BERMUDA COMMERCIAL BANK LIMITED

ANNUAL REPORT 2024



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Published October 2025





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Corporate Profile

Bermuda Commercial Bank Limited is the specialist Bermuda bank delivering innovative and effective solutions and 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 and mobile banking, consumer and commercial lending, and global custody and brokerage services.

Core Values

The BCB Board has established a set of values that guide how we engage with clients, stakeholders and the community. 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

EVOLUTION OF THE BANK

1969 The Bank is created by an Act of Parliament.

2010 Majority shareholding in BCB purchased by an investor group through Permanent Investments Limited.

2012 BCB became a wholly-owned subsidiary of Somers Limited and delisted from the Bermuda Stock Exchange.

2016 BCB moved into its new owned premises at 34 Bermudiana Road, Hamilton.

2019 BCB celebrated its 50-year anniversary.

2021 The investment company, Base Financial Limited, purchased BCB from Somers Limited.

2022 Divested the trust and corporate services business together with two minor operational subsidiaries.

Letter from the Chair/CEO

BUILDING A DIGITAL FUTURE, NAVIGATING A CHANGING WORLD

In a world where change is the only constant, our ability to adapt and innovate determines our success. As we look ahead, Bermuda Commercial Bank (BCB) is strategically positioning itself to become a digital-first institution, leveraging technology to enhance customer experience, strengthen financial performance, and expand our footprint. Our vision is clear: to become a digital bank serving a global customer base, including financial service providers, fintech businesses, the digital asset ecosystem, high-net-worth (HNW) individuals and corporations.

Strategic Priorities For The Future

Our three-year strategy is focused on sustainable growth, enhanced client relationships, and digital transformation. We have set ambitious goals to increase client balances by 32% annually, reaching $1.7 billion by 2027, while also returning to profitability with a targeted monthly revenue run rate of over $3 million. To achieve this, we have outlined five core strategic priorities:

1. **Make it easier to be our customer** - Leveraging technology to understand and anticipate their evolving financial needs.
2. **Deliver a New Client Money Product for Digital Asset Clients** - Providing tailored solutions to meet the needs of this rapidly growing sector.
3. **Improve Our Investment Offering** - Expanding opportunities for clients through diversified, high-performing investment products.
4. **Grow Our Retail Mortgage Book** - Supporting homeownership in Bermuda through innovative mortgage solutions.
5. **Deliver Bank-Wide Digital Transformation** - Modernizing our digital infrastructure to enhance efficiency, security, and customer experience.

2024 FINANCIAL PERFORMANCE & RESILIENCE

Despite financial headwinds, our business remains resilient, underpinned by a strong balance sheet and liquidity position. In 2024, we experienced a total comprehensive loss of $4.6 million, primarily due to $4.0 million in one-off project costs. However, we saw a 52.1% growth in loans and advances, increasing from $55.8 million in 2023 to $84.8 million in 2024. Our total interest income grew by 8.1% to $19.3 million, reflecting our expanding lending activities.

Liquidity remains a key strength, with cash and cash equivalents representing 47.6% of total assets. Our core liquidity, including high-quality liquid assets (HQLA), stands at 51.87% of total assets. Additionally, our Tier 1 capital ratio remains robust at 30.28%, well above the regulatory minimum of 20.25%, with liquidity coverage (LCR) at 601% and net stable funding (NSFR) at 186%—all exceeding regulatory requirements. These strong fundamentals provide a solid foundation for our future growth.

BCB has also successfully continued de-risking its investment portfolio. The portfolio's modified duration decreased from 3.05 in 2021 to 2.00 in 2024, with credit spread duration reducing from 2.31 to 2.00. The portfolio's average credit rating now stands at "A," further improving risk-adjusted returns while preserving capital.

Investing in Digital Transformation

One of the most significant milestones for BCB is our digital transformation journey. The successful completion of our core banking system and online banking platform upgrade in 2024 marks a pivotal moment, enabling us to enhance operational efficiency and expand our service offerings. These advancements allow us to scale while maintaining superior client service, reinforcing our commitment to innovation.

In addition to upgrading our technology stack, we have taken a proactive approach to risk management, expanding our Enterprise Risk Management Framework, optimizing our credit risk approval processes, and ensuring compliance with global regulatory standards. Our SWIFT audit in 2024 was successfully completed with no medium or high-risk findings, a testament to our focus on security and risk mitigation.

Building for the Future

Our deposit base remains well-diversified across retail and corporate clients. Additionally, BCB is part of the Bermuda Deposit Insurance Scheme, providing added security to depositors. As we continue to expand, we remain committed to strengthening our capital base, investing in our people, and advancing our technological capabilities.

Looking ahead, we are excited about the opportunities that lie before us. We are not just adapting to change; we are shaping the future of banking. Our commitment to innovation, customer-centricity, and operational excellence will drive our success as we transition into a fully digital financial institution.

As we embrace this journey, we are reminded of the words of Peter Drucker: **"The best way to predict the future is to create it."**



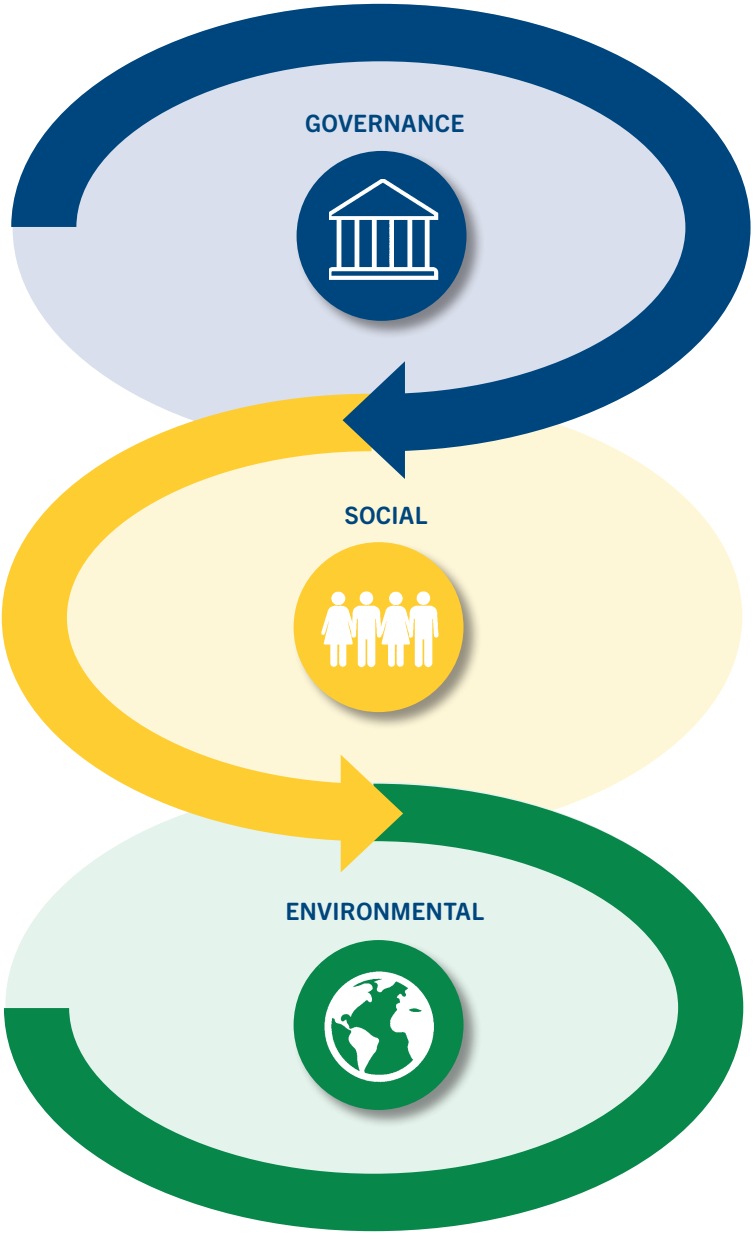
ANDY MIELCZAREK,
EXECUTIVE CHAIR AND CEO
BERMUDA COMMERCIAL BANK

Environment, Social and Governance (ESG)

BCB has played a critical role in Bermuda's financial services industry since 1969 and continues to embrace the need to deliver a sustainable business that supports the environment and community in which it operates today and in the future.

This long term view manifested itself in the formation in 2023 of an environmental, social and governance (ESG) working group that reports to the Bank's Executive Committee. This group has led the coordination and enhancement of BCB's efforts to deliver on the Bank's sustainable commitments as part of its wider strategic turnaround.

A significant focus for BCB in 2024 was on how to support enhanced financial literacy in our community. To achieve this the Bank hosted a series of educational sessions for employees from local and international companies, as well as various departments within the Bermuda Government. These sessions highlighted our product offerings while emphasizing the importance of budgeting, financial planning, and fiscal responsibility. By fostering financial literacy and empowering individuals to make informed decisions, we aim to support the economic well-being of our community and promote sustainable financial practices.



Enhancements to the Bank's governance framework continue to be delivered to ensure that the business is managed and decisions made in a responsible and sustainable way.

BCB is committed to the development of its people, providing $1,500 per employee for formal accreditation and training each year. The Bank continued to support a wide range of community and charity events, including the Bermuda End to End race, the Corporate Games benefitting various charities in Bermuda and completed a food drive, donating dry goods to the Salvation Army and the Eliza Dolittle Society.

As part of our commitment to environmental sustainability, we conducted tests on our building's water systems to ensure the availability of high-quality drinking water. This initiative encourages employees and visitors to choose reusable bottles over single-use plastics, reducing waste and supporting our efforts to promote environmentally responsible practices.

Board of Directors



ANDY MIELCZAREK (CHAIR)
Mr. Mielczarek has over 30 years' experience in Financial services. He was the founder and CEO of UK challenger bank, Chetwood Bank, taking it from start-up to a multi-billion balance sheet and hundreds of employees. Prior to that, he held several senior roles with HSBC, from Deputy Head of their UK retail bank to leading retail banking businesses across Continental Europe. He is a Chartered Accountant, having served earlier in his career as CFO of the Marks and Spencer Bank and worked for MBNA and Charles Schwab.



CHRIS MAYBURY (DEPUTY CHAIR)
Mr. Maybury is the founder and Chairman of Beacon Events. Chris has an extensive business background having held several senior positions. He also serves on the board of several charities and research organizations.



ANDREW BROOK (SENIOR INDEPENDENT DIRECTOR)
Mr. Brook is an experienced non-executive director and was formerly the Asset Management and Banking Leader at PwC 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.



GREGORY GILMAN
Mr. Gilman is a seasoned financial executive with over 20 years of experience in banking, fintech, and digital assets. He is the Founder and CEO of Protego Holdings Corporation and its subsidiary Protego Trust, a pioneering digital asset bank, and co-founded Science Inc. and RxVantage. With a strong background in law, investment, and technology, he has played a key role in financial innovation and governance. He holds degrees from Tufts University and USC Law and has served on multiple corporate boards.



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.



