

Third Quarter 2018 Earnings Presentation  
The Bank of N.T. Butterfield & Son Limited  
October 24, 2018



# Forward-Looking Statements

## Forward-Looking Statements:

Certain of the statements made in this presentation are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements through our use of words such as “may,” “will,” “anticipate,” “assume,” “should,” “indicate,” “would,” “believe,” “contemplate,” “expect,” “estimate,” “continue,” “plan,” “point to,” “project,” “could,” “intend,” “target” and other similar words and expressions of the future. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause the actual results, performance, capital, ownership or achievements of the Bank to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements due to a variety of factors, including worldwide economic conditions, the successful integration of acquisitions, success in business retention and obtaining new business and other factors. All statements other than statements of historical fact are statements that could be forward-looking statements.

All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary notice, including, without limitation, those risks and uncertainties described in our Securities and Exchange Commission (“SEC”) reports and filings. Such reports are available upon request from the Bank, or from the SEC, including through the SEC’s website at <http://www.sec.gov>. We have no obligation and do not undertake to review, update, revise or correct any of the forward-looking statements included herein, whether as a result of new information, future events or other developments.

## About Non-GAAP Financial Measures:

This presentation contains non-GAAP financial measures including “core” net income and other financial measures presented on a “core” basis. We believe such measures provide useful information to investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP; however, our non-GAAP financial measures have a number of limitations. As such, investors should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. Reconciliations of these non-GAAP measures to corresponding GAAP financial measures are provided in the Appendix of this presentation.

# Third Quarter 2018 Earnings Presentation

## Presenters

### Michael Collins

Chairman and Chief Executive Officer

### Michael Schrum

Chief Financial Officer

### Dan Frumkin

Chief Operating Officer

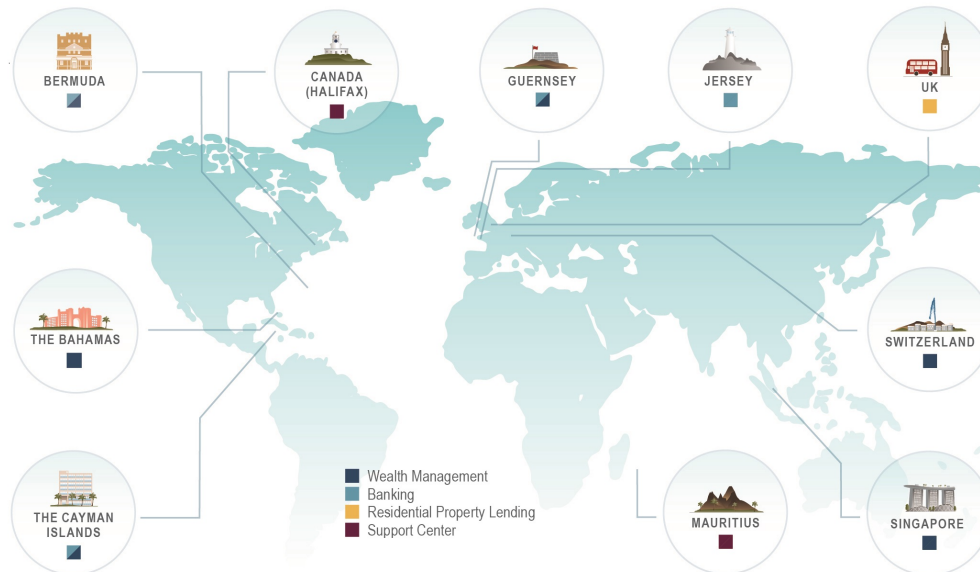
## Agenda

- Overview
- Financials
- Summary
- Q&A

## Butterfield Overview

- Leading Bank in Attractive Markets
- Strong Capital Generation and Return
- Efficient, Conservative Balance Sheet
- Visible Earnings

## Ten International Locations



## Awards



Butterfield

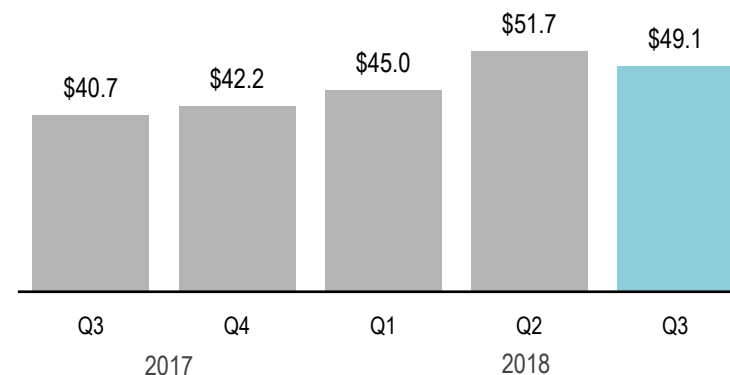


# Third Quarter 2018 Highlights

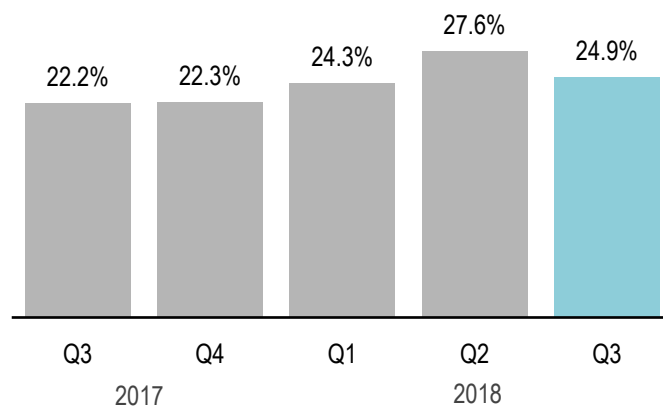
- Net income of \$50.4 million, or \$0.90 per share
- Core Net Income\*\* of \$49.1 million, or \$0.88 per share
- Return on average common equity of 23.2%; core return on average tangible common equity\*\* of 24.9%
- Net Interest Margin of 3.37%, cost of deposits of 0.20%
- Management re-organization completed with \$2.4 million redundancy costs incurred
- Banking and custody business acquired from Deutsche Bank in the Cayman Islands and Channel Islands nearing completion
- Common share dividend of \$0.38 per share

