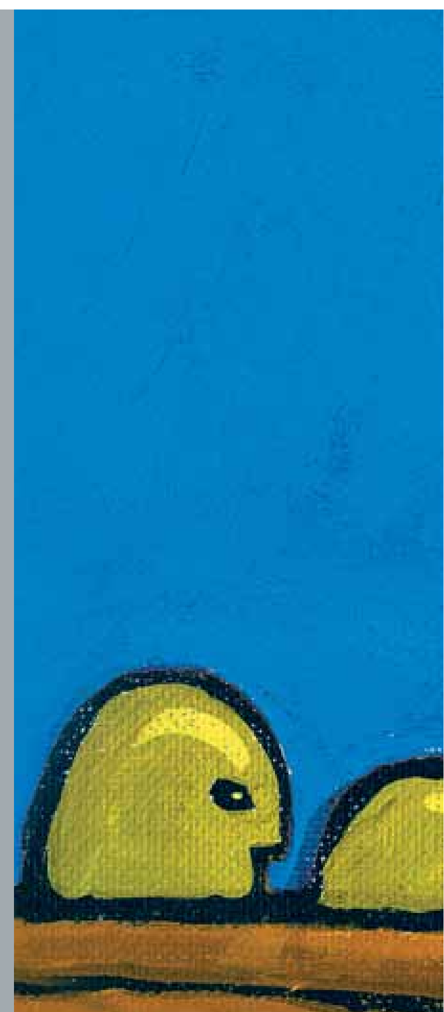
BCB

Bermuda Commercial Bank Limited

ANNUAL REPORT 2011

grasping the possibility of growth



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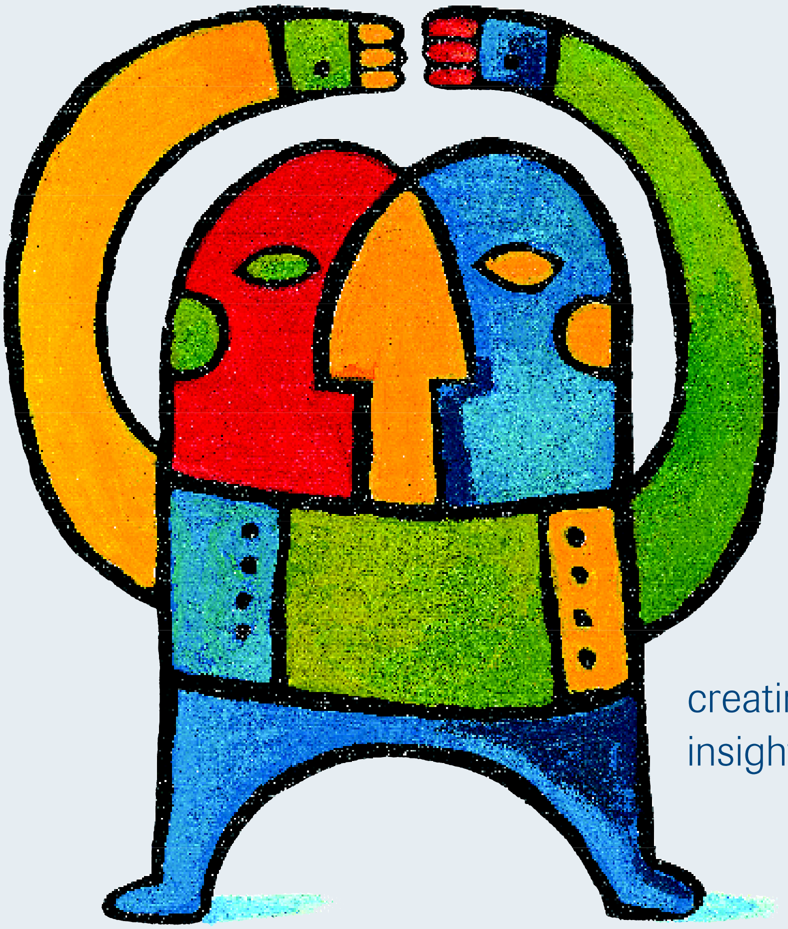
Corporate Profile

Bermuda Commercial Bank Limited provides tailored financial solutions and personal attention for business and private clients. We act as trusted advisors to our clients to craft efficient solutions for wealth preservation, asset management, corporate finance and management. Our team of professionals serve Bermuda and international clients including families and private individuals, as well as companies of all sizes including large multi-nationals.

Since 1969 we have provided outstanding personal services to our clients. We are the only bank in Bermuda focused solely on serving local and international corporate and private wealth clients. We offer competitive banking products & services, as well as trust & estate management, custody & brokerage, asset management & investment. We also offer a comprehensive range of corporate services including company formation and management, trademarks, and special purpose vehicles for corporate transactions.



creating synergy through
insight and strategy

Services

Estate Planning and Trust Administration
Banking and Wealth Management
Corporate Administration
Global Custody

Management & Staff of Bermuda Commercial Bank Limited's head office.

Core Beliefs

The following principles form the basis of the Bank's core beliefs:

PERSONALISED SERVICE

We have taken advantage of our relatively small size and strict focus to provide highly personalised service to a select client base. We maintain the highest standard of service seeking to foster a strong bond with our clients based on integrity, knowledge, mutual trust and respect. We keep abreast of relevant developments in the industry and markets, advise our clients, and update our services to reflect the changing environment.

CONSERVATIVE RISK MANAGEMENT

The management of risk is an important criterion to all users of financial services. We minimize our corporate risk by following a conservative policy in balance sheet and asset management. We follow highly conservative liquidity policies and maintain one of the strongest capital ratios in the industry. We strive to deliver the strength and safety that our clients demand from their bank.

COMPREHENSIVE PRODUCTS & SERVICES, COMPLETE SOLUTIONS

Our services are offered through the Bank and through our principal subsidiaries; we provide our clients with a one-stop solution for all their financial needs whether it be for simple deposit accounts or more comprehensive banking including internet banking, credit cards, and foreign exchange services.

Our trust and corporate services are offered through our subsidiaries which are BCB Paragon Trust Limited and BCB Charter Corporate Services Limited. Our strategic relationship with Westhouse Securities Limited in London delivers corporate finance, brokerage, and listing services on AIM and the LSE.

We are a member of the SWIFT (Society of Worldwide Interbank Financial Telecommunication) network with correspondent banking relationships with major institutions around the world. Through our global custodial network, we provide 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 our commitment to high quality service and products.

History of Bermuda Commercial Bank

Bermuda Commercial Bank Limited started life by an Act of Parliament in February 1969 under the name of The Provident People's Bank Limited. In May 1969, the Banks name was changed to Bermuda Provident Bank Limited, and in 1984 the name of the Bank was changed again to Bermuda Commercial Bank Limited.

The genesis of the Bank goes back more than 45 years to 1965 when Mr. Walter J. Seymour, the President of Provident Trust Company, conceived the idea of forming a savings and loan group in which persons of limited means could pool their resources to assist one another. His vision was supported by a number of Bermudians who saw the need for a widening of banking facilities in Bermuda and who, with Barclays Bank plc ("Barclays") as their partner, together founded the Bank. The granting of a banking license was a significant achievement for the shareholders and the first meeting of the Bank's Board was held on 6 December 1969. The first President of the Board was Mr. Arnold Francis, C.B.E., J.P. who continued to serve on the Board for 30 years.

The Bank operated under the management of Barclays from its inception until 10 May 1993. During that period, Barclays held 31.92 per cent of the shares of the Bank. A decision was made by Barclays to sell its minority shareholdings world-wide in the early 1990's and this set the stage for the Bank to acquire a new substantial shareholder and manager who would bring a new focus and direction. The purchaser of Barclay's shareholding was First Curacao International Bank N.V. ("FCIB"), a licensed Bank operating in the Netherlands Antilles.

In the early 1990's, the Bank made a strategic decision to withdraw from the provision of local retail banking services. The Bank changed its focus to serve international and corporate business and as part of this realignment, the majority of the Bank's loan portfolio was sold and the Bank exited from the credit market. This had the benefit of transferring almost all of the Bank's risk assets from the balance sheet and setting the stage for future unencumbered growth. The Bank retained its local mortgage and deposit company, Somers Mortgage & Finance Limited, which had established a strong position in its market, with the provision of traditional products and services carefully tailored to specific client groups.

The Bank established a new niche market focus providing services tailored to the international business and private client markets. As part of the re-focus, the Bank became smaller, leaner and more efficient. The Bank developed new products and was a pioneer in providing electronic banking to its clients.

In April 2010, the majority shareholding in the Bank was purchased by an investor group through Permanent Investments Limited ("Permanent"). Management welcomed the new investors and the new spark to the Bank helped revitalize the business and position the Bank well for future growth. During the course of 2011, Permanent transferred a portion of its shareholding to two of its funders, Utilico Investments Limited (Utilico, LSE: UL) and Resimac Limited (Resimac) which became significant shareholders of BCB in their own right. The Bank's focus on private wealth management and corporate business was reaffirmed, management began the work of updating the Bank's infrastructure, and the Bank re-engaged with the marketplace with new, competitive products.

These changes have been successful and BCB is again growing with the aim of opening up at least five subsidiary offices in international jurisdictions. The Bank is also involved in acquisitions and is always looking for new opportunities to expand our growing business portfolio. Because of our small size and niche market, the Bank is positioned to be more flexible and offer greater solutions for our clients. Service and quality are our most important assets, and BCB requires a high level of excellence from all of our employees with some members of staff receiving long service awards for over 30 years of service to the Bank. BCB understands that it needs to remain pragmatic and versatile in this currently unstable economic environment and has positioned itself to remain a strong competitor in Bermuda's relatively saturated financial marketplace. In February 2011, the Bank was awarded the 2011 Kinetic Process Innovation Award for excellence in the Banking Technology category. Now in its 14th year, the awards program recognizes excellence in information technology. BCB's unprecedented application of banking technology illustrated best practices in compliance excellence and mitigating transactional risks. This award was a major accomplishment for the Bank and secured its status as a highly competitive, technologically savvy financial institution.

In October of 2011, Bermuda Commercial Bank expanded its trust and corporate administration services business through the acquisition of two well-established Bermuda companies - Paragon Trust Ltd. and Charter Corporate Services Ltd. The current offices of Paragon Trust Ltd. and Charter Corporate Services Ltd. at the historic "Trinity Hall" in the City of Hamilton, will become the centre for Private Wealth services for Bermuda Commercial Bank. This acquisition is consistent with Bermuda Commercial Bank's strategic objectives and overall business goals of creating a full-service, boutique premier wealth management financial institution. BCB Paragon Trust Limited offers a complete range of trust services, as well as estate planning, estate administration and executorships. BCB Charter Corporate Services Limited offers a full range of corporate administrative and secretarial services to both local and exempted companies, which operate in a wide range of sectors. These exciting acquisitions solidify Bermuda Commercial Bank's position in the market as a financial institution on the rise.

Letter to Shareholders

It is with much pleasure that I write to you as Chairman of BCB to share with you the results for the year ended September 30, 2011 and to outline progress made during 2011 and our evolving strategy.

The Bank is going through an exciting period of change. We are seeking to become the industry leader in commercial banking and private wealth client management in Bermuda. Our conservative approach to banking, along with our focus on service excellence, has resulted 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. The careful transition of a portion of our balance sheet out of cash and into a diversified portfolio of securities resulted in strong interest income growth. This resulted in underlying profit for the year of $2.60 million, up from $1.18 million last year while our total assets increased by $122.32 million to $531.98 million from $409.66 million in 2010.

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. I have detailed some of these initiatives below.

To strengthen the institutional services offered by the Bank, BCB made a strategic investment in Westhouse Holdings PLC ("Westhouse"). Quoted on the London Stock Exchange and listed and located in London, Westhouse is an integrated corporate finance and brokerage 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.

We continue to expand our product lines 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.

We will selectively increase market share locally and 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 also added corporate finance to its list of services and successfully underwrote the rights issue for West Hamilton Holdings Limited ("WHH").

CAPITAL POSITION AND CAPITAL RATIOS

I am very pleased with the strength of the Bank's capital position at September 30, 2011. 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 pleased 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 Ltd. ("Paragon") and our investment in WHH.

LIQUIDITY

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

DEPOSIT BASE

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 a fresh approach to banking and competitive deposit interest rates and together this has combined to form a 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.

ACQUISITION

Immediately following the Bank's September 30, 2011 year end, BCB completed its acquisition of Paragon and Charter Corporate Services Ltd. by way of amalgamation. As part of this purchase 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 our team of legal and trust professionals, as well as offering a wider scope of corporate services.

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.

