



Press Release

For Immediate Release

BCB Reports Underlying Operating Profit of \$2.60 Million, Net Profit of \$12.62 Million

November 23, 2011 (Hamilton, Bermuda) - Details of the financial results and operations of Bermuda Commercial Bank Limited ("BCB" or "the Bank") for the financial year ending September 30, 2011 are as follows:

Financial Performance Highlights

The strong results of the Bank are reflected in the 2011 financial performance highlights;

- Underlying profit for the year was \$2.60 million, up from \$1.18 million last year
- Total assets increased by \$122.32 million to \$531.98 million (\$409.66 million in 2010)
- Capital position improved to \$82.92 million from \$74.95 million in 2010
- Total capital ratio of 27.08% was up from 24.66% one year ago
- Customer deposits at September 30, 2011 were \$443.19 million compared to \$323.61 million at the prior year end, an increase of \$119.58 million or 37.0%
- Industry leading liquidity position - short term cash representing over 50% of total assets
- One-time gain of \$10.01 million on investment in West Hamilton Holdings Limited
- Year-end dividend of \$0.10 per share approved giving total dividends for the year of \$0.20 per share

Operational Performance

Chairman, Mr. Michael Collier, stated that "we are building the leading Bermuda bank serving commercial banking and private wealth clients around the world. Our conservative approach to banking, along with our focus on service excellence, has shown results in stronger business and improved operating results. The Bank's balance sheet, capital position and profitability continue to grow; driven by new deposits and strong increases in interest income."

Interest income increased to \$11.40 million from \$4.15 million in 2010. This increase was driven by the reallocation of a portion of the Bank's balance sheet out of cash products and into a diversified portfolio of higher yielding securities. This reallocation commenced in the second half of 2010 and the Bank benefited from a full year of interest income in fiscal 2011. The Bank also recorded increased interest income on its small but growing loan portfolio.

Interest expense increased to \$1.86 million compared to \$0.39 million a year earlier. This increase reflects the almost doubling of our customer term deposit balances along with the competitive deposit interest rates now being offered by the Bank.

In addition to the increased underlying operating profit the Bank also recorded a one-time gain of \$10.01 million on its investment in West Hamilton Holdings Limited (“WHH”). During the year the Bank purchased 40.8% 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. The increase related primarily to the valuation of WHH’s land and property. We exclude this gain from our discussions on operational performance as the gain does not reflect any element of underlying performance.

The Bank realised gains of \$4.45 million following the sale of financial investments during the year. This compares to gains of \$3.89 million in 2010. These gains were somewhat offset by impairment losses of \$2.49 million on the Bank’s investment portfolio. These impairment loss levels are consistent with the Bank’s internal loss expectations.

The Bank incurred hedging costs of \$2.42 million in relation to the Bank’s investment portfolio. This compares to a net hedging gain of \$0.16 million in 2010. These costs, primarily foreign exchange and equity index hedging, reduce the risk associated with foreign currency and market price fluctuations.

Total expenses increased by 8.4% from \$9.25 million to \$10.03 million. This increase was driven by a \$0.82 million increase in payroll costs following the expansion and strengthening of our professional employee base as our business grows. Additionally, investment advisory fees and business development costs increased by \$0.49 million and \$0.36 million respectively following the growth of our investment portfolio and our increased marketing activities. 2010 expenses also included a non recurring sale process advisory fee of \$1.00 million.

During the year ended September 30, 2011, the Bank recorded a \$7.61 million unrealised loss within other comprehensive income compared to a loss of \$1.86 million for 2010. This loss stemmed from a negative mark to market revaluation of the Bank’s available-for-sale financial investment portfolio. It is management’s judgment that such losses will reverse over time and ultimately will add value to the Bank. Indeed, in the month following our September 2011 year end valuations, this loss was almost entirely eliminated.