## Core Net Income\*\*

(In US\$ millions)



## Core Return on Average Tangible Common Equity\*\*



(In US\$ millions)

	Q3 2018	vs. Q2 2018		vs. Q3 2017	
		\$	%	\$	%
Net Interest Income	\$ 88.3	\$ 0.9		\$ 14.0	
Non-Interest Income	41.3	(0.7)		3.0	
Prov. for Credit Losses	2.8	2.3		2.2	
Non-Interest Expenses*	(82.6)	(4.1)		(8.8)	
Other Gains (Losses)	0.7	2.2		(1.1)	
<b>Net Income</b>	<b>\$ 50.4</b>	<b>\$ 0.7</b>	<b>1.3 %</b>	<b>\$ 9.3</b>	<b>22.6 %</b>
Non-Core Items**	(1.2)	(3.2)		(0.8)	
<b>Core Net Income**</b>	<b>\$ 49.1</b>	<b>\$ (2.6)</b>	<b>(5.0)%</b>	<b>\$ 8.5</b>	<b>20.8 %</b>

\* Includes income taxes

\*\* See the Appendix for a reconciliation of the non-GAAP measure

# Financials



# Income Statement

## Net Interest Margin & Yields

(In US\$ millions)

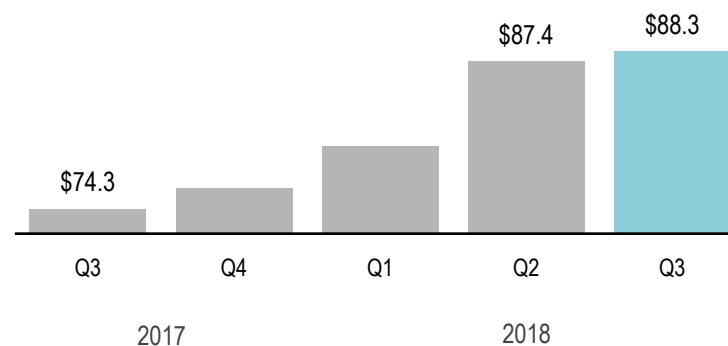
	Q3 2018		vs. Q2 2018	
	Avg. Balance	Yield	Avg. Balance	Yield
Cash, S/T Inv. & Repos	\$ 1,668.0	1.38 %	\$ (680.0)	0.02 %
Investments	4,660.4	2.78 %	(5.1)	0.11 %
Loans (net)	4,050.5	5.54 %	92.8	0.10 %
Interest Earning Assets	10,378.9	3.63 %	(592.2)	
Total Liabilities	9,851.8	(0.27)%	(658.5)	(0.07)%
<b>Net Interest Margin</b>		<b>3.37 %</b>		<b>0.17 %</b>

# Net Interest Income

Net Interest Income before Provision for Credit Losses -

Trend

(In US\$ millions)



- Net interest income was up 1.0% compared to the second quarter of 2018 and up 18.9% compared to the third quarter of 2017
- Net interest margin increased 17 bps from the previous quarter and 56 bps from the third quarter of 2017
- Yields on investments improved to 2.78% from 2.67% in the previous quarter and 2.22% in the third quarter of 2017
- Loan yields grew by 10 bps compared to the prior quarter due to re-pricing and growth in loan volume

# Income Statement

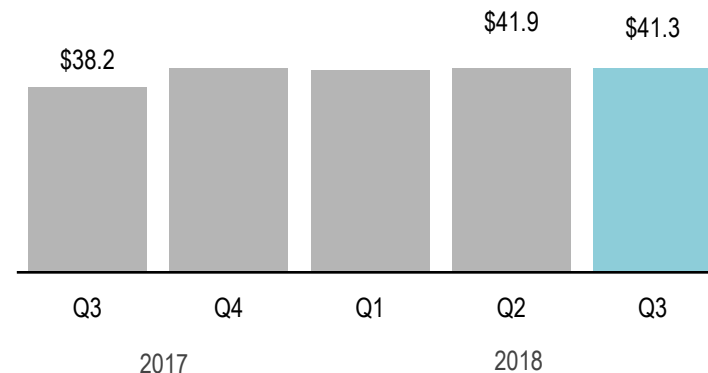
# Non-Interest Income

(In US\$ millions)

	Q3 2018	vs. Q2 2018
Asset management	\$ 6.5	\$ 0.3
Banking	10.6	(0.2)
FX Revenue	7.8	(0.4)
Trust	13.1	(0.1)
Custody and Other	2.2	(0.2)
Other	1.0	(0.1)
<b>Total Non-Interest Income</b>	<b>\$ 41.3</b>	<b>\$ (0.7)</b>

Non-Interest Income Trend

(In US\$ millions)



- Non-interest income was down 1.6% versus last quarter and up 8.0% compared to the third quarter of 2017
- Banking and FX were slightly down seasonally, compared to the prior quarter
- Fee income ratio of 31.2% remains favorable compared to peer average\*
- Fee income continues to represent stable, diversified and capital efficient revenues

\* Includes US banks identified by management as a peer group. Please see the Appendix for a list of these banks.

