

Press Release

MAY 15, 2012

Bermuda Commercial Bank reports net profit of \$3.23 million for the half-year ended March 31, 2012. Solid capital growth. Directors declare half-year dividend.

(Hamilton, Bermuda, May 15, 2012) - Details of the financial results and operations of Bermuda Commercial Bank Limited ("BCB" or "the Bank") for the six months ended March 31, 2012 are as follows:

BCB reported a profit of \$3.23 million for the six months ended March 31, 2012 equating to fully diluted earnings per share of \$0.44. This compares with a profit of \$1.35 million (\$0.20 per share) for the six months ended March 31, 2011. Total revenue for the period was \$10.17 million compared to \$5.74 million in the prior year period. The Bank's Chairman, Michael Collier, stated that "Our improved earnings reflect solid customer deposits and strong interest earnings on our investments and to a lesser extent our loan portfolios."

Mr. Collier stated that "The Bank's profit together with the unrealised growth of our investment portfolio boosted shareholders' equity to \$93.56 million at March 31, 2012 compared with \$82.92 million at September 30, 2011. Our tier one capital ratio, which is a measure of strength and stability, was 25.52% at period end, significantly higher than general industry standards and a clear indication of the strength of BCB's balance sheet. Our total capital ratio was 21.66%."

"The Bank seeks to build value for our shareholders by generating consistent and sustainable earnings while adhering to our conservative risk profile. We are therefore pleased with the steady growth in profit levels and the strengthening of the deposit base since the completion of the sale of the Bank two years ago. BCB has become Bermuda's bank of choice for clients that demand traditional service excellence along with a conservative approach to business."

INTEREST INCOME

Interest income increased strongly to \$9.48 million from \$4.84 million one year ago. In response to the lengthening of our customer deposit duration, the Bank has continued to reallocate funds previously held in low yielding money market funds into a diversified investment portfolio. As a result, interest income on money market funds decreased to negligible levels. BCB also recorded \$0.73 million in interest income on the Bank's small loan portfolio.

Interest expense increased to \$1.77 million from \$0.67 million in 2011. This increase reflects our success in reshaping the maturity profile of our deposit base. Over the course of twelve months the Bank has succeeded in increasing our key term deposits by 45%. While a more expensive form of funding, the stability provided by this maturity growth allows for vastly improved investment opportunities and lower deposit volatility.

NON INTEREST INCOME

Net non-interest income was \$2.46 million, up from \$1.57

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million in 2011. These figures include a number of changes from the prior year period as the Bank diversifies into new areas of business.

Fees and commissions revenue increased to \$2.07 million from \$1.38 million primarily following the completion of the amalgamation of Paragon Trust Limited and Charter Corporate Services Limited in October 2011.

The hedging costs of our securities portfolio were \$2.64 million compared with \$1.16 in the prior year. This increase should be measured in the context of our increased investment interest income, the gains on sale of investments and the improvement in our unrealised investment position.

Gains from the sale of investments totaled \$2.79 million (2011: \$1.51 million). This increase included a non-normal gain relating to the early call of a security within our investment portfolio. While welcome, it has served to inflate this line item over normalised levels. Additionally, as part of BCB's risk and liquidity management process, portfolio investments may be sold from time to time resulting in gains and losses for the Bank. During the six months ended March 31, 2012, the Bank's investments performed strongly leading to a net overall appreciation of the portfolio.

EXPENSES

In line with our new acquisitions and the continued roll out of our growth strategies, our year over year cost base has increased by 58.1% from \$4.39 million in 2011 to \$6.94 million for the six months ended March 31, 2012. Mr. Collier stated that "By investing in our employees and infrastructure

we are looking to strengthen our business and to create long-term value for our shareholders."

Within total expenses, payroll costs increased from \$2.26 million to \$3.99 million as our employee headcount rose to 58 from 43 one year ago. This increase resulted from acquisitions and the continued broadening and strengthening of the team in response to our expanding business requirements.

General and administrative expenses also increased relative to 2011 as the Bank increased its business lines and product ranges. Investment management costs associated with our investment portfolio were the single largest contributor to this increase but business development, IT and custody expenses also increased.

FINANCIAL POSITION

All changes in financial position are made in reference to our last audited financial statements as at September 30, 2011.

ASSETS

Total assets increased marginally to \$534.85 million at March 31, 2012 from \$531.98 million at September 30, 2011.