Dividend Approved

The Board of Directors has resolved that a semi-annual dividend of \$0.10 per share will be paid to shareholders of record as of November 30, 2011. An interim dividend also of \$0.10 per share was paid in May 2011. The Board intends to adopt a progressive dividend policy in line with the Bank’s earnings. At September 30, 2011 the Bank’s stock traded at \$10.75, a discount of 8.6% to our book value of \$11.76 per share.

Capital Position and Capital Ratios

The Bank’s capital position improved from \$74.95 million one year ago to \$82.92 million at September 30, 2011. This increase resulted from a number of items:

- The receipt of \$4.32 million following the exercise of shareholder options

- Retained profit for the year increased by \$11.34 million, boosted by the \$10.01 million gain on the Bank's investment in WHH
- A net decrease in available-for-sale and held-to-maturity investment reserves of \$7.61 million due to unrealised mark to market losses on the Bank's investment portfolios

As a result of these net capital increases, the Bank's regulatory capital ratio strengthened to 27.08% at September 30, 2011 compared with 24.66% one year ago. The Bank's risk weighted assets remained at similar levels to the prior year.

Mr. Collier stated that he "was very pleased with the Bank's strong capital position. The Bank's capital ratio of 27.08% remains more than double the Bank of International Settlements' industry target of 12.0% and is also substantially ahead of proposed Basel III capital levels. Last year I stated that we anticipated a slight reduction in the Bank's capital adequacy ratio as we expanded our investment program. I am therefore very satisfied that capital ratios have in fact improved over a period where our balance sheet size and profit levels have also grown. The Bank's increasing financial strength has enabled it to take advantage of strategic opportunities, including our recent acquisition of Paragon Trust Limited and Charter Corporate Services and our investment in WHH."

Mr. Collier continued "despite the many changes occurring we have preserved our highly liquid balance sheet and low risk profile. At the end of 2011, we had approximately 50% of our balance sheet in highly rated, short-term interbank deposits. We are not aware of any other bank holding such a strong liquidity position."

Deposit Base

Total deposits at September 30, 2011 were \$443.19 million compared to \$323.61 million at the prior year end, an increase of \$119.58 million or 37.0%. Furthermore, this increase principally comprised more stable long term deposits. This category increased from \$98.02 million last year to \$183.88 million at September 30, 2011.

Mr. Collier stated "as a result of the Bank's new direction and product offerings, improved profitability and revised investment strategy; we have seen our deposit levels grow strongly over the course of the year. We offer competitive deposit interest rates and a fresh approach to banking – together this has combined to form a very valuable new option for local and international companies. The result has been a broadening of our deposit base as we increased our customer numbers and also saw a strengthening of existing customers deposit levels."

Assets

Mirroring the increase in customer deposits, total assets increased by \$122.32 million to \$531.98 million at September 30, 2011 from \$409.66 million at September 30, 2010. The Bank maintained its strong liquidity position with short term cash and cash equivalents making up \$273.29 million or 51.4% of this balance.

The Bank's financial investment portfolio increased to \$191.99 million from \$82.41 million one year ago. Mr. Collier stated "over the course of the year we have developed our investment portfolio in line with the increase in our customer deposit base. Our professionally managed portfolio of securities provides a high level of asset diversification and generates a stable interest income stream for the Bank. We now also classify a large portion of our portfolio as held-to-maturity to better reflect the stability

and interest income function of these investments. We have designed our portfolio to provide a consistent long-term stream of interest revenue and our balance sheet classification now reflects this.”

The Bank’s loans and advances portfolio was \$35.34 million at September 30, 2011 up from \$9.85 million in 2010. The Bank is not yet active in the credit market, but we have provided a small number of loan facilities to high quality counterparties.

Improved Banking Services

BCB anticipates 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 Board and management team have mapped out a clear strategy going forward. Some of these initiatives are detailed below.