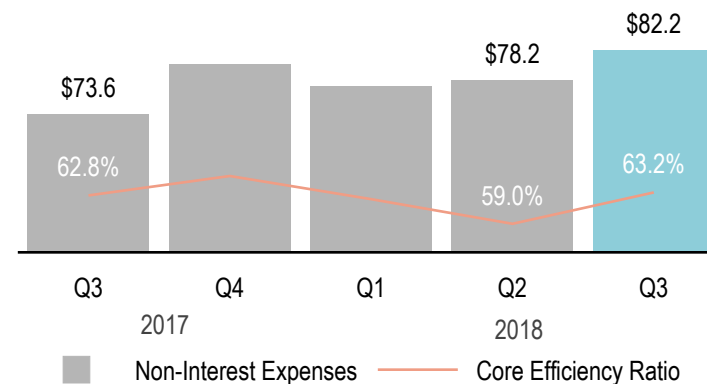
# Income Statement

# Non-Interest Expenses

Core Non-Interest Expenses* (In US\$ millions)	vs. Q2 2018		
	Q3 2018	\$	%
Salaries & Benefits**	\$ 43.8	\$ 2.9	
Technology & Comm.	15.4	0.5	
Property	5.3	—	
Professional & O/S Services	6.3	1.6	
Indirect Taxes	4.8	(0.1)	
Intangible Amortization	1.4	—	
Marketing	1.5	—	
Other	4.8	0.7	
<b>Total Core Non-Interest Expenses*</b>	<b>\$ 83.3</b>	<b>\$ 5.6</b>	<b>7.2 %</b>
Non-Core Expenses*	(1.1)	(1.6)	
<b>Non-Interest Expenses</b>	<b>\$ 82.2</b>	<b>\$ 4.0</b>	<b>5.1 %</b>

Non-Interest Expense Trend

(In US\$ millions)



- Core cost / income ratio of 63.2% is above target due primarily to redundancy costs and set up costs for new bank in Jersey
- Longer term cost / income ratio target remains at 60%
- Some quarterly fluctuations in cost levels expected as acquired businesses settle

\* See the Appendix for a reconciliation of the non-GAAP measure.

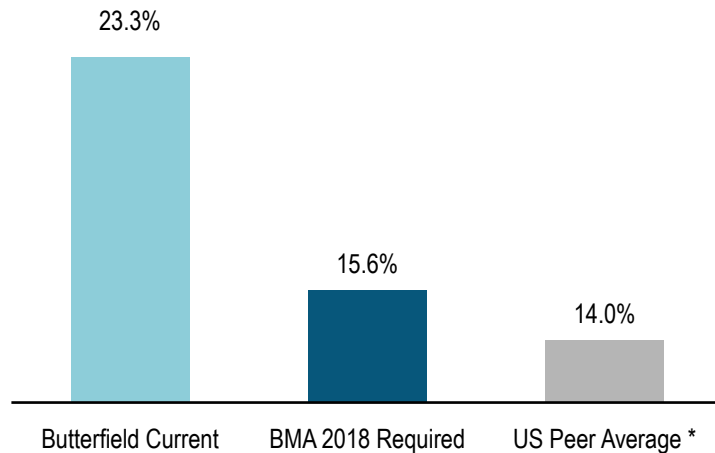
\*\* Includes Non-Service Employee Benefits Expense



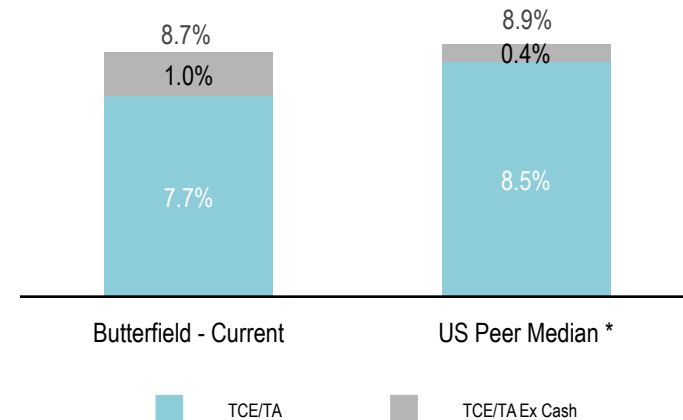
# Capital Requirements and Return

## Regulatory Capital (Basel III) -

### Total Capital Ratio



## Leverage Capital

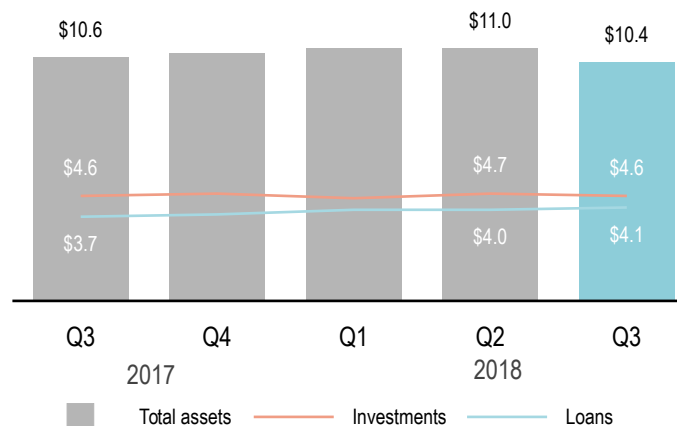


- Conservative capital management remains a focus and contemplates possibility of future acquisitions
- Leverage capital increased 3 bps sequentially, approaching peers and expected to revert to target levels in Q4 following the close of the Deutsche Bank acquisition
- No buyback activity in the third quarter of 2018
- Board approved quarterly cash dividend of \$0.38 per common share