JASON WOODY

Mr. Woody is a Senior Managing Director at Palm Ventures and focuses on private equity investments. Prior to joining Palm Ventures, Mr. Woody was an associate with Dubilier & Company, a private investment firm focused on middle-market companies, and an analyst in the acquisition finance group at Chase Securities Inc. Mr. Woody holds a B.S. from Cornell University and an MBA, summa cum laude, from Babson College. Mr. Woody serves on the boards of several private companies.



RICHARD CROOK

Mr. Crook leads teams focused on delivering client-centric solutions through emerging technologies, with a particular emphasis on crypto and digital assets. With over 25 years of experience in investment banking technology, Richard has a proven track record of solving complex challenges for major financial institutions. His distinguished career includes leadership roles at UBS, NatWest, LAB577 and BCB Group, where he honed his expertise in enhancing client experience and optimizing service delivery. Richard's deep knowledge of the financial services sector positions him as a leader in driving innovation and transformation within the industry.



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, 2024 and should be read in conjunction with the 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. A list of subsidiaries of BCB is provided under note 17 to the consolidated financial statements..

FINANCIAL PERFORMANCE HIGHLIGHTS

- Strong liquidity position with cash and cash equivalents representing 47.6% of total assets
- Growth in loans and advances to customers by 52.1% to $84.8 million in 2024 from $55.8 million in 2023
- Total comprehensive loss of $4.6 million (including one-off project costs of $4.0 million) compared to total comprehensive income of $2.4 million in 2023
- Total interest income increased by 8.1% to $19.3 million in 2024 from $17.8 million in 2023
- Year-end total capital ratio of 30.3% well above the regulatory minimum
- Total equity attributable to the Bank's equity holders at September 30, 2024 was $52.7 million versus $57.3 million in 2023

RESULTS OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2024

During the year, the Bank incurred a net loss of $10.6 million compared to a net loss of $2.4 million in 2023. This was primarily due to $2.2 million lower net interest income, $0.2 million lower investment and impairment losses, $4.0 million one-off project costs, $2.0 million higher operating expenses and $0.2 million lower other non-interest income. Total comprehensive loss was $4.6 million due to $6.0 million increase in OCI from fair value of investments.

INTEREST INCOME

Total interest income was $19.3 million for the year ended September 30, 2024 compared to $17.8 million in 2023. Interest income from loans and advances to customers increased to $3.9 million in comparison to $2.8 million in 2023 as the Bank continues to grow its lending book. Interest income from financial investments was $10.4 million compared to $10.2 million in the prior year. Interest income from cash and term deposits was $4.9 million compared to $4.8 million in 2023. Interest expense increased to $7.5 million from $3.8 million a year ago, driven by higher term deposits balances and interest rates.

NON-INTEREST INCOME

The Bank recorded net non-interest income of $2.5 million compared to $2.6 million in 2023. The composition of the non-interest income sources remained materially consistent with that of the previous year with fees and commissions income of $1.7 million (2023: $1.6 million) being the largest contributor, Other contributors were $0.4 million net exchange gains, $0.3 million impairment losses, $0.6 million other operating income partially offset by $0.4 million loss from financial investments. Other changes that led to a decrease when compared to 2023 included, $0.2 million lower dividend income and $0.1 million lower net forex gains.

EXPENSES

In 2024, the Bank total expenses increased by $6.0 million to $24.9 million from $19.0 million in 2023. The increase was primarily due to higher one-off project expense incurred of $4.0 million and $2.0 million higher staff costs.

FINANCIAL POSITION AS AT SEPTEMBER 30, 2024

Assets

Consistent with previous years, the Bank maintained a prudent level of liquid assets. As at September 30, 2024, the Bank held cash and cash equivalents of $206.8 million that represented 47.6% of total assets compared to $194.9 million or 42.2% a year ago. The Bank's financial investment portfolio as at September 30, 2024 was $124.9 million compared to $195.1 million a year ago as capital was redeployed to loans and advances.

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 investment portfolio consisted primarily of government debt securities, corporate debt securities (non-banks) and debt securities issued by banks.

The Bank's loans and advances portfolio increased to $84.8 million at September 30, 2024 compared to $55.8 million a year ago due to new consumer and commercial mortgages disbursed in 2024. The loan portfolio was primarily comprised of consumer mortgage loans (45.8%), government backed mortgages (22.5%), commercial loans (21.9%), commercial mortgage loans (8.3%) and commercial overdrafts (0.9%).

Liabilities

Total deposits as at September 30, 2024 were $371.0 million compared to $399.0 million a year ago.

CAPITAL POSITION AS AT SEPTEMBER 30, 2024

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 2024 with a regulatory capital ratio of 30.3% (31.8% in 2023) significantly above BMA minimum requirements.

RISK MANAGEMENT

BCB is exposed to a wide range of financial and non-financial risks and maintains a comprehensive approach to effectively manage these risks through a defined Enterprise Risk Management Framework ("ERMF"). This framework outlines how these risks are categorized and managed to ensure it can achieve its strategic goals whilst protecting the Bank's customers' funds and providing responsible products and services that support the markets in which it operates. The Bank's ERMF is designed on core principles of maintaining a sound risk culture, delivering effective governance ensuring all risks are clearly understood and appropriately prioritized with a forward-looking approach and the provision of robust monitoring and reporting. During 2024, BCB continued to enhance its risk management framework to ensure it remains aligned to its evolving business activities, the regulatory landscape and the dynamic operating environment.

Risk Culture

The fostering of a sound risk culture is a key tenet of BCB's ERMF. This is achieved by establishing and exercising accountability, promoting risk awareness and encouraging a proactive approach to the identification and mitigation of risks.

The Three Lines of Defence

BCB has adopted a risk framework based on the "three lines" model 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. Risk and compliance functions form the second line 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, provides independent assurance on activities of the Bank including the risk management framework; and assesses the appropriateness and effectiveness of internal controls.

Governance

BCB's risk governance structure is defined by a clear and robust committee framework that facilitates both top down guidance and oversight as well as bottom-up escalation and aggregation of reporting. This structure defines key areas of authority and responsibility whilst establishing appropriate lines of reporting across the three lines of defence.

Risk Strategy

Prudent management of assets and liabilities forms a critical part of BCB's approach to management of capital, liquidity and funding risk. Through 2024 the Bank maintained a high level of High Quality Liquid Assets ("HQLA") and sought to improve the stability, diversification and maturity of its deposit base. The Bank continued to manage the maturity profile of its deposit funding to ensure that it is not exposed to high levels of re-financing within concentrated time periods.

While related party transactions continue to feature in BCB's profile, the Bank's loan growth strategy has reduced concentration and these transactions remain closely monitored and governed by the Bank's Board of Directors and the Board Audit and Risk Committee ("BARC"). The Bank ensures that credit exposure to related parties is examined appropriately, approved on market terms and conditions, and is subject to oversight by the Bank's Risk department.

Details of the Bank's risk structure are further outlined in note 20 to the consolidated financial statements.

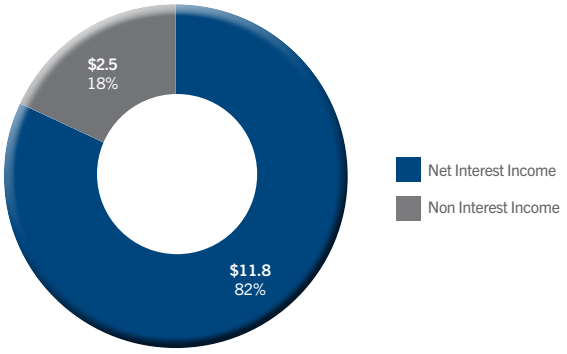
BASEL III

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%. The Bank's Tier 1 capital, LCR and NSFR ratios at year end were significantly above these minimum regulatory requirements.

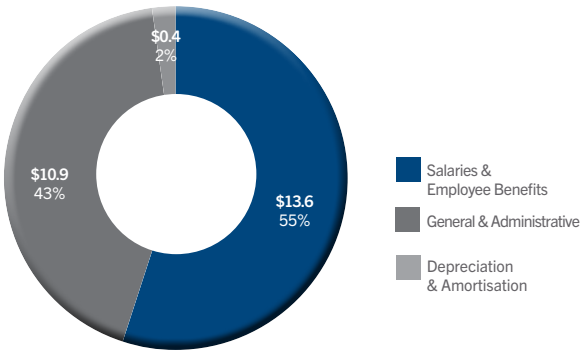
Key Financial Highlights ($ million)

	2024	2023
Income Statement		
Total income	$ 14.3	$ 16.6
Total expenses	$ (24.9)	$ (19.0)
Net loss	$ (10.6)	$ (2.4)
Total Comprehensive (loss) income	$ (4.6)	$ 2.4
Balance Sheet		
Total assets	$ 434.0	$ 462.2
Total deposits	$ 371.4	$ 399.0
Total equity	$ 52.7	$ 57.3
Regulatory Ratios		
Tier 1/Total capital ratio	30%	32%
Liquidity coverage ratio	601%	438%
Net stable funding ratio	186%	164%

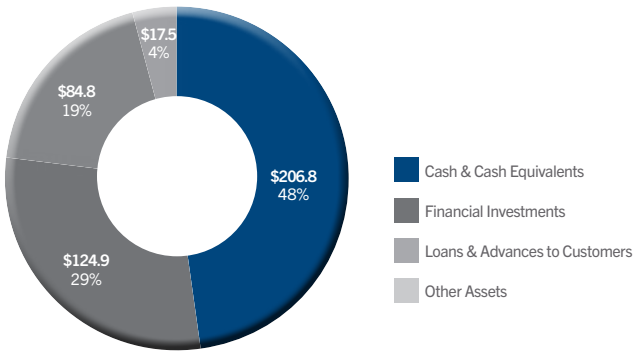
TOTAL INCOME



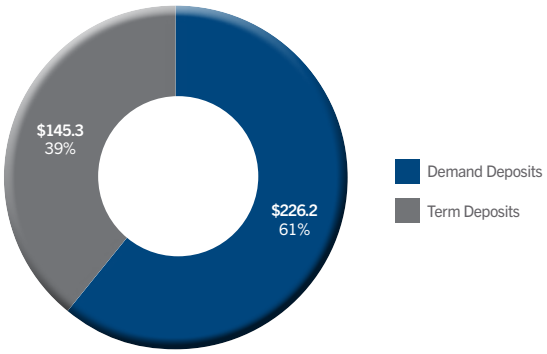
TOTAL EXPENSES



TOTAL ASSETS



TOTAL DEPOSITS



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Bermuda Commercial Bank Limited and its subsidiaries (the "Bank"), which comprise the consolidated statement of financial position as at September 30, 2024, the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at September 30, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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KPMG

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
December 13, 2024

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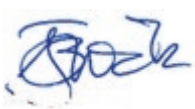
Consolidated Statement of Financial Position
(Expressed in United States Dollars)

September 30, 2024

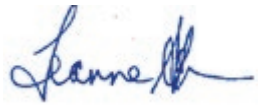
	2024	2023
Assets		
Cash and cash equivalents (Note 3)	$ 206,809,255	$ 194,868,492
Interest receivable	1,573,795	1,948,561
Other assets (Note 9)	1,676,753	1,636,797
Financial investments (Notes 5 and 21)	124,902,525	195,137,506
Loans and advances to customers (Notes 6 and 17)	84,823,620	55,777,476
Derivative financial instruments (Notes 4 and 21)	7,804	23,630
Property and equipment (Note 7)	11,649,673	11,939,123
Intangible assets (Note 8)	2,599,557	911,585
Total assets	$ 434,042,982	$ 462,243,170
Liabilities		
Deposits (Notes 10 and 17)	$ 371,441,534	$ 398,961,873
Customer drafts payable	58,418	198,373
Derivative financial instruments (Notes 4 and 21)	7,804	22,948
Other liabilities (Note 11)	6,045,887	3,292,703
Interest payable	3,781,464	2,478,231
Total liabilities	$ 381,335,107	$ 404,954,128
Equity		
Capital stock (Note 12)	$ 16,807,963	$ 16,807,963
Share premium (Note 12)	22,131,188	22,131,188
Accumulated other comprehensive loss	(1,539,453)	(7,585,215)
Retained earnings	15,308,177	25,935,106
Total equity	52,707,875	57,289,042
Total liabilities and equity	$ 434,042,982	$ 462,243,170

See accompanying notes.

