



**BERMUDA COMMERCIAL BANK LIMITED**



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# CORPORATE PROFILE

**Bermuda Commercial Bank's story begins more than 40 years ago, when a group of Bermudian entrepreneurs conceived of forming a local savings and loan institution in Bermuda. We have evolved to become the only Bermudian bank focused on servicing the local and international corporate and commercial business communities as well as high net worth clients. We have mastered the art of banking by providing the highest standards of service to clients worldwide. Our tailored market focus, the accessibility of our staff and our personalized service are what set Bermuda Commercial Bank apart in the industry.**

**Bermuda Commercial Bank Group has been guided by a corporate philosophy centered on the provision of innovative, quality services with minimal risk tailored to the specific needs of its clients.**

## FOCUS

As the only bank in Bermuda focused solely on commercial, corporate and high net worth individuals, we offer an array of banking solutions, as well as a full range of custody, fund administration and corporate services. Our specialized market focus allows us to truly understand and meet our clients' diverse needs. We are able to deliver services with efficiency not feasible elsewhere while maintaining the accuracy that our clients require.

## INNOVATION

Innovation is essential in the financial services industry for adapting to and meeting the specific needs of clients, proactively suggesting new and improved ways of operating in the offshore environment and taking a leadership position in the provision of these services.

The corporate logo, inspired by the Sea Venture, which brought the first settlers to Bermuda in 1609, is intended to represent the Bank's pioneering approach to international banking and finance. Innovation drives the Bank at all levels of operation.

## QUALITY, PERSONAL SERVICE

Bermuda Commercial Bank operates in a highly competitive and demanding environment. The provision of financial services depends upon maintaining the highest standards of quality, forming a strong bond with clients based on mutual trust and respect, keeping informed of relevant developments in the industry and updating the services provided to reflect the changing environment.

The Bank has sought to take advantage of its relatively small size by providing personalized service to its client base. This is done by ensuring that our clients always have access to our people, not automated systems, to take care of their needs. Our clients speak directly to a professional, and our most senior staff are always available to clients to enhance their banking experience. We also assign a dedicated administrator to each of our clients, ensuring the kind of individual care and responsibility not possible in other institutions. We work collaboratively with our clients, understanding their businesses, challenges and needs.

### **CONSERVATIVE RISK MANAGEMENT & STABILITY**

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

Through our subsidiaries, International Corporate Management of Bermuda, BCB Trust Company Limited, Bercom Nominees Limited and BCB (Mauritius) Limited, the Bermuda Commercial Bank Group provides clients with a one-stop solution to all their banking needs be they corporate, personal or trust related. Bermuda Commercial Bank is also a member of the SWIFT (Society of Worldwide Interbank Financial Telecommunication) network and has established correspondent banking relationships with major institutions, allowing us to provide wire transfer services globally. 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 commitment to high quality service and products.

# LETTER TO SHAREHOLDERS

**Bermuda Commercial Bank Limited's ("BCB" or "the Bank") net income for the year ended September 30, 2008 was \$5.16 million. This compares to net income of \$5.94 million in 2007.**

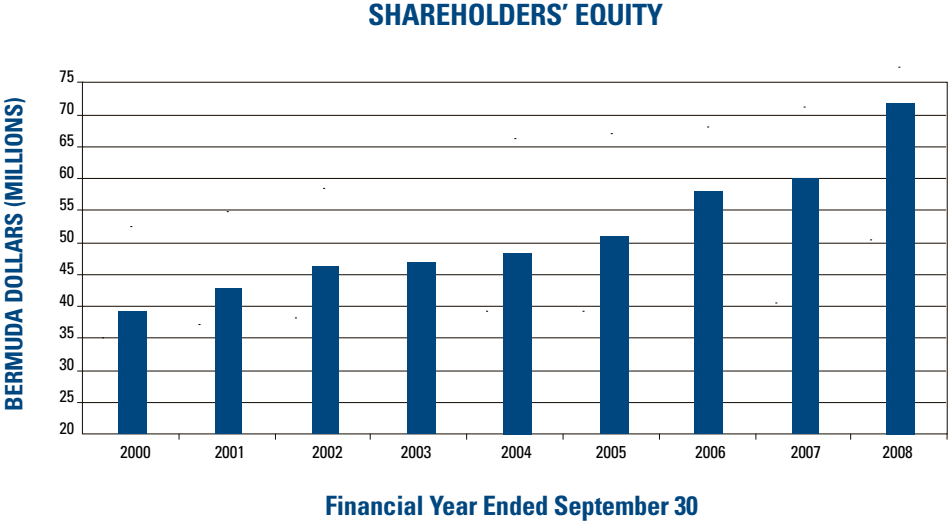
While 2008 net income failed to match 2007 levels, BCB did not see any of the large losses which are currently having such a devastating impact on global banking profitability. The Bank has no credit derivative investments and our liquidity is second to none. BCB's long-standing conservative approach to managing our capital and our clients' deposits meant the Bank did not fully share in the fruits of the boom years but on the other hand, this strategy is currently serving us very well. However, the Bank has not been totally immune to the current financial turmoil. Many of our clients have been affected by the crisis which has curtailed their financial activity. Also, the U.S. Federal Reserve has decreased base interest rates to historically low levels. As a result of these two factors the Bank's net interest income decreased by \$1.85 million from \$10.51 million in 2007 to \$8.66 million for the year ended September 30, 2008.

The Bank's total assets were \$486.84 million at September 30, 2008 compared to \$621.55 million at September 30, 2007, a decrease of \$134.71 million or 21.7%. BCB is banker to many large mutual and hedge fund clients which, over the last number of months, have seen their subscription levels drop dramatically. The Bank's asset quality and liquidity remains excellent and at September 2008 our assets were 100% cash with 99% of this having maturities of less than one month.

