



For Immediate Release

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CAPITAL G BANK LIMITED NEARLY DOUBLES EARNINGS FOR THE PERIOD ENDED DECEMBER 31, 2009

HAMILTON, BERMUDA, Embargoed until Monday, May 10, 2010 - Capital G Bank Limited today announced earnings of \$2.3 million for the eleven month period ending December 31, 2009, up from \$1.3 million for the full year ended January 31, 2009. During the year, the bank changed its reporting date to December 31 from January 31 and these reported results reflect earnings for the eleven months from February 1 to December 31, 2009.

John Kephart, President & Chief Executive Officer of Capital G Limited said “in spite of continued turbulent international markets and the general economic downturn in Bermuda, we continued to make progress in our core businesses and our loan portfolio remains strong. Although we did increase our allowance for credit losses by \$1 million, reflecting our assessment of weakness in the resale market for consumer loan collateral including cars, bikes and boats, total past due loans over 90 days declined by 4% during the period ended December 31, 2009 and there has been a further decline of 17% since the year-end.”

Mr. Kephart went on to say “we continue to have some exposure to the mortgage and asset backed securities market but this represents less than 2% of



our total assets and we are managing this part of our portfolio aggressively, providing \$0.5 million in impairment charges during the period ending December 31, 2009.” Details of the bank’s holdings of these securities may be found in the attachment.

- Total assets grew by \$13.3 million, or 1.3%, to \$1,049 million, primarily due to continued growth in our loan portfolio which reached \$783.4 million at year-end
- Shareholder’s equity grew by \$20.9 million, or 31.3%, to \$87.4 million reflecting earnings of \$2.3 million; the addition of \$20 million in preference share capital during the year; and a reduction of \$1.4 million in accumulated other comprehensive income as \$3 million of net realized gains on securities sales was taken to earnings, partially offset by a \$1.6 million increase in unrealized gains on our investment portfolio of available for sale securities
- Because of the change in the bank’s year-end, direct period over period comparisons are impacted, however non-interest income increased by \$2.5 million, driven primarily by gains, as noted above, on the sale of the bank’s holdings of Visa Inc. shares and other securities in the investment portfolio

Mr. Kephart continued “with the additional \$20 million preference share capital during the year, the bank is extremely well capitalized with an equity to total assets ratio of 8.33% as at December 31, 2009. The bank continues to maintain regulatory capital ratios well in excess of the Bermuda Monetary Authority’s prescribed minimums and the individual capital guidance set by the BMA, with a Tier 1 capital ratio of 17.61% and a total capital ratio of 16.21%. Our balance sheet continues to grow and we are diversifying our loan portfolio away from residential mortgages with the addition of a full service Business Banking unit during the year. While deposits dropped \$8.5 million between January and December 2009, since then we have seen substantial growth and total customer deposits were over \$970 million at the end of March 2010.

In spite of a sustained low interest rate environment, our net interest margin has been increasing and reached a record level for the bank of 3.24% at December 31, 2009 due to a focused effort on asset liability management and the maturity of certain deposit liabilities carrying high interest rates. This record level has been maintained through March 31, 2010 and we anticipate further improvement through the balance of 2010.



In addition, immediately following year-end our investment company, Capital G Investments Limited, completed the acquisition of Kast Investment Management Limited and will be posting substantial new revenues in 2010 due to that transaction.

In keeping with our traditional and strong commitment to Bermuda and its people during good times and bad, we have chosen to carry additional staff rather than pursue redundancies during this time of economic uncertainty and resulting pressure on earnings, as we believe the stability of our experienced staff is more important than short term profits.”

