

# Third Quarter 2021 Earnings Presentation

The Bank of N.T. Butterfield & Son Limited  
October 28, 2021

# Forward-Looking Statements

## **Forward-Looking Statements:**

Certain of the statements made in this release are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions estimates, intentions, and future performance, including, without limitation, our dividend payout target, 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 Butterfield 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 and fluctuations of interest rates, a decline in Bermuda's sovereign credit rating, the successful completion and integration of acquisitions or the realization of the anticipated benefits of such acquisitions in the expected time-frames or at all, success in business retention and obtaining new business, the impact of the COVID-19 pandemic, the scope and duration of the pandemic, actions taken by governmental authorities in response to the pandemic, the eventual timing and duration of economic stabilization and recovery from the pandemic and other factors. Forward-looking statements can be identified by words such as "anticipate," "assume," "believe," "estimate," "expect," "indicate," "intend," "may," "plan," "point to," "predict," "project," "seek," "target," "potential," "will," "would," "could," "should," "continue," "contemplate" and other similar expressions, although not all forward-looking statements contain these identifying words. All statements other than statements of historical fact are statements that could be forward-looking statements.

All forward-looking statements in this disclosure 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 Butterfield, or from the SEC, including through the SEC's website at <https://www.sec.gov>. Any forward-looking statements made by Butterfield are current views as at the date they are made. Except as otherwise required by law, Butterfield assumes no obligation and does not undertake to review, update, revise or correct any of the forward-looking statements included in this disclosure, whether as a result of new information, future events or other developments. You are cautioned not to place undue reliance on the forward-looking statements made by Butterfield in this disclosure. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, and should only be viewed as historical data.

## **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.

# Agenda and Overview

## Presenters

### Michael Collins

Chairman and Chief Executive Officer

### Michael Schrum

Group Chief Financial Officer

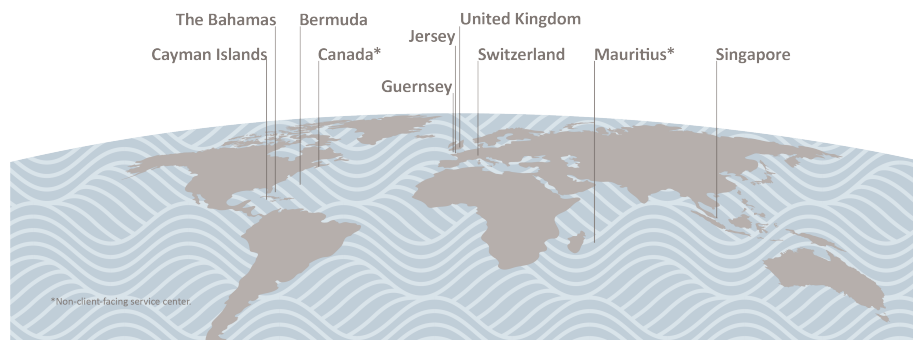
## Agenda

- Overview
- Third Quarter 2021 Financials
- Q&A

## Butterfield Overview

- Leading Bank in Attractive Markets
- Strong Capital Generation and Return
- Resilient, Capital Efficient, Diversified Fee Revenue Model
- Efficient, Conservative Balance Sheet
- Experienced Leadership Team

## Ten International Locations



- Leading market positions in Bermuda & Cayman
- Expanding loan and mortgage offerings in the Channel Islands
- Well-secured lending in all markets, including Central London, UK
- Award winning wealth management offerings

## Awards

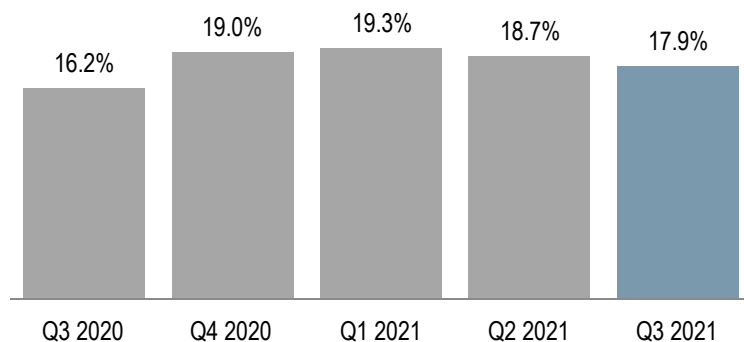


## Third Quarter 2021 Highlights

- Net income of \$39.8 million, or \$0.80 per share
- Core net income\*\* of \$40.0 million, or \$0.80 per share
- Return on average common equity of 16.2%; core return on average tangible common equity\*\* of 17.9%
- Cash dividend of \$0.44 per common share, active share repurchase program
- Non-prosecution agreement with US Department of Justice resolved inquiry of Butterfield legacy business dating back to late 2013

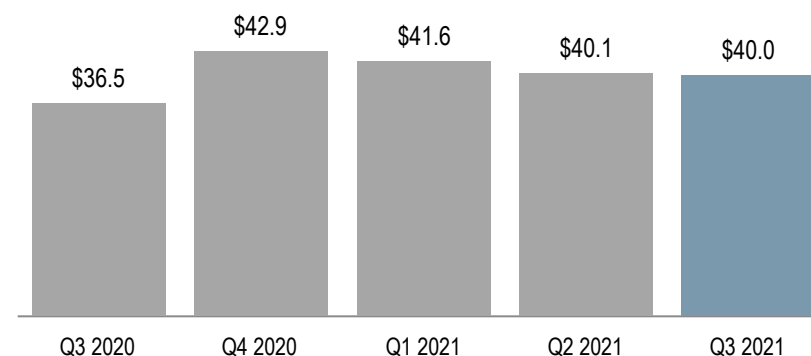
(In US\$ millions)	vs. Q2 2021				vs. Q3 2020	
	Q3 2021	\$	%		\$	%
Net Interest Income	\$ 75.7	\$ 1.0			\$ 0.4	
Non-Interest Income	49.0	0.2			2.1	
Prov. for Credit Recoveries	—	(1.0)			1.4	
Non-Interest Expenses*	(85.2)	0.4			6.6	
Other Gains (Losses)	0.3	(0.4)			(1.2)	
<b>Net Income</b>	<b>\$ 39.8</b>	<b>\$ 0.2</b>	<b>0.4 %</b>		<b>\$ 9.2</b>	<b>30.3 %</b>
<b>Non-Core Items**</b>	<b>0.2</b>	<b>0.3</b>			<b>(5.7)</b>	
<b>Core Net Income**</b>	<b>\$ 40.0</b>	<b>\$ (0.1)</b>	<b>(0.3)%</b>		<b>\$ 3.5</b>	<b>9.7 %</b>

Core Return on Average Tangible Common Equity\*\*



Core Net Income\*\*

(In US\$ millions)



\* Includes income taxes

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

# Financials

# Income Statement

## Net Interest Income

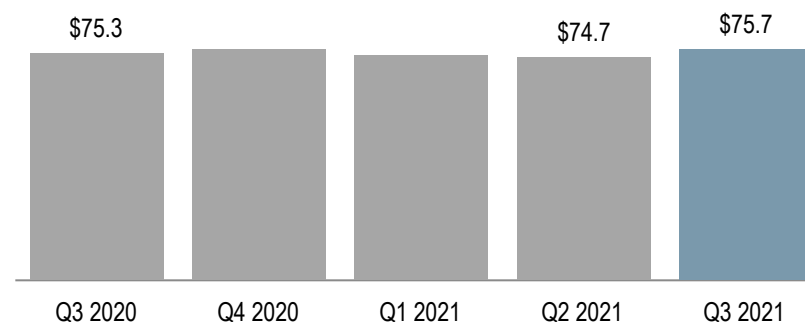
### Net Interest Margin & Yields

(In US\$ millions)	Q3 2021		vs. Q2 2021	
	Avg. Balance	Yield	Avg. Balance	Yield
Cash, S/T Inv. & Repos	\$ 4,210.8	0.03 %	\$ 29.1	0.01 %
Investments	5,785.6	1.77 %	270.9	(0.05)%
Loans (net)	5,247.2	4.22 %	42.1	(0.06)%
Interest Earning Assets	15,243.6	2.13 %	342.2	(0.04)%
Interest Bearing Liabilities	11,370.1	(0.22)%	272.9	— %
<b>Net Interest Margin</b>		<b>1.97 %</b>		<b>(0.04)%</b>