Fee and other income decreased by \$0.16 million to \$5.05 million for the year ended September 30, 2008. This decrease resulted despite \$0.47 million in gains associated with the Visa and MasterCard IPOs. Custody and fund administration revenues decreased by \$0.48 million due to their being negatively impacted by the withdrawal of a number of large clients in the second half of the year. Although we are disappointed by the loss of this valuable business, the departures were out of the Bank's control and resulted from jurisdictional changes. Our new business pipeline is currently very strong and we are confident of offsetting a large portion of this lost fee revenue during the coming months.

The Bank's outstanding warrants expired on May 30, 2008 and, since September 30, 2007, 1,363,794 warrants have been converted to common shares at \$7.50 resulting in a \$10.23 million addition to shareholders' equity. At September 30, 2008 the Bank's shareholders' equity stood at \$71.62 million versus \$60.16 million a year earlier. The Board and Management remain committed to steadily building the value of the Bank and the following chart demonstrates the continued growth in shareholders' equity.

The following chart represents the steady growth in shareholders' equity over the last nine years.



The Board of Directors of the Bank has approved a half-yearly dividend of \$0.40, or \$0.80 per share for the year. This dividend represents 88.9% of earnings based on our 5,752,687 outstanding shares at year end and generates an annual yield of 8.0% based on the 2008 fiscal year-end trading price of \$10.00 for the Bank's common stock. If current low interest rates continue, and we expect that they will, this will have a negative impact on the Bank's profitability levels for 2009 and it will not be possible to maintain the current dividend level.

We would like to thank our shareholders and clients for their continued support. We would also like to express our sincere appreciation to all of our dedicated staff and management for their continued hard work and commitment to Bermuda Commercial Bank.

DR. CLARENCE R. TERCEIRA  
CHAIRMAN

E. JOHN SAINSBURY  
PRESIDENT

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## RESULTS OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net income for 2008 was \$5.16 million, down 13.1% from \$5.94 million in 2007. Basic and diluted earnings per share for the year ended September 30, 2008 are \$1.06 and \$0.85, respectively. Basic and diluted earnings per share for the year ended September 30, 2007 were \$1.36 and \$1.08, respectively. The difference between basic and diluted earnings per share is a consequence of considering the conversion of options and warrants.

## INCOME

Total income, decreased by \$2.01 million, or 12.8%, to \$13.71 million from \$15.72 million. This decrease resulted primarily from a decrease in our core net interest income. For the year ended September 30, 2008, net interest income was \$8.66 million compared to \$10.51 million at September 30, 2007, a decline of \$1.85 million or 17.6%. This decrease resulted from a year on year decrease in interest rates, more than offsetting an increase in the Bank's average deposit levels. As outlined in Note 13 to the financial statements, the Bank's profitability is materially influenced by changes in interest rates, primarily U.S. Fed rates. For fiscal 2008 the effective U.S. Fed interest rate was 2.97% compared with 5.23% for fiscal 2007.

Fees and commissions decreased by \$0.73 million, or 17.4%, from the previous year. This decrease resulted from the withdrawal of a number of large Corporate Services clients in the second half of fiscal year 2008. The Bank provided fund administration and custody services to these clients. Fees in BCB Trust Company Limited, the Bank's wholly owned subsidiary remained at similar levels to the prior year.

Fees from Banking Services remained very much in line with the prior year showing a \$0.02 million or 2.0% increase from \$0.98 million to \$1.00 million.

BCB does not assume any foreign exchange risk through proprietary trading positions. Rather, net exchange gains are earned from a small spread on each foreign currency conversion as it passes through the Bank. These exchange gains grew by \$0.15 million or 19.0% to \$0.94 million as a consequence of continued turbulence in the international currency markets.

## EXPENSES

Bermuda Commercial Bank has a strong record of efficient cost control. The downturn in global markets and the flow down effect on BCB's revenues makes proper control over expenditure even more important in the current environment. In fiscal year 2008 costs were reduced both before and after accounting for one time costs. Total expenses decreased by \$1.21 million from \$9.77 million to \$8.56 million. 2007 expenses were heavily impacted by costs associated with both the sale process and the events surrounding the investigation into the Bank's major shareholder, FCIB. These expenses approximated \$0.90 million and consisted primarily of professional fees paid to our legal, audit and accounting advisors. The equivalent 2008 costs were \$0.10 million.



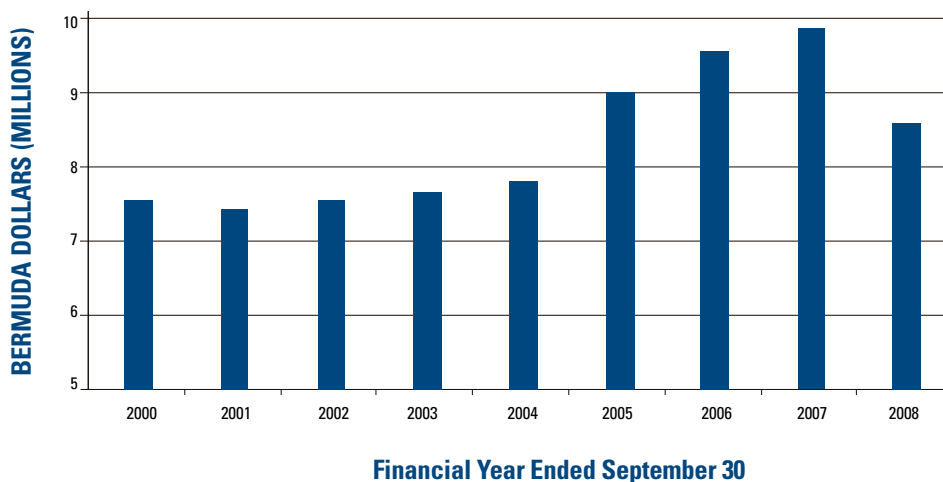
Salaries and employee benefits decreased by 2.9% from \$4.78 million to \$4.64 million. This decrease was a result of a decrease in variable profit share compensation, an expense that is linked to the Bank's financial performance. Salary and benefits expense levels matched the prior year as annual payroll increases were offset by slightly lower staff headcount.