Signed on behalf of the Board:



Andrew Brook, *Chairman*



Jeanne Atherden, *Director*

Consolidated Statement of Income
(*Expressed in United States Dollars*)

Year ended September 30, 2024

	2024	2023
Income		
Interest income calculated using the effective interest rate:		
Cash and term deposits (Note 3)	$ 4,942,737	$ 4,797,519
Loans and advances to customers (Note 6)	3,922,008	2,797,082
Financial investments (Note 5)	10,414,714	9,850,727
Other interest income:		
Financial investments (Note 5)	-	386,927
Total interest income	19,279,459	17,832,255
Interest expense (Note 10)	(7,497,349)	(3,819,448)
Net interest income	11,782,110	14,012,807
Fees and commissions (Note 13)	1,655,019	1,598,618
Net foreign exchange gains	367,444	503,696
Dividend income (Note 5)	-	236,250
Losses from financial investments (Note 14)	(408,447)	(425,096)
Impairment gains on financial instruments (Notes 5, 6 and 9)	338,636	123,849
Other operating income (Note 15)	578,955	525,134
Total income	14,313,717	16,575,258
Expenses		
Salaries and employee benefits (Note 18)	13,626,371	11,833,910
Depreciation (Note 7)	351,887	357,557
Amortisation (Note 8)	96,363	140,519
General and administrative expenses (Note 16)	10,866,025	6,620,153
Total expenses	24,940,646	18,952,139
Net loss before taxation	$ (10,626,929)	$ (2,376,881)
Income tax expense	-	-
Net loss for the year	$ (10,626,929)	$ (2,376,881)

See accompanying notes.

Consolidated Statement of Other Comprehensive Income
(Expressed in United States Dollars)

Year ended September 30, 2024

	2024	2023
Net loss for the year	$ (10,626,929)	$ (2,376,881)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to statement of income		
Debt instruments at fair value through other comprehensive income		
Net change in fair value	6,007,631	2,367,716
Reclassified to statement of income (Note 14)	408,447	1,005,486
Changes in allowance for expected credit losses (Note 5)	(370,316)	(176,315)
Items that will not be reclassified to statement of income		
Net change in fair value of equity securities designated at FVOCI (Note 5)	-	1,564,866
Other comprehensive income	6,045,762	4,761,753
Total comprehensive (loss) income	$ (4,581,167)	$ 2,384,872

See accompanying notes.

Consolidated Statement of Changes in Equity
(Expressed in United States Dollars)

Year ended September 30, 2024

	Capital stock	Share premium	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balance at September 30, 2022	$ 16,807,963	$ 22,131,188	$ (12,346,968)	$ 28,311,987	$ 54,904,170
Net loss for the year			–	(2,376,881)	(2,376,881)
Other comprehensive income			4,761,753	–	4,761,753
Balance at September 30, 2023	$ 16,807,963	$ 22,131,188	$ (7,585,215)	$ 25,935,106	$ 57,289,042
Net loss for the year			–	(10,626,929)	(10,626,929)
Other comprehensive income			6,045,762	–	6,045,762
Balance at September 30, 2024	$ **16,807,963**	$ **22,131,188**	$ **(1,539,453)**	$ **15,308,177**	$ **52,707,875**

See accompanying notes.

Consolidated Statement of Cash Flows
(Expressed in United States Dollars)

Year ended September 30, 2024

	2024	2023
Operating activities		
Net loss for the year	$ (10,626,929)	$ (2,376,881)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	351,887	357,557
Amortisation	96,363	140,519
Losses from financial investments	408,447	425,096
Impairment gains on financial instruments	(338,636)	(123,849)
	(10,108,868)	(1,577,558)
Changes in:		
Interest receivable	374,766	161,257
Other assets	(39,956)	(45,833)
Derivative financial instruments, net	682	(19,442)
Customer drafts payable	(139,955)	197,647
Other liabilities	2,753,184	(230,792)
Interest payable	1,303,233	(567,529)
Net cash used in operating activities	$ (5,856,914)	$ (2,082,250)
Investing activities		
Net change in loans and advances to customers	(29,077,824)	(8,004,218)
Proceeds from sale and maturity of financial investments	495,995,870	557,734,487
Purchases of financial investments	(419,753,258)	(494,335,282)
Capital cost on intangible assets (Note 8)	(1,784,335)	(910,059)
Purchases of property and equipment (Note 7)	(62,437)	(8,033)
Net cash generated from investing activities	$ 45,318,016	$ 54,476,895
Financing activities		
Net change in deposits	(27,520,339)	(126,480,728)
Net cash used in financing activities	(27,520,339)	(126,480,728)
Net increase/(decrease) in cash and cash equivalents	11,940,763	(74,086,083)
Cash and cash equivalents, beginning of year	194,868,492	268,954,575
Cash and cash equivalents, end of year	$ 206,809,255	$ 194,868,492
Supplementary disclosure of cash flow information:		
Interest paid	$ 6,194,116	$ 4,386,977
Interest received	$ 19,654,225	$ 17,993,513
Dividends received	$ -	$ 236,250

See accompanying notes.

Notes to Consolidated Financial Statements
(Expressed in United States Dollars)

Year ended September 30, 2024

1. Description of business

Bermuda Commercial Bank Limited ("BCB") is a Bermuda incorporated company, licensed and regulated by the Bermuda Monetary Authority ("the BMA") to conduct banking under the Banks and Deposit Companies Act 1999 and investment business under the Investment Business Act 2003. BCB, together with its subsidiaries (collectively, the "Bank"), provides banking, custody, investment and lending to retail and corporate clients. BCB's subsidiaries include Bercom Nominees Limited (licensed and regulated by the BMA under the Corporate Service Provider Business Act 2012), BCB Asset Management Limited and VT Strategies Limited.

BCB's registered office is at 34 Bermudiana Road, Hamilton HM 11, Bermuda.

BCB is a wholly owned subsidiary of Base Financial Ltd (formerly known as "Provident Holdings Ltd"), a Bermuda investment holding company whose majority shareholder ultimate parent undertaking is BFG Hamilton Investments, LLC, a company incorporated in the United States of America and owned by Mr. Bradley Palmer.

2. Basis of preparation and material accounting policies

2.1 Basis of preparation

The consolidated financial statements for the year ended September 30, 2024 have been prepared on a going concern basis. In this regard, management has assessed the Bank's ability to continue as a going concern and to meet regulatory requirements applicable to capital, liquidity and funding with no exception at least, but not limited to, twelve months from the reporting date.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value ("FV"). The consolidated financial statements are presented in United States dollars, which is the Bank's functional and reporting currency. All values are rounded to the nearest dollar, except when otherwise indicated.

The consolidated financial statements for the year ended September 30, 2024, were authorised for issue in accordance with a resolution of the Board of Directors on December 12, 2024.

2.2 Statement of compliance

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standard"), as issued by the International Accounting Standards Board ("IASB"). The Bank has consistently applied the material accounting policies to all periods presented in these consolidated financial statements.

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

Subsidiaries are fully consolidated until the date on which control was relinquished by the Bank. Control is forfeited when the Bank no longer has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

2.3 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 of assets and liabilities within 12 months after the reporting date ("current"), and more than 12 months after the reporting date ("non-current"), is presented in Note 20.

2. Basis of preparation and material accounting policies (continued)

2.4 Use of judgments, estimates, and assumptions

The preparation of consolidated financial statements in conformity with IFRS Accounting Standard requires management to make certain estimates, judgments, and assumptions that affect the application of the 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 risk of causing material adjustments to the consolidated financial statements within the next financial year are discussed below:

Classification of financial assets

Classification of financial assets is determined based on the business model within which the assets are held and the assessment of whether the contractual cash flows represent Solely Payment of Principal and Interest ("SPPI").

Impairment / Expected credit loss ("ECL") Allowance on financial assets

The impairment or ECL allowance for loans and advances and debt instruments in the investment portfolio that are carried at Amortised Cost ("AC") or Fair Value Through Other Comprehensive Income ("FVOCI") is measured according to the significant increase in credit risk of those assets from their initial recognition. The significance of the increase in credit risk is assessed based on internally developed parameters and may include estimates and judgements. Further, several internal and external forward-looking judgements, estimates and assumptions are used in assessing the ECL allowances. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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 is 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 21.

2.5 Material Accounting Policies

Basis of consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Bank and its subsidiaries as at September 30, 2024. A list of these subsidiaries is presented in Note 17.

Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

2. Basis of preparation and material accounting policies (continued)

2.5 Material Accounting Policies (continued)

Loss of control

When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the Consolidated Statement of Income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 reporting 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. Realised 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 consist of notes and coins on hand and short-term deposits with other banks which 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 from the reporting date. Cash and cash equivalents may also include high quality liquid assets (“HQLA”) such as U.S., U.K. and Canadian government treasury bills, and investment grade corporate bonds.

Cash and cash equivalents are carried at amortised costs in the statement of financial position.

Financial instruments

Recognition and initial measurement

The Bank initially recognises loans and advances, deposits and other financial liabilities on the date on which they are originated. All other financial instruments (including regular purchases and sales of financial assets) are recognised on trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

Classification

On initial recognition, a financial asset is classified as measured at Armotised Cost (“AC”), Fair Value Through Other Comprehensive Income (“FVOCI”) or Fair Value Through Profit or Loss (“FVTPL”).

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

2. Basis of preparation and material accounting policies (continued)

Financial instruments (continued)

Classification (continued)

A financial asset is measured at AC if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in the Consolidated Statement of Other Comprehensive Income ("OCI"). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment based on the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. This includes the (a) business model where the objective is to hold assets in order to collect contractual cash flows, (b) business model where the objective is achieved by both collecting contractual cash flows and selling financial assets, and (c) other business models.

Other business models (where applicable) include financial assets that are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. These are measured at FVTPL as these are generally held for trading and the performance is evaluated on a fair value basis.

Assessment of whether contractual cash flows are SPPI

Financial instruments that meet the business model assessment of (a) and (b) above are assessed to evaluate if the contractual cash flows represent SPPI which would typically be expected from basic lending arrangements. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

2. Basis of preparation and material accounting policies (continued)

Financial instruments (continued)

Financial liabilities

The Bank classifies its financial liabilities as measured at amortised cost or FVTPL.