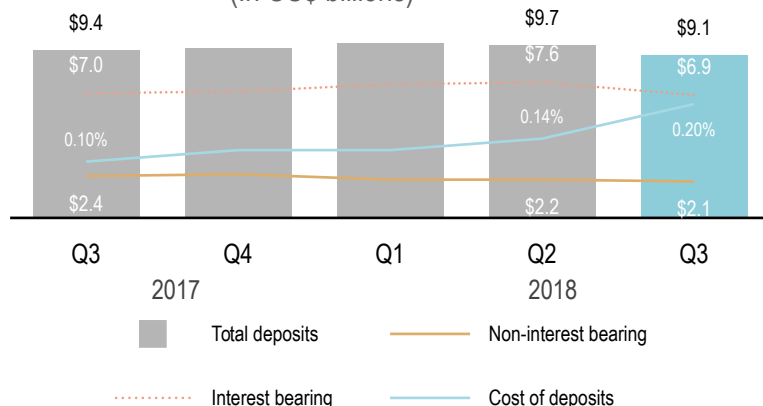
# Balance Sheet

(In US\$ millions)		Q3 2018	Q4 2017
Cash & Equivalents	\$	1,259	\$ 1,535
S/T Investments		76	250
Reverse Repos		72	179
Loans (net)		4,092	3,777
Investments		4,576	4,706
Other Assets		355	332
<b>Total Assets</b>	<b>\$</b>	<b>10,430</b>	<b>\$ 10,779</b>
Int. Bearing Deposits	\$	6,928	\$ 7,056
Non-Int. Bearing Deposits		2,138	2,480
Other Liabilities		492	420
Shareholders Equity		872	823
<b>Total Liab. &amp; Equity</b>	<b>\$</b>	<b>10,430</b>	<b>\$ 10,779</b>

Total Assets  
(In US\$ billions)



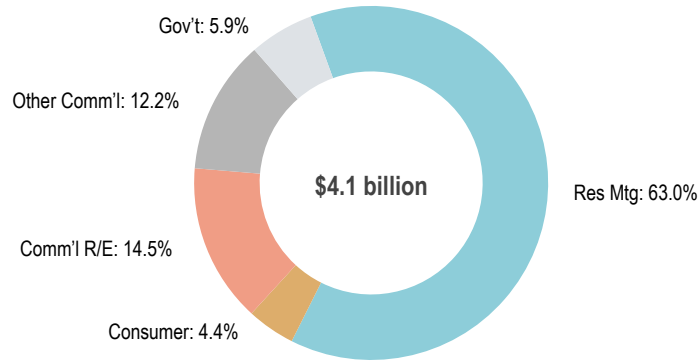
Total Deposits  
(In US\$ billions)



- Balance sheet was below trend following sequential quarters of elevated deposit balances
- Slight loan growth due to UK residential loan origination, as well as commercial lending in Bermuda
- Cash balances and short term investment are approaching longer term target levels
- Cost of deposits increased by 6 bps to 0.20%, primarily in term deposit products (CDs)

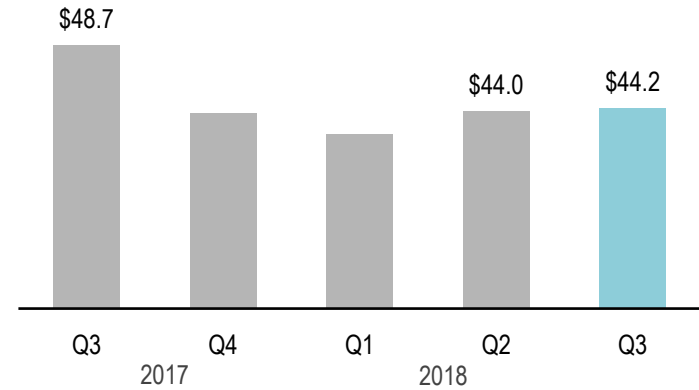
# Asset Quality

Loan Distribution

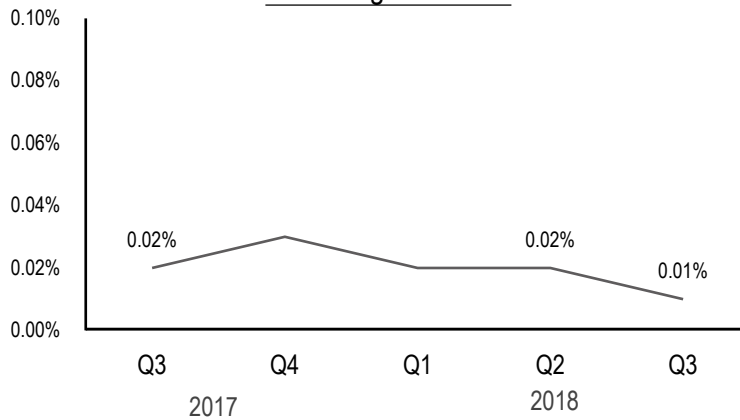


Non-Accrual Loans

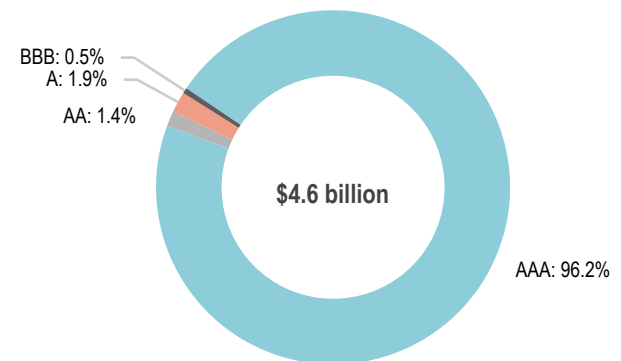
(In US\$ millions)



Net Charge-Off Ratio



Investment Portfolio Rating Distribution

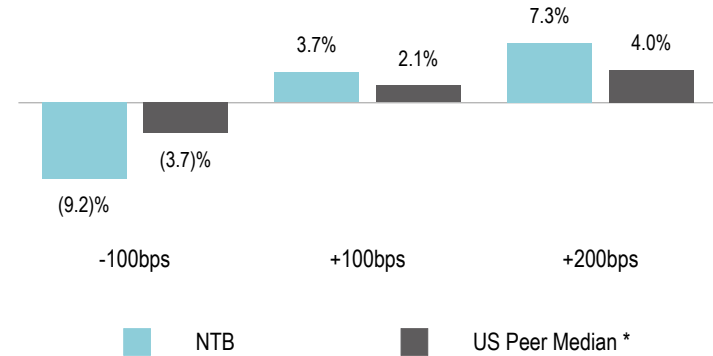


# Interest Rate Sensitivity

Average Balance - Balance Sheet

	Average Balances (US\$Mil)		Duration	vs. Q2 2018
	Q3 2018	vs. Q2 2018		
Cash & Reverse Repos	1,559.6	(667.5)	N/A	N/A
S/T Invest.	108.4	(12.5)	0.2	(0.2)
AFS	2,742.7	(179.3)	3.2	—
HTM	1,916.5	174.1	5.7	(0.4)
<b>Total</b>	<b>6,327.2</b>	<b>(685.2)</b>		

Interest Rate Sensitivity



- The Bank is reducing the gap to US peers\*, but remains positioned for rising rates
- Average deposit balances reduced to more long-term average levels following a few quarters of larger trust client deposits
- Additional \$200 million of GNMA Floaters repositioned from AFS to HTM GNMA 30-year fixed in the quarter

\* Includes US banks identified by management as a peer group. Please see the Appendix for a list of these banks.

