Bermuda Commercial Bank Limited Annual Report 2007

CONTACT INFORMATION

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Corporate Profile

The genesis of Bermuda Commercial Bank goes back more than 40 years when a group of Bermudian entrepreneurs conceived the idea of forming a local savings and loan institution in Bermuda. The Bank was formed by an Act of Parliament in February, 1969 under the name of The Provident People's Bank Limited. In May 1969 this changed to Bermuda Provident Bank Limited. In 1984 the name was again changed to Bermuda Commercial Bank Limited. Despite the many changes over its 38 year history, the entrepreneurial spirit which founded the bank continues to live on today.

In the early 1990's the Bank established a new niche market focus, providing services tailored to the international business and private wealth client markets. As part of this strategic alignment, the Bank became smaller and leaner with increased efficiencies. Today, Bermuda Commercial Bank remains the only bank in Bermuda focused solely on the unique needs of the corporate and private wealth community.

Bermuda Commercial Bank Group has been guided by a corporate philosophy centered on the provision of quality services tailored to the specific needs of its clients. The following principles form the basis of the Bank's core beliefs:

INNOVATION

The provision of financial services requires precision, attention to detail and a constant demand for quality. Similarly, the corporate logo is intended to represent the Bank's pioneering approach to international banking and finance, inspired by the Sea Venture, which brought the first settlers to Bermuda in 1609. Innovation drives the Bank at all levels of operation. Innovation is essential in the financial services industry – adapting to and meeting the specific needs of clients, proactively suggesting new and improved ways of operating in the offshore environment, and taking a leadership position in the provision of these services.

QUALITY SERVICE

As a service provider in the financial services industry, the Bank operates in a highly competitive and demanding environment. The provision of financial services depends upon maintaining the highest standards of quality, forming a strong bond with clients based on mutual trust and respect, keeping informed of relevant developments in the industry and updating the services provided to reflect the changing environment. The Bank has sought to take advantage of its relatively small size in providing personalised service to its client base.

WORLD-CLASS SYSTEMS

In order to provide first class banking services a bank must have “state-of-the-art” electronic systems. As a result, the Bank has invested heavily in PC-based technology, and is proud of the world-class systems which it now provides to clients. Our unique real-time eBanking platform gives businesses and individuals the reliability and convenience of banking anywhere in the world. The Bank remains committed to maintaining its position on the leading edge of financial systems integration.

MINIMUM RISK PROFILE

The management of risk is an important criterion to all users of financial services. The Bank has established a policy of minimising its own corporate risk by following an extremely conservative policy in balance sheet management. The Bank does not take risk positions on its own account, and runs a matched-book policy with its deposits.

Through our subsidiaries International Corporate Management of Bermuda, BCB Trust Company Limited, Bercom Nominees Limited and BCB (Mauritius) Limited, the Bermuda Commercial Bank Group provides clients with a one-stop solution to all their banking needs. Bermuda Commercial Bank is also a member of the SWIFT network and has established numerous correspondent banking relationships, allowing us to provide wire transfer services globally. Our alliance with State Street Bank also provides our global custody clients with access to markets all over the world.

Bermuda Commercial Bank is focused on growing its business in local and international markets through our investments in infrastructure and commitment to high quality service and products.

Letter to Shareholders

2007 was an eventful year for Bermuda Commercial Bank Limited ("BCB" or "the Bank"). The year commenced with the resignation of the Bank's Chairman and President following an investigation into First Curacao International Bank ("FCIB"), a major shareholder of BCB, on which both individuals served as Directors. Prior to these resignations the Board of Directors had made the decision to seek a purchaser of the Bank and subsequently announced that negotiations with other entities were ongoing. Furthermore, as a result of the events at FCIB, the 2006 audit was delayed and was not completed until August 2007.

Despite these challenges Bermuda Commercial Bank closed the year in a strong position with our year end deposit balances returning to more historical levels. BCB's net income for the year ended September 30, 2007 was $5.94 million. This compares to recurring net income of $8.38 million in 2006 and $5.17 million in 2005. [1] Basic and diluted earnings per share as at September 30, 2007 are $1.36 and $1.08, respectively. Basic and diluted earnings per share as at September 30, 2006 were $1.93 and $1.67, respectively. This dilution is as a consequence of the 3,311,251 outstanding warrants and options as at September 30, 2007 (2006: 3,352,539).

Total assets were $621.55 million at September 30, 2007 compared to $464.27 million at September 30, 2006, an increase of $157.28 million or 33.9%. This increase, while very encouraging, needs to be examined in the context of the $858.82 million of total assets reported at September 30, 2005. The results indicate that the Bank has recovered from the year's events and we are pleased to report that the Bank has recorded consistently positive growth in the later part of fiscal 2007.

BCB's investment policy results in an extremely liquid, low risk balance sheet for its clients and shareholders. However, this policy exposes the Bank's net income to the vulnerabilities of a changing interest rate environment and also to fluctuations in average deposit levels. BCB's net interest income declined from $11.60 million at September 30, 2006 to $10.51 million at September 30, 2007, a decrease of $1.09 million or 9.4%, largely as a result of lower average deposit levels particularly in the earlier part of the financial year.

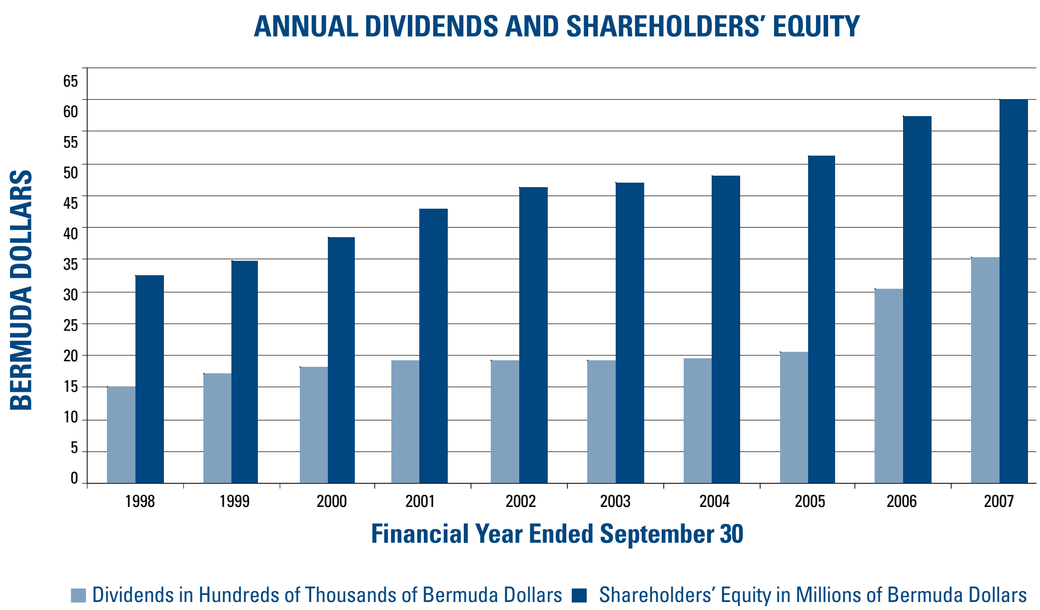
Over the past two years the Bank has performed a detailed and thorough review of its client base to align clients with our business strategy and conservative risk profile. This review has resulted in the termination of a number of client relationships but we are satisfied that the end result is a leaner, lower risk clientele which the Bank is better able to service. We are confident that we are now in a strong position to effect revenue growth. Partly as a result of this exercise, fees and commissions decreased by $1.11 million from $5.31 million to $4.20 million. Over and above the review process we also lost some significant business following the termination of two relatively large client relationships. One client transferred its banking business onshore, and services to a fund administration client ceased following its delisting. Partially offsetting these losses, foreign exchange gains grew by $140,000 to $790,000 following increased turbulence in the global foreign exchange markets.