Derivatives

Derivatives include foreign exchange forward contracts and warrants. The Bank uses derivatives to manage its credit and market risk exposure 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 Bank uses foreign exchange forward contracts to manage the Bank's foreign exchange risk on certain investment securities denominated in foreign currencies.

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.

The accounting treatment for a 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 (losses) on derivative financial instruments for the option contracts, and in net foreign exchange gains or losses for the forward contracts, unless they qualify for hedge accounting. The Bank does not currently apply hedge accounting.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition, except for equity investments measured at FVOCI, the difference between the carrying amount of the financial asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI, is recognised in the Consolidated Statement of Income. Derecognition gains and losses from equity investments measured at FVOCI are not recognised in the Consolidated Statement of Income. However, transfers may be made from OCI to retained earnings at the discretion of management.

A financial liability is derecognized when its contractual obligations are discharged or cancelled or expire.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the Consolidated Statement of Income unless required or permitted by the IFRS accounting standard or interpretation as specifically disclosed in the accounting policies of the Bank.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

2. Basis of preparation and material accounting policies (continued)

Financial instruments (continued)

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk

When available, the Bank measures fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price which is the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is measured initially at fair value and it is adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, the difference is recognised in the Consolidated Statement of Income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Impairment

ECL allowances are recognised for financial assets and loan commitments, except for financial assets that are measured at FVTPL and equity investments measured at FVOCI. ECL allowances applicable to financial assets measured at AC are deducted from the gross carrying value of the respective financial asset while the ECL allowances applicable to financial assets measured at FVOCI are recognised in OCI. Movements in ECL allowances are recognised in the Consolidated Statement of Income.

ECL allowances are a probability-weighted estimate of credit losses that are expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no ‘significant increase in credit risk’ since origination (12 month expected credit loss). Accordingly, for loans and advances and financial investments, an assessment is performed at the end of each reporting period to evaluate whether a financial instrument’s credit risk has increased significantly since its initial recognition.

Financial assets and loan commitments are categorized into the following groups based on the above assessment.

Stage 1 - Includes debt instruments where there has not been any significant increase in credit risk since initial recognition. For instruments under stage 1, an allowance is required for ECLs resulting from default events that are possible within the next 12 months from the reporting date (i.e. 12 Months ECL).

Stage 2 - Includes debt instruments where there has been a significant increase in credit risk since initial recognition on an individual or collective basis. For instruments under stage 2, an allowance is required for ECLs resulting from all possible default events over the expected life of the instrument (i.e. Lifetime ECL).

Stage 3 - Includes debt instruments that are credit-impaired due to objective evidence of impairment. For instruments under Stage 3, an allowance is required to reduce the carrying value of the asset to its recoverable value.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

2. Basis of preparation and material accounting policies (continued)

Financial instruments (continued)

Impairment (continued)

Originated credit impaired: Originated credit impaired assets (if any) are financial assets that are credit impaired on initial recognition. They are recorded at fair value at initial recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate ("EIR"). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

ECL allowances for accounts receivable are estimated based on the simplified approach allowed in IFRS 9.

Significant increase in credit risk

In order to determine whether an instrument or a portfolio of instruments is subject to an impairment provision using 12 Month ECL or Lifetime ECL, the Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. For this purpose, several internal risk criteria have been set by the Bank based on reasonable and supportable information that is relevant and available without undue cost or effort.

These include:

- quantitative and qualitative information;
- analyses of historical and forward-looking data; and
- data from internal and external sources such as external rating agencies.

Measurement of ECL

The Bank estimates the ECLs for loans and advances, loan commitments (if any), and financial investments based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default ("PD")
- Loss Given Default ("LGD")
- Exposure at Default ("EAD")

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Stage 2 ECL is calculated by multiplying the lifetime PD by LGD and EAD. ECL for exposures in stage 3 instruments is calculated as the difference between the carrying value and the net present value of estimated future cash flows.

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio. 12-month PD rates for instruments with similar credit risk characteristics are assessed based on the default rates published by approved external parties. Further, several judgements, estimates and forward-looking assumptions are applied when adjusting the PD rates for financial instruments originating in Bermuda and for financial instruments with significant increases in credit risk.

2. Basis of preparation and material accounting policies (continued)

Financial instruments (continued)

Impairment (continued)

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the underlying financial instrument. For financial instruments that do not have a collateral, the LGD is estimated based on the data published by the external rating agencies. This is usually expressed as a percentage of the EAD.

EAD represents the expected exposure in the event of a default. This is derived from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial instrument is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees (if any), the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the ECL is measured by considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the entity has the right to require repayment of the financial asset or terminate a loan commitment or guarantee.

The source and estimation of PD, LGD and EAD, and their application are dependent on the shared risk characteristics common to a selected group of assets. For portfolios in respect of which the entity has limited historical data, external benchmark information is used to supplement the internally available data.

The ECL for accounts receivable is different from the approach described above as it is estimated using the ‘simplified approach’ described in IFRS 9. A practical expedient known as the ‘provision matrix’ method, allowed by IFRS 9, is adopted to assess the allowances under the simplified approach. The provision matrix method specifies fixed provision rates (or ‘loss rates’) depending on the number of days that a receivable is past due.

Accordingly, the multiplication of accounts receivable in each age bucket by the respective expected loss rates provides the ECL allowance for accounts receivable.

Incorporation of forward-looking information

Forward-looking information is incorporated into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

When estimating ECLs, the Bank formulates three economic scenarios: a base case, which is the ‘the most likely outcome’ scenario, and two less likely scenarios, one upside (i.e. stronger near-term growth) and one downside (i.e. moderate negative growth), and each is assigned with an estimated probability of occurring. Evaluation and application of multiple economic scenarios are key elements of the expected credit loss process as the ECL of a financial instrument shall be measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

2. Basis of preparation and material accounting policies (continued)

Financial instruments (continued)

Impairment (continued)

Economic inputs applicable to the geographical jurisdiction of the underlying financial instrument group are used in developing the macroeconomic scenarios applicable to the estimation process. These economic inputs include gross domestic product growth rate, interest rates and unemployment rates of the relevant jurisdiction. Further, since the inputs and models used for calculating ECLs may not capture all characteristics of the market at the date of the financial statements, quantitative and qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Where possible, the above data is obtained from third-party sources and the reasonability of inputs, weights attributed to economic inputs and multiple scenarios, and other assumptions used in developing forward-looking information are reviewed at least annually.

Definition of default and cure

The definition of default of a group of financial instruments may differ according to their nature and exposure to credit risk and may involve both quantitative and qualitative factors. Loans and advances are considered as defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. Financial investments carried at AC and FVOCI are considered defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the interest, and/or interim or final principal payment becomes 30 days past due on the instrument's contractual payments.

As a part of the assessment of whether an individually significant customer is in default, the Bank also considers a variety of factors that may indicate their inability to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such factors include, but are not limited to, downgrade in internal rating of the loan, deterioration in loan-to-value, and other qualitative indications that suggest that the borrower of the loan or the issuer of the financial investment is unlikely to honour its credit obligation in full, or in part, due to reasons such as significant financial difficulty of the issuer, breach of covenants, potential bankruptcy, other financial reorganization, and the absence of an active market. It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when one or more of the above criteria have improved.

Modification of financial assets

A financial asset is derecognized when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised financial asset is classified as Stage 1 or 2 for ECL measurement purposes, unless the new asset is deemed to be credit impaired at the date of inception. If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, a modification gain or loss is recorded, to the extent that an impairment loss has not already been recorded.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

2. Basis of preparation and material accounting policies (continued)

Financial instruments (continued)

Impairment (continued)

Write-offs

Financial instruments are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering the instrument in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated ECL allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to 'Impairment gains (losses) on financial instruments' in the Consolidated Statement of Income.

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 estimated recoverable amount.

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 property and equipment. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which are determined in accordance with the Bank's accounting policy as shown below:

Asset class/category	**Estimated useful life**
Buildings	35-40 years
Equipment e.g. office furniture	5-10 years
Computer equipment	3-5 years
Operating lease equipment	5-10 years
Leasehold improvements	Lesser of the lease term and useful life

Depreciation commences once the property and equipment is put into use. Subsequent costs, such as repairs and maintenance, are charged to the Consolidated Statement of Income during the financial year in which they are incurred.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the Consolidated Statement of Income in the year the asset is derecognised.

Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

2. Basis of preparation and material accounting policies (continued)

Leases (continued)

Bank as a Lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The asset is subject to the Bank's impairment policy on non-financial assets and amortised over the length of the lease while the lease liability is measured at amortised cost.

As a lessee, the Bank recognises lease payments associated with short-term leases (i.e. where the lease term is 12 months or less) and leases of low-value assets as an expense over the lease term.

The right-of-use assets are presented within the note applicable to Property and equipment (Note 7), and the lease liability within the note applicable to Other liabilities (Note 11).

Bank as a Lessor

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is classified as a finance lease; if not then it is an operating lease. However, there were no finance leases in the Bank's consolidated financial statements at either year-end.

Income from operating leases under IFRS 16 are recognised on a straight–line basis over the lease term as part of 'Other operating income' on the Consolidated Statement of Income.

When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head-lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies the exemption described above, then the Bank classifies the sub-lease as an operating lease. However, there were no sub-leases in the Bank's consolidated financial statements at either year-end.

Intangible assets

The Bank's other intangible assets include the value of computer software. An intangible asset is recognised 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 on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software	5-10 years

Amortisation of computer software commences once it is available for use.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Customer drafts payable

Customer drafts payable consist of the balance of un-cashed customer drafts at the reporting date. This balance is customer-driven and fluctuates based on when customers purchase drafts and when they are presented for payment. Customer drafts payable are presented under liabilities on the Consolidated Statement of Financial Position upon issue.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

2. Basis of preparation and material accounting policies (continued)

Recognition of income

Revenue is recognised 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 recognised:

Interest income

Interest income is recognised in the Consolidated Statement of Income for all interest-bearing instruments measured at AC and FVOCI, on the accrual basis, using the effective interest rate method. The interest income from financial assets that are classified as Stage 3 for ECL purposes, is calculated by applying the effective interest rate to the net carrying value of the asset, which is the gross carrying amount less the applicable provision for ECL.

Interest income applicable to interest-bearing instruments measured at FVTPL is recognised on the accrual basis, using the coupon rate of the instrument.

Fees and commissions

Revenue from contracts with customers primarily includes fees and commissions earned from banking and custodial services. Income is recognised when the performance obligations associated to those contracts are satisfied. Accordingly, income is recognised at the time of the transaction unless the performance obligations associated with the contract are satisfied over a period of time, in which case, the income is recognised over that period according to the complete satisfaction of the performance obligations. Consideration for fees and commissions is collected at the time of the transaction unless it is due upon the receipt of the invoice by the customer. Consideration receivable from customers is presented under other assets on the Statement of Financial Position while the consideration received in advance before the Bank provides the service (i.e. a contract liability) is deferred and presented under other liabilities on the Consolidated Statement of Financial Position.

Dividend income

Dividend income is recognised when the Bank’s right to receive the payment is established.