Amortization decreased by \$0.09 million from \$0.54 million in fiscal year 2007 to \$0.45 million for the year ended September 30, 2008. Certain of the Bank's software systems became fully amortized last year resulting in a lower amortization expense for fiscal 2008.

Other expenses decreased by \$0.99 million or 22.2% from \$4.46 million for the year ended September 30, 2007 to \$3.47 million for 2008. This decrease results from the previously discussed Bank sale costs. Additionally, remaining operational expenses decreased slightly as a consequence of the reduction in our fee based business.

Overall we remain satisfied with our performance in controlling costs. Through continuous review of our procedures and further automation we believe these savings have not been made at the cost of performance. Quite the opposite in fact, Management is confident that our current structure now has the ability to take on significant additional business with only a minimum increase in related operating costs.

### TOTAL EXPENSES



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FINANCIAL CONDITION AS AT SEPTEMBER 30, 2008

Despite a year on year increase in average client deposits, the Bank's year-end client deposit levels decreased to \$407.64 million at September 30, 2008 from \$555.55 million at September 30, 2007, a decrease of \$147.91 million. Many of our clients, particularly mutual funds, invest large balances at month and quarter ends, thus client activity results in significant changes to our balance sheet over time - the decrease in balances recorded at year-end need to be understood in this context. In addition, many of our fund clients have also suffered a reduction in financial activity resulting in less funds being placed on deposit with the Bank at year end.

Client deposits are placed with essentially matching maturities with highly rated counterparties in either the interbank market or in select money market funds. Total cash and term deposits decreased by \$134.07 million to \$484.53 million at September 30, 2008 from \$618.60 million a year before. This decrease in assets is less than the corresponding decrease in client deposits, primarily due to the \$10.23 million in proceeds, received during fiscal 2008, from the exercise of warrants.

Equipment, leasehold improvements and computer software was \$0.70 million at year end, down from \$0.83 million at September 30, 2007 as a result of annual amortization charges exceeding capital expenditure during the year.

Interest receivable and interest payable balances vary in line with the maturity profile and value of clients' deposits. As BCB matches its assets and liabilities, the interest receivable and interest payable balances typically move in tandem with each other. BCB's maturity schedule continues to be short term in nature with the majority of assets and liabilities maturing within one month.

Other assets and other liabilities typically consist of standard operational prepayments and accruals. Variations between 2008 and 2007 balances resulted from normal, short term operational movements.

As with the prior year, the proposed dividend represents the year-end dividend of \$0.40 per share. The year-end dividend is traditionally paid to shareholders in December. The 2008 proposed balance exceeds the prior year balance due to a 1,363,794 increase in issued shares following the exercise of warrants during the year.

Shareholders' equity at September 30, 2008 was \$71.62 million, an \$11.46 million increase over the prior year balance of \$60.16 million. This increase resulted from the exercise of warrants which contributed \$10.23 million to equity. The balance of the increase came from undistributed net income and \$270,000 in unrealized gains from the Visa Inc IPO.

## **OPERATIONS**

The Bank continues to build its business, and has taken steps to strengthen its marketing and sales programs. Marketing, advertising and public relations have been outsourced to a local professional company. Sales and client relationship management are now being handled by the heads of each major department, ensuring that our clients receive the high level of service for which the Bank has become known.

In June 2004, the Basel Committee on Banking Supervision introduced a new capital adequacy framework to replace the 1988 Basel Capital Accord in the form of a final accord (commonly known as 'Basel II'). Bermuda is a party to the Basel accord. The supervisory objectives for Basel II are to promote safety and soundness in the financial system and maintain, at least, the current overall level of capital. In response to these developments, BCB established a working committee whose responsibility is to steer the implementation of Basel II, its future oversight and adherence. The implementation framework is based on guidance provided by our regulator, the Bermuda Monetary Authority. The methodology known as capital assessment review process includes procedures and processes designed to undertake specific stress tests and general scenario analysis that would help in identifying potential events or market conditions that could adversely impact the Bank. The methodology requires the Bank to allocate capital to address possible credit risks, operational risks and market risks. During the coming months, the working committee will meet with our regulator to finalise the capital assessment review process.

## **PERFORMANCE MEASURES**

The mixed results for 2008 were reflected in the Bank's performance ratios.

With U.S interest rates at historical lows, 2009 is set to be a challenging year for the Bank. Management is very mindful of this and we will remain true to our core competencies of building a solid, low risk balance sheet while striving, in particular, to increase our non interest based, fee incomes.

# MANAGEMENT’S DISCUSSION AND ANALYSIS

## PERFORMANCE MEASURES (Continued)

	<b>Per Share Information</b>			<b>Financial Ratios</b>	
	2008	2007		2008	2007
Cash dividends	\$ 0.80	\$ 0.80	Return on equity	7.83%	10.16%
Net book value – basic	\$ 12.45	\$ 13.71	Return on assets	0.93%	1.09%
Net book value – diluted	\$ 10.83	\$ 10.61	Efficiency ratio	62.39%	62.21%
Market value at year-end	\$ 10.00	\$ 10.50	Dividend payout ratio	88.89%	59.26%
Net income - basic	\$ 1.06	\$ 1.36	Dividend to share price ratio	8.00%	7.62%
Net income – diluted	\$ 0.85	\$ 1.08	Cash and term deposits/ total assets	99.53%	99.53%

	<b>Capital Ratios</b>	
	2008	2007
Tier 1 capital ratio	71.21%	45.26%
Tier 2 capital ratio	0.02%	0.02%
Risk weighted capital ratio	71.23%	45.28%



**HORST E. FINKBEINER II**  
Chief Operating Officer



**GREG REID**  
Chief Financial Officer



**MICHAEL CRANFIELD**  
Chief Information Officer



**RANDY MORRIS**  
General Manager, International Corporate  
Management of Bermuda Limited.



**P. GLENDALL PHILLIPS**  
General Manager, Banking & Custodial Services



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of  
Bermuda Commercial Bank Limited

