

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended

December 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number: 001-37877

The Bank of N.T. Butterfield & Son Limited

(Exact name of Registrant as specified in its charter)

Bermuda

(Jurisdiction of incorporation or organization)

65 Front Street, Hamilton, HM 12 Bermuda

(Address of principal executive offices)

Simon Des-Etages, 65 Front Street, Hamilton, HM 12 Bermuda

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E-mail: Simon.Des-Etages@Butterfieldgroup.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Trading Symbol (s)</u>	<u>Name of each exchange on which registered</u>
Voting ordinary shares of par value BMS 0.01 each	NTB	New York Stock Exchange
Voting ordinary shares of par value BMS 0.01 each	NTB.BH	Bermuda Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As at December 31, 2024, there were 43,537,979 shares of the registrant's common stock outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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EXPLANATORY NOTE

In this report, unless the context indicates otherwise, the term:

- **"Bank"** or **"Butterfield"** refers to:
 - The Bank of N.T. Butterfield & Son Limited;
- **"Board"** refers to:
 - The Board of Directors of the Bank;
- **"common shares"** refers to:
 - the voting ordinary shares of par value BM\$ 0.01 each in the Bank; and
- **"we", "our", "us", "the Company"** and **"the Group"** refer to:
 - the Bank and its consolidated subsidiaries.

Refer also to the Glossary at the end of this document for additional terms.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this report, references to **"BMD"**, **"BM\$"**, or **"Bermuda Dollars"** are to the lawful currency of Bermuda, and **"USD"**, **"US\$"**, **"\$"** and **"US Dollars"** are to the lawful currency of the United States of America. The Bermuda Dollar is pegged to the US Dollar on a one-to-one basis and therefore, for all periods presented, BM\$1.00 = US\$1.00. See the Glossary for more information on how we refer to additional currencies in this report.

Certain monetary amounts, percentages and other figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Our consolidated financial statements as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 have been audited, as stated in the report appearing herein, by PricewaterhouseCoopers Ltd., Bermuda ("PwC"), and are included in this report and are referred to as our audited consolidated financial statements. We have prepared these financial statements in accordance with GAAP.

We believe that the non-GAAP measures included in this report provide valuable information to readers because they enable the reader to identify the financial measures we use to track the performance of our business and guide management. Furthermore, these measures provide readers with valuable information regarding our core activities, which allows for a more meaningful evaluation of relevant trends when considered in conjunction with measures calculated in accordance with GAAP. Non-GAAP measures used in this report are not a substitute for GAAP measures and readers should consider the GAAP measures as well. For more information on non-GAAP measures, including a reconciliation to the most directly comparable GAAP financial measures, see Item 5.A. "Operating Results — Reconciliation of Non-GAAP Financial Measures".

INDUSTRY AND MARKET DATA

Some of the discussion contained in this report relies on certain market and industry data obtained from third-party sources that we believe to be reliable. Market estimates are calculated by using independent industry publications and third-party forecasts in conjunction with our assumptions about our markets. While we believe the industry and market data to be reliable as of the date of this report, this information is subject to change based on various factors, including those discussed under the headings "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" in this report.

TRADEMARKS AND SERVICE MARKS

We own or have rights to trademarks and service marks for use in connection with the operation of our business. All other trademarks or service marks appearing in this report that are not identified as marks owned by us are the property of their respective owners. Solely for convenience, the trademarks, service marks and trade names referred to in this report are listed without the ®, (TM) and (sm) symbols, but we will assert, to the fullest extent under applicable law, our applicable rights in these trademarks, service marks and trade names.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations or assumptions regarding the future of our business, future plans and strategies, our operational results and other future conditions. 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. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this annual report and include statements regarding our intentions, beliefs or current expectation concerning, among other things, our results of operations, financial condition, capital and liquidity requirements, prospects, growth, strategies, share repurchases and the industry in which we operate.

There are important factors that could cause actual results to differ materially from those contemplated by such forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the section captioned "Risk Factors" that appear in Item 3.D. "Risk Factors" of this annual report. These factors should not be construed as exhaustive and should be read with the other cautionary statements in this annual report.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this report speaks only as of the date of such statement. Except to the extent required by applicable law, we undertake no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

IMPLICATIONS OF BEING A FOREIGN PRIVATE ISSUER

We are an FPI, and so long as we qualify as an FPI under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to US domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events; and
- Regulation FD, which regulates selective disclosures of material information by issuers.

We are, however, required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we have published and intend to continue to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the New York Stock Exchange. Press releases related to financial results and material events have been and will continue to be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC is less extensive and less timely compared to that required to be filed with the SEC by US domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a US domestic issuer.

ENFORCEMENT OF CIVIL LIABILITIES

The Bank is incorporated under the laws of Bermuda. As a result, the rights of holders of the Bank's common shares will be governed by Bermuda law, the Butterfield Act and the Bank's bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Some of our directors and some of the named experts referred to in this annual report are not residents of the United States, and a substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on those persons in the United States or to enforce in the United States judgments obtained in US courts against us or those persons based on the civil liability provisions of the US federal securities laws. However, we may be served with process in the United States with respect to actions against us arising out of or in connection with violations of US federal securities laws relating to offers and sales of common shares made hereby by serving C T Corporation System, 28 Liberty Street, New York, NY 10005, our US agent irrevocably appointed for that purpose.

It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against us or our directors or officers under the securities laws of those jurisdictions, or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions.

PART 1

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable

C. Reasons for the Offer and Use of Proceeds

Not applicable

D. Risk Factors

The material risks and uncertainties that management believes affect us are described below. Any of the following risks, as well as risks that we do not know of or currently deem immaterial, could have a material adverse effect on our business, financial condition or results of operations. Further, the risk factors below include cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. See "Cautionary Note Regarding Forward-Looking Statements."

Risks Relating to the Markets in Which We Operate

Adverse economic and market conditions in Bermuda, the Cayman Islands, the Channel Islands and the UK, and other markets in which we operate, have in the past resulted in and could in the future result in lower revenue, lower asset quality, increased provisions and lower earnings.

Our financial performance generally, and in particular the ability of our borrowers to pay interest and repay principal on outstanding loans and the value of the collateral securing those loans, as well as demand for loans and other products and services we offer and whose success we rely on to drive our future growth, are highly dependent upon the business environment in the markets in which we operate. A downturn in any of Bermuda, the Cayman Islands, or the Channel Islands and the UK can have a profound impact on our business performance. Some elements of the business environment that affect our financial performance include short-term and long-term interest rates, any downgrade in sovereign credit ratings to which our credit ratings are correlated, the prevailing yield curve, inflation and price levels, monetary and fiscal policy, regulatory or legal changes (including changes in tax, property and domiciliation laws and regulations) or changes in enforcement thereof, unemployment rates, investor or business confidence, natural or man-made disasters, the strength of the local economy in the markets in which we operate, or a combination of these or other factors. For example, the 2023 downgrade by Fitch Rating Services of the US Long-Term Foreign-Currency Issuer Default Rating to 'AA+' from 'AAA' impacted the ratings on the Banks' holdings of US government treasuries and mortgage-backed securities issued by US governmental agencies. Any further downgrade could further affect the stability of securities issued or guaranteed by the federal government and the valuation or liquidity of our portfolio of such investment securities, and could result in our counterparties requiring additional collateral for our borrowings.

Unfavorable market conditions can result in a deterioration in the credit quality of our borrowers and the demand for our products and services, an increase in the number of loan delinquencies, defaults and charge-offs, additional provisions for loan losses, decreases in asset values, deterioration in investment performance and an overall material adverse effect on the quality of our loan portfolio.

Unlike banks that are more geographically diversified, our business is concentrated primarily in Bermuda, the Cayman Islands, and the Channel Islands and the UK, and we may be more affected by a downturn in these markets than more diversified competitors.

Our banking operations are concentrated in Bermuda, the Cayman Islands and the Channel Islands and the UK, and we serve customers in these markets. In the year ended December 31, 2024, 44%, 32% and 18%, of our total net revenue was derived from our Bermuda, Cayman, and Channel Islands and UK segments, respectively. In addition, in the year ended December 31, 2024, 34%, 24% and 42%, of our loans originated in Bermuda, Cayman, and Channel Islands and the UK, respectively. Accordingly, a downturn in these markets may have a profound effect on our banking business. In addition, we have sought to expand our core business lines, including through acquisitions. Any failure in our ability to expand our core business lines, successfully integrate acquisitions or any reduction in demand for our core services in our Bermuda, Cayman or Channel Islands and UK segments, including due to perceived reputational risks, increasing regulatory scrutiny over activities in these jurisdictions or otherwise, may adversely impact our business and results of operations, including the ongoing success of any of our acquired businesses.

Macroeconomic factors, including regional conflicts, and other geopolitical events could disrupt our businesses and adversely affect our financial condition or results of operations.

We are exposed to risks arising out of geopolitical events, such as trade barriers, including the imposition of tariffs and other limitations on international trade and travel; exchange controls; uncertainty concerning fiscal or monetary policy, government shutdowns, debt ceilings or funding; concerns about sovereign defaults; other measures taken by sovereign governments, including by the US and UK; and uncertainty arising from recent or upcoming elections that can hinder economic or financial activity levels. Furthermore, unfavorable political, military or diplomatic events, armed conflict, terrorist acts and threats, and pandemics and other health emergencies, and the responses to them by governments, could also negatively affect economic activity and have an adverse effect upon our business, financial condition or results of operations.