Expenses

Expenses are recognised in the Consolidated Statement of Income on the accrual basis. Interest expense is calculated using the effective interest rate method.

Dividends on common shares

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

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources 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.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

2. Basis of preparation and material accounting policies (continued)

Fiduciary activities

The Bank acts as custodian that results in the holding or placing of assets on behalf of individuals, corporates, 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 issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Bank's consolidated financial statements which may be relevant to the Bank are listed below. The following new and amended standards are not expected to have a material impact on the consolidated financial statements or intended to be adopted early:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
The bank has also adopted the *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).* While the amendments did not alter the accounting policies themselves, they impacted the information disclosed in the financial statements.

The amendments require the bank to disclose "material" rather than "significant" accounting policies. They also provide guidance on applying materiality to these disclosures, helping entities present useful, entity-specific accounting policy information necessary for users to understand other information in the financial statements.

Management reviewed and updated the disclosures in Note 2.5, now titled Material Accounting Policies (2023: Significant Accounting Policies), in certain areas to align with these amendments.

Other Standards
The following new and amended standards are not expected to have a material impact on the Bank's consolidated financial statements:

- Lack of Exchangeability – *The Effects of Changes in Foreign Exchange Rates* – Amendments to IAS 21 effective 1 Jan 2025.
- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial instruments Disclosures effective 1 Jan 2026.
- Annual improvements to IFRS Accounting Standards – Amendments to;
    - IFRS 7 Financial Instruments: Disclosures and its accompanying guidance and implementation
    - IFRS 9 Financial Instruments
    - IFRS 10 Consolidated Financial Statement and IAS 7 Statement of Cash flows.
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:
    - A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
    - Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.
- IFRS 18 Presentation and Disclosure in Financial Statements. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

Early adoption

The Bank did not early adopt any new standards during the year ended September 30, 2024.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

3. Cash and cash equivalents

Cash and cash equivalents were made up as follows:

	2024	2023
Cash and demand deposits	$ 25,427,182	$ 31,896,405
Term deposits maturing within three months	78,484,170	113,198,468
HQLA maturing within three months	102,897,903	49,773,619
Total	$ 206,809,255	$ 194,868,492

Term deposits amounting to $5,423,229 were collateralized at September 30, 2024 (2023: $10,501,094).

The average effective yields earned were as follows:

	2024	2023
Cash and demand deposits	0.87%	0.37%
Term deposits maturing within three months	5.16%	4.18%
HQLA	5.06%	3.80%

4. Derivative financial instruments

At their inception, derivatives often involve only a mutual exchange of rights and obligations with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and can be 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 fair value of the instrument.

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 20).

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. Forward contracts are customized contracts transacted in the over-the-counter market. The Bank uses these contracts to manage its exposure to foreign currency risk.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

4. Derivative financial instruments (continued)

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 presented below on gross basis indicate the volume of transactions outstanding at the year-end and are not indicative of the market risk or the credit risk.

2024	**Notional amount**	**Fair value**
Derivatives assets	$ 3,996,775	$ 7,804
Derivatives liabilities	3,996,775	7,804

2023	**Notional amount**	**Fair value**
Derivatives assets	$ 4,536,966	$ 23,630
Derivatives liabilities	4,118,513	22,848

As at September 30, 2024, the net cost of the derivatives amounted to $nil (2023: $nil).

5. Financial investments

Financial investments by major classifications at September 30 were as follows:

	2024	**2023**
Financial investments measured at FVOCI		
Government debt securities	$ 18,319,160	$ 51,887,760
Corporate debt securities (non-banks)	106,478,349	110,094,212
Debt securities issued by banks	-	33,048,725
Asset-backed securities	105,016	106,809
Total financial investments	$ 124,902,525	$ 195,137,506

At September 30, 2024, the amortised cost of financial investments amounted to $124,427,908 (2023: $201,016,226).

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

5. Financial investments (continued)

The carrying value of investments subject to the ECL assessment at September 30, 2024 was $124,902,525 (2023: $195,137,506) and solely represent debt securities measured at FVOCI.

Reconciliations from the opening to the closing balance of debt instruments subject to ECL, and the corresponding ECL allowance are as follows:

2024

	Financial investments							
	Carrying amount				ECL Allowance			
	Non-credit impaired		Credit impaired	Total	Non-credit impaired		Credit impaired	Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
As at October 1, 2023	$193,766,994	$1,368,570	$1,942	$195,137,506	$118,158	$61,879	$332,800	$512,837
Transfers to(from):								
Stage 3	-	-	-	-	-	-	-	-
Net movement in financial investments	(70,577,058)	340,670	1,407	(70,234,981)	-	-	-	-
ECL charge (reversal)	-	-	-	-	(37,921)	404	(332,799)	(370,316)
As at September 30, 2024	$123,189,936	$1,709,240	$3,349	$124,902,525	$80,237	$62,283	$1	$142,521

2023

	Financial investments							
	Carrying amount				ECL Allowance			
	Non-credit impaired		Credit impaired	Total	Non-credit impaired		Credit impaired	Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
As at October 1, 2022	$219,222,534	$1,189,780	$90,276	$220,502,590	$279,089	$39,686	$370,377	$689,152
Transfers to(from):								
Stage 3	(2,386,549)	-	2,386,549	-	(1)	-	1	-
Net movement in financial investments	(23,068,991)	178,790	(2,474,883)	(25,365,084)				
ECL charge (reversal)					(160,930)	22,193	(37,578)	(176,315)
As at September 30, 2023	$193,766,994	$1,368,570	$1,942	$195,137,506	$118,158	$61,879	$332,800	$512,837

The loss allowance on debt securities at FVOCI is not recognised in the Consolidated Statement of Financial Position because the carrying amount of such securities is their fair value.

Equity securities designated as at FVOCI

The FVOCI designation was made for certain equity securities because those investments were being held for strategic purposes. Dividend income in 2024 from these securities was $nil (2023: $236,250). Realized loss for the year from derecognition of equity securities measured at FVOCI was $nil (2023: 555,308). The equity securities during the year were $nil.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

5. Financial investments (continued)

Interest income from financial investments

Interest income calculated using the effective interest method, on financial investments measured at FVOCI was $10,414,714 (2023: $9,850,727). Interest income on financial investments measured at FVTPL, presented under other interest income on the Consolidated Statement of Income was $nil (2023: $386,927). No investments were held nor measured at AC in 2024 (2023: $nil).

6. Loans and advances to customers

Loans and advances to customers at September 30 were as follows:

	2024	2023
Commercial loans	$ 18,576,174	$ 17,477,460
Commercial overdrafts	790,677	3,668,566
Commercial mortgage loans	7,000,000	7,000,000
Consumer mortgage loans	38,845,279	19,489,157
Government backed mortgages	19,072,250	7,034,876
Credit cards	251,067	396,210
Other	288,173	711,207
Total	$ 84,823,620	$ 55,777,476

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

	2024					
	Within 1 year	**1-5 years**	**5-10 years**	**More than 10 years**	**ECL allowance**	**Total**
Commercial loans	$ 10,500,000	$ 7,194,811	$ 891,457	$ -	$ (10,094)	$ 18,576,174
Commercial overdrafts	793,301	-	-	-	(2,624)	790,677
Commercial mortgage loans	-	7,000,000	-	-	-	7,000,000
Consumer mortgage loans	-	71,181	2,788,105	36,006,571	(20,578)	38,845,279
Government backed mortgages	-	-	600,971	18,540,893	(69,614)	19,072,250
Credit cards	256,540	-	-	-	(5,473)	251,067
Other	2,825	32,393	254,133	-	(1,178)	288,173
Total	$ 11,552,666	$ 14,298,385	$ 4,534,666	$ 54,547,464	$ (109,561)	$ 84,823,620

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

6. Loans and advances to customers (continued)

	2023					
	Within 1 year	**1-5 years**	**5-10 years**	**More than 10 years**	**ECL allowance**	**Total**
Commercial loans	$ -	$ 16,514,326	$ 981,396	$ -	$ (18,262)	$ 17,477,460
Commercial overdrafts	3,668,566	-	-	-	-	3,668,566
Commercial mortgage loans	-	7,000,000	-	-	-	7,000,000
Consumer mortgage loans	-	90,215	1,643,217	17,776,450	(20,725)	19,489,157
Government backed mortgages	-	-	-	7,069,031	(34,155)	7,034,876
Credit cards	400,865	-	-	-	(4,655)	396,210
Other	290,000	143,107	278,184	-	(84)	711,207
Total	$ 4,359,431	$ 23,747,648	$ 2,902,797	$ 24,845,481	$ (77,881)	$ 55,777,476

Credit quality

Credit quality of Loans and advances, and the corresponding ECL allowances based on the ECL inputs and assumptions discussed in Material Accounting policies (Note 2), are as follows:

	Loans and advances at September 30, 2024								
	Gross carrying amount				**ECL allowance**				**Net carrying amount**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
Commercial loans	$ 18,586,268	$ –	$ –	$ 18,586,268	$ 10,094	$ –	$ –	$ 10,094	$ 18,576,174
Commercial overdrafts	793,301	–	–	793,301	2,624	–	–	2,624	790,677
Commercial mortgage loans	7,000,000	–	–	7,000,000	–	–	–	–	7,000,000
Consumer mortgage loans	38,865,857	–	–	38,865,857	20,578	–	–	20,578	38,845,279
Government backed mortgages	19,141,864	–	–	19,141,864	69,614	–	–	69,614	19,072,250
Credit cards	–	256,540	–	256,540	–	5,473	–	5,473	251,067
Other	289,351	–	–	289,351	1,178	–	–	1,178	288,173
Total at AC	$ 84,676,641	$ 256,540	$ –	$ 84,933,181	$ 104,088	$ 5,473	$ –	$ 109,561	$ 84,823,620

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

6. Loans and advances to customers (continued)

	Loans and advances at September 30, 2023								
	Gross carrying amount				ECL allowance				Net carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Commercial loans	$ 17,495,722	$ –	$ –	$ 17,495,722	$ 18,262	$ –	$ –	$ 18,262	$ 17,477,460
Commercial overdrafts	3,668,566	–	–	3,668,566	–	–	–	–	3,668,566
Commercial mortgage loans	7,000,000	–	–	7,000,000	–	–	–	–	7,000,000
Consumer mortgage loans	19,378,099	131,783	–	19,509,882	20,725	–	–	20,725	19,489,157
Government backed mortgages	7,069,031	–	–	7,069,031	34,155	–	–	34,155	7,034,876
Credit cards	–	400,865	–	400,865	–	4,655	–	4,655	396,210
Other	711,291	–	–	711,291	84	–	–	84	711,207
Total at AC	$ 55,322,709	$ 532,648	$ –	$ 55,855,357	$ 73,226	$ 4,655	$ –	$ 77,881	$ 55,777,476

The ECL allowance of $109,561 includes an ECL allowance of $2,195 (2023: $6,713) estimated on undrawn commitments totaling $2,041,354 (2023: $2,049,618).

