

ANNUAL REPORT 2021

BCB®

BERMUDA COMMERCIAL BANK LIMITED

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Corporate Profile

Bermuda Commercial Bank Limited ("BCB" or the "Bank") is the specialist Bermuda bank delivering innovative and effective solutions to provide a superior customer experience. We offer tailored financial solutions and personal attention to Bermuda-based and international business customers individual clients and service providers. Since 1969, we have provided outstanding personal service to our clients. We offer competitive banking products and services as well as internet banking, global custody and brokerage, trust administration, and a comprehensive range of corporate administration services.





Core Values

The BCB Board has established a set of values that guide the work of the business. These values are:

- Deliver superior value for our stakeholders and the community
- Differentiate products and solutions through customer experience and innovation
- Maintain a well-capitalised and liquid balance sheet
- Be accountable and always compliant in line with our Code of Conduct
- Promote respect and diversity

History of Bermuda Commercial Bank

The Bank began by an Act of Parliament in February 1969. The Bank operated under the management of Barclays from its inception until May 1993. 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 shareholder who would bring a new focus and direction.

In April 2010, the majority shareholding in the Bank was purchased by an investor group through Permanent Investments Limited ("Permanent"). In October 2011, BCB expanded its trust and corporate administration services business through the acquisition of two established Bermuda companies. This was consistent with the Bank's strategic objectives and overall business goals of creating a full-service financial services institution in Bermuda.

In October 2012, as part of a strategic restructuring, BCB merged with BNL I Limited, a wholly owned subsidiary of Somers Limited ("Somers", formally known as "Bermuda National Limited" or "BNL"), resulting in BCB becoming a wholly-owned subsidiary of Somers. BCB delisted from the Bermuda Stock Exchange.

In November 2015, BCB implemented a state-of-the-art core banking system, along with a suite of products, including internet banking. This allowed the Bank to grow its channel offerings and business lines, as well as providing better reporting and analysis. It also improved the Bank's exceptional customer service. In June 2016, the BCB Group of Companies moved into a new location at 34 Bermudiana Road.

In 2019, BCB celebrated its 50-year anniversary of providing banking services to Bermuda and internationally.

In July 2021, the investment company, Provident Holdings Limited purchased the BCB Group of Companies from Somers Limited.

On March 1, 2022, BCB Paragon Trust Limited, BCB Charter Corporate Services Limited, BCB Management Limited and BCB Management Services Limited were sold to Harborview Corporate Services Ltd.



Chairman's Letter

2021: THE YEAR OF CHANGE

"Change is the only constant". This phrase aptly defines the evolution of Bermuda Commercial Bank throughout 2021.

Early in the fiscal year of 2021, the Board and Management defined the strategic goals of BCB Group. These goals all focus on a return to profitability for the organization while maintaining an exemplary risk profile, a productive working environment for our team and practical products and services that support our clients and community. These strategic goals were to provide the framework for future success at BCB. Despite the continued impact of Covid19 on all facets of the local and international environment, we were able to make substantial progress in achieving our goals.

Collectively, the organization navigated additional administrative changes as a new executive leadership team joined BCB, the sale of the Bank to Provident Holdings Ltd was completed and we announced our intent to divest of BCB Paragon & Charter.

In November 2021, a share Sales and Purchase Agreement ("SPA") was signed between BCB and Harborview Corporate Services Ltd ("the purchaser") to transfer 100% of four wholly owned subsidiaries of BCB namely, BCB Paragon Trust Limited, BCB Charter Corporate Services Limited, BCB Management Limited and BCB Management Services Limited for a negative consideration of $2.5 million. The transaction completion date was March 1, 2022.

During its financial year to September 30, 2021, the Bank reported a net loss of $3.2 million. Total income increased to $19.9 million, primarily due to better performance in the Bank's financial investments. However, the growth in the investment portfolio was offset by the increase in the Bank's total expenses, which increased to $23.2 million.

The continued resilience of our business is evident in the Bank's balance sheet which still remains strong and very liquid. The cash and cash equivalents at September 30, 2021 were 52.6% of total assets, and the capital ratio of 27% remains strong and well above the regulatory minimum requirement.