[1] To enhance the understanding of the Bank's results and to aid comparison with prior and future periods, 2006 figures reported in this letter exclude one-time, non recurring income of $1.75 million. 2006 net income, including this income, was $10.13 million for the year ended September 30, 2006. 2006 basic and diluted earnings per share, including this income, were $2.34 and $2.02 per share, respectively.

BCB's strategy of maintaining a low risk, highly liquid balance sheet while providing personal service to our clients has resulted in a steady increase in shareholders' equity. This increase has led to increasing dividends to our shareholders, including significant increases in the last two fiscal years.

The Board of Directors of the Bank has approved a half-yearly dividend of $0.40, or $0.80 per share for the year. This dividend represents 59.3% of annual 2007 earnings and generates an annual yield of 8.2% based on the average fiscal year 2007 trading price of $9.72 for the Bank's common stock.

The following chart represents the steady growth in shareholders' equity and annual dividends over the last ten years.



As of the date of this letter the sale process remains without a firm conclusion. Negotiations continue to take place with a number of interested parties and we continue to remain optimistic that we will be in a position to announce a buyer in the not too distant future.

On behalf of the staff and management of Bermuda Commercial Bank, we thank our shareholders and clients for their continued support. We would also like to express special appreciation to the staff and management for their continued commitment, hard work, and loyalty to the Bank throughout this challenging year.

DR. CLARENCE R. TERCEIRA
CHAIRMAN

E. JOHN SAINSBURY
PRESIDENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis should be read in conjunction with our Consolidated Financial Statements, the notes to those financial statements, and the Letter to Shareholders. All references to BCB or the Bank refer to Bermuda Commercial Bank Limited and its subsidiaries on a consolidated basis.

RESULTS OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2007

Net income, excluding one-time items, for 2007 was $5.94 million, down 29.1% from $8.38 million in 2006. There were no discontinued operations or unusual items in the current fiscal year. In the year ended September 30, 2006, one-time, non recurring income of $1.75 million was reported. 2006 net income, including this income, was $10.13 million for the year ended September 30, 2006. To aid comparison with prior and future periods, 2006 figures reported in this analysis exclude this one-time, non recurring income of $1.75 million. This one-time income is more fully discussed in the Notes to the Consolidated Financial Statements.

INCOME

Total income, excluding one-time items, decreased by $2.07 million, or 11.6%, to $15.72 million from $17.79 million. This decrease was spread evenly between decreases in net interest income and decreases in non interest income. For the year ended September 30, 2007, net interest income was $10.51 million compared to $11.60 million at September 30, 2006, a decline of $1.09 million or 9.4%. This decrease, which resulted despite a year on year increase in worldwide interest rates, may be attributed to a reduction in average deposit levels particularly in the first half of fiscal 2007.

The Bank's customer deposit levels decreased sharply in September 2006 following the announcement of the investigation into First Curacao International Bank and the subsequent rating downgrades. To put it in perspective, deposit balances decreased from $639.49 million at August 31, 2006 to $399.74 million at September 30, 2006, a decrease of 37.5%. This decrease continued into the 2007 fiscal year, reaching a low of $380.91 million at December 31, 2006. Despite this large outflow of funds, very few relationships were terminated and account closures were minimal. More importantly, we have witnessed a gradual and consistent re-generation in our deposit levels as BCB's non involvement in the investigation became apparent. Deposit levels increased to $518.77 million at March 31, 2007 and increased again to $555.55 million as at September 30, 2007. The chart on page 10 demonstrates the decrease and subsequent increase in deposit balances since the announcement of the events surrounding the FCIB investigation.

Fees and commissions decreased by $1.11 million, or 20.9%, from the previous year. Within our Corporate Services segment we reported a $550,000 or 14.6% decrease in fee revenue from $3.77 million to $3.22 million. This business segment provides trust, company management, fund administration, corporate registrar, financial, and custodial services. Our Corporate Services business also contributes to the overall group, as many of its clients maintain significant cash balances with Banking Services. The fee reduction resulted primarily from the termination of a large fund administration client which delisted. Subsequently, the Bank has entered into a number of new relationships which it is hoped will shortly offset the loss of business. Fees in BCB Trust

Company Limited, the Bank's wholly owned subsidiary also decreased due to a number of naturally occurring trust terminations. These decreases were slightly offset by modest growth in our custody business.

Within our Banking Services segment we reported a $560,000 or 36.4% decrease in fee revenue from $1.54 million to $980,000. This decrease was due to two major factors. Firstly, a major client transferred its banking business onshore resulting in the loss of all its banking business which was predominately fee based. Secondly, the Bank embarked on a comprehensive review of its client base to properly align our clients with our business strategy and risk profile. This review resulted in the termination of a number of client relationships with a corresponding loss in fee and interest income.

Foreign exchange gains grew by $140,000 or 21.5% to $790,000. This increase resulted from increased turbulence in worldwide currency markets particularly in the key U.S.Dollar, Euro and British Pound markets. In keeping with the Bank's policies, BCB does not assume any foreign exchange risk by taking unmatched positions; instead, all currency income is spread based.

Other operating income remained at the same level as the prior year at $220,000. This income consists primarily of recoveries from clients of pass-through charges and the absence of any year-on-year movement mirrors the activity of the Bank's core fee based business.

As the Bank holds no investments other than cash and cash equivalents, no investment income was reported for fiscal year 2007 or 2006.

EXPENSES

2007 expenses were heavily impacted by costs associated with both the sale and the events surrounding the investigation into the Bank's major shareholder, FCIB. These one-time expenses approximated $900,000 and consisted primarily of professional fees paid to our legal, audit and accounting advisors. Excluding these one-time expenses, expenses as a total for the year were kept below prior year levels.

Salaries and employee benefits decreased by 4.8% from $5.02 million to $4.78 million. This decrease was a result of a decrease in variable profit share compensation, an expense that is linked to the Bank's financial performance. Salary expense levels matched the prior year as annual increases were offset by slightly lower staff headcount. Despite the net reduction in staff numbers, we now believe that, following the recent recruitment of a number of key employees, we are at or near our optimal staffing level.

Amortizations and write-offs decreased by $330,000 or 37.9% from $870,000 in the prior year to $540,000. As previously notified, BCB changed premises in September 2006. Under the terms of the new lease, all capital improvements made to the Bank's previous premises were replicated in the new premises at no cost to the Bank. Accounting practices required that all of BCB's unamortized premises costs be fully expensed by the date of the move resulting in a large amortization charge in the prior year with no corresponding charge in the current year.