BOARD

Mr. Eric Stobart, who acted as the Chair of the Audit Committee, 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 to welcome Jonathan to the Board.

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

As with any bank, 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.

On behalf of the Board of Directors of the Bank, I would like to express my thanks to our shareholders and clients for their continued trust and support. I would also like to thank our expanding staff and management base for their hard work and commitment to the Bank

J. Michael Collier, JP
CHAIRMAN

Management's Discussion & Analysis

Management's Discussion and Analysis (MD&A) should be read in conjunction with our Consolidated Financial Statements, the notes to those financial statements, and the Letter to Shareholders. This MD&A is provided to enable users to assess the Bank's results and performance for the year ended September 30, 2011. All references to BCB or the Bank refer to Bermuda Commercial Bank Limited and its subsidiaries on a consolidated basis.

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

RESULTS OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2011

The Bank recorded underlying operating profit of $2.60 million for the year and net profit of $12.62 million. This compares to a net profit of $1.18 million in 2010, an increase of $1.42 million. Basic and diluted earnings per share for the year ended September 30, 2011 were $1.92 and $1.86, respectively ($0.40 and $0.38 on an underlying basis). Basic and diluted earnings per share for the year ended September 30, 2010 were $0.19 and $0.17, respectively.

INCOME

The Bank recorded interest income of $11.40 million for the year ended September 30, 2011, up from $4.15 million in 2010. This increase resulted from the strong growth in our financial investment portfolios. Last year the Bank commenced transitioning its balance sheet from predominantly cash to a mixture of cash, financial investments and to a lesser extent customer loans. 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. The Bank's interest income is earned across a diversified selection of industries, geographies and currencies and is highly diversified at the counterparty level. The result of the balance sheet transition is that the Bank's profitability is now less influenced by changes in short term interest rates, primarily U.S. Fed rates. U.S. rates remain at historically low levels but the Bank has adapted and diversified its business plan and model to meet this challenge.

Interest from loans and advance to customer increased to $0.93 million from $0.16 million last year. The Bank provides loan facilities to customers that comply with the Bank's required risk profiles. Such loan balances have increased to $35.34 million at September 30, 2011 compared with $9.85 million in 2010.

Interest from money market funds showed a year on year decrease. The Bank is reallocating assets out of money market funds and into a mix of interbank deposits and financial investments. This reallocation was largely completed at September 30, 2011.

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.

Fees and commissions increased by $0.30 million (12.5%) to $2.70 million compared with $2.40 million in 2010. This increase resulted primarily from new trust, corporate secretarial and underwriting fees as the Bank targeted new business and broadened its product offerings. The Bank also gained from fees and commissions earned on business introduced by the investor group. Partially offsetting this, fees from the Bank's core banking services department reduced to $0.99 million from $1.11 million as transactional based income decreased despite growth in overall customer numbers and balances. This reduction resulted from one-time items and the actions of a small number of large customers and Management anticipate that these fees will track customer growth levels over time. Total fee income from the Bank's fund administration department remained in line with the prior year.

Dividend income of $0.47 million was recorded during the year compared to $0.06 million in 2010. The Bank's available-for-sale investment portfolio includes $13.70 million of dividend paying equities, up from $4.57 million at September 30, 2010.

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"), a Bermuda-based development firm traded on the Bermuda Stock Exchange. During the year the Bank purchased 40.8% of the ordinary equity of WHH. As part of the acquisition process the Bank performed a fair value assessment of its investment resulting in a large premium over cost of investment. The premium related primarily to the valuation of WHH's land and property. We exclude this gain from our discussions on performance as the gain does not reflect any element of underlying operational 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. As part of the Bank's interest income strategy, BCB has built up a diversified portfolio of bonds and other financial securities. The Bank's investments are purchased for their interest generating capacities but in a number of instances the Bank also recorded strong capital gains. This capital appreciation resulted in a decreasing percentage yield compared to the remaining portfolio and relative to the Bank's risk models. A small number of these investments were sold during the year resulting in realised gains. These gains were somewhat offset by impairment losses of $2.49 million on the Bank's available-for-sale investment portfolio. The Bank recorded this loss when certain bank debt securities in the investment portfolio were restructured by their issuer. This impairment loss level is consistent with the Bank's internal loss expectations.

The Bank incurred foreign exchange and hedging costs of $2.42 million primarily in relation to our investment portfolio. This compares to a net 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. In order to manage risk within the Bank's securities portfolio, BCB operates a strategy using equity indices put options. The Bank recorded losses of $1.19 million for the year on these indices options which partially offset the interest and capital gains on the Bank's securities investments. As a risk mitigating tool, the Bank's portfolio is heavily diversified across geography resulting in large foreign currency exposure for the Bank. The Bank has implemented an active hedging program to hedge these exposures. On average, during 2011, prevailing interest rates in these jurisdictions exceeded those of the Bank's functional currency, the U.S. dollar. The result was foreign exchange forward hedging costs of approximately $2.00 million. The Bank also earns foreign exchange fee income by taking a small spread on each customer foreign currency transaction transacted by the Bank with no risk or positions being assumed by BCB. This income, which is dependent on the activity of our customers, remained at a similar level to the prior year.

EXPENSES

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, following the growth

Management's Discussion & Analysis CONTINUED

of our investment portfolio and our increased marketing activities, investment advisory fees and advertising and marketing costs increased by $0.49 million and $0.36 million respectively. 2010 expenses also included a non-recurring sale process advisory fee of $1.00 million.

Salaries and employee benefits increased by 20.0% from $4.10 million in 2010 to $4.92 million in 2011. This increase reflected the growth in our employee head count from 39 at September 30, 2010 to 49 at September 30, 2011. This increase in turn reflected the increased business levels and the new products and initiatives being implemented by the Bank.

Fixed asset depreciation and amortisation costs remain broadly in line with 2010 levels. The Bank is currently in the process of replacing its core banking system. This process is now expected to go live in mid fiscal 2012 and will result in higher amortisation costs in future years. This system upgrade will add strong efficiencies to our banking operations and the expectation is that these efficiencies will compensate for the increase in direct amortisation costs.

Total general and administrative expenses decreased by 1.4% from $4.94 million for the year ended September 30, 2010 to $4.87 million for 2011. This slight decrease was the product of material but controlled cost increases in fiscal 2011 offset by a one-time expense in 2010. The 2011 increases correspond to the additional initiatives and strategies being deployed throughout the organisation. Advertising and marketing costs increased from $0.21 million last year to $0.57 million in 2011 as the Bank rolled out a new media advertising program. Investment advisory fees were $0.49 million (2010: $nil) reflecting the increased size and activity of the Bank's new investment portfolio. Other fees such as information technology and Board costs also increased as the complexity and day to day risk management requirements of the Bank continued to increase. During the prior year the Bank finalised the Bank sale process which originally commenced in 2006. Under the terms of the sale process BCB paid a one-time advisory fee of $1.00 million, during 2010, to the Bank's sale process advisors representing the minimum agreed fee. The remainder of the increase in expenses in 2011 resulted from increased legal fees associated with the sales process.

Looking forward we anticipate our cost base will continue to increase as our new products and systems come online and as we undertake new acquisitions. These new costs will be implemented in a controlled manner and will be managed as part of a structured process to add overall value to the Bank. Where opportunities present themselves, the Bank will continue to utilise the diverse range of financial and operational experience available within the broader investor group.

OTHER COMPREHENSIVE LOSS

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 reduced substantially.

FINANCIAL CONDITION AS AT SEPTEMBER 30, 2011

During 2010, Permanent Investments Limited ("Permanent") purchased a majority shareholding in BCB. Permanent has provided a high level of financial, operational and risk expertise and guidance and together with management have implemented a strategy and direction that has already resulted in strong income and balance sheet growth. The combination has performed strongly and the initiatives and staff expertise now being put in place will position the Bank well for future growth.

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%. Commencing October 2010, the Bank embarked on a targeted marketing strategy. This strategy, coupled with competitive deposit interest rates, resulted in strong customer growth both in terms of customer numbers and customer deposit balances. Furthermore, this increase principally comprised more stable long term deposits. Term deposits increased from $98.02 million last year to $183.88 million at September 30, 2011. Deposits maturing within 1-5 years increased from just $0.54 million last year to $59.55 million at September 30, 2011. Management continues to prioritise improvements in the weighted average maturity of our deposit base as a key performance metric.

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 total assets. While this is a reduction on the equivalent 2010 figure of 73.2% it still represents an industry leading ratio. The cash positions are invested with highly rated counterparties in the interbank market and to a lesser extent in select money market funds.

The Bank's financial investment portfolios increased to $191.99 million from $82.41 million one year ago. Over the course of the year we have developed our investment portfolio in line with the increase in our customer deposit base. In accordance with the Bank's investment remit and governance mandates, the professionally managed portfolio of securities provides a high level of asset diversification and generates a stable interest income stream for the Bank. All investments are governed by the Bank's strict liquidity and risk management policies.

The Bank's financial investment portfolios consist primarily of corporate debt securities and debt securities issued by banks, along with a lesser percentage of equities and mortgage-backed securities. Securities are heavily diversified across industry, currency and jurisdiction. The Bank's Asset and Liability Committee oversees the investment process with asset management being performed by an experienced investment management company within the Permanent group. The Bank's strategy continues to encompass a low risk balance sheet and while we anticipate a future increase in the level of financial investments, any such increase will be predicated on and backed by an increase in long term customer deposits.

As detailed in note 5 to the Financial Statements we now 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 and accounting 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 and overdraft facilities to high quality counterparties.

Property and equipment remained at similar levels to last year while intangible assets, consisting entirely of computer software, increased to $2.16 million from $0.98 million in 2010. The increase in computer software resulted from the Bank's development of a new core banking system expected to go live in 2012.

Interest receivable increased as a result of the continued diversification from cash and short term investments into longer maturing financial investments.

Other assets and other liabilities returned to historical levels. 2010 balances were inflated on account of payable and receivables relating to the purchase and sale of financial investments, respectively.

CAPITAL POSITION AS AT SEPTEMBER 30, 2011

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 earnings 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 available-for-sale reclassified to 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.

STRATEGY AND OPERATIONS

BCB offers bespoke financial solutions to corporate and private wealth clients, and our goal is to be the undisputed leader in customer service in the markets that we serve. This clear strategic vision allows us to build highly defined, focused, and purposeful operations throughout our group of companies and it shapes the way in which the Bank conducts its business. We value the long-term relationships that we have with our clients and work hard to earn their trust.

Throughout the year, the Bank continued its work to build a strong platform to support its business by introducing new products and recruiting talented professionals. BCB has maintained a visible market presence with a marketing campaign designed to emphasize our strengths, particularly our personal touch in dealing with the day to day business requirements of our clients and our highly competitive product suite. Our flat management structure and the direct involvement of the heads of each major department and our executive in client relationship and marketing have ensured that a strong, consistent message about the Bank's ability to deliver the highest professional service continues to be uniformly presented in the market place.

The Bank has recruited additional professional staff to strengthen the team, including a private banker, in-house legal counsel, and new marketing, finance, and treasury specialists. The Bank encourages and supports the continuing development of our team, and during the year, several of our staff members have achieved new certifications and awards.

Corporate and private wealth clients demand a certain mix of products and the Bank has responded by meeting this expectation. Flexible deposit products with competitive rates, credit cards, and a new discretionary asset management service have all been launched. The Bank also underwrote a corporate rights issue for WHH.

The Bank has enhanced its business base through acquisition. On October 4th 2011 we completed a transaction to amalgamate Paragon Trust Services Ltd. and Charter Corporate Services Ltd. with the Bank. These companies bring not only significant new levels of trust and corporate clients, but also an additional team including trust, corporate services, and legal professionals.

The Bank's strategy going forward will focus on those areas that the Bank does well. We will adhere to our low risk culture while diversifying our balance sheet where opportunities arise. Our expanding trust and corporate services business complements our existing banking and custody products, and ties in well with our new asset and investment management services. We offer an expanding range of products and tailored financial solutions, and we take pride in delivering a superior level of service to our clients.

RISK MANAGEMENT

The management of risk is a key function of any bank and BCB adopts an extremely active approach to this area. The Bank operates within strict risk guidelines for its investment and asset management programs as well as its operational risk program. As the activity of the Bank has grown, management has sought to update the risk practices of the Bank to keep pace with the development of new products and processes. This work includes continued refinement of the Bank's consolidated risk register, improved reporting and tracking of liquidity, asset portfolio analysis, and upgraded stress and scenario testing.