### Net Interest Income before Provision for Credit Losses -

#### Trend

(In US\$ millions)



- Net interest income (“NII”) increased by \$1.0 million versus the prior quarter due to an increase in average balance of interest earnings assets, which offset the impact of lower yields
- Average investment balances increased during the quarter as additional assets were deployed into the investment portfolio
- Average loan balances increased marginally in the third quarter compared to the prior quarter, while loan yields decreased due to originations in the quarter generally below the average portfolio yield

# Income Statement

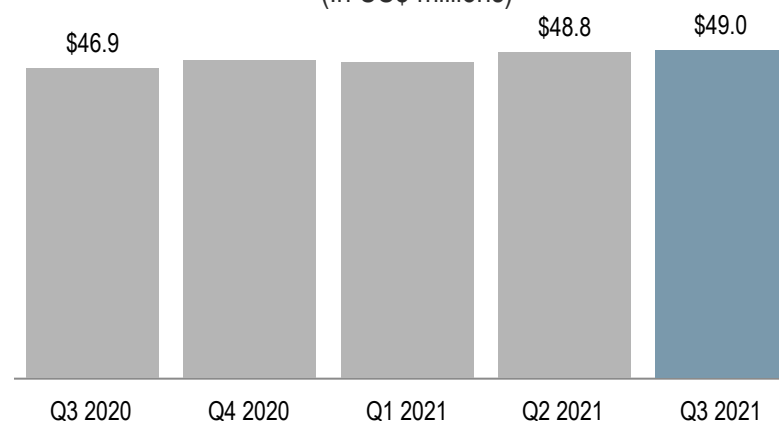
## Non-Interest Income

(In US\$ millions)

	Q3 2021	vs. Q2 2021
Asset management	\$ 7.4	\$ —
Banking	12.6	0.1
Foreign exchange revenue	10.8	0.3
Trust	12.9	(0.1)
Custody and other	3.7	(0.1)
Other	1.5	—
<b>Total Non-Interest Income</b>	<b>\$ 49.0</b>	<b>\$ 0.2</b>

### Non-Interest Income Trend

(In US\$ millions)



- Non-interest income continued to trend favorably in the third quarter of 2021 reflecting higher banking and foreign exchange revenue as economic activity continued to increase
- Fee income ratio of 39.3% in the third quarter of 2021 remains consistent with prior quarters, thereby maintaining a resilient, capital-efficient and diversified revenue stream



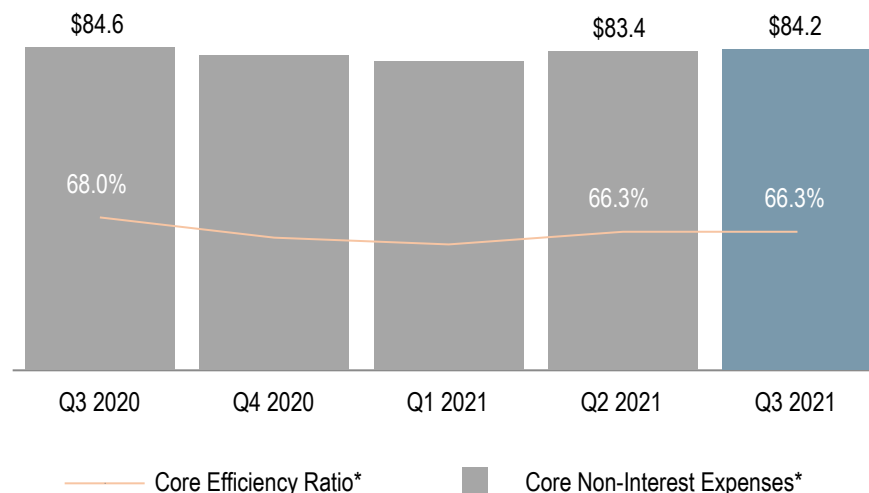
# Income Statement

## Non-Interest Expenses

Core Non-Interest Expenses* (In US\$ millions)	vs. Q2 2021		
	Q3 2021	\$	%
Salaries & Benefits**	\$ 42.0	\$ 0.2	0.4 %
Technology & Comm.	16.3	0.6	4.1 %
Property	7.8	0.2	2.2 %
Professional & O/S Services	5.6	0.7	13.6 %
Indirect Taxes	5.4	—	(0.5)%
Intangible Amortization	1.5	—	(1.0)%
Marketing	0.9	(0.1)	(10.0)%
Other	4.7	(0.7)	(13.1)%
<b>Total Core Non-Interest Expenses*</b>	<b>\$ 84.2</b>	<b>\$ 0.8</b>	<b>1.0 %</b>
Non-Core Expenses*	0.2	(1.1)	100.0 %
<b>Non-Interest Expenses</b>	<b>\$ 84.4</b>	<b>\$ (0.3)</b>	<b>(0.4)%</b>

### Core Non-Interest Expense\* Trend

(In US\$ millions)



- Core non-interest expenses\* increased in the third quarter of 2021 due to the following:
  - an increase in technology and communications costs due to technology projects implemented during the quarter; and
  - increased professional fees due to consulting services supporting strategic initiatives
- Core efficiency ratio\* of 66.3% was flat compared to the prior quarter
- Non-core expenses consisted of legal expenses related to resolving the US Department of Justice inquiry

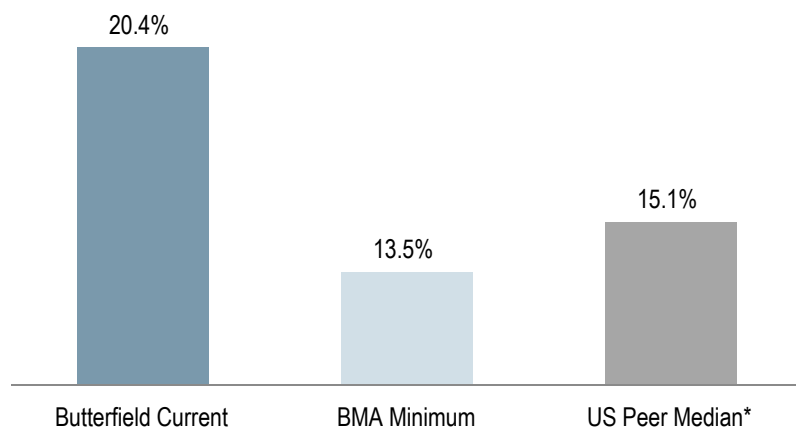
\* See the Appendix for a reconciliation of the non-GAAP measure