An analysis of changes in the gross carrying amount and the corresponding ECL allowances of loans and advances measured at amortised cost is, as follows:

	Loans and advances as at 30 September 2024					
	Gross carrying amount			ECL allowance		
	Non-credit impaired		Total	Non-credit impaired		Total
	Stage 1	Stage 2		Stage 1	Stage 2	
As at October 1, 2023	$ 55,322,709	$ 532,648	$ 55,855,357	$ 73,226	$ 4,655	$ 77,881
Transfers:						
From Stage 1	–	–	–	–	–	–
From Stage 2	–	–	–	–	–	–
From Stage 3	–	–	–	–	–	–
	–	–	–	–	–	–
Net movement in loans and advances	29,353,932	(276,108)	29,077,824	–	–	–
ECL charge (reversal)	–	–	–	30,862	818	31,680
As at September 30, 2024	$ 84,676,641	$ 256,540	$ 84,933,181	$ 104,088	$ 5,473	$ 109,561

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

6. Loans and advances to customers (continued)

	Loans and advances as at 30 September 2023							
	Gross carrying amount				ECL allowance			
	Non-credit impaired		Credit impaired	Total	Non-credit impaired		Credit impaired	Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
As at October 1, 2022	$ 47,446,707	$ 404,089	$ 343	$ 47,851,139	$ 21,240	$ 3,861	$ 313	$ 25,414
Transfers:								
From Stage 1	–	–	–	–	–	–	–	–
From Stage 2	–	–	–	–	–	–	–	–
From Stage 3	–	–	–	–	–	–	–	–
Net movement in loans and advances	7,876,002	128,559	(343)	8,004,218	–	–	–	–
ECL charge (reversal)	–	–	–	–	51,986	794	(313)	52,467
As at September 30, 2023	$ 55,322,709	$ 532,648	$ –	$ 55,855,357	$ 73,226	$ 4,655	$ –	$ 77,881

Collateral held by the Bank

The gross carrying amount of loans represents the maximum exposure of credit risk at the end of the reporting period without taking account of any collateral held by the Bank. Collateral held by the Bank include mortgaged properties, pledges taken over cash and financial investments.

The Bank did not hold any credit impaired assets as of September 30, 2024. Therefore, the aggregate discounted value of collateral held by the Bank for credit impaired assets reported at September 30, 2024 was $nil (2023: $ nil).

Assets modified during the year

One loan had its payment period modified during the year and the total amount due as at September 30, 2024 was $1,255,281 (2023: $nil).

Average effective yields

The average effective yields earned were as follows:

	2024	2023
Commercial loans	5.71%	6.10%
Commercial overdrafts	7.47%	6.34%
Commercial mortgage loans	5.50%	5.50%
Consumer mortgage loans	5.24%	5.60%
Government backed mortgages	5.00%	5.00%
Other	3.95%	6.28%

The average effective yields represent both fixed and variable interest rates.

Outstanding credit card balances are charged interest at 16% per annum.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

7. Property and equipment

2024

	Equipment	Land	Building	Total
Cost				
Beginning of year	$ 1,387,515	$ 1,306,800	$ 12,822,269	$ 15,516,584
Additions	62,437	-	-	62,437
End of year	$ 1,449,952	$ 1,306,800	$ 12,822,269	$ 15,579,021
Accumulated Depreciation				
Beginning of year	$ 1,327,814	$ -	$ 2,249,647	$ 3,577,461
Depreciation charge	31,330	-	320,557	351,887
End of year	1,359,144	-	2,570,204	3,929,348
Net book value at end of year	$ 90,808	$ 1,306,800	$ 10,252,065	$ 11,649,673

2023

	Equipment	Land	Building	Right-of-use Assets	Total
Cost					
Beginning of year	$ 1,379,732	$ 1,306,800	$ 12,822,269	$ 87,491	$ 15,596,292
Additions	8,033	-	-	-	8,033
Disposals	(250)	-	-	(87,491)	(87,741)
End of year	$ 1,387,515	$ 1,306,800	$ 12,822,269	$ -	$ 15,516,584
Accumulated Depreciation					
Beginning of year	$ 1,291,064	$ -	$ 1,929,090	$ 87,491	$ 3,307,645
Depreciation charge	37,000	-	320,557	-	357,557
Disposals	(250)	-	-	(87,491)	(87,741)
End of year	1,327,814	-	2,249,647	-	3,577,461
Net book value at end of year	$ 59,701	$ 1,306,800	$ 10,572,622	$ -	$ 11,939,123

Right-of-use assets represent leased equipment.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

8. Intangible assets

	2024		
	Computer software	Computer software – WIP	Total
Cost			
Beginning of year	$ 11,295,749	$ 910,059	$ 12,205,808
Additions	-	1,784,335	1,784,335
Capitalized	2,655,444	(2,655,444)	-
End of year	13,951,193	38,950	13,990,143
Accumulated amortisation and impairment			
Beginning of year	11,294,223	-	11,294,223
Amortisation charge for the year	96,363	-	96,363
End of year	11,390,586	-	11,390,586
Net book value at end of year	$ 2,560,607	$ 38,950	$ 2,599,557

	2023		
	Computer software	Computer software – WIP	Total
Cost			
Beginning of year	$ 11,295,749	$ -	$ 11,295,749
Additions	-	910,059	910,059
End of year	11,295,749	910,059	12,205,808
Accumulated amortisation and impairment			
Beginning of year	11,153,704	-	11,153,704
Amortisation charge for the year	140,519	-	140,519
End of year	11,294,223	-	11,294,223
Net book value at end of year	$ 1,526	$ 910,059	$ 911,585

Amortisation of computer software is calculated using the straight-line method to write down the cost to its residual value over its estimated useful life. Amortisation commences once the software is available for use.

Computer software – WIP represents the Core banking system and Open Banking API project. The Core banking system upgrade was available for use on the go live date of June 24, 2024 and total cost of $2,655,444 (2023: nil) was capitalised. Prior to the go live date, all costs incurred towards the project were recorded under Work in Progress. The closing Work in Progress balance represents capital cost incurred for the Open Banking API project.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

9. Other assets

Other assets were made up of:

	2024	2023
Accounts receivable, net of ECL	$ 255,608	$ 291,200
Accrued income	184,274	190,142
Prepayments	1,236,871	1,155,455
Total	$ 1,676,753	$ 1,636,797

The ECL allowance recorded at September 30, 2024 in accordance with IFRS 9 was $549,029 (2023: $549,029). During the year a total of $1,419,803 receivable from Base Financial Ltd. was written off.

10. Deposits

Deposits were made up of:

	2024	2023
Demand deposits	$ 145,283,565	$ 213,514,360
Term deposits:		
Deposits maturing within 1 month	31,366,734	37,702,796
Deposits maturing – 1-3 months	60,014,029	38,101,054
Deposits maturing – 3-12 months	101,381,171	55,635,661
Deposits maturing – 1-5 years	33,396,035	54,008,002
	226,157,969	185,447,513
Total	$ 371,441,534	$ 398,961,873

The average annual effective rates paid were as follows:

	2024	2023
Term deposits based on book values and contractual interest rates	3.33%	2.42%
Demand deposits	1.27%	0.00%

11. Other liabilities

Other liabilities were made up of:

	2024	2023
Accounts payable	$ 5,393,889	$ 2,553,192
Accrued liabilities	651,998	739,511
Total	$ 6,045,887	$ 3,292,703

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

12. Equity

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

	Authorised shares	Par value	Issued & fully paid shares	Par value	Share premium
Balance at September 30, 2024 and 2023	10,000,000	24,000,000	7,003,318	16,807,963	22,131,188

Regulatory capital

The Bermuda Monetary Authority ("BMA") adopts the Basel III Accord which requires detailed disclosures on regulatory capital and risk management. The BMA assesses the risk of each banking institution and determines a Pillar 2 individual capital guidance for each bank. The Bank has complied with all minimum capital requirements prescribed by the BMA and at September 30, 2024, the Bank's Tier 1 and total regulatory capital ratios 30.28% (2023: 31.83%) and 30.28% (2023: 31.83%) respectively, and exceeded the required minimum.

Capital management

The Bank maintains its capital base and capital ratios above the regulatory minimum capital requirements. The Bank's capital ratio are continuously reviewed in light of changes in economic conditions and the risk characteristics of the Bank's activities. In order to maintain or adjust its capital structure, the Bank may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue new capital securities.

13. Fees and commissions

Fees and commissions are made up as follows:

	2024	2023
Banking services	$ 1,029,353	$ 1,086,274
Custody services	625,666	512,344
Total	$ 1,655,019	$ 1,598,618

14. Losses from financial investments

Net (losses) gains from financial investments are made up as follows:

	2024	2023
From financial investments measured at FVTPL	$ -	$ 580,390
On derecognition of financial investments measured at FVOCI	(408,447)	(1,005,486)
Total	$ (408,447)	$ (425,096)

15. Other operating income

	2024	2023
Lease income from operating leases	$ 578,955	$ 525,134

Lease income from operating leases includes the rent earned on building premises rented out by the Bank.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

15. Other operating income (continued)

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2024	2023
Gross Investments in operating leases, receivable		
Less than one year	$ 322,198	$ 322,198
Between one and two years	461,695	461,695
Between two and three years	461,695	461,695
Between three and four years	461,695	461,695
Between four and five years	461,695	461,695
More than five years	1,370,260	1,831,955
Total	$ 3,539,238	$ 4,000,933

16. General and administrative expenses

General and administrative expenses are made up as follows:

	2024	2023
Advertising and marketing	$ 96,431	$ 119,762
Audit fees	607,352	526,219
Banking services and licenses	600,985	623,990
Directors fees	403,430	382,750
Information technology and systems	1,902,080	1,662,915
Investment advisory fees	257,357	414,049
Insurance	269,704	275,708
Premises related costs	414,899	420,884
Professional fees	1,360,105	944,343
Sub-custodian charges	273,414	267,187
One-off project costs	3,986,718	-
Other administrative	693,550	982,346
Total	$ 10,866,025	$ 6,620,153

17. Related party disclosures

Related party transactions including shareholder controllers and the related parties of shareholder controllers

The Bank provides banking services and enters into related party transactions including shareholder controllers and the related parties of shareholder controllers under the same terms as an unrelated party would receive. Outstanding balances and/or related party transactions including shareholder controllers and the related parties of shareholder controllers were as follows:

Consultancy services provided by Base Financial Ltd.

During the year, the Bank incurred $773,500 (2023: $648,596) for consultancy services provided by Base Financial Ltd. to the Bank and it has been recorded as part of salaries and employee benefits on the Consolidated Statement of Income.

The amount receivable from Base Financial Ltd. at the end of the year was $nil (2023: $648,596) as this was written off during the year as disclosed in Note 9.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

17. Related party disclosures (continued)

Loans and advances to customers

At September 30, 2024, total loans and advances receivable from related parties amounted to $8,768,395 (2023: $8,502,350), which was fully secured by publicly listed securities owned by the borrower, cash deposits, guarantee, share certificates and properties. The undrawn portion of credit facilities granted to these related parties at September 30, 2024 was $nil (2023: $nil).

For the year ended September 30, 2024, the Bank earned net interest income and fees of $499,689 (2023: $432,563) for banking and other services provided to such related parties.