As in previous years the Bank has maintained a Capital Adequacy Ratio well in excess of the minimums required by the Bermuda Monetary Authority ("BMA"). In accordance with the BMA and the 2004 Basel II Accord, the Bank established a working committee to oversee the Bank's capital assessment review process. Under Basel II, and in agreement with the BMA, the Bank is required to maintain higher Tier 1 capital ratios than previously required under Basel I. As previously outlined, our September 30, 2011 Tier 1 ratio of 31.9% comfortably exceeds these limits. The Board has set a target capital rate of 20% which while lower than current levels is still higher than the standard required by the BMA and significantly higher than international industry levels. The Bank has implemented the Basel II, Pillar III disclosure requirements (Market Discipline of the New Capital Adequacy Framework) and has published on its website key elements of its risk exposure and risk mitigation regime.

The Bank has reviewed its governance structures and the functioning of the various Board committees. The structure of the committees was subsequently upgraded to align closely with industry best practices.

PERFORMANCE MEASURES

The Bank uses the performance measures below to measure our year on year performance. Our continued transition out of cash and into tradable financial investments resulted in increased profitability and all round ratio improvements. These performance measures exclude the gain on our investment in WHH as this gain does not reflect any element of underlying operational 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%			

Ernst & Young Ltd.
#3 Bermudiana Road
Hamilton HM11, Bermuda
P.O. Box HM 463
Hamilton, HM BX, Bermuda

Direct: +1 441 295 7000
Direct fax: +1 441 295 5193
www.ey.com/bermuda

REPORT OF INDEPENDENT AUDITORS

THE SHAREHOLDERS AND BOARD OF DIRECTORS
BERMUDA COMMERCIAL BANK LIMITED

We have audited the accompanying consolidated financial statements of Bermuda Commercial Bank Limited and its subsidiaries (the Bank), which comprise the consolidated statement of financial position as of September 30, 2011, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of September 30, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Ltd.

November 22, 2011

Consolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2011. (expressed in United States dollars)

Assets	**2011**	**2010**
Cash, money market funds and term deposits (Note 3)		
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	273,293,269	300,035,493
Derivative financial instruments (Note 4)	6,732,339	2,030,207
Available-for-sale financial investments (Note 5)	88,025,434	82,414,495
Held-to-maturity financial investments (Note 5)	103,961,339	–
Loans and advances to customers (Note 6)	35,336,520	9,846,900
Investment in an associate (Note 7)	17,800,454	–
Property and equipment (Note 8)	406,123	360,875
Intangible assets (Note 9)	2,158,760	979,418
Interest receivable	3,071,867	1,313,388
Other assets	1,197,270	12,675,776
Total assets	$ 531,983,375	$ 409,656,552
Liabilities		
Deposits (Note 11)		
Demand deposits	$ 259,307,638	$ 225,590,501
Term deposits	183,882,061	98,017,479
Total deposits	443,189,699	323,607,980
Derivative financial instruments (Note 4)	–	1,319,808
Interest payable	954,474	52,129
Customer drafts payable	3,536,815	5,184,281
Other liabilities (Note 12)	1,385,937	4,537,536
Total liabilities	449,066,925	334,701,734
Equity		
Capital stock (Note 13)	$ 16,926,449	$ 15,246,449
Share premium (Note 13)	22,487,690	19,847,690
Treasury stock (Note 13)	(526,517)	(443,687)
Reserve for available-for-sale	(8,475,789)	220,796
Reserve for available-for-sale reclassified to held-to-maturity (Note 5)	1,083,088	–
Retained earnings	51,421,529	40,083,570
Total equity	82,916,450	74,954,818
Total liabilities and equity	$ 531,983,375	$ 409,656,552

See accompanying notes to the consolidated financial statements

J. Michael Collier, JP
CHAIRMAN

Warren McLeland
DEPUTY CHAIRMAN

Consolidated Statement of Income

FOR THE YEAR ENDED SEPTEMBER 30, 2011. (expressed in United States dollars)

Income	**2011**	**2010**
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	11,397,690	4,151,354
Interest expense	(1,862,457)	(385,887)
Net interest income	9,535,233	3,765,467
Fees and commissions (Note 16)	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 (Note 7)	10,012,940	–
Credit loss recovery income (Note 6)	211,445	–
Impairment losses on available-for-sale financial investments (Note 5)	(2,489,900)	–
Share of profit of an associate	45,656	–
Other operating income	129,328	164,977
Total income	22,641,999	10,433,847
Expenses		
Salaries and employee benefits (Note 9)	4,922,460	4,095,985
Depreciation (Note 8)	124,847	127,136
Amortization (Note 9)	110,910	85,744
General and administrative expenses (Note 17)	4,867,406	4,944,831
Total expenses	10,025,623	9,253,696
Net income	$ 12,616,376	$ 1,180,151
Basic earnings per common share (Note 14)	$ 1.92	$ 0.19
Diluted earnings per common share (Note 14)	$ 1.86	$ 0.17

See accompanying notes to the consolidated financial statements

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED SEPTEMBER 30, 2011. (expressed in United States dollars)

	2011	2010
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)
	(7,613,497)	(1,859,230)
Total comprehensive income (loss)	$ 5,002,879	$ (679,079)

See accompanying notes to the consolidated financial statements

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED SEPTEMBER 30, 2011. (expressed in United States dollars)

	CAPITAL STOCK	SHARE PREMIUM	TREASURY STOCK	RESERVE FOR AVAILABLE-FOR-SALE	RESERVE FOR AVAILABLE-FOR-SALE RECLASSIFIED TO HELD-TO-MATURITY	RETAINED EARNINGS	TOTAL
October 1, 2009	$ 14,766,449	$ 19,302,690	$ –	$ 2,080,026	$ –	$ 38,903,419	$ 75,052,584
Total comprehensive income (loss)	–	–	–	(1,859,230)	–	1,180,151	(679,079)
Exercise of options (Note 13)	480,000	545,000	–	–	–	–	1,025,000
Net purchase of treasury stock (Note 13)	–	–	(443,687)	–	–	–	(443,687)
September 30, 2010	15,246,449	19,847,690	(443,687)	220,796	–	40,083,570	74,954,818
Total comprehensive income (loss)	–	–	–	(7,514,492)	(99,005)	12,616,376	5,002,879
Reclassification to held-to-maturity reserve (Note 5)	–	–	–	(1,182,093)	1,182,093	–	–
Cash dividends (Note 15	–	–	–	–	–	(1,278,417)	(1,278,417)
Exercise of options (Note 13)	1,680,000	2,640,000	–	–	–	–	4,320,000
Net purchase of treasury stock (Note 13)	–	–	(82,830)	–	–	–	(82,830)
September 30, 2011	$ 16,926,449	$ 22,487,690	$ (526,517)	$ (8,475,789)	$ 1,083,088	$ 51,421,529	$ 82,916,450

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED SEPTEMBER 30, 2011. (expressed in United States dollars)

	2011	2010
Operating activities		
Net income	$ 12,616,376	$ 1,180,151
Adjustments to reconcile net income to cash flows used in operating activities:		
Depreciation	124,847	127,136
Amortization	110,910	85,744
Gain on investment in associate	(10,012,940)	–
Share of profit of associate	(45,656)	–
Gain on sale of available-for-sale financial investments	(4,448,574)	(3,886,373)
Decrease (increase) in term deposits maturing 3-12 months	791,639	(791,639)
Increase in derivative financial instruments	(6,021,940)	(710,399)
Increase in interest receivable	(1,758,479)	(1,085,909)
Decrease (increase) in other assets	11,478,506	(11,903,687)
Increase (decrease) in interest payable	902,345	(21,964)
(Decrease) increase in customer drafts payable	(1,647,466)	3,321,452
(Decrease) increase in other liabilities	(3,151,599)	3,723,709
Net cash used in operating activities	(1,062,031)	(9,961,779)
Investing activities		
Net decrease in loans and advances to customers	(25,489,620)	(9,698,274)
Proceeds from sale of available-for-sale financial investments	47,421,660	18,732,190
Purchase of available-for-sale financial investments	(103,145,460)	(86,239,516)
Purchase of held-to-maturity financial investments	(57,013,401)	–
Purchase of property and equipment	(170,095)	(111,154)
Purchase of intangible assets	(1,290,252)	(749,718)
Net cash used in acquisition of an associate	(7,741,858)	–
Net cash used in investing activities	(147,429,026)	(78,066,472)

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows CONTINUED

FOR THE YEAR ENDED SEPTEMBER 30, 2011. (expressed in United States dollars)

		2011		2010
Financing activities				
Net decrease in deposits	$	119,581,719	$	(21,942,714)
Proceeds from exercise of options		4,320,000		1,025,000
Purchase of treasury stock		(82,830)		(443,687)
Dividends paid		(1,278,417)		–
Net cash provided by (used in) financing activities		122,540,472		(21,361,401)
Net decrease in cash and cash equivalents		(25,950,585)		(109,389,652)
Cash and cash equivalents, beginning of year		299,243,854		408,633,506
Cash and cash equivalents, end of year		273,293,269		299,243,854
Cash and cash equivalents				
Cash, money market funds and term deposits		273,293,269		300,035,493
Less: term deposits maturing 3-12 months *(Note 3)*		–		(791,639)
Cash and cash equivalents	$	273,293,269	$	299,243,854
Operational cash flows from interest and dividends				
Interest paid	$	960,112	$	407,851
Interest received	$	9,639,211	$	3,065,445
Dividends received	$	469,447	$	58,952

See accompanying notes to the consolidated financial statements

Notes To The Consolidated Financial Statements

SEPTEMBER 30, 2011. (expressed in United States dollars)

1. Description of Business

Bermuda Commercial Bank Limited (BCB) is a Bermuda incorporated company, licensed and regulated by the Bermuda Monetary Authority (the BMA). BCB, together with its subsidiaries (collectively the Bank), provides banking, custody and trustee services. BCB's shares are publicly traded on the Bermuda Stock Exchange. BCB's registered office is at Bermuda Commercial Bank Building, 19 Par-la-Ville Road, Hamilton HM GX, Bermuda.

In April 2010, Permanent Investments Limited (Permanent) (a Bermuda exempted limited liability company), became the controlling shareholder of BCB. Permanent acquired the entire shareholding interest of the previous majority shareholder in BCB, representing approximately 54% of the issued and outstanding BCB common shares. Permanent subsequently acquired additional common shares of BCB by way of a tender offer. As at September 30, 2010, Permanent held 78.70% of BCB's common shares. Permanent was funded by a group of four investment funds/companies (the Investor Group) which were as follows:

- Ingot Capital Management Pty Limited (Ingot) – a limited liability company incorporated in Australia and regulated by the Australian Securities & Investments Commission.
- RESIMAC Limited (RESIMAC) – a limited liability company incorporated in Australia and regulated by the Australian Securities & Investment Commission.
- Eclectic Investment Company PLC (Eclectic) – a limited liability company incorporated in the United Kingdom and listed on the Alternative Investment Market of the London Stock Exchange. Eclectic's investment manager is Ingot.
- Utilico Limited (Utilico) – an exempted limited liability company incorporated in Bermuda and listed on the London Stock Exchange. Utilico's investment manager is ICM Limited (the Investment Adviser).

During the year ended September 30, 2011, Permanent transferred a portion of its shareholding to three of its shareholders, Utilico, RESIMAC and Eclectic, which became significant shareholders of BCB in their own right. Eclectic subsequently transferred its shareholding to Utilico. As at September 30, 2011, Utilico held 34.94%, Permanent held 31.62% and RESIMAC held 14.39% of BCB's common shares.

The consolidated financial statements for the year ended September 30, 2011, were authorized for issue in accordance with a resolution of the directors on November 22, 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

2. Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial investments, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. The consolidated financial statements are presented in United States dollars, which is the Bank's functional and presentational currency. All values are rounded to the nearest dollar, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

All intercompany balances and transactions are eliminated in full on consolidation. The financial statements of the Bank's subsidiaries are presented for the same reporting year as the Bank, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity as to obtain benefits from its activities.

Presentation of Consolidated Financial Statements
The Bank presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in Note 21.

Certain reclassifications have been made to the 2010 comparative financial information in order to conform to the current year presentation.

Basis of Consolidation
The consolidated financial statements include the assets, liabilities, and results of operations of the Bank and all its wholly owned subsidiaries as at September 30. A list of these subsidiaries is presented in Note 18.

Investment in an Associate
The Bank's investment in its associate is accounted for using the equity method. An associate is an entity in which the Bank has significant influence.

Under the equity method, the investment in the associate is carried on the consolidated statement of financial position at cost plus post acquisition changes in the Bank's share of the net assets of the associate. Any excess of the Bank's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Bank's share of the associate's profit or loss in the period in which the investment is acquired.