Cash, money market funds and term deposits decreased to \$213.97 million from \$273.29 million at September 30, 2011 due to the reallocation of funds into longer term assets in line with the lengthening of our customer deposit maturity.

Investment securities increased to \$240.69 million from \$191.99 million at September 30, 2011. This increase

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resulted from the reallocation of funds from short term positions as the maturity profile of our customer deposits lengthened. Additionally, our securities position was boosted by the reversal of the unrealised investment loss position reported at September 30, 2011. Mr. Collier stated "Following the quarter on quarter balance sheet transition over the last two years, our securities and cash positions are now broadly aligned with management's intentions for the future. The primary driver of future change will be the deposit activities of our customer base. Despite the relative expansion of our securities portfolio, BCB maintains an extremely conservative 'risk asset' leverage ratio of less than 4:1. This compares very 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.

Property and equipment increased to \$3.55 million from \$0.41 million following the purchase of the Trinity Hall building on Cedar Avenue which houses our expanding private wealth division.

Intangible assets increased to \$9.40 million from \$2.16 million due primarily to the purchase of intangible customer relationships as part of our acquisition of Paragon Trust Limited and Charter Corporate Services Limited.

Other assets increased versus September 30, 2011 on account of receivables relating to the sale of investment securities. These receivables were short term in nature and were cleared shortly after period end.

LIABILITIES

Total customer deposit balances decreased by 1.9% to \$434.84 million compared with September 2011. Despite this headline reduction, our customer deposit position improved as measured by all our key customer performance metrics. Customer numbers were up, customer deposit duration lengthened and customer concentration improved. The improvement in concentration and customer numbers and the skewing towards longer maturing fixed deposits has resulted in a deeper, more stable deposit base.

INTERIM DIVIDEND

The Board of Directors has resolved that an interim dividend of \$0.10 per share will be paid to shareholders of record as of May 23, 2012.

NON-FINANCIAL PERFORMANCE

Over the last six months we have completed some very important steps in our growth strategy.

- We amalgamated the Bank's Trust and Corporate Services businesses with those of our new acquisition companies, Paragon Trust Limited and Charter Corporate Services Limited.
- The recently acquired Trinity Hall building on Cedar Avenue has become our centre for private wealth, encompassing our 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 our experienced professional staff.

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- 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, we carefully select 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 of at least 5%.
- BCB prides itself on being responsive to client requests, and we officially launched our 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.
- The appointment of Jonathan C. Clipper as Chief Executive Officer. Mr. Clipper has significant international and local banking experience and is responsible for managing the businesses of the BCB Group and driving our growth strategies.

Mr. Collier stated “These acquisitions and initiatives, while adding real direct value in their own right, also provide an

additional platform for leveraged growth as we widen our footprint and gain new market share.”

“The last six months have 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 strong diversified bank with increasing market share. Our achievements to date and clear view of the way forward allow us to look to the remainder of the year with a high degree of confidence.”

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.

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Consolidated Statement of Financial Position

AS AT MARCH 31, 2012 AND SEPTEMBER 30, 2011 (in US\$ thousands - unaudited)

| Assets | MAR 31, 2012 | SEP 30, 2011* |
|--|---------------------|----------------------|
| Cash, money market funds and term deposits | | |
| Due on demand | \$ 49,516 | \$ 22,738 |
| Money market funds | 7,967 | 5,000 |
| Term deposits | 156,488 | 245,555 |
| Total cash, money market funds and term deposits | 213,971 | 273,293 |
| Derivative financial instruments | 2,516 | 6,732 |
| Interest receivable | 3,609 | 3,072 |
| Other assets | 12,259 | 1,197 |
| Investment securities | 240,692 | 191,987 |
| Loans and advances to customers | 30,815 | 35,337 |
| Investment in an associate | 18,040 | 17,800 |
| Property and equipment | 3,550 | 406 |
| Intangible assets | 9,400 | 2,159 |
| Total assets | \$ 534,852 | \$ 531,983 |
| Liabilities | | |
| Deposits | | |
| Demand deposits | \$ 179,787 | \$ 259,308 |
| Term deposits | 255,049 | 183,882 |
| Total deposits | 434,836 | 443,190 |
| Interest payable | 1,659 | 954 |
| Customer drafts payable | 716 | 3,537 |
| Other liabilities | 4,083 | 1,386 |
| Total liabilities | 441,294 | 449,067 |
| Equity | | |
| Capital stock | 16,926 | 16,926 |
| Share premium | 22,488 | 22,488 |
| Treasury stock | (541) | (527) |
| Reserves | 731 | (7,393) |
| Retained earnings | 53,954 | 51,422 |
| Total equity | 93,558 | 82,916 |
| Total liabilities and equity | \$ 534,852 | \$ 531,983 |