Political and economic uncertainty or conflict has in the past led, and could in the future lead, to declines in market liquidity and activity levels, volatile market conditions and exchange rates, a contraction of available credit, exacerbation of supply chain disruptions, inflationary pressures and higher interest rates and financing issues, declines in the real estate market, weaker economic growth and investment performance and reduced business confidence, all of which could impact our business. The on-going Russia-Ukraine conflict and the current conflicts in the Middle East may continue to exacerbate issues, affecting supply in certain sectors including consumer goods, metals, food, chemicals and commodities and leading to instability in financial markets, political and social instability, as well as heightened risks of cyberattacks and espionage.

Furthermore, the international response to Russia's invasion of Ukraine and the impact of the resulting direct and indirect sanctions against Russian and Belarusian individuals and entities may continue to expose us to legal and regulatory uncertainty associated with indirect exposure to Russia, Belarus or Ukraine through operations, investment and securities trading; or business relationships, connections to, or assets in Russia, Belarus or Ukraine. We could be similarly exposed as a result of conflicts in the Middle East and the sanctions targeting related individuals and entities. The US-China relationship remains complex, and there is a risk of increased restrictions and other measures being imposed by the US and other governments in relation to China. Sanctions imposed in response to such conflicts could further adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could increase market and economic instability.

In addition, changes in legislation and regulation or an attempt by any territory or dependency of the UK in which we operate to declare independence from the UK or to implement changes in its constitution, including its fiscal and monetary policies, could have a negative effect on the applicable jurisdiction's position as an international business center. This could have a significant negative effect on the local economy and in turn negatively affect our business.

Because the primary markets in which we operate do not have well-diversified economies, a downturn in their key industries could affect their economies as a whole and have an adverse effect on our business, financial condition or results of operations.

Bermuda is among the largest reinsurance markets in the world. The Cayman Islands is a leader in fund domiciliation for global asset managers, with 12,858 regulated mutual funds as at December 31, 2024 according to CIMA. International financial services account for a significant portion of the economies of the Channel Islands. Many of our commercial customers are reinsurance companies, regulated fund service providers and financial intermediaries. As a result, a downturn in these key sectors, a change in laws or regulations (including the favorable tax treatment of entities in these jurisdictions), or a shift of business away from Bermuda, the Cayman Islands, or the Channel Islands, including as a result of the inclusion of any of these jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes or the implementation of the global minimum tax regime proposed by the OECD in Bermuda or any of these jurisdictions, could result in a downturn in these key sectors, job losses and adversely impact the economies in these markets. Any downturn or further concentration in the reinsurance, investment and asset management and banking markets could also adversely affect our business, financial condition and results of operations.

A decline in tourism in Bermuda and the Cayman Islands could adversely affect our business, financial condition or results of operations.

Tourism is a major contributor to the economies of Bermuda and the Cayman Islands. A decline of this industry in Bermuda or the Cayman Islands could have adverse effects on the economic stability of these jurisdictions, and our business, financial condition or results of operations. In addition, a decline in tourism could lead to (i) decreases in the value of hotels and other commercial properties, which could adversely affect our commercial loan portfolio, and (ii) increases in unemployment, which could affect the ability of our residential borrowers to make payments on their loans.

Banks domiciled in Bermuda, including us, are not supported by a central bank from which to borrow funds, so if we are unable to maintain sufficient liquidity by continuously attracting deposits and other short-term funding, our financial condition, including our capital ratios, funding costs or results of operations could be adversely affected.

Unlike many other jurisdictions, there is no central bank or similar governmental agency in Bermuda from which we may borrow US or Bermuda Dollars if we experience liquidity shortages, which may leave us without a lender of last resort in the event that Bermuda suffers a severe economic downturn at the same time as a liquidity shortage. Similarly, there is no central bank in the Cayman Islands, Jersey or Guernsey to act as a lender of last resort. Accordingly, we may not have a lender of last resort in case of future liquidity shortages and we may be unable to sufficiently fund our liquidity needs. While there is no central bank in Bermuda, the Cayman Islands, Jersey or Guernsey that insures bank deposits, such as the Federal Deposit Insurance Corporation in the United States, the Government of Bermuda and the Government of the States of Jersey and Guernsey have each implemented a Deposit Insurance Scheme or Deposit Compensation Scheme. See Item 4.B. "Business Overview - Supervision and Regulation" and "- Certain jurisdictions in which we operate, including Bermuda, Guernsey and Jersey, have a Deposit Insurance Scheme or Deposit Compensation Scheme and we incur ongoing costs as a result." The regulators in these jurisdictions have also required us to hold capital add-ons to compensate for the systemic importance of our bank to the economy in the absence of a central bank. Without a central bank from which we could borrow funds, liquidity management is critical to the management of our consolidated balance sheet, and an inability to obtain sufficient liquidity could adversely affect our financial condition.

Certain jurisdictions in which we operate, including Bermuda, Guernsey and Jersey, have a Deposit Insurance Scheme or Deposit Compensation Scheme and we incur ongoing costs as a result.

As a bank licensed by the BMA, we are required to be a member of the DIS and pay contributions to the Deposit Insurance Fund. Currently, our premium contribution is calculated by the Bermuda Deposit Insurance Corporation as 0.25% per annum of the average total amount of our Bermuda Dollar deposits that are covered by the DIS guarantee over a rolling three-month period, payable every three months in arrears. The amount of the contribution we are liable to pay may change from time to time as the total level of our insured Bermuda Dollar deposits changes; in addition, there is no guarantee that the current rate of premium contributions charged by the Bermuda Deposit Insurance Corporation will stay the same and not increase or that the Bermuda Deposit Insurance Corporation will not require additional contributions in the event that the Deposit Insurance Fund is insufficient to pay compensation due to insured depositors in the case of an insured event. We may also not be able to recover our contributions to the Deposit Insurance Fund from any failed institution whose insured depositors receive payments from the Deposit Insurance Fund. Any contributions we are required to make as part of the DIS (and any associated costs) are a cost to our business, and such costs, including any future increases, may have an adverse effect on our business, financial condition or results of operations.

As a bank licensed by the Guernsey Financial Services Commission, we are required to pay contributions to the Guernsey DCS. Currently, we are required to pay an administration levy which is calculated by the Guernsey DCS Board. The amount of the contribution we are liable to pay may change from time to time and there is no guarantee that the current rate charged by the Guernsey DCS Board will stay the same and not increase. In the event of the failure of a Guernsey licensed bank, the Guernsey DCS Board will estimate the total level of compensation levy required and the Bank will be liable in equal shares with every other participant (i.e., every other licensed bank in Guernsey) for the first £10,000,000 and subject to certain caps for any one bank. If the total compensation levy exceeds £10,000,000, then the Bank will be liable on a pro-rata basis (calculated by reference to the total "value at risk" of our Guernsey deposits compared to the Guernsey market) with every other participant for the amount of such excess. We may also not be able to recover our contributions to the Guernsey DCS from any failed licensed bank whose insured depositors receive payments from the Guernsey DCS. Any contributions we are required to make as part of the Guernsey DCS (and any associated costs) are a cost to our business, and such costs, including any future increases, may have an adverse effect on our business, financial condition or results of operations.

The Jersey Bank DCS is funded primarily through an upfront loan from the States of Jersey. In the event of a bank failing, levies would be raised on Jersey banks, subject to certain caps for banking groups over a five-year period, based on the proportion of protected deposits each bank holds to repay the loan. In the event that the full £100 million liability of the Jersey DCS was called upon, banks would contribute approximately two-thirds of funding, with the States of Jersey contributing one-third.

We are not currently required to pay any contributions to the Jersey DCS. Any contributions we may be required in future to make as part of the Jersey DCS (and any associated costs) are a cost to our business, and such costs, including any future increases, may have an adverse effect on our business, financial condition or results of operations.

Severe weather, natural disasters and potential impacts of climate change could disrupt our businesses and adversely affect our financial condition or results of operations.

The key markets in which we operate including Bermuda and the Cayman Islands, as well as our and our customers' business, operations and financial conditions, are subject to the risks associated with severe weather conditions (including among others tropical storms, hurricanes, floods and tornadoes), earthquakes, rising sea levels and other natural disasters, including downed telephone lines, flooded facilities, power outages, fuel shortages, damaged or destroyed property and equipment, and work interruptions. Although hurricanes in the Caribbean and Bermuda during 2022, 2023 and 2024 did not negatively impact the Bank's operations or cause any insurable losses, such severe weather conditions and natural disasters have in the past and may, in the future, negatively impact us and our clients and their ability to meet their financial obligations to us, including the repayment of loans. Climate change may also aggravate the impact and increase the incidence of severe weather conditions and natural disasters, which may include altered distribution and intensity of rainfall, prolonged droughts or flooding, rising sea levels, and a rising heat index. Such events may, among other impacts, adversely affect borrowers (including those in the insurance and reinsurance industries), including resulting in an impairment of the value of property or other collateral used to secure the loans that we extend, as well as significantly impacting the economies of the key markets in which we operate. The occurrence of any of these events could have a material adverse effect on our financial condition and results of operations.