We have audited the consolidated balance sheet of Bermuda Commercial Bank Limited (the "Bank") as at September 30, 2008 and the consolidated statements of operations and retained earnings, comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

**Deloitte + Touche**

November 10, 2008

**Audit . Tax . Consulting . Financial Advisory**

A member of  
**Deloitte Touche Tohmatsu**

# CONSOLIDATED BALANCE SHEET

as at September 30, 2008 (Expressed in Bermuda dollars)

	2008	2007
<b>ASSETS</b>		
Cash and term deposits (Note 3)		
Due on demand	\$11,521,297	\$20,756,191
Term deposits	473,010,124	597,842,363
Total cash and term deposits	484,531,421	618,598,554
Investments in securities (Note 4)	271,417	-
Equipment, leasehold improvements and computer software (Note 5)	699,622	832,178
Interest receivable	275,944	912,334
Other assets	1,058,883	1,203,305
Total assets	\$486,837,287	\$621,546,371
<b>LIABILITIES</b>		
Deposits (Note 6)		
Demand deposits	\$112,736,502	\$145,422,328
Term deposits	294,906,282	410,123,292
Total deposits	407,642,784	555,545,620
Interest payable	252,368	635,955
Other liabilities	5,022,071	3,448,126
Proposed dividend	2,301,075	1,755,557
Total liabilities	415,218,298	561,385,258
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 7)	13,806,449	10,533,343
Share premium (Note 7)	18,262,690	11,307,341
Accumulated other comprehensive income (Note 4)	271,417	-
Retained earnings	39,278,433	38,320,429
Total shareholders' equity	71,618,989	60,161,113
Total liabilities and shareholders' equity	\$486,837,287	\$621,546,371

See accompanying notes to the consolidated financial statements

Signed on behalf of the Board:



DR. CLARENCE R. TERCEIRA  
CHAIRMAN



E. JOHN SAINSBURY  
PRESIDENT

# CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the year ended September 30, 2008 (Expressed in Bermuda dollars)

	2008	2007
<b>INCOME</b>		
Interest income	\$19,254,173	\$24,168,051
Interest expense	(10,596,997)	(13,661,079)
Net interest income	8,657,176	10,506,972
Fees and commissions	3,468,651	4,201,302
Other operating income	181,219	216,280
Net exchange gains	936,960	791,044
Gain on sale of investments in securities (Note 4)	468,378	-
Total income	13,712,384	15,715,598
<b>EXPENSES</b>		
Salaries and employee benefits (Note 11)	4,640,307	4,780,231
Amortization	447,780	538,382
Other expenses	3,467,253	4,458,567
Total expenses	8,555,340	9,777,180
<b>NET INCOME</b>	5,157,044	5,938,418
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	38,320,429	35,905,550
Dividends (Note 8)	(4,199,040)	(3,523,539)
<b>RETAINED EARNINGS, END OF YEAR</b>	\$39,278,433	\$38,320,429
Basic earnings per common share (Note 9)	\$1.06	\$1.36
Diluted earnings per common share (Note 9)	\$0.85	\$1.08

See accompanying notes to the consolidated financial statements



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended September 30, 2008 (Expressed in Bermuda dollars)

	<b>2008</b>	<b>2007</b>
<b>NET INCOME</b>	\$5,157,044	\$5,938,418
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gain on investments in securities	271,417	-
<b>COMPREHENSIVE INCOME</b>	<u>\$5,428,461</u>	<u>\$5,938,418</u>



# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended September 30, 2008 (Expressed in Bermuda dollars)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$5,157,044	\$5,938,418
Adjustment to reconcile net income to cash flows from operating activities:		
Amortization	447,780	538,382
Decrease (increase) in interest receivable	636,390	(481,619)
Decrease (increase) in other assets	144,422	(19,605)
(Decrease) increase in interest payable	(383,587)	144,785
Increase (decrease) in other liabilities	1,573,945	(330,310)
	7,575,994	5,790,051
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net decrease in term deposits with banks having maturity greater than three months	983,980	9,273,792
Purchase of equipment, leasehold improvements and computer software	(315,224)	(169,259)
	668,756	9,104,533
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (decrease) increase in customer deposits	(147,902,836)	155,805,255
Proceeds from exercise of warrants	10,228,455	309,660
Dividends paid	(3,653,522)	(4,593,925)
	(141,327,903)	151,520,990
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(133,083,153)	166,415,574
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	616,568,354	450,152,780
	\$483,485,201	\$616,568,354
<b>CASH AND CASH EQUIVALENTS</b>		
Cash, money market and term deposits	\$484,531,421	\$618,598,554
Less: term deposits with banks having maturity greater than three months	(1,046,220)	(2,030,200)
	\$483,485,201	\$616,568,354
<b>SUPPLEMENTARY INFORMATION</b>		
Interest paid	\$10,980,584	\$13,516,294

See accompanying notes to the consolidated financial statements



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008 (Expressed in Bermuda dollars)

## 1. SIGNIFICANT EVENTS

### **Resignation by John Deuss, Timothy Ulrich and Tineke Deuss**

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

### **Appointment of Officers and Directors**

In order to fill the vacant positions at the Bank, Dr. Clarence Terceira, Vice Chairman and John Sainsbury, a Director, were appointed Chairman and President respectively in October 2006.

### **Proposed Sale of the Bank**

The Board of Directors of BCB has agreed that a merger or outright sale is desirable to further the Bank's growth. In October 2006, the Bank hired the financial advisory firm of Keefe, Bruyette & Woods, Inc. to assist the board in the sale process. The Central Bank of the Netherlands Antilles has also been invited, on behalf of FCIB, to use any information at its disposal to solicit tender offers for the common shares and options of BCB held by FCIB. The Board of the Bank has not been informed by FCIB of any significant developments in its efforts to negotiate the sale of its shares and options.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### **Basis of Consolidation**

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

### **Foreign Currency Translation**

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

### **Cash and Cash Equivalents**

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

### **Investments in Securities**

Investments in securities received from the Visa Inc Initial Public Offering ("IPO", see Note 4) are carried at the value of the shares received at the date of the IPO, less any other than temporary impairment. Other than temporary impairment, if any, is recognized in the statement of operations and retained earnings in the period it occurs. The Bank considers both quantitative and qualitative factors in the assessment of other than temporary impairment, including (i) the time period during which there has been a decline below the value, (ii) the extent of the decline, and (iii) the potential for the security to recover in value. The value of these shares at the date of the IPO have been recorded as an asset and as other comprehensive income.