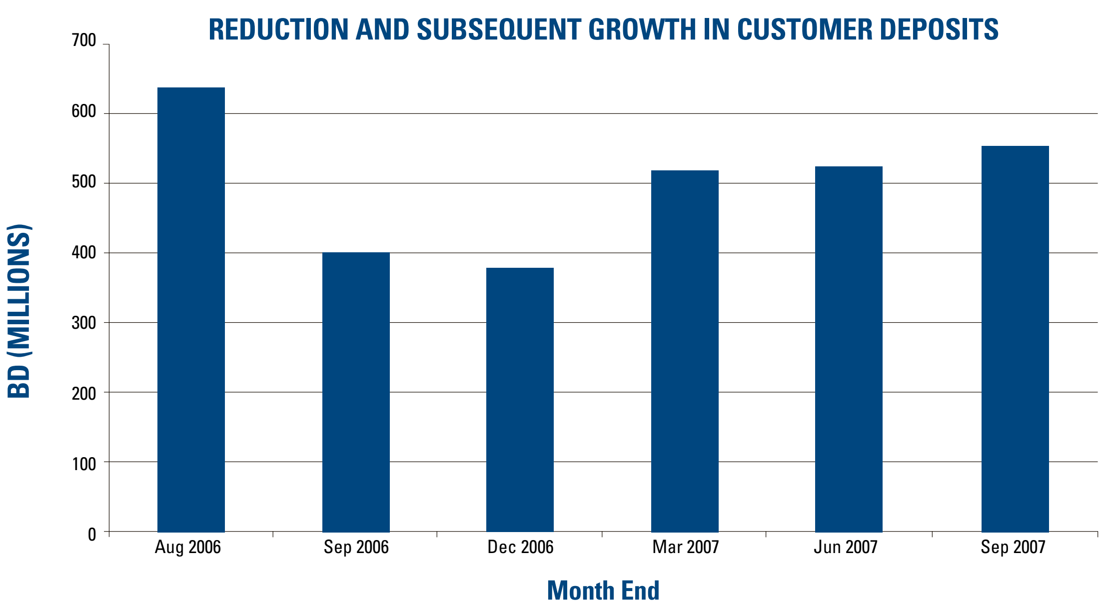
MANAGEMENT'S DISCUSSION AND ANALYSIS

EXPENSES (Continued)

Other expenses increased by $940,000 or 26.7% from $3.52 million for the year ended September 30, 2006 to $4.46 million this year. This increase includes the aforementioned one-time costs of $900,000. Excluding these costs, the increase in other expenses was limited to a 1.3% increase over the prior year. This increase compares favorably with the Bank's major benchmark, the Bermuda Consumer Price Index which revealed a rate of inflation well in excess of 3.0% further emphasizing BCB's cost control efforts.

FINANCIAL CONDITION AS AT SEPTEMBER 30, 2007

The Bank's assets followed the same course as our deposits. Customer deposits are placed with essentially matching maturities with highly rated counterparties, typically the interbank market but also, where prudent, in selected money market funds. Total cash and term deposits have risen to $618.60 million from $461.46 million, an increase of $157.14 million or 34.1%. However, as with the similar increase in deposits, the 2007 balance needs to be looked at in the context of the $840.00 million asset balance reported at September 30, 2005.



Equipment, leasehold improvements and computer software decreased to $830,000 from $1.20 million at September 30, 2006 as a result of annual amortization charges exceeding capital expenditure during the year. In light of the pending sale of the Bank certain capital projects have been deferred, resulting in a lower expenditure rate than normal. Additionally, under the terms of the premises move, BCB incurred no leasehold improvement costs in this regard.

The increases in interest receivable and interest payable are a function of the maturity schedules of deposits combined with the large increase in year on year assets and customer deposits levels. BCB's maturity schedule has traditionally been short term in nature with the majority of assets and liabilities maturing within one month.

Other liabilities have decreased by $330,000 to $3.45 million from $3.78 million at September 30, 2006, on account of normal operating accrual fluctuations.

The proposed dividend is the year-end dividend of $0.40 per share. This dividend is traditionally paid to shareholders in December. The proposed amount is lower than the prior year as the September 30, 2006 figure included an additional accrued special dividend of $0.25 per share.

Shareholders' equity has increased by $2.72 million to $60.16 million from $57.44 million, as a result of the net effect of net income and the exercise of 41,000 warrants offset by annual dividends due to shareholders.

In June 2004, the Basel Committee on Banking Supervision introduced a new capital adequacy framework to replace the 1988 Basel Capital Accord in the form of a final accord (commonly known as 'Basel II'). Bermuda is a party to the Basel accord. The supervisory objectives for Basel II are to promote safety and soundness in the financial system and maintain at least the current overall level of capital. In response to these developments, BCB established a working committee whose responsibility is to steer the implementation of Basel II, its future oversight and adherence. The implementation framework is based on a work paper guidance provided by our regulator, the Bermuda Monetary Authority. Given the current size of the Bank and its existing business lines, and based on our progress to date, we are confident that we will be able to satisfactorily meet the logistical and technological challenges of full implementation.

PERFORMANCE MEASURES

The downturn in average deposits and the resultant impact on our net income has materially impacted a number of our 2007 performance ratios. Decreasing revenues coupled with significant one-time expenses resulted in a downturn in the Bank's efficiency ratio from 48.15% to 62.21%.

In order to rebuild these ratios, the focus in 2008 will be on re-generating average deposit and fee income balances back to the record levels reported in fiscal 2006.

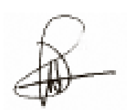
MANAGEMENT'S DISCUSSION AND ANALYSIS

PERFORMANCE MEASURES (Continued)

Per Share Information	2007	2006
Cash dividends	$ 0.80	$ 0.95
Net book value – basic	$ 13.71	$ 13.21
Net book value – diluted	$ 10.61	$ 10.30
Market value at year-end	$ 10.50	$ 7.80
Net income - basic	$ 1.36	$ 2.34
Net income – diluted	$ 1.08	$ 2.02

Financial Ratios	2007	2006
Return on equity	10.16%	18.63%
Return on assets	1.09%	1.53%
Efficiency ratio	62.21%	48.15%
Dividend payout ratio	59.26%	40.77%
Dividend to share price ratio	7.62%	12.18%
Cash, money market and term deposits / total assets	99.53%	99.40%

Capital Ratios		
Tier 1 capital ratio	45.26%	54.07%
Tier 2 capital ratio	0.02%	0.02%
Risk weighted capital ratio	45.28%	54.09%



DOMINIQUE SMITH
Chief Operating Officer

GREG REID
Chief Financial Officer

MICHAEL CRANFIELD
General Manager, Information Technology

ALAN MOORE
General Manager, International Corporate Management of Bermuda Limited.

P. GLENDALL PHILLIPS
General Manager, Banking & Custodial Services

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Bermuda Commercial Bank Limited

We have audited the consolidated balance sheet of Bermuda Commercial Bank Limited (the "Bank") as at September 30, 2007 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

As discussed in Note 1, there have been recent significant activities involving the Bank and the Bank's major shareholder First Curacao International Bank N.V. that have affected the operations of the Bank.