In addition, we cannot predict whether we will continue to be able to obtain insurance for natural disaster or climate change-related damages to our premises or, if obtainable and carried, whether this insurance will be adequate to cover our losses. Moreover, we expect any insurance of this nature to be subject to substantial deductibles and to provide for premium adjustments based on claims, and we do not carry insurance against all types of losses. For these reasons, costs and work interruptions resulting from such events (whether actual or anticipated) could have an adverse effect on our business, financial condition or results of operations.

In addition, climate-related concerns have resulted in and may continue to drive changes in consumer, investor and other stakeholder preferences, additional regulatory requirements or taxes and additional counterparty or customer requirements, all of which could increase our expenses, expand our regulatory and operational risks and impact our financial condition. Further, our reputation and client relationships may be damaged as a result of our actual or perceived practices related to climate change, including our involvement, or our clients' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as decisions we make in

response to considerations relating to climate change. We are also subject to risks relating to new or proposed climate change-related regulations or legislation as a result of governmental efforts around the world to mitigate climate change impacts, which could impact the Bank and its customers.

The majority of the markets in which we operate do not have systemic credit bureau reports.

Unlike the US where the FCRA is designed to help ensure that credit bureaus furnish correct and complete information when evaluating loan applications, the majority of the markets in which we operate do not have systemic credit bureau reports. Therefore, we review each loan and we use a formal and documented tiered credit approval process that is administered through and governed by our risk management framework. Due to limitations in the availability of information, our assessment of credit risk associated with a particular customer may not be based on complete, accurate or reliable information. In addition, although we have made and continue to make improvements to our credit scoring systems to better assess borrowers' credit risk profiles, we cannot provide assurance that our credit scoring systems collect complete or accurate information reflecting the actual behavior of customers or that their credit risk can be assessed correctly. Without complete, accurate and reliable information, we have to rely on other publicly available resources and our internal resources, which may not be effective. As a result, our ability to effectively manage our credit risk and subsequently our impairment losses and allowance for credit losses may be materially adversely affected. In addition, because our credit approval process involves detailed analyses of the customer or credit risk, taking into account both quantitative and qualitative factors, it is subject to human or information technology systems errors. In exercising their judgment on current or future credit risk behavior of our customers, our employees may not always be able to assign an accurate credit rating, which may result in our exposure to higher credit risks than indicated by our risk rating system. In addition, we aim to continuously refine our credit policies and guidelines to address potential risks associated with particular industries or types of customers. However, we may not be able to timely detect all possible risks before they occur, or due to limited tools available to us, our employees may not be able to effectively implement them, which may increase our credit risk. Failure to effectively implement, consistently follow or continuously refine our credit risk management system may result in an increase in the level of nonperforming loans and a higher risk exposure for us, which could have a material adverse effect on us.

Risks Relating to Our Strategy, Brand, Portfolio and Other Aspects of Our Business

We rely on our reputation and the appeal of our brand to our customers. Any damage to our reputation and appeal could harm us and our business prospects.

The success of our strategy relies significantly on our reputation and the reputation of our senior management and the Board. In addition, our customers and key introducers must continue to associate our brand with meeting customer needs and delivering value to those customers. Adverse publicity (whether or not justified) relating to activities by our management, employees, agents or others with whom we do business, such as customer service mishaps or non-compliance with laws, could tarnish our reputation and reduce the value of our brand. With the increase in the use of social media outlets, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for us to effectively respond. Such unfavorable publicity could also require us to allocate significant resources to rebuild our reputation.

As a bank operating in Bermuda, the Cayman Islands, the Channel Islands and other international financial centers, we are subject to increasing scrutiny with respect to potential or alleged legal and regulatory breaches and unethical behavior and associated reputational risks, including with respect to the general perception and reputation of financial institutions in those jurisdictions, which may in turn be affected by factors including the EU list of non-cooperative jurisdictions for tax purposes, and policies on controversial industries such as gaming and cryptocurrencies, among others. See " - Our business may be negatively impacted by the economic substance legislation and regulations in the jurisdictions in which we operate, including Bermuda, the Cayman Islands, and the Channel Islands." Any circumstance that causes real or perceived damage to our brand or reputation, or banking or wealth management generally in these jurisdictions, may negatively affect our relationships with our customers and key introducers, which would have an adverse effect on our business, financial condition or results of operations.

Potential reputational issues include, but are not limited to:

- breaching or facing allegations of having breached legal and regulatory requirements (including, but not limited to, conduct requirements, anti-money laundering requirements, anti-terrorism financing requirements, laws against assisting in tax evasion, cybersecurity and data protection laws, bribery and corruption);
- legacy issues we inherit from the businesses we acquire through a merger or acquisition;
- acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices);
- failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record-keeping;
- failing to meet the expectations of our regulators (including with respect to capital requirements, liquidity, risk oversight, governance and conduct);
- failing to appropriately address potential conflicts of interest;
- experiencing technology failures that impact customer services and accounts;
- failing to properly identify legal, reputational, credit, liquidity and market risks inherent in products offered;
- failing to meet expectations from investors, customers, employees and regulators relating to environmental, social and governance disclosures, standards and practices; and
- changing the terms of our product offerings and pricing that may result in outcomes for customers that are unfair or perceived to be unfair.

A failure to address the above or any other relevant issues appropriately could make customers unwilling to do business with us, which could have an adverse effect on our business, financial condition or results of operations and could damage our relationships with our employees and regulators.

The effects of inflation, and volatility in interest rates have and may continue to negatively impact our net interest margin and our profitability.

Net interest income is a significant component of our revenues and changes in prevailing interest rates, including the SOFR, have and may continue to adversely affect our business, including the level of net interest income we earn, and for our banking business, the levels of deposits, cost of funding and the demand for loans. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the US Federal Reserve and the Bank of England. Monetary policy, including changes in interest rates, influences the interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, and also affects our ability to originate loans and obtain deposits, the fair value of our financial assets and liabilities and the average duration of our mortgage portfolio and other interest-earning assets.

In 2022 and 2023, the strategy of central banks globally included the introduction of a series of interest rate increases. Although central banks slowly began easing rates in 2024, it is unknown for how long interest rates will remain elevated or if they will increase. As interest rates remain elevated, our net interest income would narrow if our cost of funding increased without a correlating increase in the interest we earn from loans, investments and other interest-earning assets. Because we rely extensively on deposits to fund our operations, our cost of funding would increase if there is an increase in the interest rate we are required to pay our customers to retain their deposits, as is currently being experienced in our businesses. Our cost of funding could also increase, if we are faced with competitive or regulatory pressures to increase rates on deposits. In addition, our cost of funding would increase if the interest rates we are required to pay for other sources of funding increases. Moreover, increases in interest rates have and may continue to decrease customer demand for loans as the higher cost of obtaining credit may deter customers from seeking increases in or new loans. Further, the effects of inflation and interest rate volatility may lead to liquidity issues for borrowers and debt covenant violations. An increase in interest rates may lead to the need for borrowers to

amend the terms of existing debt agreements or obtain waivers if they no longer satisfy debt covenants. Changes to existing debt arrangements may represent restructuring, modification or extinguishment, which might lead to an increased number of delinquent loans and defaults, which would affect the value of our loans. Changes in interest rates may negatively affect the value of our assets and our ability to realize gains or avoid losses from the sale of those assets, all of which may also ultimately affect earnings and capital, as well as our regulatory solvency position.

Elevated levels of inflation could pose a risk to our financial performance.

Global economies, including the jurisdictions in which we operate, continue to experience elevated levels of inflation. The duration and severity of the current inflationary period is unknown and cannot be estimated with precision. Increased costs as a result of inflation could reduce our profit margins or could result in deposit outflows, which could also negatively impact our liquidity. Inflation may also result in reduced valuations on long duration financial assets and real estate and impact the value of collateral pledged for loans. Additionally, inflation has increased volatility and uncertainty in the business environment, which could adversely impact loan demand and our clients' ability to repay indebtedness. A failure to accurately anticipate higher inflation may result in mispricing of our products. As a result, a sustained period of high inflation in our key markets could adversely affect our business, financial position or results of operations.

Our loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on us.

Our fixed rate loan and investment portfolios are subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a low interest rate environment, prepayment activity increases, which reduces the weighted average duration of our interest-earning assets and could have a material adverse effect on us. For example, decreases in global market interest rates in 2021 increased prepayment speeds and resulted in lower yields on the Bank's investments. Conversely in 2022 and 2023, increases in global market interest rates decreased prepayment speeds resulting in marginally higher yields on the Bank's investments. Prepayments also require us to recognize net premiums or commissions as income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income. Prepayment risk also has a significant adverse impact on credit card and collateralized mortgage loans, since prepayments could shorten the weighted average life of these assets, which may result in a mismatch in our funding obligations and reinvestment at lower yields. Prepayment risk is inherent to our commercial activity and an increase in prepayments could have a material adverse effect on us.

The value of the securities in our investment portfolio may decline in the future.

As at December 31, 2024, we owned \$5.5 billion of investment securities consisting primarily of securities issued by the US government and US governmental agencies and recorded net unrealized losses in our AFS and HTM portfolios of \$163.3 million and \$569.3 million, respectively, due to changes in the fair value of our investment securities as a result of rapidly rising long-term market interest rates during 2022 and 2023. In 2024, our investment portfolio had an average yield of 2.36%. Increased unrealized losses on investment securities or other assets on our balance sheet can reduce market or client confidence in us, which could limit our ability to attract new client assets and accounts or result in the transfer of client assets and accounts from us. In addition, if we were ever forced to sell the such investment securities sooner than intended prior to maturity due to liquidity needs, we would have to recognize any unrealized losses at that time which could have an adverse effect on our business, financial conditions or results of operations.