The consolidated statement of income reflects the Bank's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Bank recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

The Bank's share of profit of an associate is shown on the face of the consolidated statement of income. The financial statements of the associate are prepared for every reporting year ending December 31 but the associate prepares, for the use of the Bank, financial statements as of September 30. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

Investment in an Associate (cont'd)

After application of the equity method, the Bank determines whether it is necessary to recognize an additional impairment loss on its investment in the associate. The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the share of profit of an associate in the consolidated statement of income.

Upon loss of significant influence over the associate, the Bank measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of the significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain significant estimates, judgments and assumptions that affect reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, judgments and assumptions that have a significant risk of causing material adjustments to the consolidated financial statements within the next financial year are discussed below:

(a) Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility and discount rates. The valuation of financial instruments is described in more detail in Note 23.

(b) Impairment Losses on Loans and Advances

The Bank reviews its individually significant loans and advances to assess impairment at least on a quarterly basis. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining impairment loss. These estimates are based on assumptions about a number of factors (such as, among others, the significant financial difficulty of the borrower/s and default or delinquency in interest or principal payments) and actual results may differ resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired, and all individually insignificant loans, are then assessed collectively in groups of assets with similar risk characteristics to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from loan portfolio (such as, among others, levels of arrears, credit utilization, loan to collateral ratios, etc.) and judgments to the effect of concentrations of risks and economic data (including country risk and the performance of different individual groups).

(c) Impairment of Available-for-Sale Financial Investments

The Bank reviews its debt and other securities classified as available-for-sale financial investments at each consolidated statement of financial position date and more frequently when conditions warrant an impairment assessment. This requires similar judgment as applied to the individual assessment of loans and advances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

Significant Accounting Judgments, Estimates and Assumptions (cont'd)

(c) Impairment of Available-for-Sale Financial Investments, cont'd

The Bank also records impairment charges on available-for-sale financial investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical price movements and duration and extent to which the fair value of an investment is less than its cost.

Foreign Currency Translation

The consolidated financial statements are presented in United States dollars. The Bank and each of its subsidiaries determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Bermuda dollar balances and transactions are translated into United States dollars at par. Monetary assets and liabilities in other currencies are translated into United States dollars at the rates of exchange prevailing at the consolidated statement of financial position date and non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into United States dollars at historic rates or the rates of exchange prevailing at the dates of the transactions.

Income and expense items in other currencies are translated into United States dollars at the rates prevailing at the dates of the transactions. Realized and changes in unrealized gains and losses on foreign currency positions are reported under net exchange gains or losses in the consolidated statement of income of the current year.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise of cash and term deposits which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value and have original maturities of three months or less. Cash and cash equivalents also include money market funds which have daily liquidity and invest in highly liquid instruments, such as term deposits and commercial papers.

Financial Instruments – Initial Recognition and Subsequent Measurement

(a) Date of Recognition

All financial assets and financial liabilities are initially recognized on the trade date basis, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

(b) Initial Recognition of Financial Instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

(b) Initial Recognition of Financial Instruments, cont'd

The Bank classifies its financial assets into the following categories:

(i) Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Financial Assets and Financial Liabilities Designated at Fair Value through Profit or Loss

Financial assets and financial liabilities designated at fair value through profit or loss are designated as such by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance re-evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded. This category comprises financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in the consolidated statement of income.

Financial Assets or Liabilities Held-for-Trading

These assets are recorded in the consolidated statement of financial position at fair value. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Items which may be included in this classification are debt securities, equities and short positions and customer loans which have been acquired for the purpose of selling or repurchasing in the near term. The Bank had no such financial assets or financial liabilities held for trading as at and for the years ended September 30, 2011 and 2010.

Derivatives Recorded at Fair Value through Profit or Loss

Derivatives include foreign exchange forward contracts and index and equity option contracts. Derivatives are recorded at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives embedded on financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held-for-trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio.

Changes in the fair value of derivatives are reported under gains or losses on derivative financial instruments for the option contracts and under net exchange gains or losses for the forward contracts in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

(b) Initial Recognition of Financial Instruments, cont'd

(ii) Loans and Advances to Customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as held for trading, designated as available-for-sale, or designated at fair value through profit or loss. After initial measurement, loans and advances are measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The EIR amortization is reported under interest income and losses arising from impairment are reported under credit loss expense in the consolidated statement of income.

(iii) Held-to-Maturity Financial Investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the EIR method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The EIR amortization is reported under interest income and losses arising from impairment are reported under credit loss expense in the consolidated statement of income.

If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

(iv) Available-for-Sale Financial Investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Changes in unrealized gains and losses, with the exception of foreign exchange gains/losses which are recorded in profit or loss, are recognized directly in equity under other comprehensive income or loss. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is included in gain or loss on sale of available-for-sale financial investments in the consolidated statement of income. Interests on available-for-sale financial investments are reported under interest income or expense in the consolidated statement of income using the EIR method and dividends are recorded as dividend income in the consolidated statement of income or expense when the right of the payment has been established. The losses arising from impairment of such investments are reported under impairment losses on available-for-sale financial investments in the consolidated statement of income and removed from equity.

Derecognition of Financial Assets and Financial Liabilities

(a) Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred substantially all the risks and rewards of the asset.

(b) Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

Determination of Fair Value
The fair value for financial instruments traded in active markets at the consolidated statement of financial position date is determined based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deductions for transaction costs. For all other financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

Impairment of Financial Assets
The Bank assesses at each consolidated statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

In assessing evidence of impairment, the Bank evaluates, among other factors, counterparty/issuer/borrower financial information, asset's historical share prices, counterparty ratings, history of defaults, subordination, transaction nature and other market and security-specific factors.

If there is objective evidence that an impairment loss has been incurred, the financial asset is written down to its realizable value, with the impairment loss being recognized in the consolidated statement of income. Any subsequent increase in the fair value of such assets that can be objectively related to an event that occurred after the impairment was recognized will result in a reversal of the impairment loss in the period in which the event occurs.

Financial Assets at Amortized Cost
For financial assets carried at amortized cost (such as amounts due from banks, loans and advances to customers and held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of income. Any impairment loss or recovery of impairment loss is reported net as credit loss expense or credit loss recovery income in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

Impairment of Financial Assets (cont'd)

Available-for-Sale Financial Investments

For available-for-sale financial investments, the Bank assesses at each consolidated statement of financial position date whether there is evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized, is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in the fair value after impairment are recognized in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the consolidated statement of income.

See Note 5 for details of impairment losses on available-for-sale financial investments.

Impairment of Non-Financial Assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Reclassification of Financial Investments

The Bank may reclassify certain financial assets out of the available-for-sale classification into the loans and advances or the held-to-maturity classifications. Reclassification to loans and advances is permitted when the financial assets meet the definition of loans and advances and the Bank has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial investment until maturity.

For a financial asset reclassified from available-for-sale, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the asset using the EIR method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

See Note 5 for details of reclassification of financial investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank.

Derivative Financial Instruments
The Bank uses derivatives to manage its credit and market risks and also to provide clients with the ability to manage their own risk exposures. The Bank does not use derivatives for trading or for speculative purposes.

The most frequently used derivatives by clients are foreign exchange forward contracts. When the Bank enters into derivative contracts with a client, the client is required to settle the contract with the Bank in advance. The Bank also simultaneously enters into a matching and offsetting derivative contract.

The Bank uses foreign exchange forward contracts to manage the Bank's foreign exchange risk on certain investment securities denominated in foreign currencies. The Bank also uses option instruments to reduce exposure to credit or market risks.

Derivatives are carried at fair value and shown in the consolidated statement of financial position gross. These include derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. An embedded derivative is a component of a hybrid instrument that includes a non-derivative host contract, with the effect that some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivative. When an embedded derivative is separated, the host contract is accounted for based on accounting standards applicable to contracts of that type without the embedded derivative.

The fair value gain or loss on a derivative depends on whether the derivative is designated as a hedging instrument. Changes in the fair value of derivatives are included in the consolidated statement of income in gains or losses on derivative financial instruments for the option contracts and in net exchange gains or losses for the forward contracts unless they qualify for hedge accounting. The Bank does not currently apply hedge accounting.

Property and Equipment
Property and equipment are carried at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation 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 and the term of the lease for leasehold improvements.

Subsequent costs, such as repairs and maintenance, are charged to the consolidated statement of income during the financial period in which they are incurred.

Intangible Assets
Intangible assets comprise of the value of computer software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets are measured at cost less accumulated amortization and any impairment loss. Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives of up to five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

Customer Drafts Payable
Customer drafts payable consists of the balance of un-cashed customer drafts at the consolidated statement of financial position date. This balance is customer-driven and fluctuates based on when customers purchase drafts and when they are presented for payment. Customer drafts payable is included under liabilities on the consolidated statement of financial position upon issue.

Recognition of Income
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(a) Interest Income
Interest income is recognized in the consolidated statement of income for all interest bearing instruments on an accrual basis, using the effective interest rate method.

(b) Fees and Commissions
Fees and commissions include fees and commissions earned from banking and custodial services, fund administration, trust, company management, financial, and corporate registrar.

Income is recognized as revenue on the accrual basis over the period during which the services are provided.

(c) Dividend Income
Dividend income is recognized when the Bank's right to receive the payment is established.

Expenses
Expenses are recognized in the consolidated statement of income on an accrual basis. Interest expense is calculated using the effective interest rate method.

Leases
Operating lease payments are recognized as an expense on a straight-line basis over the lease term and included in other expenses in the consolidated statement of income.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity in the period in which they are declared.

Defined Contribution Pension Plan
The Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under salaries and employee benefits in the consolidated statement of income.

Earnings Per Share
Basic earnings per share (EPS) is calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding during the year. The diluted EPS calculation assumes that stock options 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 year. Consequently, there is no imputed income on the proceeds and weighted average shares are only increased by the difference between the number of options exercised and the number of shares purchased by the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

Treasury Stock
Own equity of the Bank which are acquired by BCB or by any of its subsidiaries (treasury stock) are recognized at cost and deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of the Bank's own equity instruments is recognized directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

When the Bank holds own equity instruments on behalf of its clients, those holdings are not included in the Bank's consolidated statement of financial position.

Income Taxes
BCB and its subsidiaries domiciled in Bermuda are not subject to income tax on the profit or loss for the year in Bermuda. BCB's subsidiaries domiciled in Luxembourg and Mauritius are subject to the tax laws of those jurisdictions. The Bank records income taxes based on the tax rates applicable in the relevant jurisdictions and no income taxes (2010: $nil) were recorded in the consolidated financial statements.

Provisions
Provisions are recognized when the Bank has present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Fiduciary Activities
The Bank commonly acts as trustee in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets or income of the Bank.

New Standards, Interpretations, and Amendments to Published Standards Relevant to the Bank
The accounting policies adopted are consistent with those of the previous financial year. Standards issued but not yet effective up to the date of issuance of the Bank's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt these standards when they become effective.

IAS 1	Presentation of Financial Statements
IAS 24	Related Party Disclosure (Amendment)
IAS 28	Investments in Associates and Joint Ventures
IFRS 10	Consolidated Financial Statements
IFRS 12	Disclosure of Involvement with Other Entities
IFRS 13	Fair Value Measurement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

Standards Expected to Have a Significant Effect on the Consolidated Financial Statements
In November 2009, the IASB issued IFRS 9 Financial Instruments which introduced new requirements for the classification and measurement of financial assets. IFRS 9 is the IASB's planned replacement of IAS 39 Financial Instruments: Recognition and Measurement with a less complex and improved standard for financial instruments. The standard is effective for annual periods beginning on or after January 1, 2013. IFRS 9 is subject to European Union endorsement, the timing of which is uncertain. The impact of IFRS 9 may also change as a consequence of further developments resulting from the IASB's project to replace IAS 39. The Bank continues to monitor developments relating to IFRS 9 but in the absence of a finalized standard it is not practical to quantify the impact of IFRS 9 on the Bank's consolidated financial statements.

Early Adoption
The Bank did not early adopt any new standards during the year.

3. Cash, Money Market Funds, and Term Deposits
Cash, money market funds and term deposits include:

	2011	2010
Cash and demand deposits	$ 22,737,778	$ 10,018,564
Money market funds	5,000,000	124,824,117
Term deposits		
Deposits maturing within 1 month	245,422,917	164,401,173
Deposits maturing 1-3 months	132,574	–
Deposits maturing 3-12 months	–	791,639
Total term deposits	245,555,491	165,192,812
Total	$ 273,293,269	$ 300,035,493

Cash and cash equivalents in the consolidated statement of cash flows exclude those deposits maturing 3-12 months.