# Appendix



# Appendix

# Balance Sheet Trends

(in millions of US Dollars, unless otherwise indicated)

2018

2017

2016

Q3 Q2 Q1

Q4 Q3 Q2 Q1

Q4 Q3

## Assets

Cash & Equivalents	\$	1,259	\$	1,756	\$	1,846	\$	1,535	\$	1,546	\$	1,720	\$	1,867	\$	2,102	\$	1,485
Reverse Repos		72		89		198		179		210		184		63		149		186
S/T Investments		76		79		100		250		208		294		542		520		995
Investments		4,576		4,727		4,512		4,706		4,613		4,558		4,549		4,400		4,114
Loans, Net		4,092		3,986		3,957		3,777		3,664		3,588		3,573		3,570		3,836
Other Assets		355		367		376		332		338		335		350		363		363
<b>Total Assets</b>	<b>\$</b>	<b>10,430</b>	<b>\$</b>	<b>11,002</b>	<b>\$</b>	<b>10,988</b>	<b>\$</b>	<b>10,779</b>	<b>\$</b>	<b>10,578</b>	<b>\$</b>	<b>10,679</b>	<b>\$</b>	<b>10,944</b>	<b>\$</b>	<b>11,104</b>	<b>\$</b>	<b>10,979</b>

## Liabilities and Equity

Total Deposits	\$	9,066	\$	9,718	\$	9,754	\$	9,536	\$	9,407	\$	9,479	\$	9,849	\$	10,034	\$	9,667
Long-Term Debt		143		143		117		117		117		117		117		117		117
Other Liabilities		349		293		293		303		252		313		236		242		230
<b>Total Liabilities</b>	<b>\$</b>	<b>9,558</b>	<b>\$</b>	<b>10,154</b>	<b>\$</b>	<b>10,164</b>	<b>\$</b>	<b>9,956</b>	<b>\$</b>	<b>9,776</b>	<b>\$</b>	<b>9,909</b>	<b>\$</b>	<b>10,203</b>	<b>\$</b>	<b>10,393</b>	<b>\$</b>	<b>10,014</b>

Common Equity	\$	872	\$	849	\$	824	\$	823	\$	802	\$	770	\$	741	\$	711	\$	782
Preferred Equity		—		—		—		—		—		—		—		—		183
<b>Total Equity</b>	<b>\$</b>	<b>872</b>	<b>\$</b>	<b>849</b>	<b>\$</b>	<b>824</b>	<b>\$</b>	<b>823</b>	<b>\$</b>	<b>802</b>	<b>\$</b>	<b>770</b>	<b>\$</b>	<b>741</b>	<b>\$</b>	<b>711</b>	<b>\$</b>	<b>965</b>

<b>Total Liabilities and Equity</b>	<b>\$</b>	<b>10,430</b>	<b>\$</b>	<b>11,002</b>	<b>\$</b>	<b>10,988</b>	<b>\$</b>	<b>10,779</b>	<b>\$</b>	<b>10,578</b>	<b>\$</b>	<b>10,679</b>	<b>\$</b>	<b>10,944</b>	<b>\$</b>	<b>11,104</b>	<b>\$</b>	<b>10,979</b>
-------------------------------------	-----------	---------------	-----------	---------------	-----------	---------------	-----------	---------------	-----------	---------------	-----------	---------------	-----------	---------------	-----------	---------------	-----------	---------------

## Key Metrics

TCE / TA	7.7%	7.1%	6.7%	7.1%	7.0%	6.7%	6.2%	5.9%	6.6%
CET 1 Ratio	20.2%	19.1%	17.6%	18.2%	17.8%	17.0%	15.8%	15.3%	16.1%
Total Tier 1 Capital Ratio	20.2%	19.1%	17.6%	18.2%	17.8%	17.0%	15.8%	15.3%	20.5%
Total Capital Ratio	23.3%	22.3%	19.2%	19.9%	19.9%	19.1%	17.9%	17.6%	22.9%

# Appendix

# Average Balance Sheet Trends

(in millions of US Dollars, unless otherwise indicated)