Deloitte + Touche

November 9, 2007

CONSOLIDATED BALANCE SHEET

as at September 30, 2007

	2007	2006
ASSETS		
Cash, money market and term deposits (Note 3)		
Due on demand	$20,756,191	$16,966,252
Term deposits	597,842,363	444,490,520
Total cash, money market and term deposits	618,598,554	461,456,772
Loans and advances, net of allowance for loan losses (Note 4)	166,253	223,722
Equipment, leasehold improvements and computer software (Note 5)	832,178	1,201,301
Interest receivable	912,334	430,715
Other assets	1,037,052	959,978
Total assets	$621,546,371	$464,272,488
LIABILITIES		
Deposits (Note 6)		
Demand deposits	$145,422,328	$165,228,647
Term deposits	410,123,292	234,511,718
Total deposits	555,545,620	399,740,365
Interest payable	635,955	491,170
Other liabilities	3,448,126	3,778,436
Proposed dividend	1,755,557	2,825,943
Total liabilities	561,385,258	406,835,914
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	$10,533,343	$10,434,252
Share premium (Note 7)	11,307,341	11,096,772
Retained earnings	38,320,429	35,905,550
Total shareholders' equity	60,161,113	57,436,574
Total liabilities and shareholders' equity	$621,546,371	$464,272,488

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the year ended September 30, 2007

	2007	2006
INCOME		
Interest income	$24,168,051	$29,764,625
Interest expense	(13,661,079)	(18,162,866)
Net interest income	10,506,972	11,601,759
Fees and commissions (Note 12)	4,201,302	6,374,718
Other operating income	216,280	218,751
Net exchange gains	791,044	654,652
Other income (Note 13)	-	689,805
Total income	15,715,598	19,539,685
EXPENSES		
Salaries and employee benefits (Note 11)	4,780,231	5,020,624
Amortization and write-offs	538,382	866,379
Other expenses	4,458,567	3,520,595
Total expenses	9,777,180	9,407,598
NET INCOME	5,938,418	10,132,087
RETAINED EARNINGS, BEGINNING OF YEAR	35,905,550	29,903,674
Dividends (Note 8)	(3,523,539)	(4,130,211)
RETAINED EARNINGS, END OF YEAR	$38,320,429	$35,905,550
Basic earnings per common share (Note 9)	$1.36	$2.34
Diluted earnings per common share (Note 9)	$1.08	$2.02

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended September 30, 2007

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$5,938,418	$10,132,087
Adjustment to reconcile net income to cash flows from operating activities:		
Amortization and write-offs	538,382	866,379
Reduction in provision for loan losses	-	(49,086)
(Increase) decrease in interest receivable	(481,619)	675,848
Increase in other assets	(77,074)	(13,506)
Increase in interest payable	144,785	161,691
(Decrease) increase in other liabilities	(330,310)	763,402
Cash flows from operating activities	5,732,582	12,536,815
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in loans and advances	57,469	1,238,906
Net decrease (increase) in term deposits with banks having maturity greater than three months	9,273,792	(11,218,368)
Purchase of equipment, leasehold improvements and computer software	(169,259)	(715,360)
Cash flows from investing activities	9,162,002	(10,694,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in customer deposits	155,805,255	(403,334,752)
Proceeds from exercise of warrants	309,660	114,330
Dividends paid	(4,593,925)	(2,387,358)
Cash flows from financing activities	151,520,990	(405,607,780)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	166,415,574	(403,765,787)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	450,152,780	853,918,567
CASH AND CASH EQUIVALENTS, END OF YEAR	616,568,354	450,152,780
CASH AND CASH EQUIVALENTS		
Cash, money market and term deposits	618,598,554	461,456,772
Less: term deposits with banks having maturity greater than three months	(2,030,200)	(11,303,992)
Cash and cash equivalents	616,568,354	450,152,780
SUPPLEMENTARY INFORMATION		
Interest paid	$13,516,294	$18,001,175

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

1. SIGNIFICANT EVENTS

Resignation by John Deuss, Timothy Ulrich and Tineke Deuss

On September 8, 2006 First Curacao International Bank N.V., ("FCIB"), a major shareholder of Bermuda Commercial Bank Limited (the "Bank"), announced that the legal authorities in Holland and Curacao were conducting an investigation at the offices of FCIB into alleged money laundering activities by some of FCIB's customers and into whether the activities of its Dutch service provider required a banking license. Subsequently John Deuss, Timothy Ulrich and Tineke Deuss, because they served as Directors of FCIB, advised the Board of the Bank of their intentions to temporarily step aside from their responsibilities as Officers and Directors of the Bank. On October 3, 2006, John Deuss, Timothy Ulrich and Tineke Deuss resigned from their positions as Chairman, President and Director respectively from the Bank's Board of Directors.

Appointment of Officers and Directors

In order to fill the vacant positions at the Bank, Dr. Clarence Terceira, Vice Chairman and John Sainsbury, a Director, were appointed Chairman and President respectively.

On December 8, 2006 three members of the Bank's management team, Paul Kneen, Greg Reid and Dominique Smith were appointed to the board. Mr. Kneen has since resigned his post with the company and as a Director.

Proposed Sale of the Bank

During the year the Board of Directors had agreed that a merger or outright sale was desirable to further the Bank's growth. In October 2006, the Bank hired the financial advisory firm of Keefe, Bruyette & Woods, Inc. to assist the board in the sale process. Negotiations for the sale or merger of the Bank with another entity are ongoing.

Rating Agencies

On October 6, 2006 Fitch downgraded the Bank's short-term rating to `F2' from `F1' and its Individual Rating to `C' from `B/C.' Fitch also placed both ratings on Rating Watch Negative.

Following the Bank's announcement that it is discussing a potential merger or alliance with other financial institutions, Fitch Ratings, through a press release dated October 20, 2006 revised the Rating Watch status for the Bank's short-term and individual ratings to Evolving from Negative, also affirming the Bank's support rating. In their credit update released in July 2007, Fitch Ratings have kept the Bank's rating outlook Evolving.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

Rating Agencies (Continued)

Moody's Investor Services, in a press release dated September 15, 2006, placed the Bank's ratings on review for downgrade. Subsequently, on September 29, 2006 Moody's downgraded the Bank's financial strength rating from C- to D+. The review for possible downgrade was extended by Moody's in its January 29, 2007 and September 12, 2007 press releases.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted ("GAAP") in Bermuda and Canada. The preparation of consolidated financial statements in conformity with Bermudian and Canadian GAAP requires management to make estimates and assumptions that affect assets and liabilities, income and other related information. The most significant assets and liabilities subject to estimates and assumptions by Management are operating expenses including amortization of equipment, premises and computer software, the allowance for credit losses and fair value of financial instruments. If actual results differ from these estimates, the impact is recognized in future periods.

Basis of Consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Bank and its wholly owned subsidiaries, International Corporate Management of Bermuda Limited, BCB Trust Company Limited, BCB (Mauritius) Limited and Bercom Nominees Limited. Intercompany transactions are eliminated on consolidation.