The average effective yields earned were as follows:

	2011	2010
Term deposits	0.32%	0.23%
Cash and demand deposits with other banks	0.24%	0.04%
Money market funds	0.27%	0.32%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

4. Derivative Financial Instruments

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, index or price underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Over-the-counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position.

The Bank's exposure under derivative contracts is closely monitored as part of the overall management of the Bank's market risk (see also Note 21).

Foreign Exchange Forward Contracts
Foreign exchange forward contracts are contractual agreements to buy or sell a specified amount of foreign currency at a future date at an exchange rate fixed at inception of the contract. Forwards are customized contracts transacted in the over-the-counter market.

Option Contracts
Option contracts are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy or sell a security at or by a specific future date. The Bank purchases options through regulated exchanges and in the over-the-counter markets. Options purchased by the Bank provide the Bank with the opportunity to purchase the underlying asset at an agreed-upon value either on or before the expiration of the option. The Bank is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. The only option contracts that the Bank entered into during the year were index and equity options.

The table below shows the fair values of derivative financial instruments recorded as assets and liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying reference asset, index or price and is the basis upon which changes in the value of derivatives are measured. The notional amounts of the derivatives are not recorded on the consolidated statement of financial position. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	2011			2010		
	ASSETS	LIABILITIES	NOTIONAL AMOUNT	ASSETS	LIABILITIES	NOTIONAL AMOUNT
Foreign exchange forward contracts	$ 4,863,529	$ –	$ 148,978,442	$ –	$ 1,255,808	$ 29,821,999
Equity option contracts	1,868,810	–	10,263,378	780,207	–	5,564,300
Index option contracts	–	–	–	1,250,000	64,000	21,500,000
Total	$ 6,732,339	$ –	$ 159,241,820	$ 2,030,207	$ 1,319,808	$ 56,886,299

At September 30, 2011, the maturity of all derivatives was within one year (2010: within one year) and the net cost amounted to $1,776,144 (2010: $2,952,273).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

5. Financial Investments

Available-for-Sale Financial Investments
The fair values of available-for-sale financial investments by major classifications of financial investments at September 30 were as follows:

	2011	2010
Corporate debt securities	$ 43,210,211	$ 42,659,298
Debt securities issued by banks	23,666,122	28,471,236
Equities	13,696,518	4,572,746
Mortgage-backed securities	7,452,583	4,020,520
Government debt securities	–	2,690,695
	$ 88,025,434	$ 82,414,495

At September 30, 2011, the cost of available-for-sale financial investments amounted to $97,910,500 (2010: $81,896,597).

Held-to-Maturity Financial Investments
The amortized cost amounts of held-to-maturity financial investments by major classifications of financial investments at September 30 were as follows:

	2011	2010
Corporate debt securities	$ 51,123,762	$ –
Debt securities issued by banks	42,830,359	–
Mortgage-backed securities	6,541,425	–
Government debt securities	3,465,793	–
	$ 103,961,339	$ –

At September 30, 2011, the fair value of held-to-maturity financial investments amounted to $90,339,801 (2010: $nil).

Reclassification of Financial Investments
The Bank reclassified available-for-sale financial investments with a fair value of $49,440,480 (cost: $48,258,387) and unrealized gain of $1,182,093 to the held-to-maturity category as of April 1, 2011, as permitted by IAS 39 and explained in Note 2. As of September 30, 2011, the unamortized portion of the unrealized gain amounting to $1,083,088 was recorded as reserve for available-for-sale reclassified to held-to-maturity in the consolidated statement of financial position while the amortized portion of the unrealized gain amounting to $99,005 was recorded as net loss on held-to-maturity financial investments in the consolidated statement of comprehensive income.

This reclassification was made to better align the accounting with the business intent and model of holding these securities for the foreseeable future for the express purpose of obtaining their contractual cash flows of principal and interest on principal rather than realize their fair value change from sale prior to their contractual maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

Impairment Losses on Financial Investments

During the year, the Bank recognized impairment losses on available-for-sale financial investments as follows:

	2011	2010
Available-for-sale financial investments		
Debt securities issued by banks	$ 2,489,900	$ –

6. Loans and Advances to Customers

Loans and advances to customers and the allowance for loan losses at September 30 were as follows:

	2011			2010		
	GROSS	ALLOWANCE	NET	GROSS	ALLOWANCE	NET
Commercial loans	$ 24,332,065	$ –	$ 24,332,065	$ –	$ –	$ –
Commercial overdrafts	10,579,864	–	10,579,864	9,735,783	–	9,735,783
Consumer mortgage loans	379,429	50,000	329,429	256,531	148,757	107,774
Credit cards	76,775	–	76,775	–	–	–
Other	18,387	–	18,387	3,343	–	3,343
Total	$ 35,386,520	$ 50,000	$ 35,336,520	$ 9,995,657	$ 148,757	$ 9,846,900

Allowance for loan losses consists of:

	2011	2010
Balance at beginning of year	$ 148,757	$ 148,757
Credit loss (charges during the year)	30,000	–
Credit loss recovery (recoveries during the year)	(128,757)	–
	$ 50,000	$ 148,757

In addition, during the year, the Bank recovered $112,688 from previously written off interest on loans and advances to customers, which was recorded under credit loss recovery income in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

6. Loans and Advances to Customers (continued)

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

	2011					
	WITHIN 1 YEAR	1-5 YEARS	5-10 YEARS	OVER 10 YEARS	IMPAIRED	TOTAL
Commercial loans	$ –	$ 10,264,089	$ 14,067,976	$ –	$ –	$ 24,332,065
Commercial overdrafts	10,579,864	–	–	–	–	10,579,864
Consumer mortgage loans	–	237,879	141,550	–	–	379,429
Credit cards	76,775	–	–	–	–	76,775
Other	9,551	8,836	–	–	–	18,387
Total	$ 10,666,190	$ 10,510,804	$ 14,209,526	$ –	$ –	$ 35,386,520

	2010					
	WITHIN 1 YEAR	1-5 YEARS	5-10 YEARS	OVER 10 YEARS	IMPAIRED	TOTAL
Commercial overdrafts	$ 9,735,783	$ –	$ –	$ –	$ –	$ 9,735,783
Consumer mortgage loans	2,627	–	–	132,007	121,897	256,531
Other	3,343	–	–	–	–	3,343
Total	$ 9,741,753	$ –	$ –	$ 132,007	$ 121,897	$ 9,995,657

The average effective yields earned were as follows:

	2011	2010
Commercial loans	9.66%	–%
Commercial overdrafts	4.30%	2.88%
Credit cards	–%	–%
Other	–%	–%

Yields are not provided for consumer mortgage loans as these products are in run-off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

7. Investment in an Associate

During the year, the Bank was engaged by West Hamilton Holdings Limited (West Hamilton) to underwrite West Hamilton's rights offering of 1,443,910 new shares with a par value of BD$1.00 at an offer price of BD$6.50 per share (Offer Price) to eligible shareholders (as described in the prospectus). West Hamilton is a Bermuda limited liability company and is the parent company of West Hamilton Limited (WHL). WHL is a Bermuda limited liability company that owns two commercial properties known as the Belvedere Building and the Belvedere Place in which space is generally let under short to long-term commercial leases. WHL also owns a multi-story parking facility on Pitts Bay Road that leases parking spaces on a short-term basis.

Further, pursuant to the underwriting agreement between BCB and West Hamilton, BCB contracted to purchase at the Offer Price any new shares that were not subscribed for or subsequently allotted. Following the expiration of the offering period on July 22, 2011, 1,035,280 new shares remained not subscribed for or subsequently allotted, which were therefore acquired by BCB for $6,729,320.

The movement in West Hamilton's shares owned by BCB was as follows:

	2011	2010
Balance at beginning of year	–	–
Purchases during the year	143,740	–
Exercise of rights during the year	1,035,280	–
Sales during the year	–	–
Balance at end of year	1,179,020	–

As a result of the increase in ownership and its significant influence, the Bank reclassified its interest in West Hamilton from available-for-sale financial investments to investment in an associate and accounted for this investment using the equity method. Upon acquisition of the investment, $10,012,940, representing the excess of the Bank's share of the net fair value of the associate's identifiable assets and liabilities of $17,754,798 over the cost of the total investment of $7,741,858, was reported under gain on investment in an associate in the consolidated statement of financial position.

At September 30, 2011, the Bank had a 40.83% (2010: nil%) interest in West Hamilton.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

7. Investment in an Associate (continued)

The following table illustrates the summarized financial information of the Bank's investment in West Hamilton as of and for the year ended September 30, 2011 (2010: nil):

		2011
Associate's consolidated statement of financial position:		
Current assets	$	9,526,008
Non-current assets*		52,472,785
Current liabilities		(343,343)
Non-current liabilities		(17,486,588)
Equity	$	44,168,863
Associate's consolidated profit or loss:		
Revenue	$	1,586,491
Expenses		1,287,425
Net profit	$	299,066
Carrying amount of the investment	$	17,800,454

* This amount includes $49.19 million representing the fair value of the commercial properties and multi-story parking facility. Management's estimate of fair value was based on an external appraisal report taking into consideration a discount for market illiquidity, foreign ownership restrictions and other downside risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

8. Property and Equipment

	2011		
	EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Cost			
Beginning of year	$ 1,146,085	$ 422,368	$ 1,568,453
Additions	106,575	63,520	170,095
Disposals	(418,769)	–	(418,769)
End of year	833,891	485,888	1,319,779
Accumulated depreciation			
Beginning of year	800,155	407,423	1,207,578
Disposals	(418,769)	–	(418,769)
Depreciation charge for the year	122,107	2,740	124,847
End of year	503,493	410,163	913,656
Net book value at end of year	$ 330,398	$ 75,725	$ 406,123

	2010		
	EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Cost			
Beginning of year	$ 1,048,743	$ 408,556	$ 1,457,299
Additions	97,342	13,812	111,154
Disposals	–	–	–
End of year	1,146,085	422,368	1,568,453
Accumulated depreciation			
Beginning of year	677,552	402,890	1,080,442
Disposals	–	–	–
Depreciation charge for the year	122,603	4,533	127,136
End of year	800,155	407,423	1,207,578
Net book value at end of year	$ 345,930	$ 14,945	$ 360,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

9. Intangible Assets

	2011	2010
Cost		
Beginning of year	$ 2,836,585	$ 2,086,867
Additions	1,290,252	749,718
Disposals	(46,476)	–
End of year	4,080,361	2,836,585
Accumulated amortization		
Beginning of year	1,857,167	1,771,423
Disposals	(46,476)	–
Amortization charge for the year	110,910	85,744
End of year	1,921,601	1,857,167
Net book value at end of year	$ 2,158,760	$ 979,418

At September 30, 2011 and 2010, intangible assets comprise entirely of computer software.

10. Other Assets

	2011	2010
Receivables for investments sold pending settlement	$ 261,493	$ 11,886,697
Accrued income	404,206	311,893
Prepayments	531,571	477,186
Total	$ 1,197,270	$ 12,675,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

11. Deposits

	2011	2010
Demand deposits	$ 259,307,638	$ 225,590,501
Term deposits		
Deposits maturing within 1 month	87,588,745	76,183,246
Deposits maturing – 1-3 months	20,353,300	11,448,560
Deposits maturing – 3-12 months	16,393,659	9,842,743
Deposits maturing – 1-5 years	59,546,357	542,930
	183,882,061	98,017,479
Total	$ 443,189,699	$ 323,607,980

The average effective rates paid were as follows:

	2011	2010
Term deposits based on book values and contractual interest rates	1.24%	0.25%
Demand deposits	0.03%	0.02%

12. Other Liabilities

	2011	2010
Payables for investments purchased pending settlement	$ 208,852	$ 3,644,576
Accounts payable	204,947	216,868
Accrued liabilities	972,138	676,092
Total	$ 1,385,937	$ 4,537,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

13. Equity

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 October 1, 2009	10,000,000	$	24,000,000	6,152,687	$	14,766,449	$	19,302,690
200,000 options exercised during the year	-		-	200,000		480,000		545,000
Balance at September 30, 2010	10,000,000		24,000,000	6,352,687		15,246,449		19,847,690
700,000 options exercised during the year	-		-	700,000		1,680,000		2,640,000
Balance at September 30, 2011	10,000,000	$	24,000,000	7,052,687	$	16,926,449	$	22,487,690

Options to acquire common shares were issued to the Bank's previous controlling shareholder. These options were purchased by Permanent in 2010. The options outstanding were as follows:

	ISSUE DATE	NUMBER OF OPTIONS		EXERCISE PRICE	EXERCISE PERIOD
(a, b)	December 2000	500,000	$	5.6972	January 1, 2003 through December 31, 2012
(b)	December 1999	400,000	$	7.05	January 1, 2002 through December 31, 2011
(b)	December 1998	300,000	$	5	January 1, 2001 through December 31, 2010

(a) Outstanding at September 30, 2011

(b) Outstanding at September 30, 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

13. Equity (continued)

During the year ended September 30, 2011, 700,000 options were exercised by Permanent (2010: 200,000 options were exercised by the previous controlling shareholder) resulting in an issuance of the same number of common shares, with a par value of $1,680,000 (2010: $480,000) and share premium of $2,640,000 (2010: $545,000).