* Audited

Consolidated Statement of Income

FOR THE SIX MONTHS ENDED MARCH 31, 2012 (in US\$ thousands - unaudited)

| Income | MAR 31, 2012 | MAR 31, 2011 |
|---------------------------------------|---------------------|---------------------|
| Interest income | | |
| Cash and term deposits | \$ 285 | \$ 219 |
| Money market funds | 28 | 201 |
| Loans and advances to customers | 730 | 493 |
| Investment securities | 8,433 | 3,924 |
| | 9,476 | 4,837 |
| Interest expense | (1,770) | (669) |
| Net interest income | 7,706 | 4,168 |
| Fees and commissions | 2,066 | 1,378 |
| Net exchange losses | (187) | (309) |
| Dividend income | 199 | 93 |
| Hedging of investment securities | (2,641) | (1,165) |
| Net income from investment securities | 2,794 | 1,514 |
| Share of profit of an associate | 119 | - |
| Other operating income | 112 | 62 |
| Total income | 10,168 | 5,741 |
| Expenses | | |
| Salaries and employee benefits | 3,995 | 2,260 |
| Depreciation | 124 | 59 |
| Amortisation | 73 | 51 |
| General and administrative expenses | 2,744 | 2,022 |
| Total expenses | 6,936 | 4,392 |
| NET INCOME | \$ 3,232 | \$ 1,349 |
| Basic earnings per common share | \$ 0.46 | \$ 0.21 |
| Diluted earnings per common share | \$ 0.44 | \$ 0.20 |

Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED MARCH 31, 2012 (in US\$ thousands - unaudited)

| Income | MAR 31, 2012 | MAR 31, 2011 |
|--|------------------|-----------------|
| Net income | \$ 3,232 | \$ 1,349 |
| Other comprehensive income | | |
| Net gain on investment securities | 10,918 | 7,038 |
| Reclassification of gains realised in income | (2,794) | (1,514) |
| Other comprehensive income | 8,124 | 5,524 |
| Total comprehensive income | \$ 11,356 | \$ 6,873 |

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED MARCH 31, 2012 (in US\$ thousands - unaudited)

| | Capital Stock | Share Premium | Treasury Stock | Reserves | Retained Earnings | Total |
|--------------------------------|------------------|------------------|-------------------|---------------|----------------------|------------------|
| October 1, 2010 | 15,246 | 19,848 | (443) | 221 | 40,084 | 74,956 |
| Total comprehensive income | - | - | - | 5,524 | 1,349 | 6,873 |
| Dividends | - | - | - | - | (630) | (630) |
| Exercise of options | 720 | 780 | - | - | - | 1,500 |
| Net purchase of treasury stock | - | - | (116) | - | - | (116) |
| March 31, 2011 | 15,966 | 20,628 | (559) | 5,745 | 40,803 | 82,583 |
| October 1, 2011 | 16,926 | 22,488 | (527) | (7,393) | 51,422 | 82,916 |
| Total comprehensive income | - | - | - | 8,124 | 3,232 | 11,356 |
| Dividends | - | - | - | - | (700) | (700) |
| Exercise of options | - | - | - | - | - | - |
| Net purchase of treasury stock | - | - | (14) | - | - | (14) |
| March 31, 2012 | \$ 16,926 | \$ 22,488 | \$ (541) | \$ 731 | \$ 53,954 | \$ 93,558 |

Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED MARCH 31, 2012 (in US\$ thousands - unaudited)