Foreign Currency Translation

United States dollar balances and transactions are translated into Bermuda dollars at par. Monetary assets and liabilities in other currencies are translated into Bermuda dollars at the rates of exchange prevailing at the balance sheet date. Income and expense items in other currencies are translated into Bermuda dollars at the rates prevailing at the dates of the transactions. Differences arising on the translation of assets and liabilities are charged or credited directly to net exchange gains.

Cash and CashEquivalents

Cash equivalents are limited to investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and have original maturities of three months or less.

Loans and Advances

Loans and advances are stated net of any related allowance for loan losses.

Derivative Financial Instruments

Derivatives are used to provide clients with the ability to manage their own market risk exposures. The most frequently used derivatives by clients are forward foreign exchange contracts. When the Bank enters into derivative contracts with clients, the client is required to settle the contract with the Bank in advance. The Bank will also simultaneously enter into a matching and offsetting derivative contract.

Equipment, Leasehold Improvements and Computer Software

Equipment, leasehold improvements, and computer software are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the related assets, which are up to seven years for equipment, three years for computer hardware, up to five years for computer software, and the term of the lease for leasehold improvements.

FairValue of Financial Instruments

The estimated fair values of financial instruments approximate their carrying values. Management estimates fair value on the basis of quoted market prices and financial rates, net present values of expected future cash flows, and such other methods as management considers appropriate in light of all existing information. Because management's methodologies necessarily involve assumptions about future events, the estimates are subject to considerable uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

3. CASH, MONEY MARKET AND TERM DEPOSITS

Cash, money market and term deposits include amounts due on demand, term deposits with banks, and money market funds. The maturities are as follows:

	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	Total
United States Dollar	$466,837,604	$60,000,000	$ -	$ -	$526,837,604
Euro	36,536,182		-	-	36,536,182
British Pound	28,462,743	3,045,300	-	2,030,200	33,538,243
Canadian Dollar	4,725,130	1,202,280	-	-	5,927,410
Bermuda Dollar	3,728,003	-	-	-	3,728,003
Other	12,031,112	-	-	-	12,031,112
2007 Total	$552,320,774	$64,247,580	$ -	$2,030,200	$618,598,554

	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	Total
United States Dollar	$334,855,941	$ -	$10,000,000	$ -	$344,855,941
Euro	40,809,975	-	-	-	40,809,975
British Pound	44,607,109	1,868,200	-	1,214,330	47,689,639
Canadian Dollar	14,120,436	1,075,944	-	89,662	15,286,042
Bermuda Dollar	1,201,726	-	-	-	1,201,726
Other	10,975,541	637,908	-	-	11,613,449
2006 Total	$446,570,728	$3,582,052	$10,000,000	$1,303,992	$461,456,772

The average effective yields earned are as follows:

	2007	2006
Term deposits	5.10%	4.29%
Money market funds	N/A	4.53%
Demand deposits with other banks	4.15%	3.69%

4. LOANS AND ADVANCES

Loans and advances and the allowance for loan losses at September 30 are as follows:

	2007 Gross	2007 Allowance	2007 Net	2006 Gross	2006 Allowance	2006 Net
Mortgage loans	$310,373	$148,567	$161,806	$356,510	$148,567	$207,943
Other	4,447	-	4,447	15,779	-	15,779
Total	$314,820	$148,567	$166,253	$372,289	$148,567	$223,722

Mortgage loans consist primarily of first mortgages on Bermuda properties held by the Bank. These mortgages are generally repayable over periods not exceeding 15 years and are callable on 90 days notice.

The loan portfolio at September 30 by contractual maturity is as follows:

	Within 1 Year	1 – 5 Years	More than 10 Years	Impaired	Total	Average Effective Yield
Mortgage loans	$ -	$30,420	$156,148	$123,805	$310,373	9.47%
Other	2,630	1,817	-	-	4,447	0.00%
2007 Total	$2,630	$32,237	$156,148	$123,805	$314,820	

	Within 1 Year	1 – 5 Years	More than 10 Years	Impaired	Total	Average Effective Yield
Mortgage loans	$ -	$39,333	$160,399	$156,778	$356,510	6.05%
Other	14,966	813	-	-	15,779	0.00%
2006 Total	$14,966	$40,146	$160,399	$156,778	$372,289	

The following is an analysis of the allowance for loan losses at September 30:

	2007 Specific	2007 General	2007 Total	2006 Specific	2006 General	2006 Total
Balance at beginning of year	$128,567	$20,000	$148,567	$132,653	$65,000	$197,653
Released	-	-	-	(5,000)	(45,000)	(50,000)
Increases and new provisions	-	-	-	914	-	914
Balance at end of year	$128,567	$20,000	$148,567	$128,567	$20,000	$148,567

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5. EQUIPMENT, LEASEHOLD IMPROVEMENTS AND COMPUTER SOFTWARE

	Cost	Accumulated Amortization	Net Book Value 2007
Equipment	$1,037,936	$788,955	$248,981
Leasehold improvements	408,556	150,682	257,874
Computer software	2,085,132	1,759,809	325,323
Total	$3,531,624	$2,699,446	$832,178

	Cost	Accumulated Amortization	Net Book Value 2006
Equipment	$995,852	$689,378	$306,474
Leasehold improvements	392,690	5,982	386,708
Computer software	2,224,234	1,716,115	508,119
Total	$3,612,776	$2,411,475	$1,201,301

6. DEPOSITS

Deposits include both demand and term deposits. Deposits payable on demand are interest and non-interest bearing deposits. Deposits payable on a fixed date are interest-bearing deposits that mature on a specified date. The maturities are as follows:

	Demand Deposits	Within 1 Month	1-3 Months	3-6 Months	6 - 12 Months	Total Term Deposits	Total Deposits
United States Dollar	$111,994,805	$342,309,008	$3,977,380	$638,357	$4,053,357	$350,978,102	$462,972,907
Euro	5,520,195	30,887,434	106,380	-	-	30,993,814	36,514,009
British Pound	18,383,413	12,430,194	1,044,755	-	1,451,135	14,926,084	33,309,497
Canadian Dollar	2,026,649	2,510,071	1,177,259	-	177,276	3,864,606	5,891,255
Bermuda Dollar	2,985,235	1,370,010	454,591	123,039	19,977	1,967,617	4,952,852
Other	4,512,031	7,393,069	-	-	-	7,393,069	11,905,100
2007 Total	$145,422,328	$396,899,786	$6,760,365	$761,396	$5,701,745	$410,123,292	$555,545,620

6. DEPOSITS (Continued)

	Demand Deposits	Within 1 Month	1-3 Months	3-6 Months	6 - 12 Months	Total Term Deposits	Total Deposits
United States Dollar	$122,500,621	$144,180,221	$5,673,945	$4,889,847	$946,382	$155,690,395	$278,191,016
Euro	8,130,698	32,633,789	-	-	-	32,633,789	40,764,487
British Pound	20,108,370	24,655,798	1,503,514	-	1,232,375	27,391,687	47,500,057
Canadian Dollar	6,785,610	7,238,239	1,015,445	79,148	153,194	8,486,026	15,271,636
Bermuda Dollar	3,336,666	2,999,368	57,429	103,842	-	3,160,639	6,497,305
Other	4,366,682	6,483,449	665,733	-	-	7,149,182	11,515,864
2006 Total	$165,228,647	$218,190,864	$8,916,066	$5,072,837	$2,331,951	$234,511,718	$399,740,365