	2018 - Q3			2018 - Q2			2017 - Q3		
	Average balance (\$)	Interest (\$)	Average rate (%)	Average balance (\$)	Interest (\$)	Average rate (%)	Average balance (\$)	Interest (\$)	Average rate (%)
<b>Assets</b>									
Cash due from banks, reverse repurchase agreements and short-term investments	\$ 1,668.0	\$ 5.8	1.38 %	\$ 2,348.0	\$ 7.9	1.36 %	\$ 2,241.5	\$ 4.6	0.81 %
Investment in securities	4,660.4	32.6	2.78 %	4,665.5	31.0	2.67 %	4,561.9	25.5	2.22 %
Trading	1.2	—	— %	1.2	—	— %	0.8	—	— %
AFS	2,742.7	18.0	2.60 %	2,921.9	18.1	2.48 %	3,265.0	16.3	1.98 %
HTM	1,916.5	14.7	3.04 %	1,742.4	12.9	2.98 %	1,296.1	9.2	2.83 %
Loans	4,050.5	56.6	5.54 %	3,957.6	53.7	5.44 %	3,682.3	47.9	5.16 %
Commercial	1,396.8	20.5	5.84 %	1,303.5	18.6	5.73 %	1,240.3	16.0	5.11 %
Consumer	2,653.7	36.0	5.38 %	2,654.1	35.1	5.30 %	2,442.0	31.9	5.19 %
Total interest earning assets	10,378.9	95.0	3.63 %	10,971.1	92.7	3.39 %	10,485.8	78.0	2.95 %
Other assets	397.5			350.6			327.8		
<b>Total assets</b>	<b>\$ 10,776.4</b>	<b>\$ 95.0</b>	<b>3.50 %</b>	<b>\$ 11,321.8</b>	<b>\$ 92.7</b>	<b>3.28 %</b>	<b>\$ 10,813.5</b>	<b>\$ 78.0</b>	<b>2.86 %</b>
<b>Liabilities</b>									
Interest bearing deposits	\$ 7,283.5	\$ (4.8)	(0.26)%	\$ 7,862.0	\$ (3.6)	(0.18)%	\$ 7,255.3	\$ (2.5)	(0.14)%
Customer demand deposits	5,174.7	(0.2)	(0.02)%	5,792.8	(0.1)	(0.01)%	5,367.2	(0.1)	(0.01)%
Customer term deposits	2,083.7	(4.4)	(0.83)%	2,056.3	(3.2)	(0.63)%	1,873.8	(2.3)	(0.48)%
Deposits from banks	25.1	(0.2)	(3.64)%	12.9	(0.3)	(8.58)%	14.3	(0.1)	(2.65)%
Securities sold under agreement to repurchase	—	—	— %	1.8	—	(1.96)%	—	—	— %
Long-term debt	143.2	(1.9)	(5.31)%	130.2	(1.7)	(5.25)%	117.0	(1.3)	(4.26)%
Interest bearing liabilities	7,426.7	(6.7)	(0.36)%	7,994.1	(5.3)	(0.27)%	7,372.3	(3.7)	(0.20)%
Non-interest bearing customer deposits	2,161.6			2,213.4			2,413.9		
Other liabilities	263.5			302.8			255.7		
<b>Total liabilities</b>	<b>\$ 9,851.8</b>	<b>\$ (6.7)</b>	<b>(0.27)%</b>	<b>\$ 10,510.2</b>	<b>\$ (5.3)</b>	<b>(0.20)%</b>	<b>\$ 10,042.0</b>	<b>\$ (3.7)</b>	<b>(0.15)%</b>
Shareholders' equity	924.6			811.5			771.6		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 10,776.4</b>			<b>\$ 11,321.8</b>			<b>\$ 10,813.5</b>		
Non-interest bearing funds net of non-interest earning assets (free balance)	\$ 2,952.2			\$ 2,977.1			\$ 3,113.4		
<b>Net interest margin</b>		<b>\$ 88.3</b>	<b>3.37 %</b>		<b>\$ 87.4</b>	<b>3.20 %</b>		<b>\$ 74.3</b>	<b>2.81 %</b>

# Appendix

# Income Statement Trends

(in millions of US Dollars, unless otherwise indicated)

	2018			2017				2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Interest Income	\$ 88.3	\$ 87.4	\$ 79.9	\$ 76.1	\$ 74.3	\$ 71.5	\$ 67.9	\$ 66.8	\$ 65.0
Non-Interest Income	41.3	41.9	39.8	42.4	38.2	38.7	38.5	38.8	36.3
Prov. for Credit Recovery (Losses)	2.8	0.5	1.9	5.4	0.7	(0.5)	0.3	0.9	(0.3)
Non-Interest Expenses*	82.6	78.6	77.8	80.8	73.8	75.6	71.2	71.9	77.5
Other Gains (Losses)	0.7	(1.6)	0.4	(2.7)	1.8	2.0	0.2	0.8	0.6
<b>Net Income</b>	<b>\$ 50.4</b>	<b>\$ 49.7</b>	<b>\$ 44.2</b>	<b>\$ 40.3</b>	<b>\$ 41.1</b>	<b>\$ 36.1</b>	<b>\$ 35.9</b>	<b>\$ 35.4</b>	<b>\$ 24.0</b>
Non-Core Items**	\$ (1.2)	\$ 2.0	\$ 0.8	\$ 1.9	\$ (0.4)	\$ 1.4	\$ 2.6	\$ 1.7	\$ 9.4
<b>Core Net Income</b>	<b>\$ 49.1</b>	<b>\$ 51.7</b>	<b>\$ 45.0</b>	<b>\$ 42.2</b>	<b>\$ 40.7</b>	<b>\$ 37.5</b>	<b>\$ 38.5</b>	<b>\$ 37.1</b>	<b>\$ 33.4</b>

## Key Metrics

Loan Yield	5.54%	5.44%	5.31%	5.23%	5.16%	5.11%	4.90%	4.92%	4.75%
Securities Yield	2.78	2.67	2.54	2.27	2.22	2.20	2.17	1.98	1.91
Cost of Deposits	0.20	0.14	0.12	0.12	0.10	0.11	0.11	0.10	0.11
Net Interest Margin	3.37	3.20	3.05	2.87	2.81	2.66	2.58	2.45	2.39
Core Efficiency Ratio**	63.2	59.0	62.3	65.4	62.8	66.1	63.2	65.6	65.3
Core ROATCE*	24.9	27.6	24.3	22.3	22.2	21.6	23.4	19.3	19.0
Fee Income Ratio	31.2	32.4	32.7	34.2	33.8	35.3	36.1	36.4	35.9
Fully Diluted Share Count (in millions of common shares)	56.0	55.9	55.8	55.6	55.5	55.6	55.2	54.7	49.0

\* Includes income taxes

\*\* See the Appendix for a reconciliation of the non-GAAP measure.