Mr. Kephart added “unfortunately we did not achieve the efficiencies that we had hoped for from our technology investment in late 2008 and had to retain additional staff in 2009 to assist in managing that issue. In addition, earnings were negatively impacted by \$1.1 million due to a loss in credit cards that resulted from higher than normal fraud activity related to the significant and well publicized security breaches of credit card customer data at T.J. Maxx and Heartland Payment Systems in the United States. We have since taken steps to strengthen our safeguards against fraudulent actions directed at cardholders and fraud levels are back to normal. In all cases our cardholders are indemnified against losses from fraudulent transactions against their cards. We are pleased to note that in spite of these difficulties our credit card customers have remained loyal to the bank and both the number of cardholders and card volumes have continued to grow.”

Mr. Kephart reiterated Capital G’s commitment to the success of the Bermuda economy and the well-being of the community as a whole, noting that in spite of the difficult economic times, the bank had substantially increased its donations to charitable and community organizations across the island. He noted particularly that the bank is focusing its support on charitable groups that address youth development and Bermuda’s social and healthcare needs as the demand for these services continues to increase.

Mr. Kephart went on to thank clients for their continued support and staff for their dedication and commitment to excellence.



Capital G Bank Limited - Asset backed and mortgage backed securities holdings					
(in thousands of U.S. dollars)					
December 31, 2009					
Classification	Gross Amortised Cost	Impairment	Carrying value	Market Value	Carrying value as a % of assets
Subprime	8,304	(983)	7,321	5,079	0.70%
Alt-A	4,793	(115)	4,677	2,452	0.45%
Other ABS	174	0	174	175	0.02%
Non-US real estate	137	0	137	133	0.01%
CMBS	6,433	0	6,433	5,673	0.61%
	19,841	(1,099)	18,742	13,512	1.79%
Standard & Poor's Rating					
Standard & Poor's Rating	Gross Amortised Cost	Impairment	Carrying value	Market Value	Carrying value as a % of assets
AAA	8,942	0	8,942	7,912	0.85%
AA	290	0	290	247	0.03%
A	1,887	0	1,887	1,400	0.18%
BBB	3,261	(115)	3,145	1,323	0.30%
Below BB-	5,461	(983)	4,477	2,630	0.43%
	19,841	(1,099)	18,742	13,512	1.79%
March 31, 2010					
Classification	Gross Amortised Cost	Impairment	Carrying value	Market Value	Carrying value as a % of assets
Subprime	8,009	(983)	7,026	4,989	0.65%
Alt-A	4,626	(157)	4,468	2,350	0.41%
Other ABS	144	0	144	145	0.01%
Non-US real estate	127	0	127	122	0.01%
CMBS	5,856	0	5,856	5,325	0.54%
	18,761	(1,140)	17,621	12,932	1.63%
Standard & Poor's Rating					
Standard & Poor's Rating	Gross Amortised Cost	Impairment	Carrying value	Market Value	Carrying value as a % of assets
AAA	6,932	0	6,932	6,165	0.64%
AA	284	0	284	241	0.03%
A	1,600	0	1,600	1,225	0.15%
BBB	944	0	944	832	0.09%
Below BB-	9,002	(1,140)	7,861	4,469	0.73%
	18,761	(1,140)	17,621	12,932	1.63%



The bank has never held nor are there any holdings of subprime collateralized debt obligations (CDOs) or structured investment vehicles (SIVs) in the portfolio.

As at March 31, 2010 the remaining securities in the portfolio had an estimated market value of \$12.9 million compared to a carrying value of \$17.6 million. However, for regulatory capital purposes the carrying value of all securities rated by Standard & Poor's below BB- (\$7.9 million as at March 31, 2010) has been deducted from shareholder's equity and the bank continues to maintain Tier 1 and total capital ratios in excess of the BMA's minimum capital requirements and individual capital guidance.

During the eleven month period ended December 31, 2009 the bank received principal repayments on the portfolio of \$3 million and \$1.1 million during the quarter ending March 31, 2010. The bank continues to receive interest payments on all securities in the portfolio.

Capital G Bank Limited is a privately held local financial institution with over \$1 Billion in assets providing personalized and simple integrated wealth management services for personal, business and private banking clients. For more information visit Capital G Bank at 19 Reid Street in Hamilton, call 296-6969 or visit capital-g.com.