



## Six-Month Letter to Shareholders

Details of the financial results and operations of Bermuda Commercial Bank Limited (“BCB”) for the six month period ended March 31, 2009 are as follows:

### Financial Results

The Bank reported net income for the six month period ended March 31, 2009 of \$680,000 compared to \$4.39 million at March 31, 2008, a decrease of \$3.71 million. Fully diluted earnings per share were \$0.11 compared to \$0.75 per share one year ago.

Net interest income for the period was \$3.37 million compared to \$5.43 million for the same period last year. This decrease results from the dramatic reduction in global and, in particular, U.S. interest rates to historically low levels. BCB is 100% invested in cash and cash equivalents, which ensures maximum liquidity and minimal credit risk, however it is a strategy that provides low returns in this low interest rate environment. Additionally, the global financial crisis continues to impact client deposit levels.

Fee and other income decreased by \$2.04 million to \$1.52 million. This decrease occurred primarily in the Bank’s fund administration and custody divisions following the loss of two large clients which moved jurisdiction. The prior year fees were boosted by a one-time gain of \$740,000 associated with the Visa and MasterCard IPOs. Additionally, the global slowdown resulted in a reduction of \$270,000 in earnings from foreign exchange transactions due to reduction in volumes.

Total expenses for the six month period were \$4.21 million compared to \$4.60 million for the prior year period, a decrease of \$390,000 or 8.50%. This decrease resulted from a decrease in performance related employee compensation costs.

BCB’s balance sheet suffered a knock on effect from the global financial crisis which heavily impacted the transaction flow and deposit levels of some of our larger clients. Total assets fell from \$486.84 million at September 30, 2008 to \$435.36 million at March 31, 2009, a decrease of 10.6%. Total assets at March 31, 2008 were \$696.45 million. BCB is well capitalized and remains fully invested in short-term cash and cash equivalents. The Bank has suffered no direct exposure or losses due to the current sub-prime issues and our capital ratios remain significantly higher than industry standards.

## **Shareholder Dividend**

In light of the reduction in net income and with no expectation of a near-term recovery of profitability, the Board has decided not to pay a semi-annual dividend at this time.

## **Conclusion**

On behalf of the staff and management of Bermuda Commercial Bank, I would like to thank our shareholders and clients for their continued support. I would also like to offer my gratitude to our staff and management for their loyal support and commitment to the Bank.

A handwritten signature in black ink, appearing to read "E. John Sainsbury". The signature is fluid and cursive, with a prominent initial "E" and a long, sweeping underline.

E. John Sainsbury  
President

June 2009

<b>BERMUDA COMMERCIAL BANK LIMITED</b> <b>CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS</b> for the six months ended March 31, 2009 and 2008
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	<b>March 31, 2009 (Unaudited)</b>	<b>March 31, 2008 (Unaudited)</b>
<b>INCOME</b>		
Interest income	\$ 4,749,975	\$ 12,362,561
Interest expense	<u>1,375,645</u>	<u>6,932,308</u>
Net interest income	<u>3,374,330</u>	<u>5,430,253</u>
Fees and commissions	1,148,483	2,172,925
Other operating income	89,241	104,759
Net exchange gains	276,785	545,855
Gain on sale of investments in securities	<u>-</u>	<u>739,795</u>
Total income	<u>4,888,839</u>	<u>8,993,587</u>
<b>EXPENSES</b>		
Salaries and employee benefits	2,133,182	2,550,318
Amortization	231,821	224,167
Other expenses	<u>1,840,491</u>	<u>1,824,745</u>
Total expenses	<u>4,205,494</u>	<u>4,599,230</u>
NET INCOME	683,345	4,394,357
RETAINED EARNINGS, BEGINNING OF PERIOD	39,278,433	38,320,429
Dividends	-	(2,360,556)
RETAINED EARNINGS, END OF PERIOD	<u>\$ 39,961,778</u>	<u>\$ 40,354,230</u>
Basic earnings per common share, based on 6,017,418 (2008: 4,395,093) weighted average issued shares	\$ 0.11	\$ 1.00
Diluted earnings per common share, based on 6,017,418 (2008: 4,395,093) weighted average issued shares and incremental shares from assumed exercise of stock options of 394,750 (2008: 926,551) and warrants of nil (2008: 537,837) for adjusted weighted average shares outstanding of 6,412,168 (2008: 5,859,481)	\$ 0.11	\$ 0.75

**BERMUDA COMMERCIAL BANK LIMITED**  
**CONSOLIDATED BALANCE SHEET**

as at

	<b>March 31, 2009 (Unaudited)</b>	<b>September 30, 2008 (Audited)</b>	<b>March 31, 2008 (Unaudited)</b>
<b>ASSETS</b>			
Cash, money market and term deposits			
Due on demand	\$ 12,756,664	\$ 11,521,297	\$ 17,780,146
Money market funds	178,469,000	-	-
Term deposits	240,026,951	473,010,124	673,959,564
Total cash, money market and term deposits	<u>431,252,615</u>	<u>484,531,421</u>	<u>691,739,710</u>
Investments in securities	271,417	271,417	-
Equipment and computer software	725,373	699,622	671,592
Interest receivable	1,845,999	275,944	919,366
Other assets	1,262,257	1,058,883	3,122,448
	<u>\$ 435,357,661</u>	<u>\$ 486,837,287</u>	<u>\$ 696,453,116</u>
<b>LIABILITIES</b>			
Deposits			
Demand deposits	\$ 121,890,268	\$ 112,736,502	\$ 226,516,010
Term deposits	235,219,245	294,906,282	399,209,108
Total deposits	<u>357,109,513</u>	<u>407,642,784</u>	<u>625,725,118</u>
Interest payable	124,254	252,368	490,479
Other liabilities	3,821,560	5,022,071	5,284,282
Proposed dividend	-	2,301,075	2,360,058
	<u>361,055,327</u>	<u>415,218,298</u>	<u>633,859,937</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	14,766,449	13,806,449	10,660,788
Share premium	19,302,690	18,262,690	11,578,161
Accumulated other comprehensive income	271,417	271,417	-
Retained earnings	39,961,778	39,278,433	40,354,230
	<u>74,302,334</u>	<u>71,618,989</u>	<u>62,593,179</u>
	<u>\$ 435,357,661</u>	<u>\$ 486,837,287</u>	<u>\$ 696,453,116</u>

*As at March 31, 2009, the total interest of all Directors and Executive Officers in (i) common shares and (ii) options amounted to 163,568 (2.66%) and nil (0%), respectively.*



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