BCB's ability to generate revenue continues to be highly sensitive to the performance of our investment portfolio while we pivot to grow our lending book in the local market. Our main challenge now and in the years ahead will be to further diversify this exposure to allow for more sustainable profitability.

BCB is evolving into the role of a "challenger bank" in Bermuda, with a liquid balance sheet, a clearly articulated strategic plan, a dedicated team and a tightly controlled expense base, we look towards successful and sustainable growth in the future.

I would like to thank our staff and clients for their continued support, contributions, and enthusiasm for Bermuda Commercial Bank.



DAVID BROWN
CHAIRMAN

Board of Directors (As of September 30, 2021)



DAVID BROWN (CHAIRMAN)
David Brown has served as the CEO or Chairman of several financial services companies including regulated and publicly listed entities. Prior to 1993 he was a partner with Ernst & Young. David is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Chartered Professional Accountants of Bermuda.



CHRIS MAYBURY (DEPUTY CHAIRMAN)
Chris Maybury is the founder and Chairman of Beacon Events. Chris has an extensive business background having held several senior positions. He was the Deputy Chairman of the Bermuda Economic Development Corporation (BEDC) until January 2022. He also serves on the board of several charities and research organizations.



HUBERT ESPERON*
Mr. Esperon served as BCB's Chief Executive Officer from September 2016 to December 2021. He has close to thirty years of experience in financial services and has previously held multiple senior executive roles at GE Capital across Europe, including as CEO of GE Artesia Bank in the Netherlands. Before GE Capital, Mr. Esperon spent five years with PricewaterhouseCoopers. Mr. Esperon holds a Masters of Applied Mathematics and an MBA from ESSEC business school in France, majoring in Finance. Mr. Esperon resigned as a director on February 4, 2022.



JEANNE ATHERDEN
Mrs. Atherden joined the BCB Board of Directors on December 18, 2013. She has over thirty years of accounting, finance and trust experience in management roles in several different business sectors in Bermuda. Mrs. Atherden is a Fellow of the Chartered Professional Accountants of Bermuda and a member of the Institute of Directors.



ANDREW BROOK*

Mr. Brook is an experienced non-executive director and was formerly the Asset Management and Banking Leader at PriceWaterhouseCoopers Bermuda. Mr. Brook has over thirty years financial services experience as a director of financial institutions and in audit and advisory work, incorporating off-shore and on-shore regulatory expertise.

BRAD PALMER*

Brad Palmer is the Executive Chair of Palm Ventures, a family investment company he founded in 1992. His focus is to invest in and start companies which have a positive and transformative impact on society and generate attractive returns. Previously he was a Senior Associate with James D. Wolfensohn, Inc., an investment banking firm where he worked for Jim Wolfensohn and Paul Volcker on strategy and acquisitions for Fortune 100 clients. He is currently the chair of Project Drawdown, which is focused on reversing climate change using the 100 most substantive, market-based solutions.

* Denotes non-Bermudian Director

Senior Management (As of September 30, 2021)

SUNNY AGARWAL
Head of Compliance Operation

LISA BARNES
Head of Customer Experience

MEGAN COLLEY
Head of Legal
& Regulatory Compliance

DANE COMMISSIONG
Treasury Manager

MATTHEW CORBIN
General Manager
Trust and Corporate Services

STEPHEN EGAN
Interim Chief Risk Officer

HUBERT ESPERON
Chief Executive Officer

ANTHONY GARZIA
Commercial Team Leader

NEVILLE GRANT
Chief Commercial Officer

GRAHAM JACKSON
Chief Financial Officer

MARC ZINSMEISTER
Head of Regulatory and
Investment Accounting

MARIA LINGHAM
Head of Financial Crime
Compliance

ANDY READING
Head of Information
Technology

MICHAEL SCHULZ
Chief Strategy
& Regulatory Officer

ARHNEL TERROZA
Head of Internal Audit

LOUISE WAKEFIELD
Chief Innovation Officer

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") is provided to enable users to assess the Bank's results and performance for the year ended September 30, 2021 and should be read in conjunction with the audited consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All references to BCB or the Bank refer to Bermuda Commercial Bank Limited and its subsidiaries on a consolidated basis.