### **Equipment, Leasehold Improvements and Computer Software**

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008 (Expressed in Bermuda dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derivative Financial Instruments

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

### Revenue Recognition

Interest income and interest expense is recognized in the income statement using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

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 accruals basis over the period during which the services are provided.

### International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that all publicly accountable enterprises will be required to report under IFRS in 2011, when IFRS will replace Canadian GAAP. These standards will apply to the Bank for the year ended September 30, 2011. The Bank is currently evaluating the impact of the initial application of these standards on the consolidated financial statements.

## 3. CASH AND TERM DEPOSITS

Cash and term deposits include amounts due on demand, and term deposits with banks. Cash and term deposits are limited to investments that are readily convertible to known amounts of cash and, are subject to an insignificant risk of changes in value.

### Credit risk

All counterparty banks must be approved by the Bank's Credit Committee and approved by the Bank's President. The maximum amount that may be deposited with any single bank is governed by a number of controlling variables including the Fitch and Moody's IBCA rating for that bank. Banks with a rating lower than B/C are not used to place deposits. These limits will be reviewed semi-annually and will be adjusted as the capital of the Bank changes.

### 3. CASH AND TERM DEPOSITS (continued)

The credit rating of a counterparty bank can not exceed the rating of its home country. A bank's credit rating already reflects the country risk associated with the home country of that bank.

No deposit in excess of six months may be made unless it matches a client deposit.

#### The maturities are as follows:

	Within 1 Month	1 - 3 Months	6-12 Months	Total
United States Dollar	\$414,298,420	\$ -	\$700,000	\$ 414,998,420
Euro	29,029,113	-	-	29,029,113
British Pound	18,043,960	1,802,600	-	19,846,560
Canadian Dollar	6,830,560	-	-	6,830,560
Bermuda Dollar	2,622,080	-	-	2,622,080
Other	10,858,468	-	346,220	11,204,688
2008 Total	\$481,682,601	\$1,802,600	\$1,046,220	\$484,531,421

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

#### The average effective yields earned are as follows:

	2008	2007
Term deposits	3.54%	5.10%
Demand deposits with other banks	2.79%	4.15%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008 (Expressed in Bermuda dollars)

## 4. INVESTMENTS IN SECURITIES

### Visa Inc IPO

In March 2008, Visa Inc. ("Visa") completed its Initial Public Offering (IPO). The Bank's membership interest in Visa was exchanged for 14,486 Class C common shares of Visa. Before completing its IPO, Visa required a mandatory redemption of 8,140 shares for proceeds of \$348,146 which were recorded as a gain on sale of investments. The remaining 6,346 shares are restricted for sale until March 2011.

### Mastercard Inc. IPO

In May 2006, MasterCard Inc. ("MasterCard") completed its IPO. The Bank's membership interest in MasterCard was exchanged for 598 Class B common shares of Mastercard, which in November 2007 became eligible to be converted into Class A shares. BCB converted the Class B shares and sold the Class A shares on December 17, 2007 for proceeds of \$120,232, which were recorded as a gain on sale of investments.

### 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.

## 5. EQUIPMENT, LEASEHOLD IMPROVEMENTS AND COMPUTER SOFTWARE

	Cost	Accumulated Amortization	Net Book Value 2008
Equipment	\$879,496	\$533,097	\$346,399
Leasehold improvements	408,556	298,781	109,775
Computer software	1,944,402	1,700,954	243,448
Total	\$3,232,454	\$2,532,832	\$699,622
	Cost	Accumulated Amortization	Net Book Value 2007
Equipment	\$1,037,936	\$788,955	\$248,981
Leasehold improvements	408,556	150,682	257,874
Computer software	2,085,132	1,759,809	325,323
Total	\$3,531,624	\$2,699,446	\$832,178

## 6. DEPOSITS

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

The maturities are as follows:

	Demand Deposits	Within 1 Month	1-3 Months	3-6 Months	6 - 12 Months	Total Term Deposits	Total Deposits
United States							
Dollar	\$75,444,552	\$257,672,831	\$2,179,727	\$602,762	\$1,040,005	\$261,495,325	\$336,939,877
Euro	21,905,539	6,900,180	142,775	-	-	7,042,955	28,948,494
British Pound	8,019,448	10,605,055	976,571	-	-	11,581,626	19,601,074
Canadian Dollar	1,626,761	3,754,110	1,270,103	-	177,263	5,201,476	6,828,237
Bermuda Dollar	2,544,137	1,488,327	103,888	126,995	20,753	1,739,963	4,284,100
Other	3,196,065	7,498,717	-	346,220	-	7,844,937	11,041,002
2008 Total	\$112,736,502	\$287,919,220	\$4,673,064	\$1,075,977	\$1,238,021	\$294,906,282	\$407,642,784

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

The average effective interest rates paid were:

	2008	2007
Term deposits based on book values and contractual interest rates	3.01%	4.52%
Demand deposits	0.07%	0.09%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008 (Expressed in Bermuda dollars)

## 7. CAPITAL STOCK

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

	Authorized Shares	Par Value	Issued & Fully Paid Shares	Par Value	Share Premium
Balance at September 30, 2008	10,000,000	\$24,000,000	5,752,687	\$13,806,449	\$18,262,690
Balance at September 30, 2007	10,000,000	\$24,000,000	4,388,893	\$10,533,343	\$11,307,341

As part of a Rights Offering in June 1995, the Bank issued 1,625,036 warrants which were convertible to common shares at \$7.50 between May 1997 and May 2001. In May 2001, December 2001 and December 2002, the expiry dates of the warrants were extended to May 31, 2002, 2003 and 2005, respectively. In December 2004, the expiry date of the warrants was further extended to May 30, 2008. The expiry date of May 30, 2008 was not further extended and all unexercised warrants expired at this date and are of no value. As of September 30, 2008, no warrants remain outstanding (2007: 1,511,251).