The fair value of our investment securities may continue to be adversely affected by market conditions, including future changes in interest rates and the occurrence of any events adversely affecting the issuers of particular securities in our investment portfolio. We perform periodic reviews to determine if a credit impairment exists. Our Group Asset and Liability Committee reviews the results of the impairment analysis and advises whether a credit impairment exists. The process for determining whether a credit impairment exists usually requires complex, subjective judgments about the future financial performance of the issuer of the relevant security in order to assess the probability of receiving all contractual principal and interest payments on the security.

We did not record any credit impairment losses on investments in the years ended December 31, 2024, 2023 and 2022. We may be required to recognize credit impairments in the future periods, which could have an adverse effect on our business, financial conditions or results of operations. See "- If we are unable to effectively manage our liquidity we may need to seek additional financing and our business, financial condition or results of operations could be adversely affected."

Volatility levels and fluctuations in foreign currency exchange rates may affect our business, financial position and results of operations.

We are exposed to foreign currency risk as a result of our holdings of foreign currency denominated assets and liabilities, investments in foreign subsidiaries, and future foreign currency denominated revenues and expenses. Fluctuations in exchange rates may raise the potential for losses resulting from foreign currency trading positions, where aggregate obligations to purchase and sell a foreign currency do not offset each other or offset each other in different time periods. Exchange rate volatility may have negative impacts on our business, financial position and results of operations. For example, the GBP/USD volatility experienced in the latter half of 2022, 2023 and into 2024 significantly impacted the value of GBP-denominated loans and deposits recorded on our consolidated balance sheets.

We also provide foreign exchange services to our clients, including trading on behalf of clients in all major currencies and providing hedging solutions to manage foreign exchange risk. Foreign currency volatility influences the level of client activity. Changes in client activity may result in reduced income from foreign exchange services.

In addition, the Bermuda Dollar and the Cayman Islands Dollar are pegged to the US Dollar at exchange rates of 1 Bermuda Dollar to 1 US Dollar and 1 Cayman Islands Dollar to 1.20 US Dollars, respectively. However, we cannot make assurances that these pegs will be maintained. In the event that the Bermuda Dollar or Cayman Islands Dollar is de-pegged or the current ratios are changed, including as a result of changes in laws, regulations or policies in these jurisdictions, the value of our financial position or results of operations could be adversely affected. Moreover, our US Dollar deposits are used to fund mortgages in Bermuda Dollars and Cayman Islands Dollars. As the Bermuda Dollar and the Cayman Islands Dollar are pegged to the US Dollar, we do not engage in hedging activities to counteract this currency risk. If the Bermuda Dollar or Cayman Islands Dollar ceased to be pegged to the US Dollar at the current ratios, however, we could be exposed to significant currency risks.

A decline in the residential real estate market, including in Bermuda, the Cayman Islands, the Channel Islands and the United Kingdom, could increase the risk of loans being impaired and could have an adverse effect on our business, financial condition or results of operations.

We are exposed to the risk that our borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. As at December 31, 2024, approximately 54% of our Bermuda loan portfolio, net of allowance for credit losses, was composed of residential mortgages in Bermuda; approximately 60% of our Cayman Islands loan portfolio, net of allowance for credit losses, was composed of residential mortgages in the Cayman Islands and approximately 86% of our Channel Islands and UK loan portfolio, net of allowance for credit losses, was composed of residential mortgages in the Channel Islands and the UK. A decline in the real estate market, in particular in Bermuda, the Cayman Islands, the Channel Islands and the UK, would mean that the collateral for our loans would hold less value. As a result, our ability to recover on defaulted loans by selling the underlying real estate would be diminished, and we would be more likely to suffer losses on the defaulted loans. Declines in the real estate market, including as a result of lower infrastructure spending in the markets in which we operate, could also adversely affect demand for new loans, further decreasing the interest revenue generated by our loan portfolio. In addition, if our estimate for our allowance for credit losses proves to be inadequate, we will have to increase the allowance accordingly and may have future charge-offs. This may lead to impairment charges on loans and other assets, higher costs and higher provisions for credit losses.

The risk of loan impairment may be compounded by the fact that there is limited economic and statistical data regarding the Bermuda, the Cayman Islands and the Channel Islands real estate markets. Although reliable and comprehensive economic and statistical data is available for certain real estate markets, such as the Case-Schiller Home Price Index in the United States, there is no comparable statistical data or mechanism to value the overall real estate market in all our markets. This lack of information makes it difficult to assess the market value of real estate in these markets, and requires us to rely on observations of the valuation of our own real estate originations in order to assess whether the value of mortgaged real estate has declined. See " - The appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property may not accurately describe the net value of the collateral that we can realize." Any of the above factors could have an adverse effect on our business, financial condition or results of operations.

We could be negatively affected if the soundness of other financial institutions and counterparties deteriorates or if such counterparties, including clearing houses, are unwilling to do business with us, in particular in respect of US Dollar transactions.

Given the high level of interdependence between financial institutions, we are and will continue to be subject to the risk of actual or perceived deterioration in the commercial and financial soundness of other financial services institutions as evidenced by the collapse of multiple high profile regional banks such as Silicon Valley Bank, Signature Bank and First Republic Bank in 2023, which resulted in decreased confidence in banks among consumer and commercial depositors, other counterparties and investors, as well as significant disruption, volatility and reduced valuations of equity and other securities of banks in the capital markets. Within the financial services industry, the default by any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a financial institution may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as "systemic risk" or "contagion" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses and banks with whom we interact on a daily basis. In particular, BNYM and Wells Fargo Bank, N.A. ("Wells Fargo") act as clearing houses for all our US Dollar transactions. If BNYM's or Wells Fargo's ability to act as our clearing houses becomes impaired or BNYM or Wells Fargo cease to act as our clearing houses for any other reason and other financial institutions are not willing to provide the services currently provided to us by BNYM and Wells Fargo, we could lose our ability to engage in US Dollar transactions, which could lead to severe disruptions in our operations and adversely impact our business, financial condition or results of operations.

Our strategy includes expansion of our business through acquisitions of, or investments in, other companies or new products and services, but our growth opportunities are geographically limited and we may not be able to achieve regulatory approval for such transactions or be able to achieve the anticipated cost savings, growth opportunities and other benefits anticipated from such transactions.

We seek to grow both organically and through acquisitions. In the past several years, we have made various acquisitions and investments intended to complement and expand our businesses, including our September 2022 agreement with Credit Suisse to acquire assets (i.e. client relationships) from its trust business in Singapore, Guernsey and The Bahamas, which was completed in December 2023. Our long-term growth strategy includes identifying and effecting selective acquisitions in our core geographies, but we cannot be sure that we will be able to continue to identify suitable acquisition targets or investment opportunities. Even if we identify suitable targets, there can be no assurance that we will be able to obtain the necessary funding on acceptable terms, if at all, to finance any of those potential acquisitions or investments. In addition, as compared to competing financial institutions with larger geographic footprints, there are fewer suitable targets within our core geographies which limits our strategic opportunities.

We may also be required to obtain regulatory approval (including from the BMA) prior to any potential acquisition or investment depending on the transaction and the laws and regulations of the target's country of incorporation. Regulators consider a number of factors when determining whether to approve a proposed transaction, and we may have difficulty obtaining the necessary regulatory approvals, government permits or licenses required for such acquisitions. We may fail to pursue, evaluate or complete strategic and competitively significant business opportunities as a result of our inability, or our perceived inability, to obtain any required regulatory approvals in a timely manner or at all.

Even where we are able to complete an acquisition or an investment, we cannot be sure that such acquired entity, business or asset or such investment will perform in line with our assumptions or expectations or otherwise complement our business or strategy due to a variety of factors, including lower revenues than expected, unforeseen operating difficulties and expenditures, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) and risks associated with the disruption of management's attention from ongoing business operations due to acquisition and integration activities.

In addition, integrating an acquired company, business asset or technology possesses significant risks, including, among other things:

- the incorporation of new technologies into our existing business infrastructure;
- the maintenance of standards, controls, procedures and policies throughout the organization (including effective internal controls over financial reporting and disclosure controls and procedures);
- the consolidation of our corporate or administrative functions;
- the coordination of our sales and marketing functions to incorporate the new business asset or technology;
- the potential for liabilities and claims arising out of the acquired businesses;
- the integration of corporate cultures;
- the maintenance of morale, retention and integration of key employees to support the new business asset or technology and management of our expansion in capacity; and
- compliance with the regulatory regimes of newly entered jurisdictions.

In addition, a significant portion of the purchase price of companies or assets that we may acquire may be allocated to goodwill and other intangible assets. Intangible assets are tested for impairment annually or when there is a triggering event requiring such testing; an intangible asset that is subject to amortization is periodically reviewed for impairment. Goodwill is tested for impairment on an annual basis. As at December 31, 2024, we had \$23.6 million and \$66.0 million of goodwill and intangible assets, respectively. In the future, if our acquisitions do not yield expected returns or there are changes in discount rates, we may be required to take additional charges to our earnings based on the impairment assessment process, which could harm our business, financial condition, results of operations and prospects.