- To strengthen the institutional services offered by the Bank, a strategic interest was taken in Westhouse Holdings PLC (“Westhouse”). Quoted on the London Stock Exchange and listed and located in London, Westhouse 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 now offers a broader set of services to its fund and corporate clients including UK listings, capital raising, and market making.
- BCB will continue to expand 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 asset and investment management, tailored investment funds for institutional and pension firms, 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.
- BCB has added corporate finance to its list of services and successfully underwrote the rights issue for WHH.

Acquisition

Immediately following the Bank’s September 30, 2011 year end, BCB completed its acquisition of Paragon Trust Limited and Charter Corporate Services by way of amalgamation. The Bank also acquired Trinity Hall, a building on Cedar Avenue, which will become the centre for BCB’s private wealth services. This transaction expands the Bank’s business platform significantly, adding to their team of legal and trust professionals, as well as offering a wider scope of corporate services.

Board

Mr. Collier noted that Mr. Eric Stobart who acted as the Chair of the Audit Committee had stepped down from the Board and was replaced by Mr. Jonathan Clipper. “We thank

Eric for his tremendous contribution to the Board and to the Bank's governance programs. Jonathan has already contributed to our audit program and we are pleased that he has joined us."

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 initiatives include a reorganization of the Bank's governance structure and an external review of risk management structures. These initiatives continue the Bank's traditional conservative, risk-sensitive approach to its business.

Employees

Mr. Collier stated that "The core of BCB's success lies in the strength of its team. BCB has been recruiting new professionals as our business expands. We have added expertise in accounting, asset management, operations and private banking. We now have a team of lawyers who can advise our clients on trusts, estates, wealth preservation, trademarks, incorporations, and corporate structures."

Underlying Performance Measures

The performance measures below highlight the Bank's improved year on year performance. These performance measures exclude the gain on our investment in WHH as this gain does not reflect any element of underlying performance.

Per Share Information	2011	2010	Financial Ratios	2011	2010
Cash dividends	\$ 0.20	\$ 0.00	Return on equity	3.30%	1.57%
Net book value – basic	\$ 11.76	\$ 11.80	Return on assets	0.55%	0.28%
Net book value – diluted	\$ 11.36	\$ 10.87	Efficiency ratio	79.39%	88.69%
Market value at year-end	\$ 10.75	\$ 9.88	Dividend payout ratio	54.05%	0.00%
Net income – basic	\$ 0.40	\$ 0.19	Dividend to share price ratio	1.86%	0.00%
Net income – diluted	\$ 0.38	\$ 0.17	Cash, money market, and term deposits / total assets	51.37%	73.24%
Capital Ratios					
Tier 1 capital ratio	31.92%	26.64%			
Risk weighted capital ratio	27.08%	24.66%			

-ends-

About Bermuda Commercial Bank

Bermuda Commercial Bank Limited (BCB) 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 purely 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 our website www.bcb.bm.

BCB is publicly traded and listed on the Bermuda Stock Exchange www.bsx.com (Ticker: BCB.BH). Our share price is available on the BSX and on Bloomberg and is published daily in the Royal Gazette.

For further information please contact:

Horst Finkbeiner
Chief Operating Officer
Bermuda Commercial Bank Limited
(441) 299-2873
hfinkbeiner@bcb.bm

Greg Reid
Chief Financial Officer
Bermuda Commercial Bank Limited
(441) 299-2891
greid@bcb.bm

BERMUDA COMMERCIAL BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2011

(Expressed in United States Dollars)