Until July 20, 2021, BCB was a wholly owned subsidiary of Somers Limited ("Somers"), a Bermuda exempt investment holding company with investments in the financial services sector, and whose ultimate parent undertaking is, Somers Isles Private Trust Company Limited, a company incorporated in Bermuda. On July 20, 2021 Somers' entire holding in BCB was acquired by Provident Holdings Ltd ("Provident"), a Bermuda investment company whose ultimate parent undertaking and the majority shareholder, is BFG Hamilton Investments, LLC, a company incorporated in the United States of America. BCB is regulated by the Bermuda Monetary Authority.

FINANCIAL PERFORMANCE HIGHLIGHTS

- Strong capital position with a total capital ratio of 27.0% at the year-end.
- Strong liquidity position with cash and cash equivalents representing 52.6% of total assets.
- Total income for the year was $19.9 million and net loss for the year was $3.2 million.
- Total equity attributable to the Bank's equity holders at September 30, 2021 was $86.8 million.

RESULTS OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2021

During the year, the Bank incurred a net loss of $3.2 million compared to a net loss of $12.0 million in 2020. This was primarily due to higher investment gains generated through the outperformance of the investment portfolio during the market recovery from COVID 19.

INTEREST INCOME

Total interest income was $9.1 million for the year ended September 30, 2021 compared to $13.8 million in 2020. Interest income from loans and advances to customers was stable at $1.4 million compared to $1.6 million in 2020. Interest income from financial investments declined to $7.6 million from $11.8 million in the prior year. This is mainly due to high yielding assets maturing that were replaced by lower yield positions. Interest income from cash and term deposits saw a decrease to $0.1 million from $0.4 million a year ago, and this was as a result of short-term interest rates remaining low during the year.

Interest expense decreased to $3.2 million from $4.2 million a year ago and the year-on-year movement was due to a decrease in deposit rates.

NON-INTEREST INCOME

The Bank recorded net non-interest income of $14.0 million compared to negative net non-interest income of $0.7 million in 2020. The material increase was mainly due to an increase over last year in realised gains from financial investments of $10.4 million and $4.7 million from the net impairment credit recognised on financial instruments.

Non-interest income excluding investment gains (losses) and impairment for 2021 was $4.5 million compared to $4.9 million in 2020 while the composition of the income sources remained materially consistent with that of the previous year.

EXPENSES

The Bank continues to focus on effective management of expenses. In 2021, the Bank recorded total expenses of $23.2 million compared to $21.0 million in 2020 due to higher investment advisory fees.

FINANCIAL CONDITION AS AT SEPTEMBER 30, 2021

Assets

The Bank maintained a prudent level of liquid assets in line with the Bank's liquidity management framework. As at September 30, 2021, the Bank held cash and cash equivalents of $335.6 million that represented 52.6% of total assets compared to $242.1 million in 2020 (47.6%). The increase in cash and cash equivalents at September 30, 2021 was primarily due to an

increase in High Quality Liquid Assets ("HQLA") maturing within three months from $137.9m to $133.7m.

The Bank's financial investment portfolio as at September 30, 2021 was $259.4 million compared to $220.3 million a year ago. The increase was due to the increase in size of the investment portfolio and an improvement in market prices subsequent to the market recovery after the COVID-19 pandemic. The portfolio consisted primarily of government debt securities, corporate debt securities (non-banks), and debt securities issued by banks. The portfolio also includes fund investments, asset-backed securities and equities. The Bank's investment portfolio is monitored across a wide range of risk and performance measures, and in accordance with its risk management framework, the portfolio is actively diversified at the industry, jurisdiction and counterparty level.

The Bank's loans and advances portfolio was $24.6 million at September 30, 2021 compared to $24.3 million a year ago. The loan portfolio was comprised of commercial loans (73.2%), commercial overdrafts (19.7%), and consumer mortgage loans (5.7%), and were materially consistent with the previous year.

Liabilities

Total deposits as at September 30, 2021 increased to $542.4 million from $408.9 million a year ago, primarily due to onboarding of key new client relationships. With a relatively stable term deposit portfolio, management continues to focus on a stable funding base for the Bank.

CAPITAL POSITION AS AT SEPTEMBER 30, 2021

BCB is subject to minimum capital requirements set by the Bermuda Monetary Authority ("BMA)" in accordance with guidelines developed by the Basel Committee on Banking Supervision. The Bank ended the financial year 2021 with a strong regulatory capital ratio of 27.0% (28.4% in 2020) maintaining a significant cushion above the BMA requirements.