\*\* Includes Non-Service Employee Benefits Expense

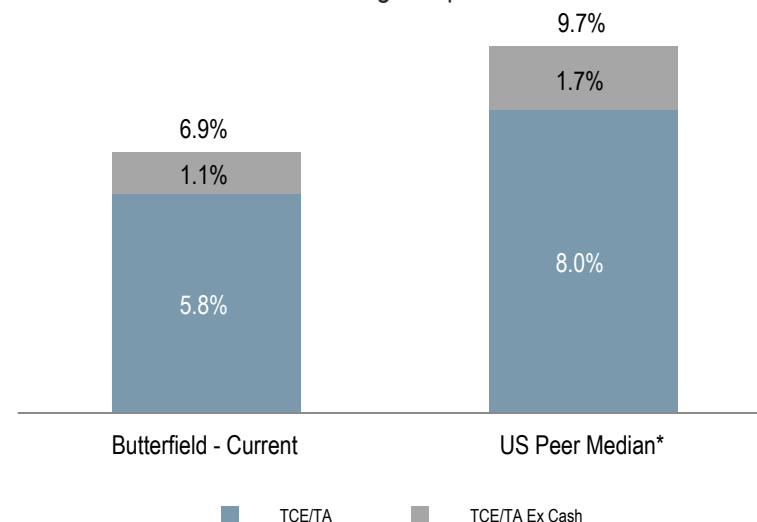


# Capital Requirements and Dividend Return

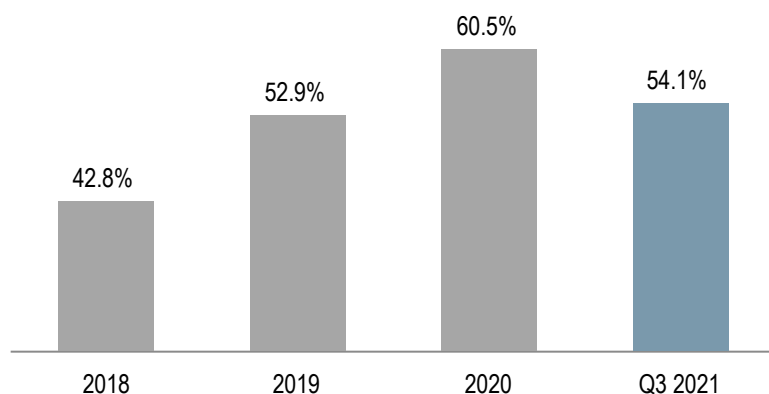
Regulatory Capital (Basel III) - Total Capital Ratio\*\*\*



Leverage Capital



Dividend Payout Ratio\*\*



- Regulatory capital levels remain adequate and above requirements
- Quarterly dividend continues at \$0.44 per common share
- TCE/TA ratio of 5.8% remains slightly below targeted range of 6.0% to 6.5% due to continued elevated deposit levels

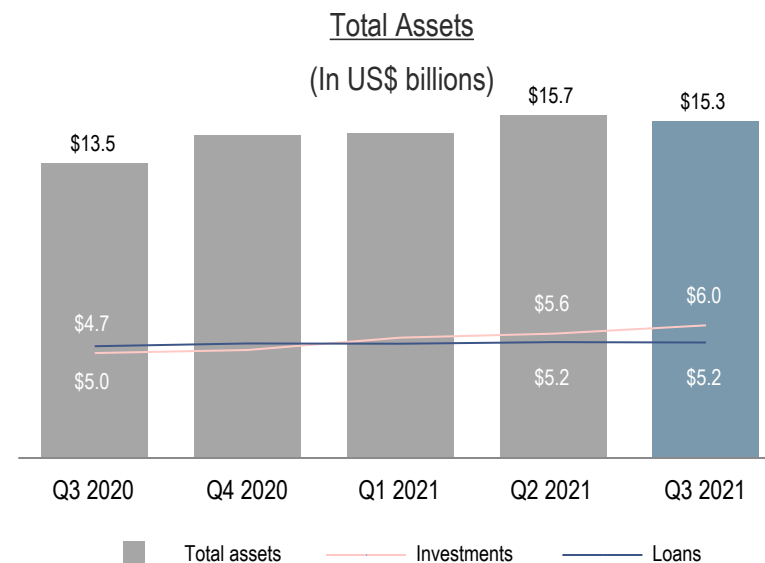
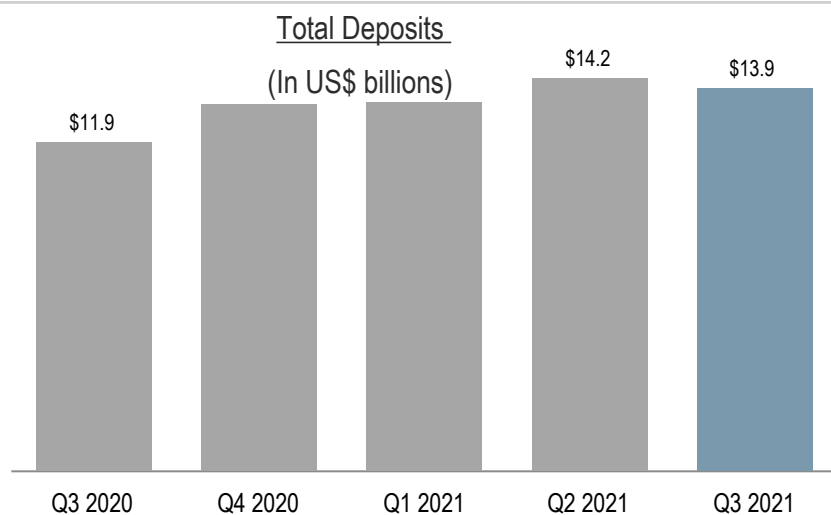
\* Includes US banks identified by management as a peer group. Please see the Appendix for a list of these banks

\*\* 2021 is based on year-to-date dividend and earnings per share

\*\*\* In accordance with regulatory capital guidance, the Bank has elected to make use of transitional arrangements which allow the deferral of the January 1, 2020 CECL impact of \$7.8 million on its regulatory capital over a period of 5 years.

# Balance Sheet

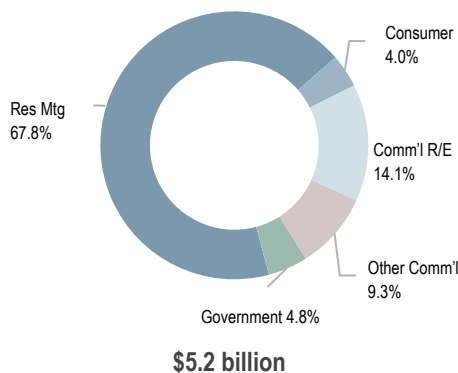
(In US\$ millions)		Q3 2021	Q4 2020
Cash & Equivalents	\$	2,310	\$ 3,290
Reverse Repos & S/T Investments		1,446	1,020
Investments		5,984	4,863
Loans (net)		5,204	5,161
Other Assets		389	405
<b>Total Assets</b>	<b>\$</b>	<b>15,332</b>	<b>\$ 14,739</b>
Int. Bearing Deposits	\$	10,905	\$ 10,238
Non-Int. Bearing Deposits		2,956	3,012
Other Liabilities		497	507
Shareholders' Equity		974	982
<b>Total Liab. &amp; Equity</b>	<b>\$</b>	<b>15,332</b>	<b>\$ 14,739</b>



- Deposit balances remained elevated but decreased to \$13.9 billion compared to \$14.2 billion in the prior quarter as economies continued to open and customers activated savings
- The third quarter of 2021 saw a continued deployment of liquidity into the investment and loan portfolios
- Butterfield's balance sheet remains efficient and conservative with a low risk density (risk weighted assets/total assets) of 33.8%

