest rate gap remained at similar levels to the prior year. All investments are governed by the Bank's strict liquidity and risk management policies. The Bank's Asset and Liability Committee oversees the investment process with investment advisory functions being performed by an experienced investment management company. BCB maintains a conservative risk asset leverage ratio of less than 4:1. This compares favourably to industry averages of more than 12:1. Risk assets include loans, mortgages and other investments, and banks with a higher ratio of these risk assets to capital are more vulnerable to movements in valuation.

The Bank's financial investment portfolio consists primarily of corporate debt securities and debt securities issued by banks, along with a lesser percentage of asset-backed securities and equities. Within the portfolio, securities are heavily diversified across industry, currency and jurisdiction. Over the course of the year, we have sought to build up our corporate debt and asset-backed securities while keeping our bank issued debt portfolio stable. The year-end asset mix, while providing a slightly lower yield, provides superior risk adjusted returns for the Bank. The Bank has also increased its portfolio of dividend-paying equities over the course of the year. Subsequent to year-end, the Bank has reduced its exposure to strategic equities, and going forward, it is anticipated that this portfolio exposure will form only a small component of the Bank's investment program. The Bank's strategy continues to encompass a low risk balance sheet with any future increase in the level of financial investments predicated on an increase in long term customer deposits.

The Bank's loans and advances portfolio was $34.16 million at September 30, 2012, down slightly from $35.34 million in 2011. The Bank is not yet active in the credit market, but has provided a small number of loan and overdraft facilities.

Property and equipment increased to $3.43 million from $0.41 million primarily following the purchase of the Trinity Hall building on Cedar Avenue, which houses the Bank's expanding private wealth division.

Goodwill and other intangible assets increased to $10.0 million from $2.16 million due primarily to the purchase of intangible customer relationships as part of the acquisition of Paragon and Charter.
Other assets increased over September 30, 2011 on account of receivables relating to the sale of investment securities. These receivables are short term in nature.

LIABILITIES

Total deposits at September 30, 2012 were $457.54 million compared to $443.19 million a year earlier, an increase of 3.2%. The Bank recorded gains on all its key deposit metrics, with absolute balances, customer numbers, customer concentration, and deposit maturity all improving. Management continues to prioritise improvements in the weighted average maturity of the Bank's deposit base and, over the course of the year, the Bank saw a steady transition of customer funds out of demand deposits into more stable long term deposits. Total term deposits increased from $183.88 million last year to $250.51 million at September 30, 2012. The Bank attributes this growth to a strong product offering, targeted marketing, competitive deposit interest rates and a renewed focus on acquiring and retaining customers.

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NON-FINANCIAL PERFORMANCE

Over the last twelve months the Bank has completed a number of important steps in its growth strategy:

- Amalgamated the Bank's trust and corporate services businesses with those of Paragon and Charter.
- Recently acquired the Trinity Hall building on Cedar Avenue which has become the centre for private wealth; encompassing trust, corporate services, private banking, asset management, and wealth management divisions. These business lines continue to show growth as a result of the service levels provided by the Bank's experienced professional staff.
- Asset management services are now available through BCB Asset Management Limited. This division provides discretionary investment management services with a focus on preserving and enhancing clients' assets over the long-term. Unlike many of our industry peers, BCB Asset Management Limited is not tied to any specific investment product or investment manager, rather, it carefully selects a suite of in-house products and sub-advisory relationships with highly regarded global investment managers.
- In March 2012, BCB announced the launch of the BCB Bond Fund, which is an actively managed diversified portfolio of predominantly investment grade global bonds with a targeted yield in excess of 5%.
- BCB prides itself on being responsive to client requests, and as a result, officially launched the BCB Visa Platinum and BCB Visa Gold Business credit cards in January 2012. The addition of these credit cards broadens our product offerings, and further develops our competitive position.

Mr. Collier stated, "These acquisitions and initiatives provide an additional platform for growth as we widen our footprint and gain new market share. The last year has been a positive period for the Bank as we achieved real goals and continued to build strong, sustainable earnings. We will continue to drive our strategy and focus on building a highly diversified bank with increasing market share. Our achievements to date, and clear view of the way forward, allow us to look to the coming year with a high degree of confidence."

-ENDS-

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ABOUT BERMUDA COMMERCIAL BANK

Bermuda Commercial Bank Limited is one of Bermuda's four licensed banks, established in 1969 and regulated by the Bermuda Monetary Authority. Bermuda Commercial Bank is Bermuda's only bank focused on corporate and private wealth clients, offering a range of bespoke financial solutions. Bermuda Commercial Bank takes pride in ensuring clients' assets are safely and professionally managed at our Hamilton based office. For more information please visit their website www.bcb.bm. Following a restructuring in September 2012, BCB is wholly owned by Bermuda National Limited, a company whose common shares are listed on the Bermuda Stock Exchange.