RISK MANAGEMENT

The acceptance of risk is an integral part of BCB's business and the Bank continues to observe strong, independent and prudent risk management.

During 2021, BCB continued to focus its efforts on ensuring that its risk management practices were aligned with its business activities, the evolving regulatory environment and with the ever-changing challenges of the external operating environment. The Bank's governance structure consists of the Board of Directors, Board Audit and Risk Committee ("BARC"), Governance Committee, Executive Committee ("EXCO"), Asset & Liability Management Committee ("ALCO"), Management Risk Committee ("MRC"), Credit Committee (CC"), and Business Assessment Committee ("BAC").

BCB has adopted a risk framework based on "three lines of defense" to ensure that where risk is taken, it is carefully controlled and considered. Under this framework, the primary responsibility for risk management lies at the business process level as the first line of defense. Risk and compliance functions form the second line of defense and are responsible for establishing and maintaining the Bank's risk management framework and for providing oversight and challenge of the effectiveness of the business's management of risk. Internal Audit, the third line of defense, provides independent assurance on activities of the Bank including the risk management framework; and assesses the appropriateness and effectiveness of internal controls.

Prudent management of liquidity and stable funding form a part of BCB's fundamental approach to risk management. The Bank maintains a high level of HQLA and has sought to improve the stability, diversification and maturity of its deposit base. The Bank manages the maturity profile of its deposit funding to ensure that the Bank is not exposed to high levels of re-financing within concentrated time periods.

While related party transactions continue to feature in BCB's profile, these transactions are closely monitored and governed by the Bank's Board of Directors and the BARC. The Bank ensures that credit exposure to related parties is examined by the BARC, approved on market terms and conditions, and is subject to oversight by the Bank's Risk Management function.

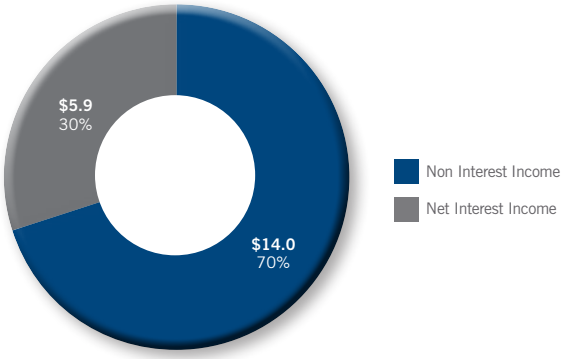
BASEL III

The Basel Committee's standards for capital and liquidity, commonly referred to as "Basel III", establish minimum requirements for common equity, a leverage ratio, a minimum Liquidity Coverage Ratio ("LCR"), a minimum Net Stable Funding Ratio ("NSFR"), and measures to promote the build-up of capital. The Basel III minimum capital requirements include a 4.5% Common Equity Tier 1 Capital ratio (CET1) and an 8.0% Total Capital ratio. In addition, banks need to build a capital conservation buffer of 2.5%. In terms of liquidity and stable funding, banks needed to maintain minimum LCR and NSFR ratios of 100% for the year 2021.The Bank's actual capital, liquidity and stable funding ratios at the year-end were significantly above the minimum regulatory requirements.

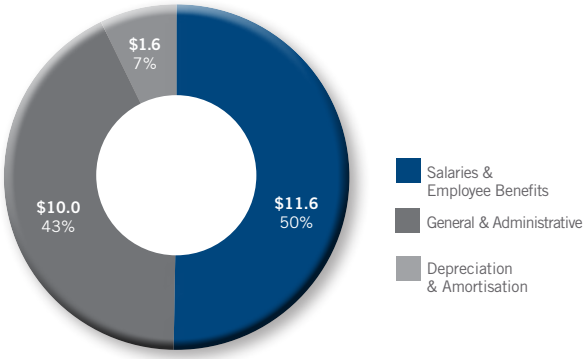
Key Financial Highlights

	2021	2020
Income Statement ($ million)		
Total income	$ 19.9	$ 8.9
Total expense	$ 23.1	$ 20.9
Net income (loss)	$ –3.2	$ –12.0
Balance Sheet ($ million)		
Total assets	$ 638.1	$ 508.2
Total deposits	$ 542.4	$ 408.9
Total equity	$ 86.8	$ 84.2
Regulatory Capital Ratios		
Tier 1 capital ratio	27.0%	28.4%
Total capital ratio	27.0%	28.4%