Deposit liabilities

At September 30, 2024, deposit balances held by related parties with the Bank amounted to $896,377 (2023: $814,905).

Transactions with key management personnel

Total Directors' fees for the year ended September 30, 2024, amounted to $403,430 (2023: $382,750). The Bank provides banking services to Board of Directors under the same terms as an unrelated party would receive. At September 30, 2024, Board of Directors and parties associated with Board of Directors had deposit balances with the Bank of $145,240 (2023: $183,392). At September 30, 2024, total loans and advances receivable from Board Directors and parties associated with Board of Directors (not disclosed above) amounted to $1,314,261 (2023: $824,167), and the undrawn portion of credit facilities committed, amounted to $nil (2023: $nil).

Net interest income and fees earned from Board of Directors for the year was $449 (2023: $15,385).

Compensation of key management personnel of the Bank

The Bank classifies the Board of Directors of the Bank and executive committee as key management personnel. For the year ended September 30, 2024, the total compensation paid to key management personnel amounted to $2,284,459 (2023: $2,301,136), excluding the Directors' fees.

Principal subsidiary undertakings at September 30, 2024

Name	% ownership	Location
BCB Asset Management Limited	100.00	Bermuda
Bercom Nominees Limited	100.00	Bermuda
VT Strategies Holdings Limited	100.00	Bermuda

BCB as the sole shareholder of these companies provides financial and administrative support to its subsidiaries for at least, but not limited to, 12 months from the date these consolidated financial statements are issued.

18. Salaries and employee benefits

The Bank meets the minimum requirements of the Bermuda National Pension Scheme (Occupational Pensions) Act 1998, and related amendments and regulations. Under this legislation, the Bank contributes to its employees' pension requirements using a defined contribution plan at the rates below, following the completion of 720 hours of work for new staff:

- If service exceeded 15 years before May 2022: 5% of gross salary for the first 15 years and 10% thereafter
- All others: 5% of gross salary

As permitted under the legislation, staff members are required to contribute a minimum of 5% annually based on the employees' pensionable earnings. Staff members who completed 15 years of service prior to May 2022 are not required to make contributions.

18. Salaries and employee benefits (continued)

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 2024 amounted to $475,541 (2023: $378,640) and is included within salaries and employee benefits in the Consolidated Statement of Income.

19. Commitments and contingent liabilities

Commitments

At September 30, 2024, the Bank was committed to $3,967,339 (2023: $3,757,621) in undrawn credit facilities. This amount relates to the undrawn portion of approved commercial loans, unused portion of approved overdraft facilities and credit card limits.

Capital commitments in relation to the Open Banking API project that was in progress as of September 30, 2024 was $38,950. Prior year capital commitments of $2,093,894 mainly relate to the Core banking system upgrade project which went live in June 24, 2024. The cost incurred to date is disclosed under Computer software - WIP in Note 8.

Contingent liabilities

In the ordinary course of business, the Bank and its subsidiaries can, from time to time, be defendant in, or party to, pending and contingent legal actions / proceedings. The Bank is also subject to periodic regulatory reviews or actions of the Banking Regulator. In relation to these matters, the Bank is required to recognise a provision for a liability when it is probable that an outflow of economic benefits would be required to settle an obligation which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation. While the outcome of such events is inherently uncertain and cannot be reliably measured, based on the information currently available to management, no provision is necessary in respect of legal proceedings or regulatory actions as at September 30, 2024 (2023: None).

20. Risk management

The Bank is exposed to a wide range of financial and non-financial risks and maintains a comprehensive approach to effectively manage these risks through a defined enterprise risk management framework (“ERMF”). This framework outlines how these risks are categorized and managed to ensure strategic goals are achieved whilst protecting the Bank’s customers’ funds and providing responsible products and services that support the markets in which it operates.

The Bank’s ERMF is designed on core principles of maintaining a sound risk culture, delivering effective governance, ensuring all risks are clearly understood and appropriately prioritized with a forward-looking approach and the provision of robust monitoring and reporting.

Risk culture

The fostering of a sound risk culture is a key responsibility of the Bank’s Executive Management. This is achieved by establishing and exercising accountability, promoting risk awareness and encouraging a proactive approach to the identification and mitigation of risks. These responsibilities are laid out in the governance framework and policies and supported by the Bank’s Code of Conduct. A wide range of training is provided on key risk topics to ensure appropriate technical risk skills are developed and maintained at all levels of the organisation whilst also raising awareness of critical risk issues. The Bank also ensures a safe environment for any staff member to confidentially escalate any concerns through provision of a whistleblowing framework. The Bank’s risk culture is reinforced through its employee performance management framework and approach to remuneration which incorporates behavioural values.

Governance

Robust and effective risk governance ensures clear accountability for the management of risk is embedded at every level within the Bank. The Board of Directors (“the Board”) is ultimately responsible for oversight of the enterprise-wide risk management of the Bank and its alignment with the organisation’s objectives and strategies. The Board’s responsibilities include understanding the Bank’s risk exposures, defining its risk appetite, and establishing risk measurement parameters that reflect its risk appetite.

20. Risk management (continued)

Governance (continued)

The Board utilizes an underlying committee structure that oversees Executive Management's implementation of an effective risk management function.

The Bank's corporate governance practices are consistent with the BMA's Corporate Governance Policy (December 2012) that sets out the 13 principles and related guidance applicable to deposit taking institutions licensed under the Banks and Deposits Companies Act 1999 of Bermuda.

The Board Audit and Risk Committee ("BARC") acts as the primary committee under the Board for oversight of risk. It maintains broad responsibility over matters relating to the Bank's risk exposure, including definition, measurement, assessment, policy setting, and risk mitigation strategies. It establishes the 'tone from the top', and sets the expectations and requirements for risk management by Executive Management and the underlying management committees. The Governance Committee's ("GC") remit is to oversee all Human Resources matters, policies and procedures and any other matters concerning Employees and management excluding remuneration and compensation decisions which are primarily the responsibility of the Compensation Committee. Below these Board level committees are a series of management level committees that further divide responsibility and oversight within the ERMF including the Executive Committee ("EXCO"), the Asset and Liability Management Committee ("ALCO") and the Management Risk Committee ("MRC"). Through this governance structure, the Bank's Executive Management are responsible for the practical execution of the ERMF and ongoing oversight as required by the Board.

BCB has adopted the three lines model which addresses how specific duties related to risk and control are segregated and coordinated. All employees are responsible for identifying and managing risk within the scope of their role as part of this framework. The first line are the risk owners that operate within the business units of the bank. This includes client-facing staff as well as non-client facing support functions (e.g. Operations, Technology and Finance). Employees in the first line are accountable for the risk-taking activities and the results, ramifications and opportunities of those activities; establishing appropriate operating procedures and internal control systems; performing regular assessments or testing of controls; monitoring risk exposures against established appetite; and reporting exceptions and incidents in a timely manner. The second line provides risk oversight through the Risk and Compliance functions that provide guidance to, and oversight of, the first line through the setting of risk policies, limits and processes that ensure adherence to required standards and parameters. Critically this requires identification, measurement, monitoring and reporting of the Group's aggregated risk exposures through the risk governance framework. In addition to the above, there are other key operational functions that may have a mixture of first and second line of defence duties. These are Legal, Human Resources, segments of Finance and Information Technology. The third line is the Internal Audit (IA) function which provides independent and objective assurance over the adequacy of design and operational effectiveness of the first and second line functions.

Significant risk categories

Risk is inherent in all of the Bank's business activities whether these are actively taken to maximise shareholder value (financial risks) or those that arise as a consequence of its activities (non-financial risks). The primary financial risks that the Bank faces are credit risk, treasury risk, and market risk, and the primary non-financial risks are operational risk, compliance risk and strategic & reputational risk.

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.

20. Risk management (continued)

Credit risk (continued)

Credit risk for financial assets measured at AC and debt instruments measured at FVOCI are also reviewed in accordance with the ECL measurement principles discussed under significant accounting policies in Note 2. These reviews include, but are not limited to staging of financial assets. Staging of financial assets is based on the significance of the increase in credit risk compared to the credit risk at the time of initial recognition. Provision matrices for less complex assets are based on the actual performance of the underlying group of assets in the past.

The Bank regularly reviews the methodologies and assumptions applied in its ECL calculations to ensure they reflect prevailing and expected market conditions. ECL allowances are based on the economic information available at September 30, 2024. Please refer to Notes 5, 6 and 9 for more details on the ECL allowances recorded during the year on financial assets measured at AC and FVOCI.

All counterparty banks and money market funds must be approved by the Bank's ALCO. The maximum amount that may be lent to any single bank via the deposit market is governed by a number of controlling variables including the external credit ratings for that bank. Counterparty lending limits are reviewed semi-annually and are adjusted if the capital ratio of a counterparty bank changes, or if the credit rating of a counterparty bank goes below the rating levels identified above.

Treasury risk

Treasury risk is broken down into (a) liquidity and funding risk which is defined as the risk that the Bank will be unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets, and; (b) capital risk which is defined as the risk of insufficient capital to support its normal business activities and to meet its regulatory capital requirements.

To limit this risk, management has adopted policies that prioritize liquidity among the parameters for asset selection. Additionally, management monitors the term structure of the Bank's current funding, its future cash flows, and the market liquidity of its balance sheet assets on a daily basis. Management adheres to conservative parameters using a defined capital risk management framework to ensure regulatory capital adequacy is maintained at all times.

The Bank maintains significant balances of short maturity interbank deposits, along with a diversified portfolio of mainly highly liquid and marketable assets that can be liquidated in the event of an unforeseen cash outflow. The Bank's liquidity position is assessed daily and is strategically managed over the long run to be capable of handling a variety of stress scenarios, including those related to systemic market conditions and those related specifically to the Bank.

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

20. Risk management (continued)

Treasury risk (continued)

Maturity profile

The below tables summarize the maturity profile of the Bank's assets and liabilities as at September 30, 2024 and 2023. 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.