If we are unable to effectively manage our liquidity we may need to seek additional financing and our business, financial condition or results of operations could be adversely affected.

We need liquidity to pay our operating expenses, to fund depositor withdrawals, interest on our debt and declared dividends on our common shares, and to replace certain maturing liabilities. Without sufficient liquidity, we will be forced to curtail our operations and our business will suffer materially and may not survive.

Our main source of funding is customer deposits. As at December 31, 2024, we had \$12.7 billion in deposits (52% USD deposits, 20% USD-pegged deposits, 21% GBP deposits), with 38% of our deposits derived from our Bermuda segment, 31% from the Cayman segment, and 31% from the Channel Islands segment. In addition, we source funding from net income generated by the Bank, net of dividends paid, and to a lesser extent from other sources including the sale of securities to institutional

counterparties under repurchase agreements and the sale of equity securities and AFS securities. Our deposit base includes both demand and term liabilities, with the significant majority of such deposits being demand deposits or are due within six months. Because we rely primarily on short-term deposits for funding, a sudden or unexpected shortage of funds in the banking systems in which we operate may prevent us from obtaining necessary funding at all or without incurring higher costs. Our deposit base includes deposits from commercial and institutional clients which may be more sensitive to financial strength rating changes. See also " - We face competition in all aspects of our business, and may not be able to attract and retain wealth management, trust and banking clients at current levels." A significant withdrawal of deposits in either of these markets could significantly affect our liquidity and our ability to meet our funding needs, in particular as the expanding use of internet and mobile banking have significantly increased the speed with which customers can access deposits in response to real or perceived risks or otherwise. Any sudden liquidity crisis could lead to the Bank's failure.

In addition, as a bank with subsidiaries located in various jurisdictions, the Bank's access to inter-company funds can be restricted because our regulated banking subsidiaries are required to maintain certain liquidity ratios or minimum levels of capital in accordance with the laws of the jurisdictions in which they operate or otherwise. The necessity of maintaining these ratios or levels of capital or other liquidity considerations could restrict the ability of these subsidiaries to transfer funds to us, in the form of cash dividends, loans or advances.

In the event that our current resources do not satisfy our needs, we may need to seek additional financing. The availability of additional financing will depend on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, above average interest rates and supply/demand dynamics, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects, including as a result of economic uncertainty or any downgrade in sovereign credit ratings in key markets in which we operate.

We rely on third parties to provide services that are integral to our ordinary operations, and their failure to perform in a satisfactory manner could negatively affect us.

We rely on third parties to provide services that are integral to our ordinary course operations, including providers of information technology, administrative or investment advisory services. These third party supported functions or operating systems may not function properly, become insufficient to support our evolving business needs or become defective or damaged as a result of a number of factors including events beyond our control. Enhancements and upgrades to third party supported infrastructure or operating systems entail significant time and costs, and create risks associated with implementing new systems and integrating them with existing ones. Due to the complexity of our systems, across multiple jurisdictions and product types, the process of enhancing our infrastructure and operating systems, including their security measures and controls, can create a risk of system disruptions and security issues. Similarly, we may not be able to timely recover critical business processes or operations that have been disrupted, which may further increase the associated costs and consequences of such disruptions. Although we have business continuity plans in place, as well as cybersecurity and other safeguards to help provide operational resiliency, our business operations may be adversely affected by significant and prolonged disruption to our operating systems that support our businesses and customers. Furthermore, third parties on which we rely, could also introduce operational risk to us, including from information breaches or loss, breakdowns, cyber incidents, disruptions or failures of their own systems or infrastructure, or any deficiencies in the performance of their responsibilities. A material breach of customer data may negatively impact our business reputation and cause a loss of customer business; may result in increased expense to contain the event and/or require that we provide credit monitoring services for affected customers; may result in regulatory fines and sanctions; and/or may result in litigation. We rely on our outsourced service providers to implement and maintain prudent cybersecurity controls. We have procedures in place designed to assess a vendor's cybersecurity controls prior to establishing a contractual relationship and to periodically review assessments of those control systems; however, these procedures are not infallible and a vendor's system can be breached despite the procedures we employ. In addition, outsourcing is subject to regulatory controls in certain jurisdictions in which we operate and we may not always be able to obtain approval to outsource on terms available or sought by us, which could adversely affect our ability to enter into outsourcing arrangements.

In addition, BNYM and Wells Fargo act as clearing houses for all our US Dollar transactions and, if our relationships with BNYM and Wells Fargo are terminated, we could lose our ability to engage in US Dollar transactions. For more information see " - We could be negatively affected if the soundness of other financial institutions and counterparties deteriorates or if such counterparties, including clearing houses, are unwilling to do business with us, in particular in respect of US Dollar transactions."

We face competition in all aspects of our business, and may not be able to attract and retain wealth management, trust and banking clients at current levels.

We compete with a broad range of financial institutions. Many of our competitors are larger and have broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. We face competition from other lending institutions and from numerous other providers of financial services, including the following:

- *Non-banking financial institutions.* The ability of these institutions to offer services previously limited to commercial banks has intensified competition. Because non-banking financial institutions are not subject to the same regulatory restrictions as banks, they can often operate with greater flexibility and lower cost structures; and
- *Competitors that have greater financial resources.* Some of our larger competitors, including certain international banks that have a significant presence in our market area, may have greater capital and resources and higher lending limits and may offer products, services and technology that we do not. We cannot predict the reaction of our customers and other third parties with respect to our financial or commercial strength relative to our competition, including our larger competitors.

In our banking business, we face competition mainly from other local banks, such as Bermuda Commercial Bank and Clarien Bank in Bermuda and from Cayman National Corporation in the Cayman Islands, as well as from subsidiaries of international banks, being Royal Bank of Canada in the Cayman Islands and HSBC in Bermuda, whom we view as our most significant competitors. In our wealth management business line, we face competition from local competitors, as well as much larger financial institutions, including financial institutions that are not based in the markets in which we operate. Revenues from the trust and wealth management business depend in large part on the level of AUA. In addition, as higher-for-longer interest rates have developed as the most likely scenario in the near term, competition for deposits has increased across our island jurisdictions, particularly in the Channel Islands.

In our trust business, we face competition primarily from other specialized trust service providers. Many of our competitors in the international financial sector offer fund administration and corporate services work alongside private client fiduciary services.

Our ability to successfully attract and retain trust, wealth management and banking clients is dependent upon our ability to compete with competitors' investment products, retail products and services, level of investment performance, client services and marketing and distribution capabilities. If we are not successful, our business, financial condition or results of operations may be adversely affected.

The addition of new products and services, or modified products or services may subject us to implementation and reputational risk.

From time to time, we may introduce new activities or new technology through new products and services within business entities. For example, we have introduced digital account applications, know-your-client processes and Google Pay in all our core banking jurisdictions, and Apple Pay in Guernsey and Jersey. There may be substantial risks and uncertainties associated with these efforts. Insufficient planning may lead to an incomplete assessment and understanding of associated risks involved with new activities and may result in inadequate oversight and controls. New activities may increase strategic risk where not compatible with the bank's risk appetite or strategic plan or do not provide an adequate return on investment; engagement of new activities without adequate due diligence and failure to provide adequate resources, expertise and experience

to properly implement and oversee new activities. This can increase reputational risk and negative public opinion. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, financial condition, and results of operations.

The Bank's credit ratings have a direct effect on its competitive position, and declines in the Bank's ratings may increase the cost of borrowing funds and make our ability to raise new funds, attract and retain deposits or renew maturing debt more difficult, which may negatively affect long-term and short-term funding.

The Bank's credit strength ratings are an important component of its liquidity profile and competitive position. Ratings show each agency's view of our financial strength, operating performance and ability to meet debt obligations as they become due. NRSROs periodically review the financial performance and condition of banks and may downgrade or change the outlook on a bank's ratings due to, for example: a change in a bank's regulatory capital ratios; a change in an NRSRO's determination of the amount of capital cushion required to maintain a particular rating; an increase in the perceived risk of a bank's investment portfolio; reduced confidence in management; or other considerations that may or may not be under our control. The Bank has credit ratings from S&P, Moody's and KBRA. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. The Bank's ratings as at December 31, 2024 are shown in the table below:

	Ratings		
	KBRA	Moody's	S&P
Long-term issuer	A+	A3	BBB+
Short-term issuer	K1	P-2	A-2
Subordinated debt	A	Baa2	BBB
Long-term counterparty risk assessment		A2	
Short-term counterparty risk assessment		P-1	

In September 2023, Moody's downgraded our subordinated debt from A3 to Baa2. The impact of the recent downgrade or any future downgrades in our credit ratings could adversely affect clients' perception of us and our ability to compete successfully in the marketplace for deposits (or result in the withdrawal of deposits). A downgrade in our short-term debt ratings may affect our short-term funding capabilities. There has been no measurable correlation or effect on deposit levels during previous downgrades and, as a result, historically, no material impacts on the Bank's operations or results.

Negative changes in the Bank's long-term credit ratings would also likely increase the cost of raising long-term funding in the capital markets or of borrowing funds. Even where we can access the capital markets, negative changes in our ratings could affect our share price and make any equity offerings more difficult and dilutive to current shareholders, further driving down the Bank's share price. Our ability to replace maturing or existing debt may be more difficult and expensive. In addition, our lenders and counterparties in derivative transactions are sensitive to the risk of a ratings downgrade. However, we may issue additional debt securities in the future which may increase the impact of a one-notch downgrade in credit ratings.