| | MAR 31, 2012 | MAR 31, 2011 |
|---|--------------|--------------|
| Cash flows from operating activities | | |
| Net income | \$ 3,232 | \$ 1,349 |
| Adjustments to reconcile net income to cash flows used in operating activities: | | |
| Depreciation | 124 | 59 |
| Amortisation | 73 | 51 |
| Decrease in term deposits maturing 3-12 months | - | 792 |
| Gain on sale of investment securities | 2,794 | 1,514 |
| Increase in derivative financial instruments | 4,216 | 2,677 |
| Increase in investment in an associate | (240) | - |
| Increase in interest receivable | (537) | (736) |
| (Increase) decrease in other assets | (11,062) | 6,921 |
| Increase in interest payable | 705 | 324 |
| Decrease in customer drafts payable | (2,821) | (2,731) |
| Increase (decrease) in other liabilities | 2,697 | (3,481) |
| Cash flows (used in) from operating activities | (819) | 6,739 |
| Cash flows from investing activities | | |
| Net decrease (increase) in loans and advances | 4,522 | (3,583) |
| Proceeds from sale of investment securities | 36,358 | 27,998 |
| Purchase of investment securities | (79,733) | (87,910) |
| Purchase of property and equipment | (3,268) | (45) |
| Purchase of intangible assets | (7,314) | (537) |
| Cash flows used in investing activities | (49,435) | (64,077) |
| Cash flows from financing activities | | |
| Net (decrease) increase in deposits | (8,354) | 94,890 |
| Proceeds from exercise of options | - | 1,500 |
| Purchase of treasury stock | (14) | (116) |
| Dividends paid | (700) | (630) |
| Cash flows (used in) from financing activities | (9,068) | 95,644 |
| Net (decrease) increase in cash and cash equivalents | \$ (59,322) | \$ 38,306 |
| Cash and cash equivalents at October 1 | 273,293 | 299,244 |
| Cash and cash equivalents at March 31 | \$ 213,971 | \$ 337,550 |
| Cash and cash equivalents | | |
| Cash, money market and term deposits | \$ 213,971 | \$ 337,550 |
| Less: term deposits maturing 3-12 months | - | - |
| Cash and cash equivalents | \$ 213,971 | \$ 337,550 |

Consolidated Statement of Cash Flows CONTINUED

FOR THE SIX MONTHS ENDED MARCH 31, 2012 (in US\$ thousands - unaudited)

| | MAR 31, 2012 | MAR 31, 2011 |
|---|--------------|--------------|
| Operational cash flows from interest and dividends | | |
| Interest paid | \$ 1,065 | \$ 344 |
| Interest received | \$ 9,476 | \$ 4,101 |
| Dividends received | \$ 199 | \$ 93 |

Notes to the Interim Consolidated Financial Statements

FOR THE SIX MONTHS ENDED MARCH 31, 2012 (in US\$ thousands - unaudited)

1. BASIS OF PREPARATION

These interim consolidated financial statements for the six month period ended March 31, 2012 have been prepared in accordance with International Accounting Standards (IAS 34), Interim Financial Reporting.

These interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements for the year ended September 30, 2011.

The Bank's interim results are not materially affected by seasonal factors.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim consolidated financial statements are consistent with those used in the Bank's annual financial statements for the year ended September 30, 2011.

3. DIVIDENDS PAID AND PROPOSED

Dividends on ordinary shares declared and paid during the six-month period: Final dividend for 2011: 10.00 cents (2010: 10.00 cents).

4. CASH, MONEY MARKET FUNDS AND TERM DEPOSITS

Cash, money market funds and term deposits include:

| | MAR 31, 2012 | SEP 30, 2011* |
|------------------------------------|-------------------|-------------------|
| Cash and demand deposits | \$ 49,516 | \$ 22,738 |
| Money market funds | 7,967 | 5,000 |
| Term deposits | | |
| Deposits maturing - within 1 month | 156,488 | 245,423 |
| Deposits maturing - 1-3 months | - | 132 |
| Deposits maturing - 3-12 months | - | - |
| Total | \$ 213,971 | \$ 273,293 |

Notes to the Interim Consolidated Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED MARCH 31, 2012 (in US\$ thousands - unaudited)

5. INVESTMENTS SECURITIES

AVAILABLE-FOR-SALE INVESTMENT SECURITIES

The fair values of available-for-sale investment securities by major classifications of investments securities were as follows:

| | MAR 31, 2012 | SEP 30, 2011* |
|---------------------------------|---------------------|----------------------|
| Debt securities issued by banks | \$ 40,283 | \$ 23,666 |
| Corporate debt securities | 56,591 | 43,210 |
| Mortgage-backed securities | 11,367 | 7,453 |
| Equities | 22,811 | 13,697 |
| Investment funds | 10,000 | - |
| | <u>\$ 141,052</u> | <u>\$ 88,026</u> |