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash, money market funds and term deposits		
Due on demand	\$ 22,737,778	\$ 10,018,564
Money market funds	5,000,000	124,824,117
Term deposits	245,555,491	165,192,812
Total cash, money market funds and term deposits	<u>273,293,269</u>	<u>300,035,493</u>
Derivative financial instruments	6,732,339	2,030,207
Available-for-sale financial investments	88,025,434	82,414,495
Held-to-maturity financial investments	103,961,339	-
Loans and advances to customers	35,336,520	9,846,900
Investment in an associate	17,800,454	-
Property and equipment	406,123	360,875
Intangible assets	2,158,760	979,418
Interest receivable	3,071,867	1,313,388
Other assets	1,197,270	12,675,776
Total assets	<u>\$ 531,983,375</u>	<u>\$ 409,656,552</u>
LIABILITIES		
Deposits		
Demand deposits	\$ 259,307,638	\$ 225,590,501
Term deposits	183,882,061	98,017,479
Total deposits	<u>443,189,699</u>	<u>323,607,980</u>
Derivative financial instruments	-	1,319,808
Interest payable	954,474	52,129
Customer drafts payable	3,536,815	5,184,281
Other liabilities	1,385,937	4,537,536
Total liabilities	<u>449,066,925</u>	<u>334,701,734</u>
EQUITY		
Capital stock	16,926,449	15,246,449
Share premium	22,487,690	19,847,690
Treasury stock	(526,517)	(443,687)
Reserve for available-for-sale	(8,475,789)	220,796
Reserve for available-for-sale reclassified to held-to-maturity	1,083,088	-
Retained earnings	51,421,529	40,083,570
Total equity	<u>82,916,450</u>	<u>74,954,818</u>
Total liabilities and equity	<u>\$ 531,983,375</u>	<u>\$ 409,656,552</u>

BERMUDA COMMERCIAL BANK LIMITED
CONSOLIDATED STATEMENT OF INCOME

Year Ended September 30, 2011

(Expressed in United States Dollars)

	2011	2010
INCOME		
Interest income	\$	\$
Cash and term deposits	549,038	491,767
Money market funds	335,954	414,575
Loans and advances to customers	925,784	157,516
Available-for-sale financial investments	8,887,869	3,087,496
Held-to-maturity financial investments	699,045	-
Total Interest Income	<u>11,397,690</u>	<u>4,151,354</u>
Interest expense	<u>(1,862,457)</u>	<u>(385,887)</u>
Net interest income	<u>9,535,233</u>	<u>3,765,467</u>
Fees and commissions	2,703,158	2,401,834
Net exchange (losses) gains	(1,373,652)	827,135
Losses on derivative financial instruments	(1,050,230)	(670,891)
Dividend income	469,447	58,952
Gain from available-for-sale financial investments	4,448,574	3,886,373
Gain on investment in an associate	10,012,940	-
Credit loss recovery income	211,445	-
Impairment losses on available-for-sale financial investments	(2,489,900)	-
Share of profit of an associate	45,656	-
Other operating income	129,328	164,977
Total income	<u>22,641,999</u>	<u>10,433,847</u>
EXPENSES		
Salaries and employee benefits	4,922,460	4,095,985
Depreciation	124,847	127,136
Amortization	110,910	85,744
General and administrative expenses	4,867,406	4,944,831
Total expenses	<u>10,025,623</u>	<u>9,253,696</u>
NET INCOME	<u>\$ 12,616,376</u>	<u>\$ 1,180,151</u>
Basic earnings per common share	<u>\$ 1.92</u>	<u>\$ 0.19</u>
Diluted earnings per common share	<u>\$ 1.86</u>	<u>\$ 0.17</u>

BERMUDA COMMERCIAL BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended September 30, 2011

(Expressed in United States Dollars)

	<u>2011</u>	<u>2010</u>
NET INCOME FOR THE YEAR	\$ 12,616,376	\$ 1,180,151
OTHER COMPREHENSIVE LOSS		
Net (loss) gain on available-for-sale financial investments	(3,065,918)	2,027,143
Net loss on held-to-maturity financial investments	(99,005)	-
Reclassification of gains on available-for-sale financial investments realized in income	(4,448,574)	(3,886,373)
	<u>(7,613,497)</u>	<u>(1,859,230)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 5,002,879</u>	<u>\$ (679,079)</u>