Treasury Stock

	2011		2010	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
Balance at beginning of year	44,873	$ 443,687	–	$ –
Purchase of treasury stock	23,000	230,650	44,873	443,687
Sale of treasury stock	(14,416)	(147,820)	–	–
Balance at end of year	53,457	$ 526,517	44,873	$ 443,687

Regulatory Capital

The BMA adopts the Basel II Accord which calls for additional and more detailed disclosures and risk management. Under Basel II, and in agreement with the BMA, all banks in Bermuda are required to maintain higher Tier 1 and total regulatory capital ratios than previously required under Basel I. The BMA assesses the risk of each institution and determines a separate Individual Capital Guidance for each bank. The Bank has complied with all minimum capital requirements prescribed by the BMA and at September 30, 2011, the Bank's Tier 1 and total regulatory capital ratios of 31.92% (2010: 26.64%) and 27.08% (2010: 24.66%), respectively, exceeded the prescribed limits.

Capital Management

In keeping with the Bank's low risk strategic profile, the Bank maintains capital base and capital ratios above externally imposed capital requirements. The Bank's capital levels are continuously reviewed by the Board of Directors in light of changes in economic conditions and the risk characteristics of the Bank's activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new capital securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

14. Earnings Per Share

The following tables present the computation of basic and diluted earnings per share:

	2011		
	NET EARNINGS	WEIGHTED AVERAGE SHARES	EARNINGS PER SHARE
Basic earnings per share			
Net income	$ 12,616,376	6,580,085	$ 1.92
Add: Incremental shares from assumed exercise of stock options *(Note 13)*		209,342	
Adjusted weighted average shares outstanding		6,789,427	
Diluted earnings per share			
Net income	$ 12,616,376	6,789,427	$ 1.86

	2010		
	NET EARNINGS	WEIGHTED AVERAGE SHARES	EARNINGS PER SHARE
Basic earnings per share			
Net income	$ 1,180,151	6,302,824	$ 0.19
Add: Incremental shares from assumed exercise of stock options *(Note 13)*		470,913	
Adjusted weighted average shares outstanding		6,773,737	
Diluted earnings per share			
Net income	$ 1,180,151	6,773,737	$ 0.17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

15. Dividends

	2011	2010
Dividends on common shares		
Declared and paid: November 2010		
(2011: 10 cents per common share; 2010 – $nil)	$ 623,411	$ –
Declared and paid: May 2011		
(2011: 10 cents per common share; 2010 – $nil)	655,006	–
Total	$ 1,278,417	$ –

16. Fees and Commissions

	2011	2010
Corporate services	$ 1,613,381	$ 1,294,161
Banking services	985,635	1,107,673
Underwriting *(Note 18)*	104,142	–
	$ 2,703,158	$ 2,401,834

17. General and Administrative Expenses

	2011	2010
Rent and premises costs	$ 867,577	$ 861,498
Advertising and marketing	571,615	210,883
Professional fees	379,542	564,698
Information technology and systems	634,287	551,556
Banking services and license	714,903	650,964
Investment advisory fees *(Note 18)*	492,466	–
Board costs *(Note 18)*	207,029	122,070
Administrative	999,987	983,162
Sale process advisory fee	–	1,000,000
	$ 4,867,406	$ 4,944,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

18. Related Party Disclosures

As disclosed in Note 1, in April 2010, Permanent became the controlling shareholder of BCB. During the year ended September 30, 2011, Permanent transferred a portion of its shareholding to three of its shareholders, Utilico, RESIMAC and Eclectic which became significant shareholders of BCB in their own right.

Investment Adviser Agreement

In 2010, the Bank entered into an investment adviser agreement with a related party, ICM Limited, which remains in force until terminated by the Bank's Asset and Liability Committee (the Bank's ALCO) or the Investment Adviser upon giving the other party not less than three month's written notice of termination or such lesser period of notice as the Bank's ALCO or the Investment Adviser agree. Pursuant to the agreement, the Bank's investment objective is to achieve an appropriate income return and/or capital growth in the value of the portfolio by investing in suitable investments, which may be amended by a specific written instruction to the Investment Adviser by the Bank's ALCO.

In addition, under the terms of the agreement, the Investment Adviser, having regard to the Bank's investment objective, provides investment advisory services to the Bank, for which ICM Limited shall have no entitlement to fees. However, depending upon the performance of the portfolio, the Bank's ALCO may, in its sole discretion, determine that the Investment Adviser ought to receive a payment on account of the services provided. The Investment Adviser is also entitled to recover all and any expenses incurred by it that relate exclusively to the services specified in the agreement, following disclosure of details of the expense (including amount) to the Bank's ALCO. During the year ended September 30, 2011, it was agreed to pay the Investment Adviser a fee of 0.25% of the value of the portfolio. For the year ended September 30, 2011, such fees amounted to $382,466. In addition, a fee of $110,000 was paid for advisory services. For the year ended September 30, 2010, no expenses were incurred by the Bank relating to this agreement.

Related Party Transactions with the Investor Group and the Investor Group's Related Parties

The Bank provides banking services and enters into transactions with the Investor Group and the Investor Group's related parties under the same terms as an unrelated party would receive. Outstanding balances and/or transactions with the Investor Group and the Investor Group's related parties were as follows:

(a) For the year ended September 30, 2011, the Bank earned interest and fees of approximately $822,592 (2010: $181,000) for banking services provided to such related parties.

(b) At September 30, 2011, total loans and advances given to such related parties amounted to $11,802,562, all of which were unsecured (2010: $9,238,171). There have been no guarantees provided or received for these related party transactions. For the years ended September 30, 2011 and 2010, the Bank has not made any provision for doubtful debts relating to amounts owed by such related parties.

(c) At September 30, 2011, deposit balances of such related parties with the Bank amounted to $693,554 (2010: $3,124).

(d) At September 30, 2011, the Bank had investments in RESIMAC Triomphe Trust, a standalone residential mortgage backed entity managed, but not controlled, by RESIMAC totaling $6,541,425 (2010: $4,020,530). These investments were recorded in the consolidated statement of financial position within held-to-maturity financial investments (2010: available-for-sale financial investments).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

18. Related Party Disclosures (continued)

(e) During the year ended September 30, 2010, the Bank entered into a call option deed with Permanent, whereby, in consideration for an option fee paid by Permanent in the amount of $1 and upon exercise of the call option by Permanent, the Bank agrees to sell to Permanent its investment in corporate debt securities for a price equivalent to cost plus an annualized rate of 10%. The option period expires on December 30, 2011. This investment in corporate debt securities was recorded in the consolidated statement of financial position within available-for-sale financial investments at fair value and cost of $5,000,000 (2010: $5,000,000).

As detailed in Note 7, during the year, the Bank was engaged by West Hamilton to underwrite West Hamilton's rights offering. The Bank received underwriting fees of $104,142 from West Hamilton for this service.

Transactions With Directors

Total directors' fees for the year ended September 30, 2011, amounted to $207,029 (2010: $122,070). The Bank provides banking services to directors under the same terms as an unrelated party would receive. At September 30, 2011, directors and parties associated with directors had deposit balances with the Bank of $956,102 (2010: $1,071,776).

Compensation of Key Management Personnel of the Bank

The Bank classifies the directors of the Bank as the key management personnel. For the year ended September 30, 2011, salaries and employee benefits of key management personnel amounted to $429,422 (2010: $381,553).

Principal Subsidiary Undertakings

Name	Location
BCB Fund Services Limited	Bermuda
BCB Trust Company Limited	Bermuda
BCB (Mauritius) Limited	Mauritius
BCB Luxembourg	Luxembourg
BCB Asset Management Limited	Bermuda
BCB Property Holdings Limited	Bermuda
Bermuda Commercial Bank Charitable Foundation Limited	Bermuda
VT Strategies Limited	Bermuda
BCB Fiduciary I Limited	Bermuda
BCB Fiduciary II Limited	Bermuda
Bercom Nominees Limited	Bermuda

As at September 30, 2011 and 2010, all subsidiaries were wholly-owned by BCB. All of the above subsidiaries are included in the Bank's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

19. 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.

As permitted under the legislation, staff members are required to contribute 5% annually 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 2011 amounted to $206,080 (2010: $181,919).

20. Commitments and Contingent Liabilities

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

Future minimum rental payable under the operating lease as at September 30 were as follows:

	2011	2010
Within one year	$ 585,978	$ 640,342
After one year but not more than five years	–	–
More than five years	–	–
	$ 585,978	$ 640,342

The Bank is contingently liable for letters of credit, which are fully matched by offsetting customer deposits in the amount of $880,000 (2010: $1,180,000). The Bank has issued a confirmed letter of credit in its own name in the amount of $nil (2010: $300,000) that is supported by a term deposit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

21. Risk Management

Risk is inherent in banking and is part of every bank's activities. The management of risk is a key function of all banks and it is core to a bank's profitability; a failure to manage risk can result in losses. The Bank is exposed to a variety of risks as a result of holding financial instruments, the most significant of which are credit risk, market risk and liquidity risk. The Bank manages risk through a set of formal processes that includes controls, policies, reporting and review.

Credit Risk
Credit risk is the risk of loss associated with counterparty's inability or unwillingness to fulfill its payment obligations. Credit risk may arise directly from claims against an issuer of securities, or indirectly from claims against a guarantor of credit obligations.

Market Risk
Investments in securities are exposed to market risk, which is the risk of a financial loss resulting from unfavorable changes in equity prices, commodity prices and market volatility.

Liquidity Risk
Liquidity risk is the risk that the Bank may be unable to generate or obtain sufficient funds in a timely and cost-effective manner to meet its commitments as they come due.

Risk Management
The management of risk is a core function of the Bank and it has policies, procedures and reports designed to facilitate the management of risks arising from financial instruments. The Bank's risk management structure is as follows:

Board of Directors
The Board of Directors is responsible for overall risk management and sets the level of risk tolerance through policy. It delegates authority for implementing risk control activities to board and management committees.

Business Risk, Asset & Liability Committee (BRALCO)
BRALCO is a committee of the Board that oversees the work of the management committees, provides policy level direction and assesses performance of the risk management framework.

Management Asset & Liability Committee (MALCO)
MALCO is a management committee focused on fiscal risk matters; in particular it reviews investment management activities closely. Liquidity and concentration risk issues, as well as setting margin targets are also handled by MALCO. MALCO also manages the fiscal risk elements of the Bank's Capital Adequacy & Risk Profile (CARP) and Basel II submissions to the BMA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

21. Risk Management (continued)

Audit Committee
The Audit Committee is a committee of the Board and is chaired by a senior independent director. It provides oversight and direction for internal audit functions and manages the relationship with the Bank's external auditors. It reviews the results of both audit programs and the progress of work undertaken to correct risk issues. It agrees the annual financial report, and also acts as the point of contact for whistleblowers.

Operational Risk Committee (ORC)
The ORC is focused on operational risk matters; systems, processes, controls, and procedures. It maintains the operational risk register, reviews risk incidents, and manages work to address or mitigate risk incidents.

Investment Committee (INVESTCO)
The INVESTCO meets quarterly to review the overall performance of the investment portfolio, to evaluate investment advisors and agreements, and recommend changes to BRALCO.

Credit Committee
The Credit Committee reviews all requests for lending and may approve, decline, or return request packages for further review. The Credit Committee looks at the entire loan request package and evaluates the credit risk, compliance matters, and the entirety of the client relationship as a whole.

Related Party & Conflicts Committee
In order to manage the risks of conflicts of interest, transactions with related parties are reviewed by the Related Party and Conflicts Committee. The role of this Board committee is to ensure that transactions with related parties where a conflict of interest may arise are handled on commercial terms and at arm's length. It is chaired by an independent director.

Human Resources, Compensation & Conduct Committee
This Board committee reviews and approves compensation as a whole for all staff, and specifically for senior executives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

21. Risk Management (continued)

Significant Risk Categories

Credit Risk
Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

All counterparty banks and money market funds must be approved by the Bank's Credit Committee and approved by MALCO. The maximum amount that may be deposited with any single bank or money market fund is governed by a number of controlling variables including the Fitch and Moody's IBCA rating for that bank or money market fund. Banks and money market funds with a rating lower than "B" or "C" are not used to place deposits or investments. These limits will be reviewed periodically and will be adjusted as the capital of the Bank changes or the rating of a counterparty bank or money market fund goes below "B" or "C".