HELD-TO-MATURITY INVESTMENT SECURITIES

The amortised cost amounts of held-to-maturity investment securities by major classifications of investment securities were as follows:

| | MAR 31, 2012 | SEP 30, 2011* |
|---------------------------------|---------------------|----------------------|
| Government debt securities | \$ 3,477 | \$ 3,466 |
| Debt securities issued by banks | 37,059 | 42,830 |
| Corporate debt securities | 52,112 | 51,124 |
| Mortgage-backed securities | 6,992 | 6,541 |
| | <u>99,640</u> | <u>103,961</u> |
| Total investment securities | <u>\$240,692</u> | <u>\$191,987</u> |

6. DEPOSITS

| | MAR 31, 2012 | SEP 30, 2011* |
|------------------------------------|---------------------|----------------------|
| Demand deposits | \$ 179,787 | \$ 259,308 |
| Term deposits | | |
| Deposits maturing - within 1 month | 128,536 | 87,589 |
| Deposits maturing - 1-3 months | 30,608 | 20,353 |
| Deposits maturing - 3-12 months | 26,580 | 16,394 |
| Deposits maturing - 1-5 years | 69,325 | 59,546 |
| | <u>255,049</u> | <u>183,882</u> |
| Total | <u>\$ 434,836</u> | <u>\$ 443,190</u> |

*Audited

Notes to the Interim Consolidated Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED MARCH 31, 2012 (in US\$ thousands - unaudited)

7. SEGMENT INFORMATION

For management purposes the Bank is organised into two business segments:

- (a) 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.
- (b) The Corporate Services segment provides trust, corporate secretarial, company management, asset management, corporate registrar, financial, and custody services to third parties as well as to the Bank's other business segment.

Head Office includes general and administrative and corporate expenses not directly attributable to the business segments.

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. The Bank has subsidiaries in Luxembourg and Mauritius but does not offer banking or other services in these jurisdictions. The assets, liabilities and results of these entities are incorporated into the segment information.

No one single customer accounted for 10% or more of the Bank's revenues in the six month period.

| 2012 | Banking Services | Corporate Services | Head Office | Elimination of intersegment amounts | Total |
|---|------------------|--------------------|-------------------|-------------------------------------|-----------------|
| Net interest income from external customers | \$ 7,706 | \$ - | \$ - | \$ - | \$ 7,706 |
| Fees and other income from external customers | 413 | 1,777 | - | - | 2,190 |
| Losses on derivative financial instruments | (2,641) | - | - | - | (2,641) |
| Gains from sale of investment securities | 2,794 | - | - | - | 2,794 |
| Share of profit of an associate | 119 | - | - | - | 119 |
| Inter-segment fees and other income | - | 16 | - | (16) | - |
| Total income | 8,391 | 1,793 | - | (16) | 10,168 |
| Total expenses | (2,886) | (1,716) | (2,350) | 16 | (6,936) |
| Net income | \$ 5,505 | \$ 77 | \$ (2,350) | \$ - | \$ 3,232 |
| Segment assets | \$ 534,839 | \$ 3,290 | \$ - | \$(3,277) | \$534,852 |
| Segment liabilities | \$ 438,467 | \$ 3,530 | \$ - | \$ (703) | \$ 441,294 |

Notes to the Interim Consolidated Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED MARCH 31, 2012 (in US\$ thousands - unaudited)

2011

| | Banking Services | Corporate Services | Head Office | Elimination of intersegment amounts | Total |
|--|---------------------|-----------------------|----------------|---|------------|
| Net interest income from | | | | | |
| external customers | \$ 4,168 | \$ - | \$ - | \$ - | \$ 4,168 |
| Fees and other income from | | | | | |
| external customers | 403 | 821 | - | - | 1,224 |
| Losses on derivative financial instruments | (1,165) | - | - | - | (1,165) |
| Gains from sale of investment securities | 1,514 | - | - | - | 1,514 |
| Inter-segment fees and other income | - | 51 | - | (51) | - |
| Total income | 4,920 | 872 | - | (51) | 5,741 |
| Total expenses | (1,813) | (863) | (1,767) | 51 | (4,392) |
| Net income | \$ 3,107 | \$ 9 | \$ (1,767) | \$ - | \$ 1,349 |
| Segment assets | \$ 506,407 | \$ 1,127 | \$ - | \$ (579) | \$ 506,955 |
| Segment liabilities | \$ 424,013 | \$ 410 | \$ - | \$ (51) | \$ 424,372 |