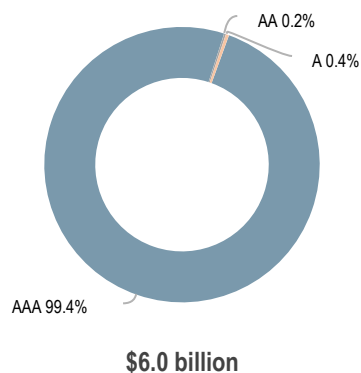
# Asset Quality

Loan Distribution



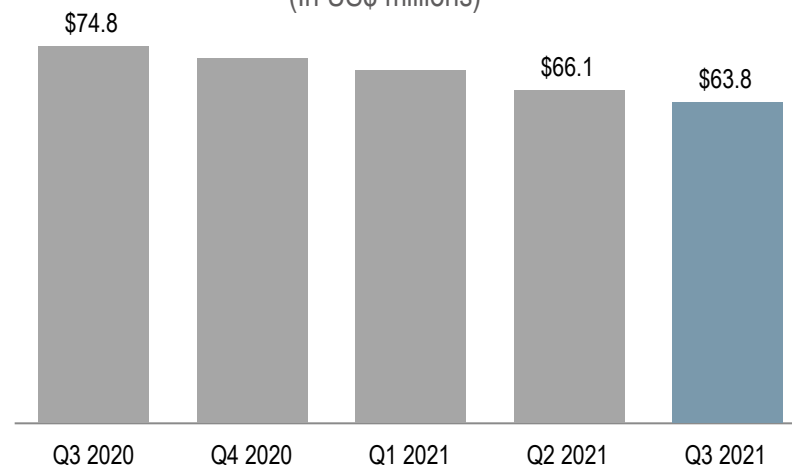
Investment Portfolio

Rating Distribution

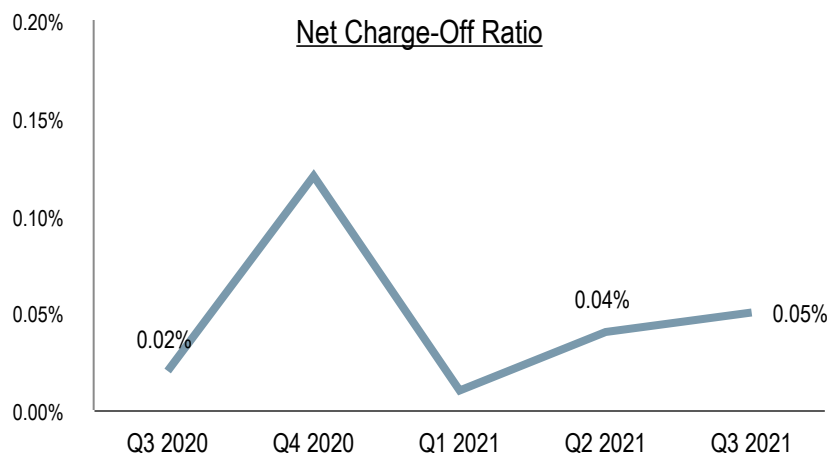


Non-Accrual Loans

(In US\$ millions)



Net Charge-Off Ratio



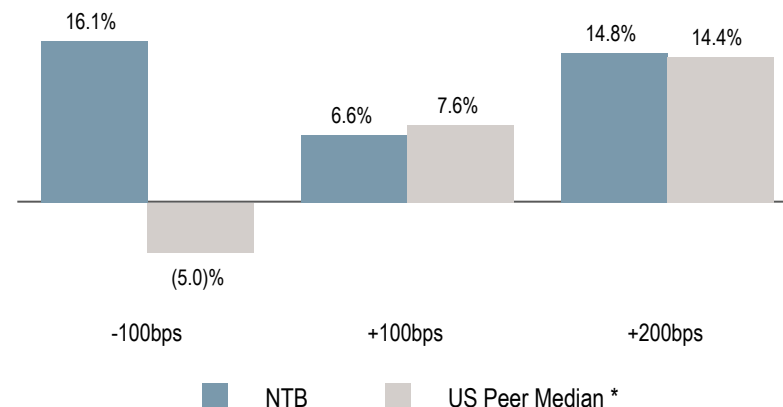
- Investment portfolio continues to be very high quality with 99% comprised of AAA rated securities, primarily US Government guaranteed
- Manually underwritten loan book is comprised of 66% full recourse residential mortgages in Bermuda, Cayman and the UK
- Credit trends remained stable with non-accrual loans at 1.2% of gross loans, a 20 bps decrease versus the prior quarter
- There was a small CECL release due to more muted expectations of improvements in anticipated macroeconomic conditions relative to expectations in recent quarters
- Allowance for credit losses at \$28.7 million representing an ACL/Total loans of 0.6%.
- The net charge off ratio continues to be very low and increased 1 bp to 0.05% due to the disposition of a long-standing hospitality loan in Bermuda

# Interest Rate Sensitivity

## Average Balance - Balance Sheet

	Average Balances (US\$Mil)		Duration	vs. Q2 2021	Weighted Average Life
	Q3 2021	vs. Q2 2021			
Cash & Reverse Repos & S/T Invest.	4,210.8	29.1	<0.03	N/A	N/A
AFS	3,061.0	64.6	4.1	0.3	5.3
HTM**	2,724.6	206.3	4.3	0.4	6.0
<b>Total</b>	<b>9,996.4</b>	<b>300.0</b>			

## Interest Rate Sensitivity



- Investment duration extended for both the AFS and HTM investment portfolios, as rising market rates reduced the levels of expected prepayments
- Similar to recent prior quarters, NII models increase in a down 100 bps rate environment with the assumption of negative rates to be charged on deposits (as is currently the case with Euros), while fixed rate assets would continue to generate revenues
- As of September 30, 2021, the Bank had \$53.0 million in net unrealized gains in AFS and HTM, down \$24.7 million from \$77.7 million at the end of the second quarter of 2021. The movement was due to higher market interest rates at the end of the third quarter

\* Includes US banks identified by management as a peer group. Please see the Appendix for a list of these banks. Q2 2021 comparative data is used as Q3 2021 peer information was not widely available at time of publication.

\*\* The HTM portfolio is comprised of securities with negative convexity which typically exhibit higher prepayment speeds when assuming lower future rates.