The limits within which MALCO operates are set by the Board and reviewed by the BMA. The BMA has set large exposure limits for managing counterparty risk. As at September 30, 2011, the Bank's current counterparty exposure limits are $50,000,000 for "A" and "B" rated banks, and 25% of the Bank's capital for money market funds.

Liquidity Risk and Funding Management
Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances. To limit this risk, management has adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

The Bank maintains significant balances of short maturing interbank deposits along with a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The tables on the succeeding pages summarize the maturity profile of the Bank's assets and liabilities as at September 30. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

21. Risk Management (continued)

	2011					
	WITHIN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
Assets						
Due on demand	$ 22,737,778	$ –	$ –	$ –	$ –	$ 22,737,778
Money market funds	–	–	5,000,000	–	–	5,000,000
Term deposits	245,422,917	132,574	–	–	–	245,555,491
Derivative financial instruments	4,733,749	129,780	–	1,709,014	159,796	6,732,339
Available-for-sale financial investments	13,696,518	1,384,099	–	28,670,141	44,274,676	88,025,434
Held-to-maturity financial investments	–	–	1,683,155	40,151,784	62,126,400	103,961,339
Loans and advances to customers	10,656,862	343	8,985	10,460,804	14,209,526	35,336,520
Investment in an associate	–	–	–	–	17,800,454	17,800,454
Property and equipment	–	–	–	332,623	73,500	406,123
Intangible assets	–	–	–	2,158,760	–	2,158,760
Interest receivable	671,919	1,049,977	1,349,971	–	–	3,071,867
Other assets	815,164	153,995	228,111	–	–	1,197,270
	$ 298,734,907	$ 2,850,768	$ 8,270,222	$ 83,483,126	$ 138,644,352	$ 531,983,375

	2011					
	WITHIN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
Liabilities						
Demand deposits	$ 259,307,638	$ –	$ –	$ –	$ –	$259,307,638
Term deposits	87,588,745	20,353,300	16,393,659	59,546,357	–	183,882,061
Interest payable	286,342	190,895	477,237	–	–	954,474
Customer drafts payable	3,536,815	–	–	–	–	3,536,815
Other liabilities	1,344,580	36,974	4,383	–	–	1,385,937
	$ 352,064,120	$ 20,581,169	$ 16,875,279	$ 59,546,357	$ –	$ 449,066,925
Net assets (liabilities)	$ (53,329,213)	$ (17,730,401)	$ (8,605,057)	$ 23,936,769	$ 138,644,352	$ 82,916,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

21. Risk Management (continued)

	2010					
	WITHIN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
Assets						
Due on demand	$ 10,018,564	$ –	$ –	$ –	$ –	$ 10,018,564
Money market funds	124,824,117	–	–	–	–	124,824,117
Term deposits	164,401,173	–	791,639	–	–	165,192,812
Derivative financial instruments	–	898,500	351,500	780,207	–	2,030,207
Interest receivable	410,021	627,268	276,099	–	–	1,313,388
Other assets – receivables for investments sold	11,886,697	–	–	–	–	11,886,697
Other assets – accrued income and prepayments	–	789,079	–	–	–	789,079
Available-for-sale financial investments	4,572,746	6,280,204	1,001,500	22,931,206	47,628,839	82,414,495
Loans and advances to customers	2,847,896	5,970	6,887,887	–	105,147	9,846,900
Property and equipment	–	–	–	360,875	–	360,875
Intangible assets	–	–	–	979,418	–	979,418
	$ 318,961,214	$ 8,601,021	$ 9,308,625	$ 25,051,706	$ 47,733,986	$ 409,656,552

	2010					
	WITHIN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
Liabilities						
Demand deposits	$ 225,590,501	$ –	$ –	$ –	$ –	$ 225,590,501
Term deposits	76,183,246	11,448,560	9,842,743	542,930	–	98,017,479
Derivative financial instruments	64,000	1,255,808	–	–	–	1,319,808
Interest payable	52,129	–	–	–	–	52,129
Customer drafts payable	5,184,281	–	–	–	–	5,184,281
Other liabilities	4,537,536	–	–	–	–	4,537,536
	$ 311,611,693	$ 12,704,368	$ 9,842,743	$ 542,930	$ –	$ 334,701,734
Net assets (liabilities)	$ 7,349,521	$ (4,103,347)	$ (534,118)	$ 24,508,776	$ 47,733,986	$ 74,954,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

21. Risk Management (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The market risk for the Bank's financial instruments is managed and monitored using sensitivity analyses.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank has adopted a predominantly matched book approach with its asset and liability management which significantly reduces the Bank's interest rate risk. The Board has established limits on interest rate gaps over different time horizons and positions are monitored on a daily basis.

Interest rate movements cause changes in interest income and interest expense and, although these changes move in the same direction, their relative magnitude will favorably or unfavorably impact annual profit or loss and the value of equity. The extent of that impact depends on several factors, including matching of asset and liability maturities and the interest rate curve. Assets and liabilities are managed to optimize the impact of interest rate movements in view of anticipated rate changes.

As a result of the low interest rate environment and the current uncertainty prevailing in the credit markets it is difficult to accurately forecast the potential impact of an immediate and sustained variation in interest rates on profit and loss and on the amount of equity. At September 30, 2011 and 2010, the U.S. Federal Funds rate, a key driver of the Bank's interest income ranged between 0 – 0.25%. On the assumption that interest rates remain positive, the Bank assesses the impact on net income due to negative variation in interest rates to be limited.

The following table demonstrates the Bank's sensitivity to a reasonable possible change in interest rates, with all other variables held constant. The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the floating rate financial assets and financial liabilities held at September 30.

	2011	2010
25 basis point increase in interest rates		
Impact on profit (for the next 12 months)	$ 398,691	$ 532,024
Impact on equity (for the next 12 months)	$ 398,691	$ 532,024
25 basis point decrease in interest rates		
Impact on profit (for the next 12 months)	$ (110,446)	$ (532,024)
Impact on equity (for the next 12 months)	$ (110,446)	$ (532,024)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

21. Risk Management (continued)

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. A 10 percent increase in the currency rates to which the Bank had significant exposure at September 30, 2011, would have increased profit and equity by $937,804 (2010: $1,103,232). An equivalent decrease would have resulted in an equivalent but opposite impact.

Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. A 10 percent increase in the value of the Bank's available-for-sale equities at September 30, 2011, would have increased equity by $1,369,652 (2010: $457,275). An equivalent decrease would have resulted in an equivalent but opposite impact.

22. Segment Information

For management purposes, the Bank is organized into two business segments:

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 financial liabilities, including interest rate, foreign exchange, and credit risks.

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 banking services segment.

Management monitors the operating results of these business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. 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 2011 or 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

22. Segment Information (continued)

The following table presents income and expense and certain asset and liability information regarding the Bank's business segments:

	2011			
	BANKING SERVICES	CORPORATE SERVICES	ELIMINATION OF INTER-SEGMENT AMOUNTS	TOTALS
Net interest income from external customers	$ 9,535,233	$ –	$ –	$ 9,535,233
Fees and other income from external customers	543,244	1,642,138	–	2,185,382
Losses on derivative financial instruments	(1,050,230)	–	–	(1,050,230)
Gain on sale of available-for-sale financial investments	4,448,574	–	–	4,448,574
Gain on investment in an associate	10,012,940	–	–	10,012,940
Impairment losses	(2,489,900)	–	–	(2,489,900)
Inter-segment fees and other income	–	69,074	(69,074)	–
Total income	20,999,861	1,711,212	(69,074)	22,641,999
Depreciation	(65,501)	–	–	(65,501)
Operating expenses	(4,514,370)	(1,760,885)	26,000	(6,249,255)
Net income before head office Allocation	16,419,990	(49,673)	(43,074)	16,327,243
Head office allocation	(2,368,500)	(1,385,441)	43,074	(3,710,867)
Net income	$ 14,051,490	$ (1,435,114)	$ –	$ 12,616,376
Segment assets	$ 531,568,070	$ 809,276	$ (393,971)	$ 531,983,375
Segment liabilities	$ 448,899,932	$ 166,993	$ –	$ 449,066,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

22. Segment Information (continued)

	2010			
	BANKING SERVICES	CORPORATE SERVICES	ELIMINATION OF INTER-SEGMENT AMOUNTS	TOTALS
Net interest income from external customers	$ 3,765,467	$ –	$ –	$ 3,765,467
Fees and other income from external customers	2,115,098	1,337,800	–	3,452,898
Loss on derivative financial instruments	(670,891)	–	–	(670,891)
Gain on sale of available-for-sale financial investments	3,886,373	–	–	3,886,373
Inter-segment fees and other income	–	71,943	(71,943)	–
Total income	9,096,047	1,409,743	(71,943)	10,433,847
Depreciation	(57,123)	(1,025)	–	(58,148)
Operating expenses	(3,151,061)	(1,762,311)	35,001	(4,878,371)
Net income before head office allocation	5,887,863	(353,593)	(36,942)	5,497,328
Head office allocation	(2,718,266)	(1,635,853)	36,942	(4,317,177)
Net income	$ 3,169,597	$ (1,989,446)	$ –	$ 1,180,151
Segment assets	$ 409,228,642	$ 723,489	$ (295,579)	$ 409,656,552
Segment liabilities	$ 334,608,220	$ 93,514	$ –	$ 334,701,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

23. Financial Instruments

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical financial instruments;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial Instruments Recorded at Fair Value

Derivative Financial Instruments
The Bank's derivative financial instruments valued using a valuation technique with market observable inputs include forward foreign currency contracts. The most frequently applied valuation technique includes the forward pricing model which incorporates various inputs including the forward rates.

The Bank's derivative financial instruments valued using a valuation technique with significant non-market observable inputs include equity option contracts. These derivatives are valued using models that calculate the present value such as the binomial model for options. The model incorporates various unobservable assumptions that include the market rate volatilities.

Available-for-Sale Financial Investments
Available-for-sale financial assets valued using valuation techniques include unquoted equity and debt securities. These assets are valued using models that use both observable and unobservable data. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

23. Financial Instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2011			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	$ –	$ 4,863,529	$ –	$ 4,863,529
Equity option contracts	–	–	1,868,810	1,868,810
Total derivative financial instruments	–	4,863,529	1,868,810	6,732,339
Available-for-sale financial investments				
Debt securities issued by banks	22,282,023	1,384,099	–	23,666,122
Corporate debt securities	26,079,521	11,253,950	5,876,740	43,210,211
Mortgage-backed securities	–	7,452,583	–	7,452,583
Equity securities	13,196,518	–	500,000	13,696,518
Total available-for-sale financial investments	61,558,062	20,090,632	6,376,740	88,025,434
	$ 61,558,062	$ 24,954,161	$ 8,245,550	$ 94,757,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

23. Financial Instruments (continued)

	2010			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Derivative financial instruments				
Index option contracts	$ 1,250,000	$ –	$ –	$ 1,250,000
Equity option contracts	–	–	780,207	780,207
Total derivative financial instruments	1,250,000	–	780,207	2,030,207
Available-for-sale financial investments				
Government debt securities	2,690,695	–	–	2,690,695
Debt securities issued by banks	28,471,236	–	–	28,471,236
Corporate debt securities	30,431,705	5,000,000	7,227,593	42,659,298
Mortgage-backed securities	–	–	4,020,520	4,020,520
Equity securities	4,572,746	–	–	4,572,746
Total available-for-sale financial investments	66,166,382	5,000,000	11,248,113	82,414,495
	$ 67,416,382	$ 5,000,000	$ 12,028,320	$ 84,444,702
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	$ –	$ 1,255,808	$ –	$ 1,255,808
Index option contracts	64,000	–	–	64,000
	$ 64,000	$ 1,255,808	$ –	$ 1,319,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2011. (expressed in United States dollars)

23. Financial Instruments (continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value:

2011	CORPORATE DEBT SECURITIES	MORTGAGE-BACKED SECURITIES	EQUITIES	EQUITY OPTION CONTRACTS	TOTAL
Fair value, beginning of year	$ 7,227,593	$ 4,020,520	$ –	$ 780,207	$ 12,028,320
Purchases	2,000,000	–	500,000	966,377	3,466,377
Sales	(1,338,424)	–	–	–	(1,338,424)
Transfer to Level 1	(2,218,500)	–	–	–	(2,218,500)
Net exchange gains recognized in profit and loss	(77,611)	–	–	122,226	44,615
Net exchange gains recognized in equity	283,682	–	–	–	283,682
Reclassification to held-to-maturity	–	(4,020,520)	–	–	(4,020,520)
Fair value, end of year	$ 5,876,740	$ –	$ 500,000	$ 1,868,810	$ 8,245,550

2010	CORPORATE DEBT SECURITIES	MORTGAGE-BACKED SECURITIES	EQUITIES	EQUITY OPTION CONTRACTS	TOTAL
Fair value, beginning of year	$ –	$ –	$ –	$ –	$ –
Purchases	7,033,712	3,730,002	–	824,073	11,587,787
Sales	–	–	–	–	–
Transfers	–	–	–	–	–
Net exchange gains recognized in profit and loss	193,881	290,518	–	(43,866)	440,533
Net exchange gains recognized in equity	–	–	–	–	–
Fair value, end of year	$ 7,227,593	$ 4,020,520	$ –	$ 780,207	$ 12,028,320

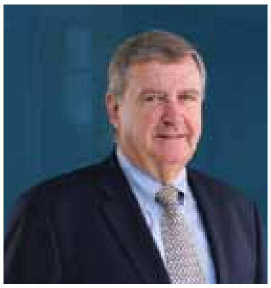
There were no Level 3 financial liabilities during the year ended September 30, 2011 and 2010.

