



February 15, 2008.

Dear Shareholder,

Sale of the Bermuda Commercial Bank Limited.

Over eighteen months ago the Board of the Bermuda Commercial Bank (BCB) decided to seek a strategic partner or an outright purchaser of the Bank.

Soon after this decision was made, First Curacao International Bank (FCIB), the controlling shareholder of BCB, came under investigation by the Dutch authorities and was subsequently placed under the control of the Central Bank of the Netherlands Antilles (Central Bank). This had the effect of making a possible sale considerably more difficult as potential buyers were faced with both business and reputational risk. It wasn't until nine months later, in August, 2007, that these fears were largely laid to rest as a result of the completion of a forensic audit, and a full financial audit to March 31, 2007.

A number of parties conducted due diligence in early 2007, and on April 20, 2007, "best and final" offers were requested from interested parties and by May 7, 2007, nine were received, with negotiations then commencing with the best of these.

Regretfully, despite every effort being made over a period of several months, it was not possible to conclude a sales agreement with the selected party. Negotiations then commenced with other parties in the "best and final" group and, during November 2007, a satisfactory agreement was reached with one of these. A draft purchase and sales agreement was approved by the BCB Board on December 7, 2007 and endorsed by its financial advisor, Keefe, Bruyette and Woods, New York.

The only conditions to be satisfied were the agreement of FCIB, the controlling shareholder, and of the Bermuda Monetary Authority (BMA) / Ministry of Finance. To the consternation of the BCB Board, at the agreed deadline and as instructed by the Central Bank, FCIB withheld support of the deal as approved. This was surprising, to say the least, as the Central Bank/FCIB had participated in a November BCB Board meeting and had raised no objection to the deal in principle. After two extensions of the deadline, requested by the Central Bank/FCIB, a letter was received from the Central Bank dated January 31, 2008, advising that it could not support the agreement reached and suggesting that, "based on the present information at its disposal" more favourable terms and conditions were available.

Since the Central Bank has taken this position it has been invited, on behalf of FCIB, to use the information at its disposal to solicit tender offers for the common shares, warrants and options of BCB held by FCIB with the presumption that the result would be superior to the offer it failed to support.

If the Central Bank is successful in its efforts, and the purchaser of its holdings is then approved by the BMA and the Ministry of Finance, the BCB Board would be in a position to consider any approach from the purchaser concerning the balance of ownership of BCB and make a recommendation to the eleven hundred minority shareholders. If the Central Bank is not successful, the BCB Board has reserved its rights and legal and equitable remedies with respect to BCB and its minority shareholders.

The BCB Board has emphasized to the Central Bank the importance of concluding a transaction as quickly as possible.

The Bank continues to function well and the results of the first quarter of the new financial year are very encouraging, despite falling US dollar interest rates. This has been achieved by new business within Custodial Services and increased levels of deposits in Banking Services. It is anticipated that the six-month results to March 31, 2008, will compare favourably with those of the comparative six months of last year.

On behalf of the Board of Directors,



Chairman,  
Dr. Clarence R. Terceira



President,  
E. John Sainsbury