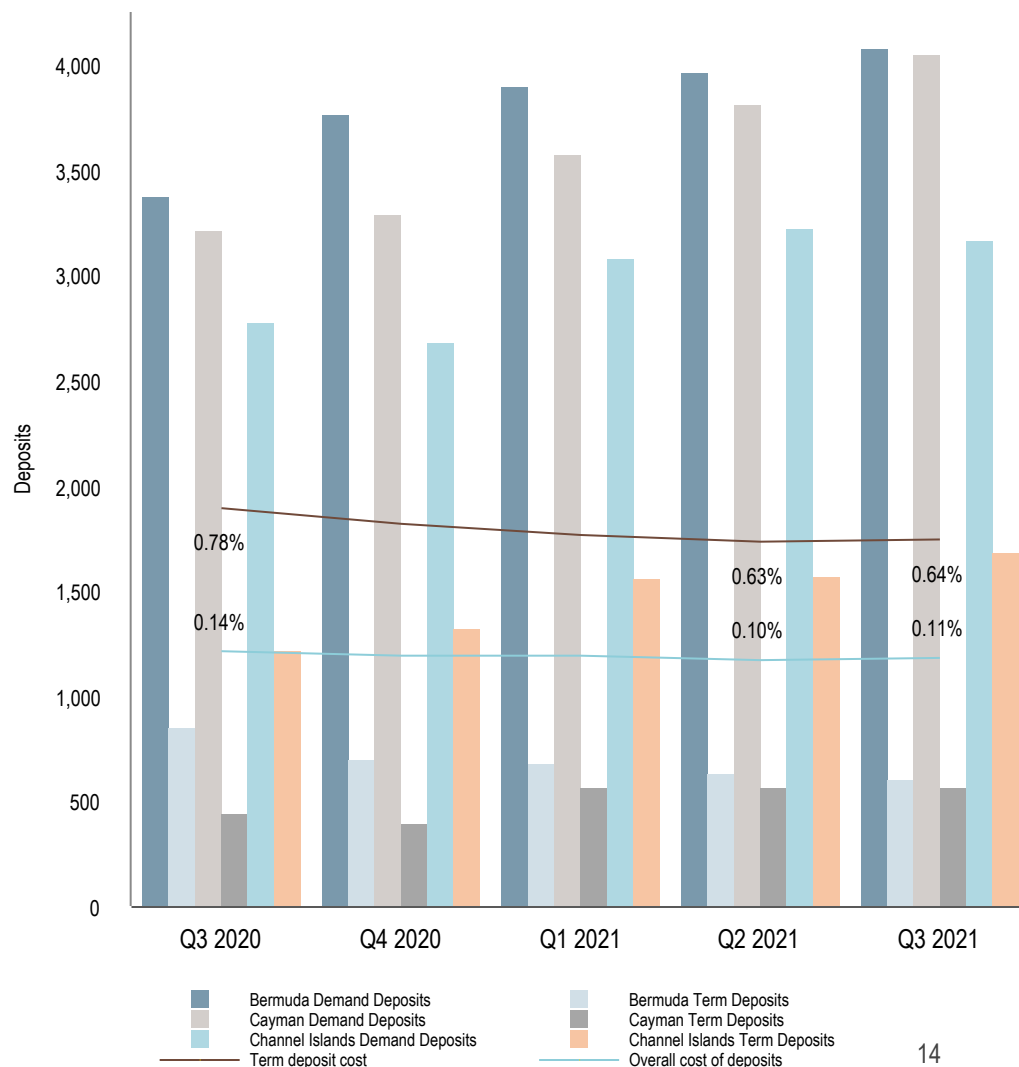
# Appendix

# Appendix

## Customer Deposits

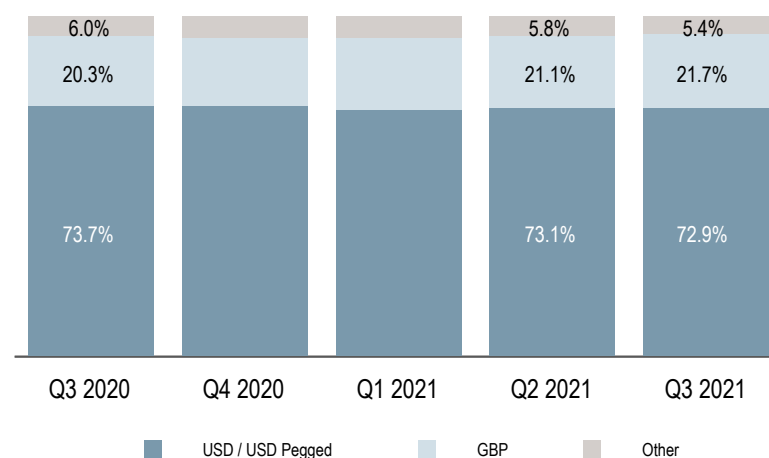
### Average Deposit Volume and Cost of Deposits

(In US\$ millions)

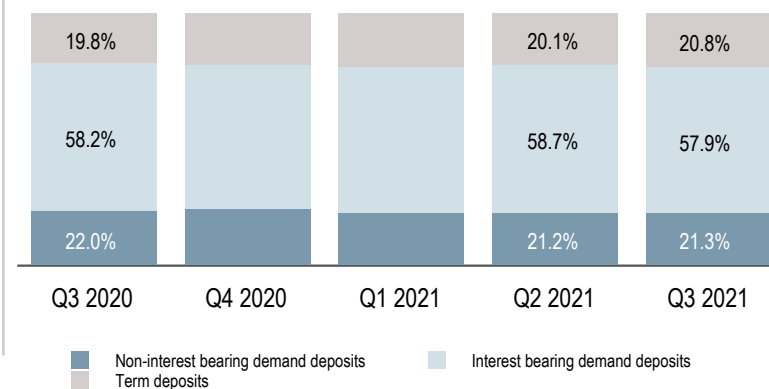


### Deposit Composition

#### By Currency

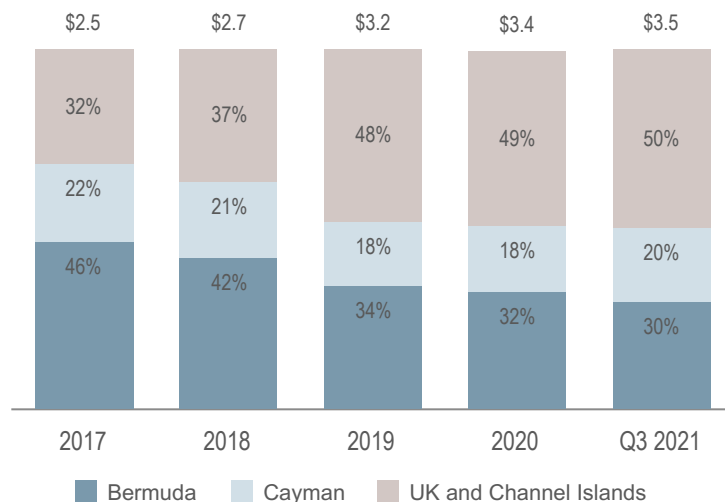


#### By Type

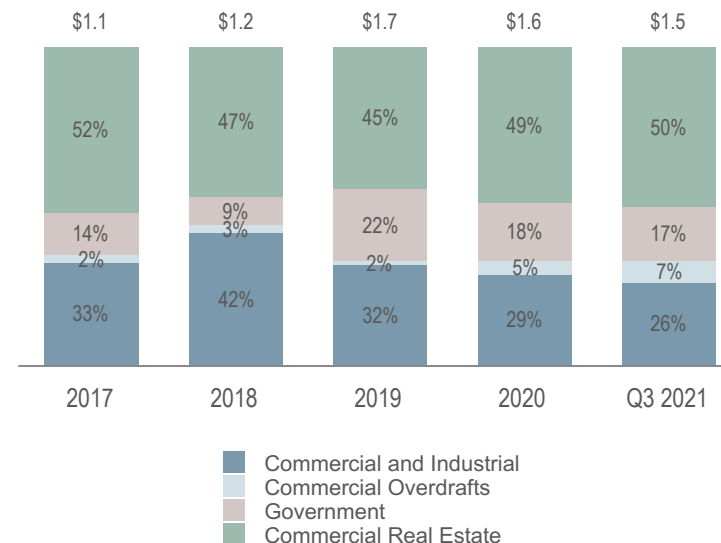


# Appendix

Residential Mortgage Loans (US\$ Billions)



Commercial Loans (US\$ Billion)



- Stable loan book composed of well-seasoned residential mortgage books
- Loans are individually underwritten in all markets
- Minimal wholesale or cross-border lending outside of current jurisdictions
- Growth in Channel Islands and Cayman continued to outpace Bermuda



# Appendix

## Balance Sheet Trends

(in millions of US Dollars, unless otherwise indicated)