During the year, 1,363,794 (2007: 41,288) warrants were exercised resulting in an issuance of the same number of common shares, with a par value of \$3,273,106 (2007: \$99,091) and share premium of \$6,955,349 (2007: \$210,569). Of these warrants, 805,576 were exercised by FCIB.

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

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

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



## 8. DIVIDENDS

	2008	2007
Declared and Paid: Half Year (2008: 40.0 cents per common share; 2007: 40.0 cents)	\$1,897,965	\$1,767,982
Declared: Year End (2008: 40.0 cents per common share; 2007: 40.0 cents)	2,301,075	1,755,557
Total for year	\$4,199,040	\$3,523,539

## 9. EARNINGS PER SHARE

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

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

	Net Earnings	Weighted Average Shares	Earnings per Share
<b>2008</b>			
<b>Basic Earnings Per Share</b>			
Net income	\$ 5,157,044	4,860,267	\$1.06
Add: Incremental shares from assumed			
Exercise of stock options (Note 7)		896,142	
Conversion of warrants (Note 7)		333,857	
Adjusted weighted average shares outstanding		6,090,266	
<b>Diluted Earnings Per Share</b>			
Net income	\$ 5,157,044	6,090,266	\$0.85

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008 (Expressed in Bermuda dollars)

## 9. EARNINGS PER SHARE (continued)

### 2007

#### Basic Earnings Per Share

Net income	\$5,938,418	4,375,885	\$1.36
Add: Incremental shares from assumed			
Exercise of stock options (Note 7)		751,050	
Conversion of warrants (Note 7)		347,747	
		5,474,682	
Adjusted weighted average shares outstanding			

#### Diluted Earnings Per Share

Net income	\$5,938,418	5,474,682	\$1.08
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## 10. RELATED PARTY CONSIDERATION

At September 30, 2008 First Curacao International Bank N.V. ("FCIB"), which is incorporated in the Netherlands Antilles, owns 49.74% (2007: 46.85%) of the Bank's issued shares.

The Bank provides banking services to FCIB and other related parties of FCIB under the same terms as an unrelated party would receive. The Bank earned interest and fees on these services of approximately \$220,000 during the year ended September 30, 2008 (2007: \$375,000).

The Bank and FCIB entered into a Software License and Support Agreement for an Internet Banking System effective October 1, 2003 providing for an initial license fee of \$80,000 together with an annual support and maintenance fee equal to 15% of the license fee. In the interest of expedience the Bank performs all routine support and maintenance itself using in-house technical expertise. The Internet Banking System has operated continuously since 2004, and, while this agreement remains in force, the Bank has no reliance on FCIB for routine support.

## 11. EMPLOYEE BENEFITS

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

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

10% of gross salary if service exceeds 15 years.

## 11. EMPLOYEE BENEFITS (continued)

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

The scheme is administered by an independent party, and all such funds are segregated from the assets and liabilities of the Bank. Pension expense incurred during 2008 amounted to \$151,336 (2007: \$165,482).

Following the uncertainty surrounding the investigation into FCIB and John Deuss, the Bank implemented an employee compensation plan to aid in the retention of employees. This plan guarantees the salary and certain other compensation benefits of the majority of the Bank's employees. This plan expires on December 31, 2008.

## 12. COMMITMENTS AND CONTINGENT LIABILITIES

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

### Payments due for premises rented under long-term lease at September 30, 2008 are:

2009	\$603,700
2010	\$658,064
2011	\$676,185

The Bank is contingently liable for letters of credit, which are fully matched by offsetting customer deposits in the amount of \$1,180,000 (2007: \$1,580,000). The Bank has issued a confirmed letter of credit in its own name in the amount of \$300,000 (2007: \$300,000) that is supported by a term deposit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008 (Expressed in Bermuda dollars)

## 13. INTEREST RATE SENSITIVITY

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

2008	Within 1	1-3	3-12	Over 12	Non-Interest	Total
ASSETS	Month	Months	Months	Months	Sensitive	
Cash	\$11,521,297	\$ -	\$ -	\$ -	\$ -	\$11,521,297
Term deposits	470,161,304	1,802,600	1,046,220	-	-	473,010,124
Securities	-	-	-	-	271,417	271,417
Other assets	363	-	-	153,493	1,880,593	2,034,449
<b>Total assets</b>	<b>\$481,682,964</b>	<b>\$1,802,600</b>	<b>\$1,046,220</b>	<b>\$153,493</b>	<b>\$2,152,010</b>	<b>\$486,837,287</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Deposits	\$400,655,722	\$4,673,064	\$2,313,998	\$ -	\$ -	\$407,642,784
Other liabilities	-	-	-	-	7,575,514	7,575,514
Shareholders' equity	-	-	-	-	71,618,989	71,618,989
<b>Total liabilities shareholders' equity</b>	<b>400,655,722</b>	<b>4,673,064</b>	<b>2,313,998</b>	<b>-</b>	<b>79,194,503</b>	<b>486,837,287</b>
Net surplus (deficit)	81,027,242	(2,870,464)	(1,267,778)	153,493	(77,042,493)	-
<b>Cumulative net surplus</b>	<b>\$81,027,242</b>	<b>\$78,156,778</b>	<b>\$76,889,000</b>	<b>\$77,042,493</b>	<b>\$ -</b>	<b>\$ -</b>