24. Subsequent Events

Acquisition of Paragon Trust & Charter Corporate Services
Effective October 4, 2011, BCB acquired through amalgamation Paragon Trust and Charter Corporate Services including their offices at Trinity Hall. Trinity Hall will become BCB's Private Wealth Centre and will offer asset management and private banking in addition to estates, trust, and corporate services. Total cash consideration was $10,000,000.

Change of Subsidiaries' Legal Names
On October 4, 2011, BCB Fiduciary I Limited and BCB Fiduciary II Limited changed their legal names to BCB Paragon Trust Limited and BCB Charter Corporate Services Limited, respectively.

Board of Directors **AS AT SEPTEMBER 30, 2011**



J. Michael Collier, JP | Chairman

CHAIRMAN AND MANAGING DIRECTOR

Mr. Collier is a past President & CEO of Butterfield Bank, and is the Chairman of the Ascendant Group.

Warren McLeland* | Deputy Chairman

CHIEF EXECUTIVE OFFICER, RESIMAC LIMITED

Mr. McLeland is the CEO of Resimac Australia. He was formally with the Reserve Bank of Australia and was a senior executive at Chase Manhattan Bank in New York, Asia and Europe.

Horst Finkbeiner II, M.Sc, MIoD, MICA

DIRECTOR AND CHIEF OPERATING OFFICER

Mr. Finkbeiner is the Chief Operating Officer of BCB. He is a member of the International Compliance Association and the Institute of Directors.

Gavin Arton

FORMER SENIOR EXECUTIVE, XL CAPITAL LIMITED

Mr. Arton is the Chairman of BF&M Limited, and a former senior executive with XL Capital Ltd. He previously served as an executive of American International Group Inc., and CIGNA Corporation.

As at September 30, 2011, the total interest of all Directors, Statutory Officers, and Executive Officers amounted to 13,261 (0.2%) in common shares and nil (0%) in options. There are no service contracts with directors.

Jon L. Brunson, MA, JP

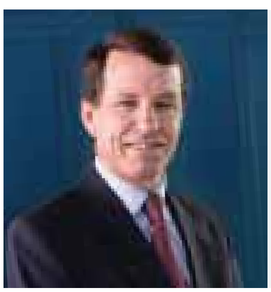
DIRECTOR, ORBIS SCHOLARS PROGRAM, ORBIS FOUNDERS PHILANTHROPIES

Mr. Brunson was a former Director of Orbis Founders Philanthropies - Scholar Program and a former Member of Parliament in Bermuda. He currently serves as a Director on various Philanthropic Boards that are designed to address social issues in Bermuda.

Greg Reid, CA*

DIRECTOR AND CHIEF FINANCIAL OFFICER

Mr. Reid is a Chartered Accountant and the Chief Financial Officer of BCB.



Jonathan Clipper

MANAGING DIRECTOR OF HEADLAND MANAGEMENT LTD.

Mr. Clipper received his MBA from Oxford University as Bermuda's Rhodes Scholar. He spent thirteen years at Chase Manhattan and twelve years at Citibank respectively, serving Financial Institutions as his primary client base. Mr. Clipper is a director of numerous offshore funds and companies, and is a Fellow of The Institute of Chartered Secretaries and Administrators.

Christopher Swan, BA, LLB, JP

SENIOR PARTNER, CHRISTOPHER E. SWAN & CO., BARRISTERS-AT-LAW

Mr. Swan is the Senior Partner of Christopher E. Swan & Co. He is a member of Gray's Inn, the Law Society and the Bermuda Bar.

* Denotes non-Bermudian director.

Subsidiaries AS AT SEPTEMBER 30, 2011

BCB FUND SERVICES LIMITED
Telephone: (441) 295-5678 | Fax: (441) 292-5898
Incorporated in Bermuda on December 21, 1992.
Provides corporate and partnership management, custody and fund administration 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.

BCB ASSET MANAGEMENT LIMITED
Incorporated in Bermuda on February 11, 2011.

BCB PROPERTY HOLDINGS LIMITED
Incorporated in Bermuda on December 15, 2010.

BCB CHARITABLE FOUNDATION LIMITED
Incorporated in Bermuda on October 1, 2010.

VT STRATEGIES LIMITED
Incorporated in Bermuda on September 17, 2011.

BCB FIDUCIARY I LIMITED (as of October 4, 2011 known as BCB PARAGON TRUST LIMITED)
Incorporated in Bermuda on July 11, 2011.

BCB FIDUCIARY II LIMITED (as of October 4, 2011 known as BCB CHARTER CORPORATE SERVICES LIMITED)
Incorporated in Bermuda on July 11, 2011.

The registered address for the 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 Abax Corporate Services Ltd.
Tower A, 1 CyberCity, Ebene, Mauritius
Telephone: (230) 206-8600 Fax: (230) 208-7949

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

BCB LUXEMBOURG
Incorporated in Luxembourg on May 4, 2011

Management & Staff

Horst E. Finkbeiner II
Chief Operating Officer

Greg Reid
Chief Financial Officer

Michael Cranfield
Chief Information Officer

Granville Gibbons
Manager,
General & Administration

Neil de ste Croix
General Manager,
BCB Trust Company Limited

Robin Dyer
Compliance Officer

Kim Armstrong
Corporate Secretary,
BCB Fund Services Limited

Shanalette DeSilva
Assistant Manager,
Head of Custodial Services

Sophia Ming
Assistant Manager,
Head of Treasury Operations

Angelique Dowling
Human Resources Generalist

Janet Field
Corporate Secretary

Karen Blankendal
Assistant Manager,
Head of Client Administrators

Ann Robinson
Assistant Manager,
Head of Banking Operations

Paul Blackbourn
Financial Controller

Dane Commissiong
Treasury Manager

Lola Myshketa
Senior Wealth Advisor

Usha Nanan
Internal Auditor

Sara Schroter Ross
Legal Counsel

Tasha Jones
Private Banker

Carrie Thatcher
Manager,
Marketing & Communications

Derwin Adams
Natascia Bertoli-Badoli
Alan Bird
Milton Darrell
Susan Davis
Rebecca Dunstan
Raquel Emery
Michelle Johnston
Cindy Lambe
Darlene Lambert
Dezané Lathan
Reneé McHardy
Marek Noha
Stephen Outerbridge
Charmette Phillip
Heather Roque
Donnette Simons
Jill Smith
Khamla Smith
Melissa Smith
Donnell Taylor
Eugena Wainwright
Brian Ward
Reneé Wilson
Marc Zinsmeister

Executive Photo- Left-Right
Horst Finkbeiner - Director and COO
Neil de ste Croix - General Manager BCB Paragon Trust Limited and BCB Charter Corporate Services Limited
Luciano Aicardi - Managing Director BCB Paragon Trust Limited and BCB Charter Corporate Services Limited
Greg Reid - Chief Financial Officer

Bermuda Commercial Bank Limited

Mailing Address

P.O.Box HM 1748
Hamilton HM GX
Bermuda

Registered Address

Bermuda Commercial Bank Building
19 Par-La-Ville Road
Hamilton HM 11
Bermuda

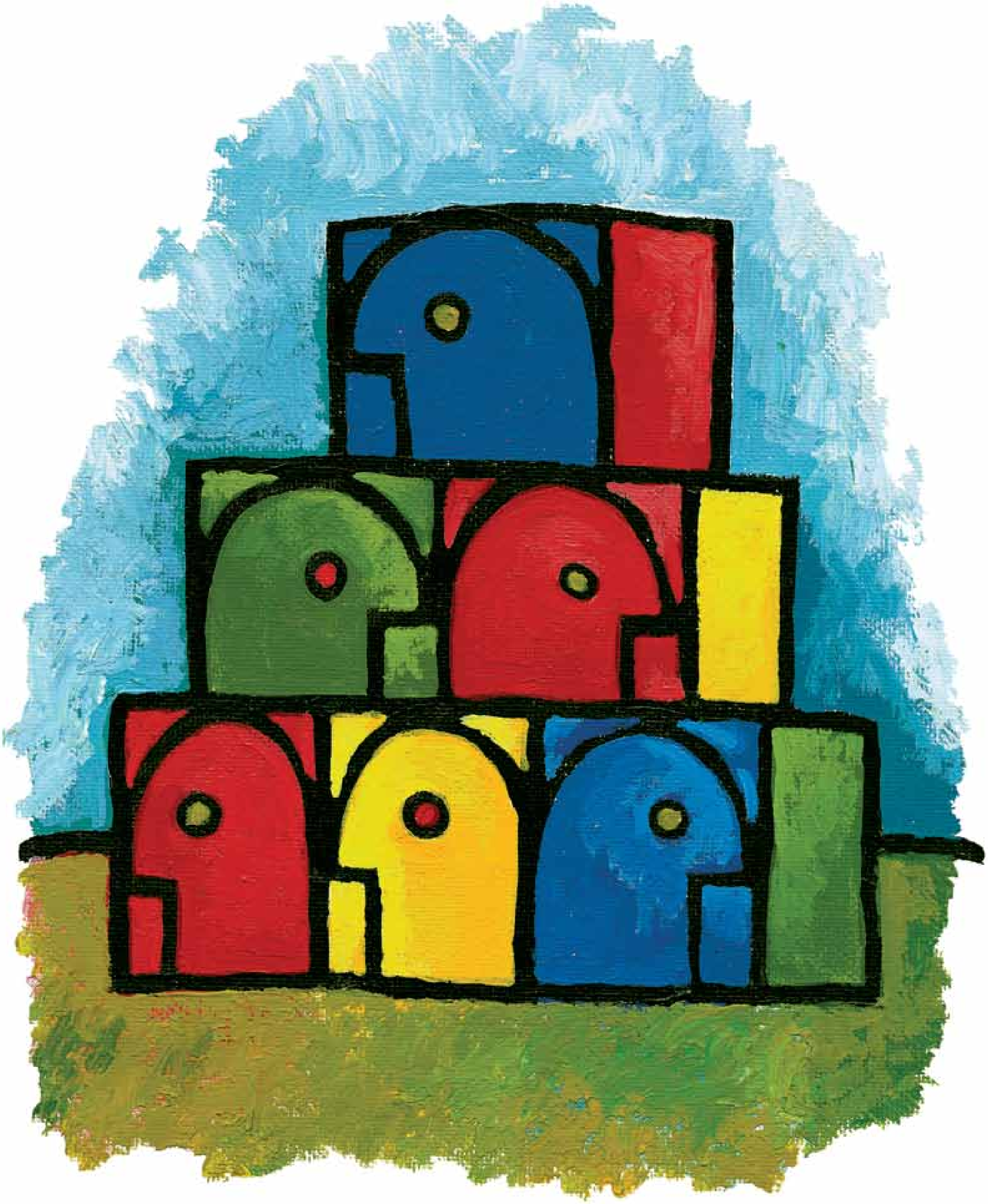
Tel: +1 (441) 295-5678
Fax: +1 (441) 296-0601
Web: www.bcb.bm
Email: enquiries@bcb.bm

Business Hours

Monday - Friday
9:00am - 5:00pm

Banking Hall Hours

Monday - Friday
9:00am - 4:00pm



BCB
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

T: +1 (441) 295-5678
F: +1 (441) 296-0601
W: WWW.BCB.BM
E: ENQUIRIES@BCB.BM