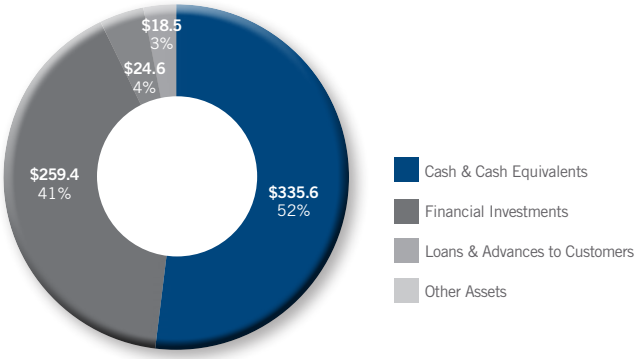
TOTAL INCOME ($ million)



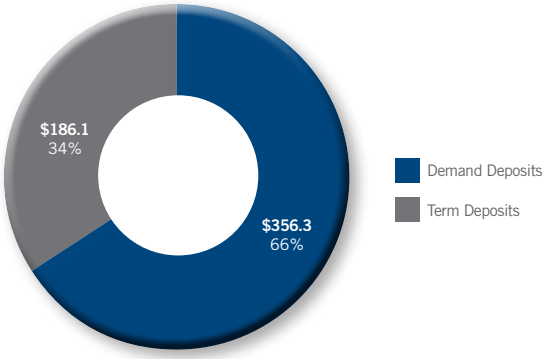
TOTAL EXPENSES ($ million)



TOTAL ASSETS ($ million)



TOTAL DEPOSITS ($ million)



Subsidiaries
As at September 30, 2021

BCB ASSET MANAGEMENT LIMITED*
Telephone: +1 (441) 295-5678
BCB Asset Management Limited (incorporated February 11, 2011) merged on January 11, 2012, with BCB Fund Services Limited (incorporated December 21, 1992).

BCB CHARTER CORPORATE SERVICES LIMITED
Amalgamated in Bermuda on October 4, 2011.
Provides company secretarial and corporate services.
Sold March 1, 2022.

BCB MANAGEMENT LIMITED
Incorporated in Bermuda on March 2, 2012.
Sold March 1, 2022.

BCB MANAGEMENT SERVICES LIMITED
Incorporated in Bermuda on September 5, 2012.
Sold March 1, 2022.

BCB PARAGON TRUST LIMITED
Amalgamated on October 4, 2011, and subsequently amalgamated on December 15, 2011, with BCB Trust Company Limited (incorporated February 9, 1970).
Provides trust services.
Sold March 1, 2022.

BERCOM NOMINEES LIMITED*
Telephone: +1 (441) 295-5678
Incorporated in Bermuda on July 8, 1987.

VT STRATEGIES HOLDINGS LIMITED*
Telephone: +1 (441) 295-5678
Incorporated in Bermuda on August 21, 2013.

*The registered address for the above companies is: 34 Bermudiana Road, Hamilton HM 11, Bermuda.

Bermuda Commercial Bank Limited and certain subsidiaries offer a variety of regulated services in Bermuda. Bermuda Commercial Bank Limited is licensed to carry out banking business under the Banks and Deposit Companies Act 1999 and to carry out investment business under the Investment Business Act 2003. BCB Paragon Trust Limited is authorised and regulated by the Bermuda Monetary Authority and licensed to carry out trust business under the Trusts (Regulation of Trust Business) Act 2001. BCB Charter Corporate Services Limited and Bercom Nominees Limited are authorised and regulated by the Bermuda Monetary Authority and are licensed to carry out business as Limited Corporate Services Providers pursuant to the Corporate Services Provider Business Act 2012.

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It has been said that every tool carries with it the spirit by which it has been created. That there is creativity in process and beauty in structure. At Bermuda Commercial Bank, we see the client experience in banking as an art form. Through exacting detail and a meticulous passion for our craft, we create inspired results for our clients locally and around the globe.

welcome to the art of banking

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