	2021			2020				2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Assets</b>									
Cash & Equivalents	\$ 2,310	\$ 2,766	\$ 2,582	\$ 3,290	\$ 2,161	\$ 2,228	\$ 1,978	\$ 2,550	\$ 3,605
Reverse Repos & S/T Investments	1,446	1,651	1,236	1,020	1,133	1,136	1,240	1,361	855
Investments	5,984	5,605	5,426	4,863	4,725	4,354	4,538	4,436	4,662
Loans, Net	5,204	5,221	5,149	5,161	5,035	5,018	5,001	5,143	4,673
Other Assets	389	421	412	405	406	415	441	432	420
<b>Total Assets</b>	<b>\$ 15,332</b>	<b>\$ 15,665</b>	<b>\$ 14,805</b>	<b>\$ 14,739</b>	<b>\$ 13,461</b>	<b>\$ 13,151</b>	<b>\$ 13,197</b>	<b>\$ 13,922</b>	<b>\$ 14,216</b>
<b>Liabilities and Equity</b>									
Total Deposits	\$ 13,861	\$ 14,193	\$ 13,361	\$ 13,250	\$ 11,891	\$ 11,616	\$ 11,753	\$ 12,442	\$ 12,663
Long-Term Debt	172	172	172	171	196	241	144	144	143
Other Liabilities	325	334	335	335	384	303	320	373	446
<b>Total Liabilities</b>	<b>\$ 14,358</b>	<b>\$ 14,698</b>	<b>\$ 13,868</b>	<b>\$ 13,757</b>	<b>\$ 12,472</b>	<b>\$ 12,160</b>	<b>\$ 12,217</b>	<b>\$ 12,958</b>	<b>\$ 13,252</b>
Common Equity	\$ 974	\$ 967	\$ 936	\$ 982	\$ 989	\$ 990	\$ 981	\$ 964	\$ 965
<b>Total Equity</b>	<b>\$ 974</b>	<b>\$ 967</b>	<b>\$ 936</b>	<b>\$ 982</b>	<b>\$ 989</b>	<b>\$ 990</b>	<b>\$ 981</b>	<b>\$ 964</b>	<b>\$ 965</b>
<b>Total Liabilities and Equity</b>	<b>\$ 15,332</b>	<b>\$ 15,665</b>	<b>\$ 14,805</b>	<b>\$ 14,739</b>	<b>\$ 13,461</b>	<b>\$ 13,151</b>	<b>\$ 13,197</b>	<b>\$ 13,922</b>	<b>\$ 14,216</b>
<b>Key Metrics</b>									
CET 1 Ratio	16.9 %	16.1 %	16.4 %	16.1 %	16.6 %	17.0 %	17.5 %	17.3 %	17.4 %
Total Tier 1 Capital Ratio	16.9 %	16.1 %	16.4 %	16.1 %	16.6 %	17.0 %	17.5 %	17.3 %	17.4 %
Total Capital Ratio	20.4 %	19.5 %	20.0 %	19.8 %	20.8 %	21.2 %	19.8 %	19.4 %	19.6 %
Leverage ratio	5.5 %	5.2 %	5.4 %	5.3 %	5.9 %	6.0 %	6.1 %	5.9 %	5.8 %
Risk-Weighted Assets (in \$ millions)	5,185	5,321	5,105	5,069	4,939	4,879	4,782	4,898	4,877
Risk-Weighted Assets / total assets	33.8 %	34.0 %	34.5 %	34.4 %	36.7 %	37.1 %	36.2 %	35.2 %	34.3 %
Tangible common equity ratio	5.8 %	5.6 %	5.7 %	6.1 %	6.7 %	6.9 %	6.8 %	6.3 %	6.2 %
Book value per common share (in \$)	19.68	19.49	18.84	19.88	19.98	19.73	19.09	18.40	18.14
Tangible book value per share (in \$)	17.92	17.67	17.00	18.00	18.15	17.94	17.31	16.55	16.38
Non-accrual loans/gross loans	1.2 %	1.3 %	1.4 %	1.4 %	1.5 %	1.5 %	1.1 %	1.0 %	1.1 %
Non-performing assets/total assets	0.5 %	0.6 %	0.7 %	0.6 %	0.7 %	0.7 %	0.5 %	0.4 %	0.4 %
Allowance for credit losses/total loans	0.6 %	0.6 %	0.6 %	0.7 %	0.8 %	0.8 %	0.7 %	0.5 %	0.5 %

# Appendix

## Average Balance Sheet Trends

(in millions of US Dollars, unless otherwise indicated)

	Q3 2021			Q2 2021			Q3 2020		
	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	\$ 4,210.8	\$ 0.4	0.03 %	\$ 4,181.6	\$ 0.2	0.02 %	\$ 3,543.6	\$ 1.0	0.11 %
Investment in securities	5,785.6	25.8	1.77 %	5,514.7	25.0	1.82 %	4,387.8	25.0	2.26 %
AFS	3,061.0	12.1	1.57 %	2,996.4	12.2	1.63 %	2,273.3	11.2	1.95 %
HTM	2,724.6	13.7	2.00 %	2,518.4	12.8	2.04 %	2,114.5	13.8	2.59 %
Loans	5,247.2	55.8	4.22 %	5,205.1	55.5	4.28 %	5,047.0	56.4	4.43 %
Commercial	1,599.5	18.1	4.50 %	1,610.7	18.2	4.54 %	1,684.5	20.2	4.76 %
Consumer	3,647.7	37.7	4.10 %	3,594.4	37.2	4.16 %	3,362.6	36.2	4.27 %
Total interest earning assets	15,243.6	82.0	2.13 %	14,901.4	80.7	2.17 %	12,978.4	82.4	2.52 %
Other assets	374.8			362.1			394.1		
<b>Total assets</b>	<b>\$ 15,618.4</b>			<b>\$ 15,263.6</b>			<b>\$ 13,183.6</b>		
<b>Liabilities</b>									
Interest bearing deposits	\$ 11,198.4	\$ (3.9)	(0.14)%	\$ 10,925.6	\$ (3.6)	(0.13)%	\$ 9,661.8	\$ (4.3)	(0.18)%
Long-term debt	171.7	(2.4)	(5.55)%	171.6	(2.4)	(5.61)%	196.4	(2.7)	(5.53)%
Interest bearing liabilities	11,370.1	(6.3)	(0.22)%	11,097.2	(6.0)	(0.22)%	9,827.6	(7.0)	(0.29)%
Non-interest bearing customer deposits	2,959.0			2,853.1			2,348.0		
Other liabilities	282.3			326.1			255.2		
<b>Total liabilities</b>	<b>\$ 14,611.4</b>			<b>\$ 14,276.4</b>			<b>\$ 12,268.6</b>		
Shareholders' equity	1,007.0			987.1			915.0		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 15,618.4</b>			<b>\$ 15,263.6</b>			<b>\$ 13,183.6</b>		
Non-interest bearing funds net of non-interest earning assets (free balance)	\$ 3,873.5			\$ 3,805.0			\$ 2,954.7		
<b>Net interest margin</b>		<b>\$ 75.7</b>	<b>1.97 %</b>		<b>\$ 74.7</b>	<b>2.01 %</b>		<b>\$ 75.3</b>	<b>2.30 %</b>

# Appendix

## Income Statement Trends

(in millions of US Dollars, unless otherwise indicated)

	2021			2020				2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Interest Income	\$ 75.7	\$ 74.7	\$ 74.9	\$ 75.6	\$ 75.3	\$ 79.1	\$ 87.6	\$ 86.2	\$ 86.3
Non-Interest Income	49.0	48.8	47.6	47.8	46.9	41.7	47.6	49.7	46.6
Prov. for Credit Recovery (Losses)	—	1.0	1.5	2.4	(1.4)	(4.4)	(5.2)	(0.4)	(0.4)
Non-Interest Expenses*	85.2	85.6	81.7	83.3	91.8	82.8	89.1	92.0	90.6
Other Gains (Losses)	0.3	0.7	(0.8)	(0.4)	1.5	0.7	(0.6)	0.3	0.5
<b>Net Income</b>	<b>\$ 39.8</b>	<b>\$ 39.6</b>	<b>\$ 41.6</b>	<b>\$ 42.1</b>	<b>\$ 30.5</b>	<b>\$ 34.3</b>	<b>\$ 40.3</b>	<b>\$ 43.9</b>	<b>\$ 42.4</b>
Non-Core Items**	\$ 0.2	\$ 0.5	\$ —	\$ 0.8	\$ 5.9	\$ 0.1	\$ 0.5	\$ 2.3	\$ 6.4
<b>Core Net Income**</b>	<b>\$ 40.0</b>	<b>\$ 40.1</b>	<b>\$ 41.6</b>	<b>\$ 42.9</b>	<b>\$ 36.5</b>	<b>\$ 34.4</b>	<b>\$ 40.8</b>	<b>\$ 46.2</b>	<b>\$ 48.8</b>