Management cannot predict what actions rating agencies may take, or what actions we may take in response to the actions of rating agencies that could adversely affect our business. As with other companies in the financial services industry, our ratings could be downgraded at any time and without any notice by any NRSRO, which could adversely affect our business, financial conditions or results of operations.

We could fail to attract, retain or motivate highly skilled and qualified personnel, including our senior management, other key employees or members of the Board, which could adversely affect our business.

Our ability to implement our strategic plan and our future success depends on our ability to continue to attract, retain and motivate highly skilled, diverse and qualified personnel, including our senior management and other key employees and directors, competitively with our peers. The marketplace for skilled personnel is competitive, which means the cost of hiring, incentivizing and retaining skilled personnel may continue to increase. For example, labor shortages and increased turnover in recent years has increased the cost of hiring, incentivizing and retaining skilled personnel. Increased turnover and the shortage of employees may put stress on internal control environments. While the Bank has previously experienced slightly higher turnover levels as compared to historical averages, these have now stabilized and we do not consider them to be material or systemic in nature. The failure to attract or retain, including as a result of an untimely death or illness of key personnel, or replace a sufficient number of appropriately skilled and key personnel could place us at a significant competitive disadvantage and prevent us from successfully implementing our strategy or effectively managing our risk framework and business operations. This could impair our ability to implement our strategic plan successfully, achieve our performance targets and otherwise have an adverse effect on our business, financial condition or results of operations.

We may also be unable to attract and retain staff due to our locations. Many of our employees are employed in Bermuda, the Cayman Islands, and the Channel Islands, which are small markets. Therefore, location may be an impediment to attracting and retaining experienced personnel. Further, immigration laws in small markets impose limitations on attracting experienced personnel.

In addition, governmental scrutiny with respect to matters relating to compensation and other business practices in the financial services industry has increased dramatically in the past several years and has resulted in more aggressive and intense regulatory supervision in certain markets in which we operate or are regulated. Future legislation or regulation or government views on compensation may result in us altering compensation practices in ways that could adversely affect our ability to attract and retain talented employees.

Our business is subject to risks related to litigation and regulatory actions.

We are, from time to time, involved in various legal and regulatory proceedings arising from our normal business activities. These claims and legal actions, including supervisory actions by our regulators or proceedings or investigations brought by other regulators, as well as litigation relating to collateral underlying outstanding loans or mortgages, could involve large monetary claims and significant defense costs. The outcome of these cases is uncertain. Substantial legal liability or significant regulatory action against us could have material financial effects or cause significant reputational harm to us, which in turn could seriously harm our business, financial condition, results of operations and prospects. We may also be exposed to substantial uninsured liabilities, which could materially affect our results of operations and financial condition.

As previously publicly announced, in November 2013, the USAO applied for and secured the issuance of so-called John Doe Summonses to six US financial institutions with which the Bank had correspondent bank relationships. The purpose of these summonses was to identify US persons who may have been using our banking, trust, or other services to evade their own tax obligations in the United States. The Bank cooperated with the US authorities in their investigation and reached a resolution with the US Department of Justice in July 2021. The resolution was in the form of a non-prosecution agreement with a three-year term and payment of \$5.6 million. The non-prosecution agreement had a three-year term and concluded in July 2024.

Requirements and expectations from our regulators and other stakeholders on sustainability, environmental, social and governance issues could significantly impact our business.

Regulators, investors and customers are increasingly focused on sustainability and ESG issues. Certain of our regulators have proposed or adopted, or may propose or adopt, sustainability and ESG-related rules or standards that could apply to our business, including requirements or expectations that would enhance or expand our reporting, diligence, and policies on these topics. Other stakeholders have also proposed or adopted sustainability and ESG-related standards or policies, and may rate or otherwise, evaluate our business and other practices according to such requirements, standards and policies, which are continually evolving and often not clear. Unfavorable ratings of the Bank may adversely affect investor sentiment towards the Bank or the market price of our securities, see also " - Severe weather, natural disasters and potential impacts of climate change could disrupt our businesses and adversely affect our financial condition or results of operations." ESG regimes in different jurisdictions and ESG standards used by different stakeholders may also impose different and potentially conflicting requirements, or reflect inconsistent or conflicting values or agendas. See also " - Our international business model exposes us to various and possibly conflicting regulatory regimes across multiple jurisdictions."

We may need to incur significant costs in order to meet the requirements and expectations of our regulators and other stakeholders on ESG issues. Our policies and processes to evaluate and manage ESG standards in coordination with other business priorities may not prove completely effective or satisfy regulators, investors, customers, or other stakeholders. As a result, we could face adverse regulatory, investor, customer, media, or public scrutiny leading to business, reputational, or legal challenges.

Risks Relating to Operations, Risk Oversight and Internal Controls

Our operations are reliant on effective implementation and use of technology and require us to adapt to new technologies, and a breach, interruption or failure of our technology services or the inability to effectively integrate new technologies could have an adverse effect on our business, financial condition or results of operations.

We rely heavily on communications and information systems to conduct business. In particular, we rely on technology to provide key components of our information system infrastructure, including loan, deposit and general ledger processing, risk management information collection and processing for internal control purposes, internet connections and network access. Any disruption in service of these key components, for example due to system errors, a natural catastrophe, or the termination of any third-party software licenses upon which any of these systems is based, could adversely affect our ability to effectively deliver products and services to clients, to detect, assess and manage risk and otherwise to conduct operations. See " - We rely on third parties to provide services that are integral to our ordinary operations, and their failure to perform in a satisfactory manner could negatively affect us." Furthermore, any security breach, due to computer viruses, programming, malfeasance or human errors or other events or developments, of information systems or data, whether managed by us or third parties, could interrupt our business, harm our reputation or cause a decrease in the number of clients using our services. The financial services industry is continually undergoing rapid technological change with frequent introductions of new, and technology-driven products and services. We face the risk of having to establish and maintain further improved technological capabilities, and our future success depends, in part, on our ability to recognize and implement new technologies to address our operational and internal control needs, operational efficiencies and to meet the demands of our clients. See " - Cyber-attacks, distributed denial of service attacks and other cybersecurity matters, if successful, could have an adverse effect on our business, financial condition or results of operations."

The widespread adoption of new technologies, including cryptocurrencies, blockchain, machine learning and artificial intelligence, have and could continue to require substantial expenditures to modify or adapt our existing products and services as we continue to grow our internet and mobile banking capabilities or other technological-based distribution channels. The persistence or acceleration of this shift in demand towards internet and mobile banking has and may continue to necessitate changes to our retail distribution strategy, which include restructuring our branches and work force. These actions could lead to losses on these assets and may lead to increased expenditures to reform our retail distribution channel.

Many of our competitors have substantially greater resources to invest in technological improvements than we do. We may not be able to effectively implement new, technology-driven products and services or be successful in marketing these products and services to our customers. In addition, the implementation of technological changes and upgrades to maintain current systems and integrate new ones may also cause service interruptions, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws. Failure to successfully keep pace with technological change affecting the financial services industry and avoid interruptions, errors and delays could have an adverse effect on our business, financial condition, results of operations, or competitive position.

Cyber-attacks, distributed denial of service attacks and other cybersecurity matters, if successful, could have an adverse effect on our business, financial condition or results of operations.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and store sensitive, proprietary or confidential data. The secure processing, storage, maintenance and transmission of this data is critical to our operations and reputation. We are under continuous threat from cyber-attacks, especially as we continue to expand customer capabilities to utilize the internet and other remote channels to transact business. If any of our data were mishandled, misused, improperly accessed, lost or stolen, or if our operations were disrupted, we could suffer significant financial, reputational or other damages. Two of the most significant cyber-attack risks that we face are e-fraud and loss of sensitive customer data. These risks may be more likely where third party vendors have access to or process data on our behalf. While such attacks are infrequent, they could present significant reputational, legal and regulatory costs to us if successful. In addition, the nature of cyber-attacks is constantly and rapidly evolving, and the use of AI by cybercriminals may increase the frequency and severity of cybersecurity attacks against us or our third-party vendors and clients. Attempts to infiltrate our systems may not be recognized until launched against us and in some cases are designed not to be detected. Although we make significant efforts to maintain the security and integrity of our information systems, there can be no assurances that our security measures will be effective.

Third parties with whom we or our customers do business also present operational and information security risks to us, including security breaches or failures of their own systems. Cyber-attacks at third party service providers are also becoming increasingly common and, as a result, risks relating to cyber-attacks on our vendors have been increasing. We also face risks related to cyber-attacks and other security breaches in connection with credit card transactions that typically involve the transmission of sensitive information regarding our customers through various third parties, including merchant acquiring banks, payment processors, payment card networks (e.g., Visa or Mastercard), our processors, and clearing banks. Some of these parties have in the past been the target of security breaches and cyber-attacks, and because the transactions involve third parties and environments such as the point of sale that we do not control or secure, future security breaches or cyber-attacks affecting any of these third parties could impact us through no fault of our own, and in some cases we may have exposure and suffer losses for breaches or attacks relating to them, including from remediation costs, increased future protection costs, reputational harm, loss of customers and potential regulatory inquiries and/or civil litigation. We also rely on numerous other third-party service providers to conduct other aspects of our business operations and face similar risks relating to them.