### 13. INTEREST RATE SENSITIVITY (continued)

<b>2007 ASSETS</b>	<b>Within 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>Over 12 Months</b>	<b>Non-Interest Sensitive</b>	<b>Total</b>
Cash	\$20,756,191	\$ -	\$ -	\$ -	\$ -	\$20,756,191
Term deposits	531,564,583	64,247,580	2,030,200	-	-	597,842,363
Other assets	2,630	-	-	163,623	2,781,564	2,947,817
<b>Total assets</b>	<b>\$552,323,404</b>	<b>\$64,247,580</b>	<b>\$2,030,200</b>	<b>\$163,623</b>	<b>\$2,781,564</b>	<b>\$621,546,371</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Deposits	\$542,322,114	\$6,760,365	\$6,463,141	\$ -	\$ -	\$555,545,620
Other liabilities	-	-	-	-	5,839,638	5,839,638
Shareholders' equity	-	-	-	-	60,161,113	60,161,113
<b>Total liabilities &amp; shareholders' equity</b>	<b>542,322,114</b>	<b>6,760,365</b>	<b>6,463,141</b>	<b>-</b>	<b>66,000,751</b>	<b>621,546,371</b>
Net surplus (deficit)	10,001,290	57,487,215	(4,432,941)	163,623	(63,219,187)	-
<b>Cumulative net surplus</b>	<b>\$10,001,290</b>	<b>\$67,488,505</b>	<b>\$63,055,564</b>	<b>\$63,219,187</b>	<b>\$ -</b>	<b>\$ -</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008 (Expressed in Bermuda dollars)

## 13. INTEREST RATE SENSITIVITY (Continued)

### Interest rate risk

As part of its normal operating activities, the Bank is exposed to structural interest rate risk. Interest rate risk is subject to specific policies and is managed and overseen by management. 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 net income and the value of shareholders' 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.

The following is an analysis of the potential impact of an immediate and sustained variation in interest rates on net income and on the amount of shareholders' equity, assuming that no hedging is undertaken:

As at September 30, 2008 (in millions of \$)

Positive (negative) variation in interest rates	(100 bps)	(50 bps)	50 bps	100bps
Impact on net income (for the next 12 months)	(1.9)	(1.0)	1.0	1.9

## 14. BUSINESS SEGMENTS

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

### Banking Services

The Banking Services segment is responsible for monitoring and managing the risks associated with the majority of the Bank's financial assets and liabilities, including interest rate, foreign exchange, and credit risks. Results of the Bank's eBanking initiative are included within the Banking Services segment due to the correlation of activity.

### Corporate Services

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

#### 14. BUSINESS SEGMENTS (Continued)

	Banking Services	Corporate Services	Elimination of inter-segment amounts	Totals
<b>2008</b>				
Net interest income from external customers	\$8,657,176	\$ -	\$ -	\$8,657,176
Fees and other income from external customers	2,588,351	2,466,857	-	5,055,208
Inter-segment fees and other income	-	68,940	(68,940)	-
Total income	11,245,527	2,535,797	(68,940)	13,712,384
Operating expenses	(3,182,180)	(1,907,908)	27,975	(5,062,113)
Net income before head office allocation	8,063,347	627,889	(40,965)	8,650,271
Head office allocation	(2,297,353)	(1,236,839)	40,965	(3,493,227)
Net income	\$5,765,994	\$(608,950)	\$ -	\$5,157,044
Segment assets	\$486,419,663	\$1,657,866	\$(1,240,242)	\$486,837,287

	Banking Services	Corporate Services	Elimination of inter-segment amounts	Totals
<b>2007</b>				
Net interest income from external customers	\$10,506,972	\$ -	\$ -	\$10,506,972
Fees and other income from external customers	1,989,688	3,218,938	-	5,208,626
Inter-segment fees and other income	-	101,300	(101,300)	-
Total income	12,496,660	3,320,238	(101,300)	15,715,598
Operating expenses	(3,765,086)	(1,939,140)	47,204	(5,657,022)
Net income before head office allocation	8,731,574	1,381,098	(54,096)	10,058,576
Head office allocation	(2,553,452)	(1,620,802)	54,096	(4,120,158)
Net income	\$6,178,122	\$(239,704)	\$ -	\$5,938,418
Segment assets	\$620,882,611	\$2,213,172	\$(1,549,412)	\$621,546,371

# CONSOLIDATED FIVE YEAR SUMMARY

## BALANCE SHEET

	2008	2007	2006	2005	2004
<b>Assets</b>					
Cash, money market and term deposits	\$484,531,421	\$618,598,554	\$461,456,772	\$854,004,191	\$581,133,044
Loans and advances, net	-	166,253	223,722	1,413,542	1,937,022
Investments in securities	271,417	-	-	-	-
Equipment, leasehold improvements and computer software	699,622	832,178	1,201,301	1,352,320	1,799,794
Interest receivable and other assets	1,334,827	1,949,386	1,390,693	2,053,035	1,513,123
<b>Total assets</b>	<b>\$486,837,287</b>	<b>\$621,546,371</b>	<b>\$464,272,488</b>	<b>\$858,823,088</b>	<b>\$586,382,983</b>
<b>Liabilities</b>					
Total deposits	\$407,642,784	\$555,545,620	\$399,740,365	\$803,075,117	\$534,283,798
Interest payable and other liabilities	7,575,514	5,839,638	7,095,549	4,427,603	3,924,270
<b>Total liabilities</b>	<b>415,218,298</b>	<b>561,385,258</b>	<b>406,835,914</b>	<b>807,502,720</b>	<b>538,208,068</b>
<b>Shareholders' Equity</b>					
Capital stock	13,806,449	10,533,343	10,434,252	10,397,666	10,387,265
Share premium	18,262,690	11,307,341	11,096,772	11,019,028	10,996,924
Accumulated other comprehensive income	271,417	-	-	-	-
Retained earnings	39,278,433	38,320,429	35,905,550	29,903,674	26,790,726
<b>Total shareholders' equity</b>	<b>71,618,989</b>	<b>60,161,113</b>	<b>57,436,574</b>	<b>51,320,368</b>	<b>48,174,915</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$486,837,287</b>	<b>\$621,546,371</b>	<b>\$464,272,488</b>	<b>\$858,823,088</b>	<b>\$586,382,983</b>

## ASSETS UNDER TRUST AND CUSTODY

Securities and properties, other than demand or term deposits with the Bank, held in a trust or a custodial capacity for customers, are not included in the consolidated balance sheet as such assets are not the property of the Bank or its subsidiaries. The value of assets under trust and custody as at September 30, 2008 are estimated to be \$0.45 billion (2007: \$0.93 billion).



## STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	2008	2007	2006	2005	2004
<b>Income</b>					
Interest income	\$19,254,173	\$24,168,051	\$29,764,625	\$16,923,208	\$8,903,817
Interest expense	10,596,997	13,661,079	18,162,866	8,692,860	4,269,515
Net interest income	8,657,176	10,506,972	11,601,759	8,230,348	4,634,302
Fees and commissions	3,468,651	4,201,302	6,374,718	4,871,530	4,839,906
Other operating income	181,219	216,280	218,751	257,545	218,048
Net exchange gains	936,960	791,044	654,652	778,080	725,842
Gain on sale of investments in securities	468,378	-	-	-	-
Other income	-	-	689,805	-	-
Total income	13,712,384	15,715,598	19,539,685	14,137,503	10,418,098
<b>Expenses</b>					
Salaries and employee benefits	4,640,307	4,780,231	5,020,624	4,467,193	4,190,219
Amortization and write-offs	447,780	538,382	866,379	687,348	479,342
Other expenses	3,467,253	4,458,567	3,520,595	3,812,770	2,989,917
Total expenses	8,555,340	9,777,180	9,407,598	8,967,311	7,659,478
<b>Net Income</b>	5,157,044	5,938,418	10,132,087	5,170,192	2,758,620
<b>Retained Earnings <sup>1</sup></b>	38,320,429	35,905,550	29,903,674	26,790,726	25,978,577
Dividends	(4,199,040)	(3,523,539)	(4,130,211)	(2,057,244)	(1,946,471)
<b>Retained Earnings <sup>2</sup></b>	\$39,278,433	\$38,320,429	\$35,905,550	\$29,903,674	\$26,790,726
Basic earnings per share	\$1.06	\$1.36	\$2.34	\$1.19	\$0.64

<sup>1</sup> Beginning of year

<sup>2</sup> End of year



# BOARD OF DIRECTORS AS AT SEPTEMBER 30, 2008

**Dr. Clarence R. Terceira JP**

**CHAIRMAN**

Founding Director, Former President  
Retired Dental Surgeon

**E. John Sainsbury**

**PRESIDENT**

Former CEO, Argus Insurance Co. Limited.

**Michael Cranfield**

Chief Information Officer,  
Bermuda Commercial Bank

**C. Jerome Dill**

Executive Vice President, General Counsel,  
Validus Reinsurance Limited

**R. Anthony Jones MA**

Managing Director,  
Washington Properties (Bermuda) Limited

**Greg Reid<sup>1</sup>**

Chief Financial Officer,  
Bermuda Commercial Bank

**Delaey Robinson**

Innkeeper

<sup>1</sup>Denotes non-Bermudian director.

As at September 30, 2008, the total interest of all Directors, Statutory Officers, and Executive Officers amounted to 163,168 (2.84%) in common shares and nil (0%) in options.

*There are no service contracts with directors.*

# SUBSIDIARIES AS AT SEPTEMBER 30, 2008

## **INTERNATIONAL CORPORATE**

### **MANAGEMENT OF BERMUDA LIMITED**

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

Incorporated in Bermuda on December 21, 1992.

Provides corporate and partnership management and corporate registrar and financial services.

### **BCB TRUST COMPANY LIMITED**

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

Incorporated in Bermuda on February 24, 1970.

Provides trust and financial services to individuals and companies.

### **BERCOM NOMINEES LIMITED**

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

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

## **BCB (MAURITIUS) LIMITED**

c/o Abacus Management Solutions

Level 6, One Cathedral Square

Jules Koenig Street, Port Louis, Mauritius

Telephone: (230) 207-1000 Fax: (230) 208-7949

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

The registered address for above companies is:

Bermuda Commercial Bank Building

19 Par-la-Ville Road, Hamilton HM 11, Bermuda

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

# MANAGEMENT AND STAFF



**Horst E. Finkbeiner II**  
Chief Operating Officer

**Greg Reid**  
Chief Financial Officer

**Michael Cranfield**  
Chief Information Officer

**Steven R. Morris**  
General Manager, International  
Corporate Management of Bermuda  
Limited

**P. Glendall Phillips**  
General Manager, Banking Services

**Elvon Clark**  
Trust Manager, BCB Trust Company

**Robin Dyer**  
Compliance Officer

**Ishwar Narayanan**  
Internal Auditor

**Karen Blankendal**  
Assistant Manager, Head of Client  
Administrators

**Shanalette DeSilva**  
Assistant Manager, Head of Custodial  
Services

**Sheena Dottin**  
Corporate Secretary, International  
Corporate Management of Bermuda  
Limited

**Angelique Dowling**  
Human Resources Generalist

**Janet Field**  
Corporate Secretary

**Sophia Ming**  
Assistant Manager, Head of Treasury  
Operations

**Ann Robinson**  
Assistant Manager, Head of Banking  
Operations

Natascia Bertoli-Badoli

Alan Bird

Kal-lyn Crockwell

Shirley Daniels

Milton Darrell

Susan Davis

Michelle Johnston

Cindy Lambe

Dezané Lathan

Sindy Lowe

Reneé McHardy

Marek Noha

Charmette Phillip

Heather Roque

Marilyn Scott

Donnette Simons

Jill Smith

Khamla Smith

Melissa Smith

André Swan

Donnell Taylor

Eugena Wainwright

Brian Ward

Elsie Webb

Reneé Wilson

Marc Zinsmeister





Registered Address:

**Bermuda Commercial Bank Building**

19 Par-la-Ville Road

Hamilton HM 11, Bermuda

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