### Key Metrics

Loan Yield	4.22 %	4.28 %	4.37 %	4.42 %	4.43 %	4.53 %	4.80 %	4.95 %	5.22 %
Securities Yield	1.77	1.82	1.95	2.11	2.26	2.52	2.78	2.77	2.82
Cost of Deposits	0.11	0.10	0.12	0.12	0.14	0.14	0.42	0.50	0.54
Net Interest Margin	1.97	2.01	2.09	2.25	2.30	2.48	2.63	2.59	2.52
Core Efficiency Ratio**	66.3	66.3	64.8	65.6	68.0	66.7	63.8	66.3	62.1
Core ROATCE**	17.9	18.7	19.3	19.0	16.2	15.5	18.6	21.1	22.5
Fee Income Ratio	39.3	39.2	38.4	38.0	38.8	35.8	36.6	36.7	35.2
Fully Diluted Share Count (in millions of common shares)	49.9	49.9	49.9	49.8	50.0	51.0	52.4	53.3	53.6

\* Includes income taxes

\*\* See the reconciliation of non-GAAP measures on pages 21-22

# Appendix

## Non-Interest Income & Expense Trends

(in millions of US Dollars, unless otherwise indicated)

	2021			2020				2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Non-Interest Income</b>									
Asset Management	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.2	\$ 6.8	\$ 7.4	\$ 7.8	\$ 7.8	\$ 7.4
Banking	12.6	12.5	11.4	13.6	13.4	9.1	11.2	14.0	12.1
FX Revenue	10.8	10.5	11.2	9.3	9.0	8.1	10.8	9.8	10.0
Trust	12.9	13.0	12.8	13.3	12.9	12.3	12.2	13.0	12.7
Custody & Other Admin.	3.7	3.8	3.8	3.4	3.6	3.3	3.6	3.5	3.6
Other	1.5	1.5	0.9	0.9	1.2	1.5	2.0	1.7	0.8
<b>Total Non-Interest Income</b>	<b>\$ 49.0</b>	<b>\$ 48.8</b>	<b>\$ 47.6</b>	<b>\$ 47.8</b>	<b>\$ 46.9</b>	<b>\$ 41.7</b>	<b>\$ 47.6</b>	<b>\$ 49.7</b>	<b>\$ 46.6</b>
<b>Non-Interest Expense</b>									
Salaries & Benefits*	\$ 42.0	\$ 43.2	\$ 39.0	\$ 41.4	\$ 48.8	\$ 41.5	\$ 44.6	\$ 48.8	\$ 45.6
Technology & Comm.	16.3	15.7	16.1	16.1	16.3	16.3	16.4	16.5	16.3
Professional & O/S Services	5.7	4.9	5.2	5.3	5.2	5.0	5.8	6.7	9.5
Property	7.8	7.6	7.4	7.4	7.5	7.2	7.3	7.0	6.1
Indirect Taxes	5.4	5.4	5.8	5.1	5.8	4.9	5.5	5.3	5.3
Marketing	0.9	1.0	1.4	1.6	0.6	0.7	1.6	3.1	1.6
Intangible Amortization	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.5	1.5
Other	4.8	5.4	4.6	4.9	5.5	5.0	5.5	5.0	4.6
<b>Total Non-Interest Expense</b>	<b>\$ 84.4</b>	<b>\$ 84.8</b>	<b>\$ 80.9</b>	<b>\$ 83.2</b>	<b>\$ 91.3</b>	<b>\$ 82.0</b>	<b>\$ 88.1</b>	<b>\$ 93.9</b>	<b>\$ 90.4</b>
Income Taxes	0.8	0.8	0.7	0.1	0.5	0.8	1.0	(1.9)	0.2
<b>Total Expense incld. Taxes</b>	<b>\$ 85.2</b>	<b>\$ 85.6</b>	<b>\$ 81.7</b>	<b>\$ 83.3</b>	<b>\$ 91.8</b>	<b>\$ 82.8</b>	<b>\$ 89.1</b>	<b>\$ 92.0</b>	<b>\$ 90.6</b>

\*Includes non-service employee benefits

# Appendix

## Core Non-Interest Expense\* Trends

(in millions of US Dollars, unless otherwise indicated)

	2021			2020				2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Salaries & Benefits**	\$ 42.0	\$ 41.8	\$ 39.0	\$ 40.6	\$ 42.2	\$ 41.4	\$ 44.1	\$ 46.6	\$ 42.8
Technology & Comm.	16.3	15.7	16.1	16.1	16.3	16.3	16.4	16.5	16.3
Professional & O/S Services	5.6	4.9	5.2	5.3	5.2	5.0	5.8	6.5	5.9
Property	7.8	7.6	7.4	7.4	7.5	7.2	7.3	7.0	6.1
Indirect Taxes	5.4	5.4	5.8	5.1	5.8	4.9	5.5	5.3	5.3
Marketing	0.9	1.0	1.4	1.6	0.6	0.7	1.6	3.1	1.6
Intangible Amortization	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.5	1.5
Other	4.7	5.4	4.6	4.9	5.5	5.0	5.5	5.1	4.6
<b>Total Core Non-Interest Expense</b>	<b>\$ 84.2</b>	<b>\$ 83.4</b>	<b>\$ 80.9</b>	<b>\$ 82.4</b>	<b>\$ 84.6</b>	<b>\$ 81.9</b>	<b>\$ 87.6</b>	<b>\$ 91.6</b>	<b>\$ 84.0</b>
Income Taxes	0.8	0.8	0.7	0.1	0.5	0.8	1.0	(1.9)	0.2
<b>Total Core Expense incld. Taxes</b>	<b>\$ 84.9</b>	<b>\$ 84.2</b>	<b>\$ 81.7</b>	<b>\$ 82.5</b>	<b>\$ 85.1</b>	<b>\$ 82.7</b>	<b>\$ 88.6</b>	<b>\$ 89.7</b>	<b>\$ 84.2</b>

\* See the reconciliation of non-GAAP measures on pages 21-22

\*\* Includes non-service employee benefits

# Appendix

## Non-GAAP Reconciliation

(in millions of US Dollars, unless otherwise indicated)