Our increased use of cloud and other technologies heighten our exposure to security weaknesses that may increase our risks to data breaches, data loss, data leakage, account hijacking, insecure application programming interfaces and other potential cyber-risk events. Many of our employees (and staff of service providers) work remotely or from other sites. These working arrangements could potentially provide increased opportunities for cyber threat actors to exploit. We cannot provide assurances that the safeguards we have put in place or may implement in the future will prevent all unauthorized infiltration or breach, or that we will not suffer material losses related to a security breach in the future.

In recent years, U.S. regulators, including the FDIC, SEC, and the FINRA, have made statements concerning cybersecurity risk management, preparedness and resiliency for financial institutions such as us. These statements range from issues with respect to client account protections to business continuity, and represent the regulators' expectations for financial institutions to have more robust cybersecurity risk management and a preparedness and resiliency program for themselves and their service providers. A financial institution is also expected to develop processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution, or its critical service providers, fall victim to this type of cyber-attack. Any cyber incidents, such as those of our third party vendors, could result, among other things, in increased regulatory scrutiny and adverse regulatory or civil litigation consequences.

The occurrence of a cyber-threat scenario could cause interruptions in our operations and result in the incurrence of significant costs, including those related to forensic analysis and legal counsel, each of which may be required to ascertain the extent of any potential harm to our customers, or employees, or damage to our information systems and any legal or regulatory obligations that may result therefrom. The SEC adopted rules that require us to publicly disclose information about a material cybersecurity incident, including the impact or reasonably likely impact. Disclosure may be required before the incident has been resolved or fully investigated. The occurrence of a cyber-threat may therefore have a material adverse effect on our reputation, financial condition and results of operations. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of internet banking, mobile banking and other technology-based products and services by us and our clients.

Due to the increasing sophistication of such attacks, we may not be able to prevent denial-of-service or other cyber-attacks that could compromise our normal business operations or the normal business operations of our clients, or result in the unauthorized use or disclosure of clients' confidential and proprietary information. The occurrence of any failure, interruption or security breach of network and computer systems resulting from denial-of-service or other cyber-attacks or security incidents could impact our ability to operate and serve our clients, damage our reputation, result in a loss of client business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could adversely affect our business, results of operations or financial condition.

Our risk management and compliance framework, systems and process, and related guidelines and policies, may prove inadequate to manage our risks, and any failure to properly assess or manage such risks could harm us.

We maintain an enterprise risk management program that is designed to identify, quantify, monitor, report and control the risks we face. We also maintain a compliance program to identify, measure, assess and report on adherence to applicable laws, policies and procedures. Our approach to risk management requires senior management to make complex judgments, including decisions (based on assumptions about economic factors) about the level and types of risk that we are willing to accept in order to achieve our business objectives. These also include the maximum level of risks we can assume before breaching constraints determined by regulatory capital and liquidity needs and our regulatory and legal obligations including, among others, from a conduct and prudential perspective. Given these complexities, and the dynamic environment in which we operate, the decisions made by senior management may not be appropriate or yield the results expected. In addition, senior management may be unable to recognize emerging risks quickly enough for us to take appropriate action in a timely manner. There can be no assurances that our framework for risk management, compliance and related controls will effectively mitigate risk and limit financial losses for our operations.

Our controls and procedures may fail or be circumvented, which could have an adverse impact on our business, financial condition or results of operations.

We face the risk that the design of our controls and procedures that govern operations, financial reporting and compliance across jurisdictions, including those to mitigate the risk of human error, fraud or breach of fiduciary duties relating to our trust services by employees or outsiders, or to monitor financial reporting, may be inadequate, circumvented or exposed to variations in compliance at the local level, thereby causing inaccuracies in data and information or delays in the detection of errors. At present, we do not have a uniform core banking platform in place across the jurisdictions in which we operate and, therefore, we need to use manual processes to compile certain financial information from certain subsidiaries. Moreover, in the past, our information technology capabilities in Bermuda and other jurisdictions have experienced difficulties with certain identified weaknesses, including internal control deficiencies in our operations. To address this, in certain limited circumstances, we used manual processing, data spreadsheets or a combination thereof. Use of such manual procedures and data spreadsheets presents financial reporting and operational risks and increases the importance of staff compliance with internal operating and security procedures. In addition, we may incur operational losses due to non-compliance by our staff with internal operating and control procedures and arising from human error. Any failure or circumvention of our controls and procedures or failure to comply with any current or future regulations related to controls and procedures could have an adverse effect on our business, financial condition or results of operations.

Regulatory and Tax-Related Risks

We operate in a complex and changing regulatory environment and legal and regulatory changes or our failure to comply with laws and regulations could have a negative impact on our business, financial condition or results of operations.

Our business is subject to ongoing changes in laws, regulations, policies, voluntary codes of practice and interpretations in the markets in which we operate. We currently face an increasingly extensive and complex set of laws, regulations and standards as a result of the concerns enveloping the global financial sector. We are exposed to potential changes in governmental or regulatory policies, including those relating to price controls, capital controls, exchange controls, conduct, other restrictive actions, unfavorable political and diplomatic developments, and changes in legislation.

Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. This may result in conflicts with specific requirements of the jurisdictions in which we operate and, in addition, such changes may be inconsistently introduced across jurisdictions. See "- Our international business model exposes us to various and possibly conflicting regulatory regimes across multiple jurisdictions."

Changes may also occur in the oversight approach of regulators. It is possible that governments in jurisdictions in which we operate or obtain funding might revise their application of existing regulatory policies that apply to, or impact, the Bank's business, including for reasons relating to national interest and/or systemic stability. The powers exercisable by our regulators may also be expanded in the future e.g. conduct legislation and potential fee regulation in Bermuda.

Regulatory changes and the timing of their introduction continue to evolve and we manage our businesses in the context of regulatory uncertainty. The nature and impact of future changes are not predictable and are beyond our control. Regulatory compliance and the management of regulatory change are an important part of our planning processes. We expect that we will be required to continue to invest significantly in compliance and the management and implementation of regulatory change and, at the same time, significant management attention and resources will be required to update existing, or implement new, processes to comply with new regulations.

Changes and restrictions imposed by our primary lead regulator, the BMA, and other regulators may also impact our operations by requiring us to have increased levels of liquidity, and higher levels of, and better quality, capital and funding, as well as placing restrictions on the businesses we conduct (including limiting our ability to provide products and services to certain customers), requiring us to amend our corporate structure or requiring us to alter our product or service offerings. If a regulatory change has any such effect, it could adversely affect one or more of our businesses, restrict our flexibility, require us to incur substantial costs and impact the profitability of one or more of our business lines. Any such costs or restrictions could adversely affect our business, prospects, financial performance or financial condition.

Our failure or inability to fully comply with the laws and regulations could lead to fines, public reprimands, reputational damage, civil liability, enforced suspension of

operations or, in extreme cases, withdrawal of authorization to operate, which could adversely affect our business, financial condition, results of operations or prospects. We could also be required to incur significant expenses to comply with new or revised regulations. Future developments or changes in laws, regulations, policies, voluntary codes of practice and their effects may require greater capital resources and significant management attention, and may require us to modify our business strategies and plans.

The costs of complying with, or our failure to comply with, domestic and foreign laws related to privacy, data security and data protection, such as the EU General Data Protection Regulation, could adversely affect our financial condition, operating results and reputation.

Regulatory authorities have increased their focus on how companies collect, process, use, store, share and transmit personal data. Data privacy laws and regulations, including the UK's Data Protection Act 2018, the Data Protection (Jersey) Law 2018, the Data Protection (Bailiwick of Guernsey) Law 2017, The Cayman Islands Data Protection Act 2021, Bermuda's Personal Information Protection Act 2016 (which became effective in January 2025), and the EU General Data Protection Regulation 2016, pose increasingly complex and rigorous compliance challenges, which may increase our compliance costs.

In addition, the use of artificial intelligence by our employees, or third parties on which we rely, could lead to the public disclosure of confidential information in contravention of these data privacy laws and regulations. The misuse of AI solutions could result in unauthorized access and use of personal data of our employees, customers, or other third parties.

Any failure to comply with data privacy laws and regulations could result in significant penalties, fines, legal challenges and reputational harm. See Item 4.B. "Business Overview - Supervision and Regulation".

Failure to comply with any applicable anti-corruption legislation could result in fines, criminal penalties and an adverse effect on our business, financial condition or results of operations.

We must comply with all applicable laws and regulations, which include anti-corruption, anti-money laundering, international financial sanctions and anti-terrorist financing laws and regulations. Recently, there has been a substantial increase in the global enforcement of these laws and regulations, in particular in respect of the financial services industry. The measures and procedures we have in place may not be entirely effective in preventing third parties from using us (and our correspondent banks) as a conduit for money laundering (including illegal cash operations), terrorist financing or other financial crimes without our (and our correspondent banks') knowledge or consent. Although, as of the date of this report, we have not been subject to any fines or penalties, as a result of violations of anti-money laundering and counter-terrorism laws and regulations, there can be no assurances that we will not be subject to such fines, penalties or losses or harm in the future. If we were to be associated with money laundering (including illegal cash operations) or terrorist financing, our reputation could be harmed and we could become subject to fines, sanctions or legal enforcement (including being added to any "blacklists" that would prohibit certain parties, potentially including US Dollar clearing banks, from engaging in transactions with us), which could have a material adverse effect on our business, financial condition or results of operations.