The average effective interest rates paid were:

	2007	2006
Term deposits based on book values and contractual interest rates	4.52%	3.96%
Demand deposits	0.09%	0.06%

7. CAPITAL STOCK

All shares are common shares with a par value of $2.40 each

	Authorized Shares	Par Value	Issued & Fully Paid Shares	Par Value	Share Premium
Balance at September 30, 2007	10,000,000	$24,000,000	4,388,893	$10,533,343	$11,307,341
Balance at September 30, 2006	10,000,000	$24,000,000	4,347,605	$10,434,252	$11,096,772

As part of a Rights Offering in June 1995, the Bank issued 1,625,036 warrants which were convertible to common shares at $7.50 between May 1997 and May 2001. In May 2001, December 2001 and December 2002, the expiry dates of the warrants were extended to May 31, 2002, 2003 and 2005, respectively. In December 2004, the expiry date of the warrants was further extended to May 30, 2008. Of these warrants, 805,576 (2006: 805,576) are held by the Bank's controlling shareholder. As of September 30, 2007, 1,511,251 (2006: 1,552,539) warrants remain outstanding.

During the year, 41,288 (2006: 15,244) warrants were exercised resulting in an issuance of the same number of common shares, with a par value of $99,091 (2006: $36,586) and share premium of $210,569 (2006: $77,744).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

7. CAPITAL STOCK (Continued)

Options to acquire common shares have been issued to the Bank's controlling shareholder as follows:

Issue Date	Number of options	Exercise Price	Exercise Period
December 2000	500,000	$5.6972	January 1, 2003 through December 31, 2012
December 1999	400,000	$7.05	January 1, 2002 through December 31, 2011
December 1998	300,000	$5	January 1, 2001 through December 31, 2010
December 1997	200,000	$5.125	January 1, 2000 through December 31, 2009
December 1996	200,000	$5	January 1, 1999 through December 31, 2008
December 1995	200,000	$5	January 1, 1998 through December 31, 2008

In December 2001, the exercise date of the options originally issued in December 1995 was extended from December 31, 2002 to December 31, 2003. In December 2002, the exercise date of each lot of options was extended by two years. In December 2004, the exercise date of each lot of options was extended by a further three years.

8. DIVIDENDS

	2007	2006
Declared and Paid: Half Year		
(2007: 40.0 cents per common share; 2006: 30.0 cents)	$1,767,982	$1,304,268
Declared: Year End		
(2007: 40.0 cents per common share; 2006: 65.0 cents)	1,755,557	2,825,943
Total for year	$3,523,539	$4,130,211

9. EARNINGS PER SHARE

Basic Earnings per Share (EPS) is calculated by dividing net income by the weighted average number of common shares outstanding during the year. The Diluted EPS calculation assumes that stock options and warrants are only exercised and converted when the exercise price is below the average market price of the shares. It also assumes that the Bank will use any proceeds to purchase its common shares at their average market price during the period. Consequently, there is no imputed income on the proceeds and weighted average shares are only increased by the difference between the number of options and warrants exercised and the number of shares purchased by the Bank.

The following table presents the computation of basic and diluted earnings per share:

	Net Earnings	Weighted Average Shares	Earnings per Share
2007			
Basic Earnings Per Share			
Net income	$5,938,418	4,375,885	$1.36
Add: Incremental shares from assumed			
Exercise of stock options (Note 7)		751,050	
Conversion of warrants (Note 7)		347,747	
Adjusted weighted average shares outstanding		5,474,682	
Diluted Earnings Per Share			
Net income	$5,938,418	5,474,682	$1.08
2006			
Basic Earnings Per Share			
Net income	$10,132,087	4,338,719	$2.34
Add: Incremental shares from assumed			
Exercise of stock options (Note 7)		554,246	
Conversion of warrants (Note 7)		130,268	
Adjusted weighted average shares outstanding		5,023,233	
Diluted Earnings Per Share			
Net income	$10,132,087	5,023,233	$2.02

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. RELATED PARTY CONSIDERATION

The Bank is the appointed manager and custodian on a number of money market funds. As at September 30, 2007 the Bank had $nil (2006: $nil) invested in these money market funds. The Bank charged fees of $11,009 on these funds for the year ended September 30, 2007 (2006: $45,090).

At September 30, 2007 First Curacao International Bank N.V. ("FCIB"), which is incorporated in the Netherlands Antilles, owns 46.85% (2006: 47.29%) of the Bank's issued shares.

The Bank and FCIB were parties to a Service and Management Agreement where the latter provided managerial services and advice to the Bank in consideration of which the Bank was charged an annual management fee based on net income. The management fee, which was incurred in the normal course of operations, had traditionally been waived by FCIB. The Service and Management Agreement expired during the 2003 financial year and was not renewed. FCIB continued to provide managerial services and advice to the Bank up until September 2006 for which it is not seeking any claim for reimbursement. Managerial services and advice have not been provided since this time. The Bank has no liability to FCIB for the services provided. Management estimates the value of those services to approximate $100,000 for the year ended September 30, 2006.

The Bank provides banking services to FCIB and other related parties under the same terms as an unrelated party would receive. The Bank earned interest and fees on these services of approximately $375,000 during the year ended September 30, 2007 (2006: $460,000).

The Bank and FCIB entered into a Software License and Support Agreement for an Internet Banking System effective October 1, 2003 providing for an initial license fee of $80,000 together with an annual support and maintenance fee equal to 15% of the license fee. During the 2004 financial year, the Internet Banking System underwent final user acceptance and testing in addition to implementation of robust upgrades, enhancements, and additional functions requested by the Bank. In consideration of these factors, the initial agreed upon license fee and the annual support and maintenance fees did not become due and payable until the fiscal year commencing October 1, 2004. In the interest of expedience the Bank performs all routine support and maintenance itself using in-house technical expertise. The Internet Banking System has operated continuously since 2004, and, while this agreement remains in force, the Bank has no reliance on FCIB for routine support.

11. EMPLOYEE BENEFITS

The Bank meets the minimum requirements of the Bermuda National Pension Scheme (Occupational Pensions) Act 1998, related amendments and regulations. Under this legislation, the Bank contributes to its employees' pension requirements using a defined contribution plan at the following rates, following any probationary period for new staff:

5% of gross salary if service does not exceed 15 years; and
10% of gross salary if service exceeds 15 years.

11. EMPLOYEE BENEFITS (Continued)

As permitted under the legislation, staff members are required to contribute annually 5% based on the employees' pensionable earnings. Staff members with greater than 15 years of service are not required to make contributions.

The scheme is administered by an independent party, and all such funds are segregated from the assets and liabilities of the Bank. Pension expense incurred during 2007 amounted to $165,482 (2006: $143,088).

Following the uncertainty surrounding the investigation into FCIB and John Deuss, the Bank implemented an employee compensation plan to aid in the retention of employees. This plan guarantees the salary and certain other compensation benefits of the majority of the Bank's employees. This plan expires on December 31, 2007.