# Appendix

# Non-Interest Income & Expense Trends

(in millions of US Dollars, unless otherwise indicated)

	2018			2017				2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Non-Interest Income</b>									
Trust	\$ 13.1	\$ 13.2	\$ 10.9	\$ 11.3	\$ 10.9	\$ 11.3	\$ 11.4	\$ 11.5	\$ 11.6
Asset Management	6.5	6.2	6.4	6.6	6.3	5.9	5.8	6.0	5.6
Banking	10.6	10.8	10.9	12.0	10.8	10.9	10.0	11.0	9.7
FX Revenue	7.8	8.3	8.2	8.8	7.6	7.5	8.3	7.4	6.5
Custody & Other Admin.	2.2	2.4	2.2	2.2	2.0	1.9	2.0	2.0	2.3
Other	1.0	1.1	1.2	1.4	0.5	1.1	0.9	0.9	0.6
<b>Total Non-Interest Income</b>	<b>\$ 41.3</b>	<b>\$ 41.9</b>	<b>\$ 39.8</b>	<b>\$ 42.4</b>	<b>\$ 38.2</b>	<b>\$ 38.7</b>	<b>\$ 38.5</b>	<b>\$ 38.8</b>	<b>\$ 36.3</b>
<b>Non-Interest Expense</b>									
Salaries & Benefits*	\$ 43.8	\$ 40.9	\$ 37.0	\$ 42.4	\$ 37.4	\$ 37.4	\$ 36.0	\$ 34.2	\$ 42.4
Technology & Comm.	15.6	15.1	14.7	14.4	13.2	13.4	12.9	14.5	14.4
Property	5.3	5.3	5.1	4.5	5.1	5.4	4.9	5.5	5.4
Professional & O/S Services	5.1	5.1	9.7	8.0	6.9	6.1	6.2	5.4	4.1
Indirect Taxes	4.8	5.0	4.9	4.7	4.6	4.5	4.2	4.7	4.2
Intangible Amortization	1.4	1.3	1.1	1.1	1.0	1.1	1.0	1.0	1.2
Marketing	1.5	1.4	0.9	1.5	0.9	2.4	1.0	1.7	0.9
Restructuring	—	—	—	0.3	0.4	0.6	0.4	0.5	0.6
Other	4.9	4.1	3.9	3.5	4.0	4.5	4.3	4.4	4.4
<b>Total Non-Interest Expense</b>	<b>\$ 82.2</b>	<b>\$ 78.2</b>	<b>\$ 77.4</b>	<b>\$ 80.4</b>	<b>\$ 73.6</b>	<b>\$ 75.3</b>	<b>\$ 71.0</b>	<b>\$ 71.9</b>	<b>\$ 77.3</b>
Income Taxes	0.4	0.3	0.4	0.5	0.2	0.3	0.2	—	0.2
<b>Total Expense incl. Taxes</b>	<b>\$ 82.6</b>	<b>\$ 78.6</b>	<b>\$ 77.8</b>	<b>\$ 80.8</b>	<b>\$ 73.8</b>	<b>\$ 75.6</b>	<b>\$ 71.2</b>	<b>\$ 71.9</b>	<b>\$ 77.5</b>

\*Includes non-service employee benefits

# Appendix

# Core Non-Interest Expense Trends

(in millions of US Dollars, unless otherwise indicated)

	2018			2017				2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Salaries & Benefits*	\$ 43.8	\$ 40.9	\$ 37.0	\$ 42.2	\$ 37.2	\$ 37.1	\$ 35.9	\$ 34.0	\$ 33.6
Technology & Comm.	15.4	14.9	14.6	14.3	13.1	13.3	12.8	14.4	14.2
Property	5.3	5.3	5.1	4.5	5.1	5.3	4.9	5.5	5.3
Professional & O/S Services	6.3	4.7	8.1	6.7	5.6	5.7	4.3	5.4	3.9
Indirect Taxes	4.8	5.0	4.9	4.7	4.6	4.5	4.3	3.9	3.9
Intangible Amortization	1.4	1.3	1.1	1.1	1.0	1.1	1.0	1.0	1.2
Marketing	1.5	1.4	0.9	1.5	0.9	2.4	1.0	1.7	0.9
Other	4.8	4.1	3.9	3.5	4.0	4.5	4.2	4.3	4.3
<b>Total Core Non-Interest Expense</b>	<b>\$ 83.3</b>	<b>\$ 77.6</b>	<b>\$ 75.6</b>	<b>\$ 78.5</b>	<b>\$ 71.6</b>	<b>\$ 73.9</b>	<b>\$ 68.4</b>	<b>\$ 70.2</b>	<b>\$ 67.3</b>
Income Taxes	0.4	0.3	0.4	0.5	0.2	0.3	0.2	—	0.2
<b>Total Core Expense incld. Taxes</b>	<b>\$ 83.7</b>	<b>\$ 77.9</b>	<b>\$ 76.0</b>	<b>\$ 78.9</b>	<b>\$ 71.8</b>	<b>\$ 74.2</b>	<b>\$ 68.6</b>	<b>\$ 70.2</b>	<b>\$ 67.5</b>

\*Includes non-service employee benefits

# Appendix

# Non-GAAP Reconciliation

(in millions of US Dollars, unless otherwise indicated)