		2021			2020	
		Q3	Q2	Q1	Q4	Q3
<b>Net income</b>	A	\$ 39.8	\$ 39.6	\$ 41.6	\$ 42.1	\$ 30.5
<b>Non-core (gains), losses and expenses</b>						
<b>Non-core (gains) losses</b>						
Distribution from equity method investment		—	—	—	—	(0.7)
Gain on transfer of Visa Inc. Class B shares		—	(0.9)	—	—	—
<b>Total non-core (gains) losses</b>	B	\$ —	\$ (0.9)	\$ —	\$ —	\$ (0.7)
<b>Non-core expenses</b>						
Early retirement program, voluntary separation, redundancies and other non-core compensation costs		—	1.4	—	0.8	6.7
Tax compliance review costs		0.1	—	—	—	—
Provision in connection with tax compliance review		0.1	—	—	—	—
<b>Total non-core expenses</b>	C	\$ 0.2	\$ 1.4	\$ —	\$ 0.8	\$ 6.7
<b>Total non-core (gains), losses and expenses</b>	D=B+C	<b>0.2</b>	<b>0.5</b>	<b>—</b>	<b>0.8</b>	<b>5.9</b>
<b>Core net income to common shareholders</b>	E=A+D	<b>\$ 40.0</b>	<b>\$ 40.1</b>	<b>\$ 41.6</b>	<b>\$ 42.9</b>	<b>\$ 36.5</b>
Average shareholders' equity		975.4	950.6	966.7	985.4	984.6
Average common equity	F	975.4	950.6	966.7	985.4	984.6
Less: average goodwill and intangible assets		(89.1)	(91.4)	(92.4)	(91.4)	(91.6)
Average tangible common equity	G	886.2	859.2	874.2	894.0	893.0
<b>Return on equity</b>	A/F	<b>16.2 %</b>	<b>16.7 %</b>	<b>17.5 %</b>	<b>16.9 %</b>	<b>12.3 %</b>
<b>Core return on average tangible common equity</b>	E/G	<b>17.9 %</b>	<b>18.7 %</b>	<b>19.3 %</b>	<b>19.0 %</b>	<b>16.2 %</b>
<b>Core earnings per common share fully diluted</b>						
Adjusted weighted average number of diluted common shares (in thousands)	H	49.9	49.9	49.9	49.8	50.0
Earnings per common share fully diluted	A/H	0.80	0.79	0.83	0.84	0.61
Non-core items per share	D/H	—	0.01	—	0.02	0.12
<b>Core earnings per common share fully diluted</b>	E/H	<b>0.80</b>	<b>0.80</b>	<b>0.83</b>	<b>0.86</b>	<b>0.73</b>
<b>Core return on average tangible assets</b>						
Total average assets	I	\$ 15,599.0	\$ 15,371.6	\$ 14,900.2	\$ 13,865.1	\$ 13,381.9
Less: average goodwill and intangible assets		(89.1)	(91.4)	(92.4)	(91.4)	(91.6)
Average tangible assets	J	\$ 15,509.9	\$ 15,280.2	\$ 14,807.7	\$ 13,773.6	\$ 13,290.3
<b>Return on average assets</b>	A/I	<b>1.0 %</b>	<b>1.0 %</b>	<b>1.1 %</b>	<b>1.2 %</b>	<b>0.9 %</b>
<b>Core return on average tangible assets</b>	E/J	<b>1.0 %</b>	<b>1.1 %</b>	<b>1.1 %</b>	<b>1.2 %</b>	<b>1.1 %</b>

# Appendix

## Non-GAAP Reconciliation (cont'd)

(in millions of US Dollars, unless otherwise indicated)

		2021			2020	
		Q3	Q2	Q1	Q4	Q3
<b>Tangible equity to tangible assets</b>						
Shareholders' equity	K	\$ 973.9	\$ 966.6	\$ 936.5	\$ 981.9	\$ 988.9
Less: goodwill and intangible assets		(87.3)	(90.2)	(91.5)	(92.8)	(90.7)
Tangible common equity	L	886.6	876.4	844.9	889.1	898.2
Total assets	M	15,332.2	15,664.8	14,804.8	14,738.6	13,460.7
Less: goodwill and intangible assets		(87.3)	(90.2)	(91.5)	(92.8)	(90.7)
Tangible assets	N	\$ 15,244.9	\$ 15,574.6	\$ 14,713.2	\$ 14,645.8	\$ 13,370.1
<b>Tangible common equity to tangible assets</b>	<b>L/N</b>	<b>5.8 %</b>	<b>5.6 %</b>	<b>5.7 %</b>	<b>6.1 %</b>	<b>6.7 %</b>
<b>Tangible book value per share</b>						
Basic participating shares outstanding (in millions)	O	49.5	49.6	49.7	49.4	49.5
<b>Tangible book value per common share</b>	<b>L/O</b>	<b>17.92</b>	<b>17.67</b>	<b>17.00</b>	<b>18.00</b>	<b>18.15</b>
<b>Efficiency ratio</b>						
Non-interest expenses		\$ 84.4	\$ 84.8	\$ 80.9	\$ 83.2	\$ 91.3
Less: Amortization of intangibles		(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Non-interest expenses before amortization of intangibles	P	82.9	83.2	79.4	81.7	89.8
Non-interest income		49.0	48.8	47.6	47.8	46.9
Net interest income before provision for credit losses		75.7	74.7	74.9	75.6	75.3
Net revenue before provision for credit losses and other gains/losses	Q	\$ 124.7	\$ 123.5	\$ 122.5	\$ 123.3	\$ 122.2
<b>Efficiency ratio</b>	<b>P/Q</b>	<b>66.5 %</b>	<b>67.4 %</b>	<b>64.8 %</b>	<b>66.3 %</b>	<b>73.5 %</b>
<b>Core efficiency ratio</b>						
Non-interest expenses		\$ 84.4	\$ 84.8	\$ 80.9	\$ 83.2	\$ 91.3
Less: non-core expenses	(C)	(0.2)	(1.4)	—	(0.8)	(6.7)
Less: amortization of intangibles		(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Core non-interest expenses before amortization of intangibles	R	82.7	81.9	79.4	80.9	83.1
Net revenue before provision for credit losses and other gains/losses	Q	124.7	123.5	122.5	123.3	122.2
<b>Core efficiency ratio</b>	<b>R/Q</b>	<b>66.3 %</b>	<b>66.3 %</b>	<b>64.8 %</b>	<b>65.6 %</b>	<b>68.0 %</b>



# Appendix

## Commentary on Factors Influencing COVID-19 Implications

*The continuing implications of the pandemic on our business, financial condition, liquidity and results of operations will depend on factors such as, but not limited to, the following:*

- The duration and scope of the pandemic
- The efficacy of vaccines and other actions taken to contain COVID-19 and its variants
- The pace and magnitude of the economic recovery in the jurisdictions in which we operate
- The continuation of a low interest rate environment, or further reductions in interest rates, over the medium or long term, which would adversely impact our net interest income and net interest margin, as well as increase our reliance on fee businesses
- A slow or incomplete recovery of tourism in Bermuda and Cayman, which would adversely affect our revenues, including fee income, as well as increase our credit exposure
- Increased unemployment and decreased business in the jurisdictions in which we operate
- An increase in defaults on our residential mortgage loans
- Ratings downgrades, credit deterioration and defaults in many industries, including the hotel/restaurants/hospitality sector, financial services and commercial real estate
- Further decreases in the rates and yields on US Government guaranteed securities and increased pre-payments in mortgage backed securities we hold, which may lead to a decrease in the quality of our investment portfolio
- Heightened cybersecurity, information security and operational risks as a result of remote working arrangements implemented for staff or otherwise
- Actions that have been, or may be taken in the future, by governmental authorities in response to the pandemic
- Heightened risk of litigation and governmental and regulatory scrutiny as a result of the effects of COVID-19 on market and economic conditions and actions governmental authorities take in response to those conditions

# Appendix

## Peer Group

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

- First Republic Bank (FRC)
- SVB Financial Group (SIVB)
- East West Bancorp, Inc. (EWBC)
- Cullen/Frost Bankers, Inc. (CFR)
- Associated Banc-Corp (ASB)
- Wintrust Financial Corporation (WTFC)
- Commerce Bancshares, Inc. (CBSH)
- UMB Financial Corporation (UMBF)
- First Hawaiian, Inc. (FHB)
- Bank of Hawaii Corporation (BOH)
- Trustmark Corporation (TRMK)
- International Bancshares Corporation (IBOC)
- Community Bank System, Inc. (CBU)
- First Financial Bankshares, Inc. (FFIN)
- Westamerica Bancorporation (WABC)