12. FEES AND COMMISSIONS

2006 fees and commissions include one-time, non recurring service fee income of $1,058,750 in the Bank's corporate services segment. This fee income resulted from a significant upward revaluation of a client's net assets following a change in the client's accounting policies and the subsequent renegotiation of prior period fees which were based on the levels of these net assets. Subsequent to September 30, 2006 the Bank ceased to provide services to this client.

13. OTHER INCOME

2006 other income is one-time, non recurring income of $689,805 resulting from the release of litigation provisions initially accrued in 2001 that the Bank no longer believed were required.

14. COMMITMENTS AND CONTINGENT LIABILITIES

In September 2006, the Bank moved premises and entered into a five-year lease, which contains two options to renew the lease for five additional years, for a total of fifteen years.

Payments due for premises rented under long-term leases at September 30, 2007 are:

2008	$603,700
2009	$603,700
2010	$642,531
2011	$655,475

The Bank is contingently liable for letters of credit, which are fully matched by offsetting customer deposits in the amount of $1,580,000 (2006: $1,580,000). The Bank has issued a confirmed letter of credit in its own name in the amount of $300,000 (2006: $300,000) that is supported by a term deposit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. INTEREST RATE SENSITIVITY

Interest rate risk arises from maturity mismatches. The following is an analysis of the maturity of assets and liabilities:

2007	Within 1 Month	1-3 Months	3-12 Months	Over 12 Months	Non-Interest Sensitive	Total
ASSETS						
Cash	$20,756,191	$ -	$ -	$ -	$ -	$20,756,191
Term deposits	531,564,583	64,247,580	2,030,200	-	-	597,842,363
Loans	2,630	-	-	163,623	-	166,253
Other assets	-	-	-	-	2,781,564	2,781,564
Total assets	$552,323,404	$64,247,580	$2,030,200	$163,623	$2,781,564	$621,546,371
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits	$542,322,114	$6,760,365	$6,463,141	$ -	$ -	$555,545,620
Other liabilities	-	-	-	-	5,839,638	5,839,638
Shareholders' equity	-	-	-	-	60,161,113	60,161,113
Total liabilities & shareholders' equity	542,332,114	6,760,365	6,463,141	-	66,000,751	621,546,371
Net surplus (deficit)	10,001,290	57,487,215	(4,432,941)	163,623	(63,219,187)	-
Cumulative net surplus	$10,001,290	$67,488,505	$63,055,564	$63,219,187	$ -	$ -

15. INTEREST RATE SENSITIVITY (Continued)

2006	Within 1 Month	1-3 Months	3-12 Months	Over 12 Months	Non-Interest Sensitive	Total
ASSETS						
Cash	$16,966,252	$ -	$ -	$ -	$ -	$16,966,252
Term deposits	429,604,476	3,582,052	11,303,992	-	-	444,490,520
Loans	1,106	581	13,280	208,755	-	223,722
Other assets	-	-	-	-	2,591,994	2,591,994
Total assets	$446,571,834	$3,582,633	$11,317,272	$208,755	$2,591,994	$464,272,488
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits	$383,419,511	$8,916,066	$7,404,788	$ -	$ -	$399,740,365
Other liabilities	-	-	-	-	7,095,549	7,095,549
Shareholders' equity	-	-	-	-	57,436,574	57,436,574
Total liabilities & shareholders' equity	383,419,511	8,916,066	7,404,788	-	64,532,123	464,272,488
Net surplus (deficit)	63,152,323	(5,333,433)	3,912,484	208,755	(61,940,129)	-
Cumulative net surplus	$63,152,323	$57,818,890	$61,731,374	$61,940,129	$ -	$ -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

16. BUSINESS SEGMENTS

The Bank's reportable business segments are strategic operating units that offer substantially different products and services. The Bank has three reportable business segments: Banking Services, Corporate Services, and Mortgage Lending.

Banking Services - 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. Results of the Bank's eBanking initiative are included within the Banking Services segment due to the correlation of activity.

Corporate Services - The Corporate Services segment provides trust, company management, asset management and fund administration, corporate registrar, financial, and custody services to third parties as well as to the Bank's other business segments.

Mortgage Lending - The Mortgage Lending segment operated as follows prior to February 11, 1997:

i.advance and lend money on mortgage or otherwise upon the security of real property;

ii.advance and lend money on ordinary and personal loans; and,

iii.receive money on deposit, paying interest thereon.

On February 11, 1997, the Board of Directors approved a resolution to terminate active lending and to run-off the mortgage book. This segment no longer accepts new deposits and is not offering new lending.

The segment accounting policies are the same as those described in Note 2. Each segment is allocated a portion of head office costs. The net interest income earned on the deposits of customers acquired by segments other than Banking Services is not allocated to those acquiring segments. The following tables set forth information about segment net income and segment assets.

16. BUSINESS SEGMENTS (Continued)

2007	Banking Services	Corporate Services	Mortgage Lending	Elimination of inter-segment amounts	Totals
Net interest income from external customers	$10,475,706	$ -	$31,266	$ -	$10,506,972
Fees and other income from external customers	1,989,688	3,218,938	-		5,208,626
Inter-segment fees and other income	-	101,300	-	(101,300)	-
Total income	12,465,394	3,320,238	31,266	(101,300)	15,715,598
Operating expenses	(3,765,086)	(1,939,140)	-	47,204	(5,657,022)
Net income before head office allocation	8,700,308	1,381,098	31,266	(54,096)	10,058,576
Head office allocation	(2,553,452)	(1,620,802)	-	54,096	(4,120,158)
Net income	$6,146,856	$(239,704)	$31,266	-	$5,938,418
Segment assets	$620,712,163	$2,213,172	$170,448	$(1,549,412)	$621,546,371

2006	Banking Services	Corporate Services	Mortgage Lending	Elimination of inter-segment amounts	Totals
Net interest income from external customers	$11,550,252	$ -	$51,507	$ -	$11,601,759
Fees and other income from external customers	3,103,362	4,834,564	-	-	7,937,926
Inter-segment fees and other income	-	130,146	-	(130,146)	-
Total income	14,653,614	4,964,710	51,507	(130,146)	19,539,685
Operating expenses	(3,296,645)	(2,053,529)	-	87,763	(5,262,411)
Net income before head office allocation	11,356,969	2,911,181	51,507	(42,383)	14,277,274
Head office allocation	(2,559,392)	(1,628,178)	-	42,383	(4,145,187)
Net income	$8,797,577	$1,283,003	$51,507	$ -	$10,132,087
Segment assets	$463,373,588	$2,417,989	$216,403	$(1,735,492)	$464,272,488