		2018			2017	
		Q3	Q2	Q1	Q4	Q3
<b>Net income to common shareholders</b>	A	\$ 50.4	\$ 49.7	\$ 44.2	\$ 40.3	\$ 41.1
<b>Non-core (gains), losses and expenses</b>						
<b>Non-core (gains) losses</b>						
Gain on disposal of a pass-through note investment (formerly a SIV)		(0.2)	(0.1)	(0.9)	—	(2.5)
Adjustment to holdback payable for a previous business acquisition		—	—	—	—	0.1
Settlement loss on the de-risking of a defined benefit plan		—	1.5	—	—	—
<b>Total non-core (gains) losses</b>	B	\$ (0.2)	\$ 1.4	\$ (0.9)	\$ —	\$ (2.4)
<b>Non-core expenses</b>						
Early retirement program, redundancies and other non-core compensation costs		—	—	—	—	0.1
Tax compliance review costs		0.1	0.1	0.1	0.6	0.4
Business acquisition costs		(1.2)	0.4	1.6	1.0	1.1
Restructuring charges and related professional service fees		—	—	—	0.3	0.4
<b>Total non-core expenses</b>	C	\$ (1.1)	\$ 0.6	\$ 1.7	\$ 1.9	\$ 2.0
<b>Total non-core (gains), losses and expenses</b>	D=B+C	<b>(1.2)</b>	<b>2.0</b>	<b>0.8</b>	<b>1.9</b>	<b>(0.4)</b>
<b>Core net income to common shareholders</b>	E=A+D	<b>\$ 49.1</b>	<b>\$ 51.7</b>	<b>\$ 45.0</b>	<b>\$ 42.2</b>	<b>\$ 40.7</b>
Average common equity	F	859.9	833.5	820.7	809.6	788.9
Less: average goodwill and intangible assets		(76.7)	(83.0)	(68.4)	(60.9)	(61.3)
Average tangible common equity	G	783.2	750.4	752.3	748.7	727.6
<b>Return on equity</b>	A/F	<b>23.2%</b>	<b>23.9%</b>	<b>21.8%</b>	<b>19.7%</b>	<b>20.7%</b>
<b>Core return on average tangible common equity</b>	E/G	<b>24.9%</b>	<b>27.6%</b>	<b>24.3%</b>	<b>22.3%</b>	<b>22.2%</b>
<b>Core earnings per common share fully diluted</b>						
Adjusted weighted average number of diluted common shares (in thousands)	H	56.0	55.9	55.8	55.6	55.5
<b>Earnings per common share fully diluted</b>	A/H	<b>0.90</b>	<b>0.89</b>	<b>0.79</b>	<b>0.72</b>	<b>0.74</b>
<b>Non-core items per share</b>	D/H	<b>(0.02)</b>	<b>0.04</b>	<b>0.02</b>	<b>0.04</b>	<b>(0.01)</b>
<b>Core earnings per common share fully diluted</b>	E/H	<b>0.88</b>	<b>0.93</b>	<b>0.81</b>	<b>0.76</b>	<b>0.73</b>
<b>Core return on average tangible assets</b>						
Total average assets	I	\$ 10,723.5	\$ 11,227.8	\$ 10,970.9	\$ 10,851.0	\$ 10,744.8
Less: average goodwill and intangible assets		(76.7)	(83.0)	(68.4)	(60.9)	(61.3)
Average tangible assets	J	\$ 10,646.8	\$ 11,144.7	\$ 10,902.5	\$ 10,790.1	\$ 10,683.5
<b>Return on average assets</b>	A/I	<b>1.9%</b>	<b>1.8%</b>	<b>1.6%</b>	<b>1.5%</b>	<b>1.5%</b>
<b>Core return on average tangible assets</b>	E/J	<b>1.8%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.5%</b>

# Appendix

# Non-GAAP Reconciliation (cont'd)

(in millions of US Dollars, unless otherwise indicated)

		2018			2017	
		Q3	Q2	Q1	Q4	Q3
<b>Tangible equity to tangible assets</b>						
Shareholders' equity		\$ 871.7	\$ 848.6	\$ 824.2	\$ 822.9	\$ 802.4
Less: goodwill and intangible assets		(76.9)	(77.3)	(90.9)	(60.6)	(61.4)
Tangible total equity	K	794.8	771.3	733.4	762.3	741.0
Less: preference shareholders' equity		—	—	—	—	—
Tangible common equity	L	794.8	771.3	733.4	762.3	741.0
Total assets		10,429.7	11,002.4	10,988.2	10,779.2	10,578.4
Less: goodwill and intangible assets		(76.9)	(77.3)	(90.9)	(60.6)	(61.4)
Tangible assets	M	\$ 10,352.8	\$ 10,925.1	\$ 10,897.4	\$ 10,718.6	\$ 10,517.0
<b>Tangible common equity to tangible assets</b>	L/M	<b>7.7%</b>	<b>7.1%</b>	<b>6.7%</b>	<b>7.1%</b>	<b>7.0%</b>
<b>Efficiency ratio</b>						
Non-interest expenses		\$ 82.2	\$ 78.2	\$ 77.4	\$ 80.4	\$ 73.6
Less: Amortization of intangibles		(1.4)	(1.3)	(1.1)	(1.1)	(1.0)
Non-interest expenses before amortization of intangibles	N	80.9	76.9	76.3	79.3	72.6
Non-interest income		41.3	41.9	39.8	42.4	38.2
Net interest income before provision for credit losses		88.3	87.4	79.9	76.1	74.3
Net revenue before provision for credit losses and other gains/losses	O	\$ 129.5	\$ 129.3	\$ 119.7	\$ 118.4	\$ 112.5
<b>Efficiency ratio</b>	N/O	<b>62.4%</b>	<b>59.5%</b>	<b>63.8%</b>	<b>67.0%</b>	<b>64.5%</b>
<b>Core efficiency ratio</b>						
Non-interest expenses		\$ 82.2	\$ 78.2	\$ 77.4	\$ 80.4	\$ 73.6
Less: non-core expenses	(C)	1.1	(0.6)	(1.7)	(1.9)	(2.0)
Less: amortization of intangibles		(1.4)	(1.3)	(1.1)	(1.1)	(1.0)
Core non-interest expenses before amortization of intangibles	P	81.9	76.3	74.6	77.4	70.6
Net revenue before provision for credit losses and other gains/losses	Q	129.5	129.3	119.7	118.4	112.5
<b>Core efficiency ratio</b>	P/Q	<b>63.2%</b>	<b>59.0%</b>	<b>62.3%</b>	<b>65.4%</b>	<b>62.8%</b>

Our peer group includes the following banks, noted by their ticker symbols:

- FRC
- SIVB
- EWBC
- CFR
- ASB
- WTFC
- CBSH
- IBKC
- UMBF
- FHB
- BOH
- TRMK
- IBOC
- CBU
- BPFH
- FFIN
- WABC