	2024						
	Within 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**ECL allowance**	**Total**
Financial assets							
Cash and cash equivalents	$ 153,576,775	$ 53,232,480	$ -	$ -	$ -	$ -	$ 206,809,255
Interest receivable	393,726	763,888	322,757	36,978	56,446	-	1,573,795
Other assets	978,840	-	10,071	-	-	(549,029)	439,882
Loans and advances to customers	256,540	3,796,126	7,500,000	14,298,385	59,082,130	(109,561)	84,823,620
Financial investments	3,344	8,282,920	23,766,340	90,379,645	2,470,276	-	124,902,525
Derivative financial instruments	7,804	-	-	-	-	-	7,804
	$ 155,217,029	$ 66,075,414	$ 31,599,168	$ 104,715,008	$ 61,608,852	$ (658,590)	$ 418,556,881
Financial liabilities							
Deposits	176,650,299	60,014,029	101,381,171	33,396,035	-	-	371,441,534
Customer drafts payable	58,418	-	-	-	-	-	58,418
Derivative financial instruments	7,804	-	-	-	-	-	7,804
Other liabilities	1,817,588	132,208	1,908,594	1,342,181	193,317	-	5,393,888
Interest payable	556,334	880,813	1,905,438	438,879	-	-	3,781,464
	179,090,443	61,027,050	105,195,203	35,177,095	193,317	-	380,683,108
Net financial assets (liabilities)	$ (23,873,414)	$ 5,048,364	$ (73,596,035)	$ 69,537,913	$ 61,415,535	$ (658,590)	$ 37,873,773

Notes to Consolidated Financial Statements (continued)
(Expressed in United States Dollars)

September 30, 2024

20. Risk management (continued)

Treasury risk (continued)

	2023						
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	ECL allowance	Total
Financial assets							
Cash and cash equivalents	$ 191,185,806	$ 3,682,686	$ -	$ -	$ -	$ -	$ 194,868,492
Interest receivable	594,431	824,488	390,837	73,641	65,164	-	1,948,561
Other assets	1,014,980	-	15,391	-	-	(549,029)	481,342
Loans and advances to customers	4,069,431	-	290,000	23,747,648	27,748,278	(77,881)	55,777,476
Financial investments	2,316,676	5,776,117	59,738,162	120,293,041	7,013,510	-	195,137,506
Derivative financial instruments	23,630	-	-	-	-	-	23,630
	$ 199,204,954	$ 10,283,291	$ 60,434,390	$ 144,114,330	$ 34,826,952	$ (626,910)	$ 448,237,007
Financial liabilities							
Deposits	251,217,156	38,101,054	55,635,661	54,008,002	-	-	398,961,873
Customer drafts payable	198,373	-	-	-	-	-	198,373
Derivative financial instruments	22,948	-	-	-	-	-	22,948
Other liabilities	1,308,609	119,302	87,592	1,037,690	-	-	2,553,193
Interest payable	324,908	536,477	758,393	858,453	-	-	2,478,231
	253,071,994	38,756,833	56,481,646	55,904,145	-	-	404,214,618
Net financial assets (liabilities)	$ (53,867,040)	$ (28,473,542)	$ 3,952,744	$ 88,210,185	$ 34,826,952	$ (626,910)	$ 44,022,389

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. This analysis is performed using market information and in practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

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.

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 net interest income and the economic value of equity. The extent of that impact depends on several factors, including matching of asset and liability maturities and the interest rate term structure. Assets and liabilities are managed to optimize the impact of interest rate movements in view of anticipated rate changes.

The following table demonstrates the Bank's sensitivity to a change in interest rates, with all other variables held constant. The sensitivity of the economic value of the Bank's shareholders equity is the effect of the assumed changes in interest rates on net interest income and market value of the financial assets.

Notes to Consolidated Financial Statements (continued)
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September 30, 2024

20. Risk management (continued)

	2024	2023
200-basis-point increase in interest rates		
Impact on Economic Value of Equity	$ (2,343,684)	$ (5,324,630)
200-basis-point decrease in interest rates		
Impact on Economic Value of Equity	$ 2,343,684	$ 5,324,630

Foreign Currency Risk

Foreign currency risk is the risk that the value of assets and liabilities will fluctuate due to changes in foreign exchange rates. The Board of Directors 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 per cent increase in the FX rates to which the Bank had significant exposure at September 30, 2024 would have decreased net income and equity by $9,937 (2023: $6,858). An equivalent decrease in these same FX rates would have resulted in an equivalent but opposite impact.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank is exposed to operational risk as a direct or indirect consequence of its normal business activities, as arising in the day to day execution of business processes, the functioning of its technologies and in the various activities performed by its staff, contractors and vendors. Operational risk is relevant to every aspect of the Bank and covers a wide range of areas including, amongst others, financial crime compliance, regulatory compliance, fraud, cyber security, technology and conduct risks. As the Bank transforms its business activities to meet strategic objectives, this can increase operational risks. The Bank manages operational risk via a comprehensive and standalone Operational Risk Management Framework ("ORMF") which outlines the required policies, processes and responsibilities. A key aspect of the ORMF is the Risk and Control Self-Assessment ("RCSA") process which identifies and evaluates the operational risks across all of the Bank's businesses and determines if these are effectively controlled within acceptable parameters. Where deficiencies are detected formal action is taken to address these. The results of the RCSA drive the first and second line of defence control monitoring and testing regime, which is monitored through the MRC. The Bank also operates a defined process to govern how operational risk incidents are managed to ensure sustainable control improvements are delivered, and how operational losses are calculated, categorized and reported.

Geopolitical and macroeconomic risks

The continuing Russia-Ukraine conflict has increased geopolitical instability and resulted in the use of significant sanctions and trade restrictions against Russia, Russian government officials and individuals with close ties to the Russian government as well as Russian financial institutions and companies. The Bank manages the expanded sanctions requirements through its automated sanctions screening monitoring system which is set up to identify possible wires in connection to Russia and other relevant sanctions regimes. The Bank engaged an external law firm with a dedicated sanctions team which assisted with the interpretation of the rapidly changing sanctions against Russia. All transactions with Russia were discontinued in 2022.

20. Risk management (continued)

Geopolitical and macroeconomic risks (continued)

Sustained global macroeconomic uncertainty had resulted in a significant and almost universal increase in inflation and a rapid rise in interest rates during 2022 and 2023 as central banks tightened monetary policy in response. Inflation rates cooled down during 2024 and a 0.5% cut in the Federal Funds rate announced in September 2024 signals a general expectation that inflation has peaked and that further rate cuts will be considered. Although the direct financial impact to the Bank in 2024 has been limited to increased volatility in the fair value of its investments (Notes 5 and 21) the Bank is not immune to the sustained and evolving risks of this uncertain environment and continues to monitor and seek to manage the potential implications on its business and customers. Specifically, through its forward-looking risk governance structure, the impact that falling rates have on the financial instruments held by the Bank are closely considered through ALCO and the impact of a rising cost of living on current and future borrowers is assessed through MRC which drives enhancements to the Bank's credit and lending policies and control framework.

21. Financial instruments

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

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Valuation techniques include net present value and discounted cash flow models and other valuation models. Changes in unobservable inputs may result in a significantly higher or lower fair value measurement.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as currency swaps that use only observable market data and require little management judgment and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Derivative financial instruments

The fair value of the Bank's derivative financial instruments, which are estimated using a valuation technique with market observable inputs include foreign exchange forward contracts. The most frequently applied valuation technique for forward contracts includes the forward pricing model which incorporates various inputs including the forward rates.

21. Financial instruments (continued)

Financial instruments recorded at fair value

Financial investments

Certain financial investments, where applicable, are valued using valuation techniques and 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 the review of the historical financial and operating results of the investee and its underlying investments, assumptions regarding the expected future financial performance and the risk profile of the investee and its underlying investments, and economic assumptions regarding the industry and geographical jurisdiction in which the investee and its underlying investments operate.

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

	2024		
	Level 1	**Level 2**	**Total**
Financial assets			
Derivative financial instruments at FVTPL			
Foreign exchange forward contracts	$ -	$ 7,804	$ 7,804
	-	7,804	7,804
Financial investments at FVOCI			
Government debt securities - over 3 months maturity	12,247,500	6,071,660	18,319,160
Corporate debt securities (non-banks)	106,221,479	256,870	106,478,349
Asset-backed securities	-	105,016	105,016
	118,468,979	6,433,546	124,902,525
Government debt securities - within 3 months maturity	95,524,733	7,373,170	102,897,903
	$ 213,993,712	$ 13,814,520	$ 227,808,232
Financial liabilities			
Derivative financial instruments at FVTPL			
Foreign exchange forward contracts	-	7,804	7,804
	$ -	$ 7,804	$ 7,804

There were no level 3 financial instruments as of September 30, 2024.

Notes to Consolidated Financial Statements (continued)
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21. Financial instruments (continued)

Financial instruments recorded at fair value (continued)

Financial investments *(continued)*

	2023		
	Level 1	**Level 2**	**Total**
Financial assets			
Derivative financial instruments at FVTPL			
Foreign exchange forward contracts	$ -	$ 23,630	$ 23,630
	-	23,630	23,630
Financial investments at FVOCI			
Government debt securities - over 3 months maturity	46,082,700	5,805,060	51,887,760
Corporate debt securities (non-banks)	93,575,470	16,518,742	110,094,212
Debt securities issued by banks	28,600,925	4,447,800	33,048,725
Asset-backed securities	-	106,809	106,809
	168,259,095	26,878,411	195,137,506
Government debt securities - within 3 months maturity	47,946,031	1,827,588	49,773,619
	$ 216,205,126	$ 28,729,629	$ 244,934,755
Financial liabilities			
Derivative financial instruments at FVTPL			
Foreign exchange forward contracts	-	22,948	22,948
	$ -	$ 22,948	$ 22,948

There were no level 3 financial instruments as of September 30, 2023.

Movement in Level 3 financial instruments measured at fair value:

	Asset backed securities	**Total**
At September 30, 2022	$ 7,353	$ 7,353
Sales / Maturities	(7,353)	(7,353)
At September 30, 2023	$ -	$ -

22. Subsequent events

There have been no significant events or transactions from September 30, 2024 to the date that these financial statements were available for issuance that require adjustments to or disclosures in the financial statements.

However, the following material non-adjusting events are noted:

BCB Asset Management Ltd ("BCBAML")

BCBAML acts as the BSX Trading Member for the Bank but has no customers, licenses, or memberships beyond this role. The BSX has recently requested BCB to assume the Trading Membership, making BCBAML's continued existence redundant in its current form.

However, the following material non-adjusting event is noted:

Management is evaluating whether to wind up the BCBAML or to repurpose it strategically as part of the BCB's future plans. No decisions has been made as of the date the financial statements were approved.

Stock Option Award - 2024 Management Incentive Plan

Subsequent to the year-end, the Bank has approved the 2024 Management Incentive Plan, which aims to provide certain individuals with an incentive to contribute to the long-term success of the Bank.

The Plan allows for the issuance of up to 610,000 shares in stock options. The Exercise Price for these options will be at least 100% of the Fair Market Value of a share on the grant date and not less than the par value of a share. The Board will determine the exercise periods and expiration dates, which will not exceed 10 years from the grant date.

The above events constitute material non-adjusting events, reflecting developments that do not require financial adjustments but are relevant for disclosure in the financial statements.

There were no other subsequent events requiring disclosure or recognition in the audited financial statements.

Notes

Subsidiaries
As at September 30, 2024

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

BERCOM NOMINEES LIMITED
Incorporated in Bermuda on July 8, 1987.

VT STRATEGIES HOLDINGS LIMITED
Incorporated in Bermuda on December 15, 2010.

Bermuda Commercial Bank Limited and a subsidiary offer a variety of regulated services in Bermuda. Bermuda Commercial Bank Limited is authorised and regulated by the Bermuda Monetary Authority and 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. Bercom Nominees Limited is authorised and regulated by the Bermuda Monetary Authority and is licensed to carry out business as a Limited corporate services provider pursuant to the Corporate Service Provider Business Act 2012.

BCB Asset Management Limited is a Listing Sponsor and Trading Member of the Bermuda Stock Exchange ("BSX"). BSX is an exchange that acts as a central clearing counterparty for Bermudian securities. Through BCB Asset Management Limited, Bermuda Commercial Bank Limited provides limited execution-only investment services through the BSX. BCB has no current BSX listing sponsorships or services in place.

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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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