CONSOLIDATED FIVE YEAR SUMMARY

BALANCE SHEET

	2007	2006	2005	2004	2003
Assets					
Cash, money market and term deposits	$618,598,554	$461,456,772	$854,004,191	$581,133,044	$830,591,565
Loans and advances, net	166,253	223,722	1,413,542	1,937,022	3,106,390
Equipment, leasehold improvements and computer software	832,178	1,201,301	1,352,320	1,799,794	1,613,983
Interest receivable and other assets	1,949,386	1,390,693	2,053,035	1,513,123	1,417,985
Total assets	$621,546,371	$464,272,488	$858,823,088	$586,382,983	$836,729,923
Liabilities					
Total deposits	$555,545,620	$399,740,365	$803,075,117	$534,283,798	$785,939,005
Interest payable and other liabilities	5,839,638	7,095,549	4,427,603	3,924,270	3,789,322
Total liabilities	561,385,258	406,835,914	807,502,720	538,208,068	789,728,327
Shareholders' Equity					
Capital stock	$10,533,343	$10,434,252	$10,397,666	$10,387,265	$10,271,690
Share premium	11,307,341	11,096,772	11,019,028	10,996,924	10,751,329
Retained earnings	38,320,429	35,905,550	29,903,674	26,790,726	25,978,577
Total shareholders' equity	60,161,113	57,436,574	51,320,368	48,174,915	47,001,596
Total liabilities and shareholders' equity	$621,546,371	$464,272,488	$858,823,088	$586,382,983	$836,729,923

ASSETS UNDER TRUST AND CUSTODY

Securities and properties, other than demand or term deposits with the Bank, held in a trust or a custodial capacity for customers, are not included in the consolidated balance sheet as such assets are not the property of the Bank or its subsidiaries. The value of assets under trust and custody as at September 30, 2007 are estimated to be $0.93 billion (2006: $1.95 billion).

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	2007	2006	2005	2004	2003
Income					
Interest income	$24,168,051	$29,764,625	$16,923,208	$8,903,817	$ 8,664,825
Interest expense	13,661,079	18,162,866	8,692,860	4,269,515	3,905,726
Net interest income	10,506,972	11,601,759	8,230,348	4,634,302	4,759,099
Fees and commissions	4,201,302	6,374,718	4,871,530	4,839,906	4,602,380
Other operating income	216,280	218,751	257,545	218,048	126,402
Net exchange gains	791,044	654,652	778,080	725,842	699,029
Other income	-	689,805	-	-	-
Total income	$15,715,598	$19,539,685	$14,137,503	$10,418,098	$10,186,910
Expenses					
Salaries and employee benefits	4,780,231	5,020,624	4,467,193	4,190,219	3,774,140
Amortization and write-offs	538,382	866,379	687,348	479,342	595,359
Other expenses	4,458,567	3,520,595	3,812,770	2,989,917	3,173,802
Total expenses	9,777,180	9,407,598	8,967,311	7,659,478	7,543,301
Operating Income	5,938,418	10,132,087	5,170,192	2,758,620	2,643,609
Unusual Items	-	-	-	-	-
Discontinued Operations	-	-	-	-	-
Net Income	5,938,418	10,132,087	5,170,192	2,758,620	2,643,609
Retained Earnings [1]	35,905,550	29,903,674	26,790,726	25,978,577	25,260,910
Dividends	(3,523,539)	(4,130,211)	(2,057,244)	(1,946,471)	(1,925,942)
Retained Earnings [2]	$38,320,429	$35,905,550	$29,903,674	$26,790,726	$25,978,577
Basic earnings per share	$1.36	$2.34	$1.19	$0.64	$0.62

[1] Beginning of year
[2] End of year

Management and Staff

Dominique Smith – Chief Operating Officer
Greg Reid – Chief Financial Officer

Michael Cranfield – General Manager, Information Technology
Alan Moore – General Manager, International Corporate Management of Bermuda Limited
P. Glendall Phillips – General Manager, Banking & Custodial Services

Neil de ste Croix – Consulting Manager, BCB Trust Company
Horst Finkbeiner – Chief Compliance Officer
Steven R. Morris – Manager, International Corporate Management of Bermuda Limited
Ishwar Narayanan – Internal Auditor
Diana Ture – Manager, Business Development

Karen Blankendal – Assistant Manager, Head of Corporate Administrators
Shanalette DeSilva – Assistant Manager, Head of Custodial Services
Janet Field – Corporate Secretary
Sophia Ming – Assistant Manager, Head of Treasury Operations
Ann Robinson – Assistant Manager, Head of Banking Operations

Monique Bailey	Margot Bean	Natascia Bertoli-Badoli	Alan Bird
Sharon Chawla	Shirley Daniels	Milton Darrell	Susan Davis
Angelique Dowling	Ron Hubbard	Michelle Johnston	Monica Knight
Dezané Lathan	Sindy Lowe	Reneé McHardy	Marek Noha
Charmette Phillip	Heather Roque	Marilyn Scott	Donnette Simons
Jill Smith	Khamla Smith	Melissa Smith	André Swan
Eugena Wainwright	Brian Ward	Elsie Webb	

Board of Directors as at September 30, 2007

Dr. Clarence R. Terceira JP
CHAIRMAN
Founding Director, Former President
Retired Dental Surgeon

E. John Sainsbury
PRESIDENT
Former CEO, Argus Insurance Co. Limited.

C. Jerome Dill
Executive Vice President, General Counsel,
Validus Reinsurance Limited

R. Anthony Jones MA
Managing Director,
Washington Properties (Bermuda) Limited

Christian A. Peterson[1]
Managing Director,
PNE Management & Advisory Services N.V.

Greg Reid[1]
Chief Financial Officer,
Bermuda Commercial Bank

Delaey Robinson
Innkeeper

Dominique Smith
Chief Operating Officer,
Bermuda Commercial Bank

[1]Denotes non-Bermudian director.

As at September 30, 2007, the total interest of all Directors, Statutory Officers, and Executive Officers amounted to 163,168 (3.72%) in common shares and nil (0%) in warrants and options.

There are no service contracts with directors.

Subsidiaries as at September 30, 2007

INTERNATIONAL CORPORATE MANAGEMENT OF BERMUDA LIMITED

Telephone: (441) 295-5678 Fax: (441) 292-5898

Incorporated in Bermuda on December 21, 1992. Provides corporate and partnership management and corporate registrar and financial services.

BCB TRUST COMPANY LIMITED

Telephone: (441) 295-5678 Fax: (441) 292-6128

Incorporated in Bermuda on February 24, 1970. Provides trust and financial services to individuals and companies.

BERCOM NOMINEES LIMITED

Telephone: (441) 295-5678 Fax: (441) 295-8091

Incorporated in Bermuda on July 8, 1987 as a nominee company.

The registered address for above companies is:
Bermuda Commercial Bank Building
19 Par-la-Ville Road, Hamilton HM 11, Bermuda

Bermuda is the principal country of operations for the above companies.

BCB (MAURITIUS) LIMITED

c/o Abacus Management Solutions
Level 6, One Cathedral Square
Jules Koenig Street, Port Louis, Mauritius
Telephone: (230) 207-1000 Fax: (230) 208-7949

Incorporated in Mauritius on November 2, 1994. Provides custodial services for BCB in Mauritius.

BERMUDA COMMERCIAL BANK LIMITED

Registered Address:
Bermuda Commercial Bank Building
19 Par-la-Ville Road
Hamilton HM 11, Bermuda

Mailing Address:
P.O. Box HM 1748, Hamilton HM GX, Bermuda

Telephone: (441) 295-5678
Facsimile: (441) 295-8091
Website: www.bcb.bm
Email: enquires@bcb.bm