The Financial Action Task Force may identify any of the jurisdictions in which we operate as a jurisdiction which has systemic anti-money laundering and/or anti-terrorist financing deficiencies, which could have an adverse effect on our business.

The FATF is an international body that identifies jurisdictions with weak measures to combat money laundering and terrorist financing in public documents published three times a year. FATF and its regional bodies work with such jurisdictions, governments, and regulatory bodies and report on progress made in addressing identified deficiencies. Such reviews are at a country level, rather than an entity-specific level. Thus, while the Bank can have in place globally accepted standards to fight money laundering and terrorist financing, the existing regulations in any of the jurisdictions in which we operate may not meet FATF requirements. Failure to comply with FATF standards by any jurisdictions in which we operate could adversely affect our reputation and our ability to obtain financing from the international markets and attract foreign investments.

Our international business model exposes us to various and possibly conflicting regulatory regimes across multiple jurisdictions.

Our international business model exposes us to different regulatory regimes across multiple jurisdictions. Although our central management and a large part of our business are located in Bermuda, our operations are spread throughout ten international jurisdictions. In addition to the logistical and communications challenges this creates, the financial services industry is heavily regulated in many jurisdictions, and each line of the business is exposed to different, constantly evolving and possibly conflicting regulatory schemes. Our management has enacted internal controls and procedures that are designed to result in compliance with these regulatory schemes, which are periodically reviewed and updated, but in the future we might have difficulty meeting and remaining in compliance with existing or new regulatory requirements imposed by a particular jurisdiction, particularly in light of the increasing regulatory scrutiny of financial institutions and their subsidiaries. Our current internal controls for one jurisdiction may not sufficiently comply with the demands of increased oversight in another jurisdiction.

To the extent we are unable to comply with the regulatory scheme of a particular jurisdiction, we might not be able to operate in that jurisdiction, or we may incur fines or penalties for compliance failures or incur costs in order to remediate compliance failures, any or all of which could adversely affect our business, financial condition or results of operations.

Our business may be negatively impacted by the economic substance legislation and regulations in the jurisdictions in which we operate, including Bermuda, the Cayman Islands, and the Channel Islands.

In 2018, all major offshore jurisdictions enacted legislation in response to new requirements imposed by the EU's ECOFIN regarding the need for entities registered in offshore jurisdictions to demonstrate economic substance. Compliance with these requirements is necessary to avoid a jurisdiction being placed on the EU's list of non-cooperative jurisdictions for tax purposes. Many of the jurisdictions in which we operate, including Bermuda, the Cayman Islands, The Bahamas, Guernsey and Jersey have enacted legislation that requires entities registered, incorporated or continued under certain legislation in the respective jurisdictions engaged in "relevant activities" (which includes engaging in banking or financing activities) to satisfy economic substance requirements by maintaining a substantial economic presence in the respective jurisdiction. For example, in December 2018, Bermuda passed The Economic Substance Act 2018, the Cayman Islands passed the International Tax Co-operation (Economic Substance) Law, The Bahamas passed the Commercial Entities (Substance Requirement) Act, Guernsey passed the Income Tax (Substance Requirements) (Implementation) Regulations, 2018 and Jersey passed the Taxation (Companies - Economic Substance) (Jersey) Law 2019. Any entity that must satisfy economic substance requirements but fails to do so could face financial penalties, a restriction of its business activities or being struck-off as a registered entity in the relevant jurisdiction.

In October 2022, The Bahamas was added to the EU's list of non-cooperative jurisdictions for tax purposes as the EU's ECOFIN concluded that they failed to adequately address a number of recommendations of the OECD Forum on Harmful Tax Practices in connection to the enforcement of economic substance requirements. In response The Bahamas adopted reforms sufficient to address this deficiency and was subsequently removed from the list and added to the list of cooperative jurisdictions in February 2024. From February to October 2020, the Cayman Islands were on the EU's list of non-cooperative jurisdictions for tax purposes. The EU's ECOFIN concluded that the Cayman Islands did not have appropriate measures in place relating to collective investment vehicles, and in response the Cayman Islands adopted reforms sufficient to address this deficiency and was subsequently removed from the list and added to the list of cooperative jurisdictions in October 2020. Bermuda was similarly placed on the EU's list of non-cooperative tax jurisdictions in March 2019, but removed from this list in May 2019 and added to the EU's list of cooperative tax jurisdictions in February 2020. EU

Finance Ministers signaled their approval of the economic substance regulations by placing Jersey and Guernsey on the EU's list of cooperative tax jurisdictions in March 2019, and the OECD has endorsed Jersey and Guernsey's domestic legal framework as being in line with the relevant standard. As the EU continues to monitor compliance by the jurisdictions in which we operate, further economic substance requirements imposed by these jurisdictions or a future addition of these jurisdictions to the EU's list of non-cooperative tax jurisdictions could have a material adverse effect on us.

We are required to obtain approval from our regulators before engaging in certain activities.

The laws, regulations, policies, voluntary codes of practice and interpretations applicable to us govern a variety of matters, including acquisitions and other activities we may engage in. As our primary lead regulator, the BMA requires that we obtain its prior consent, letter of no objection and/or approval before engaging in certain activities, including paying dividends on our common shares, entering into material acquisitions or issuing or repurchasing our common shares, and there can be no assurance that any regulatory approvals we may require will be obtained, either in a timely manner or at all. See "- Our strategy includes expansion of our business through acquisitions of, or investments in, other companies or new products and services, but we may not be able to achieve regulatory approval for such transactions or be able to achieve the anticipated cost savings, growth opportunities and other benefits anticipated from such transactions." Our regulators have the ability to compel us to, or restrict us from, taking certain actions entirely, such as actions that our regulators deem to constitute an unsafe or unsound banking practice. Any restrictions on our business placed by a regulator could have a negative impact on our ability to execute on our growth strategy. See "- Laws in certain jurisdictions in which we operate and our bye-laws could adversely affect the rights of our shareholders or prevent or delay a change in control." For example, if our capital levels are deemed insufficient by the BMA or otherwise, they may not approve our payment of a regular quarterly dividend.

If we are considered to be a passive foreign investment company, such characterization could result in adverse US federal income tax consequences to shareholders that are US investors.

Special adverse US federal income tax rules apply if a US shareholder holds shares of a company that is treated as a PFIC, for any taxable year during which the US shareholder held such shares. A foreign corporation will be considered a PFIC for any taxable year in which (1) 75% or more of its gross income is passive income, or (2) 50% or more of the average fair market value of its assets is attributable to assets that produce or are held for the production of passive income (the "asset test"). Passive income for this purpose generally includes dividends, interest, royalties, rents, annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% (by value) of the stock of another corporation, the foreign corporation is treated, for purposes of the PFIC tests, as owning a proportionate share of the other corporation's assets and receiving its proportionate share of the other corporation's income.

Banks generally derive a substantial part of their income from assets that are interest-bearing or that otherwise could be considered passive under the PFIC rules. The IRS has issued a notice, and has proposed regulations, that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank.

Based upon the proportion of our income derived from activities that are "bona fide" banking activities for US federal income tax purposes, we believe that we were not a PFIC for the taxable year ended December 31, 2024 (the latest period for which the determination can be made) and, based further on our present regulatory status under local laws, the present nature of our activities, and the present composition of our assets and sources of income, we do not expect to be a PFIC for the current year or for any future years. However, PFIC status is a factual determination and there are uncertainties in the application of the relevant rules. Moreover, the IRS may issue guidance in the future with different requirements to be a qualified foreign bank, which we may not satisfy. Accordingly, there can be no assurances that we will not be a PFIC for any particular year. If we were a PFIC in any taxable year during which a US shareholder owns our common shares and the US shareholder does not make a "mark-to-market" election, as discussed under the heading "Taxation - Material US Federal Income Tax Consequences - US Shareholders - Passive Foreign Investment Company Considerations," or a special "purging election," we generally would continue to be treated as a PFIC with respect to such US shareholders in all succeeding years, regardless of whether we continue to meet the income or asset test discussed above. US shareholders are urged to consult their own tax advisers with respect to the tax consequences to them if we were to become a PFIC for any taxable year in which they own our common shares.

US withholding tax and information reporting requirements imposed under the Foreign Account Tax Compliance Act may apply.

As discussed below under the heading "Taxation - Material US Federal Income Tax Consequences - Foreign Account Tax Compliance Act Withholding," pursuant to the FATCA enacted in 2010, a 30% withholding tax will be imposed on certain payments to certain non-US financial institutions that fail to comply with certain information-reporting, account identification, withholding, certification and other FATCA-related requirements in respect of their direct and indirect US shareholders and/or US account holders. To avoid becoming subject to FATCA withholding, we and other financial institutions may be required to report information to the IRS regarding the holders of our common shares and to withhold on a portion of payments under our common shares to certain holders that fail to comply with the relevant information reporting requirements (or that hold our common shares directly or indirectly through certain non-compliant intermediaries). However, under proposed Treasury regulations, such withholding will not apply to payments made before the date that is two years after the date on which final regulations defining the term "foreign passthru payment" are enacted. The rules for the implementation of this legislation have not yet been fully finalized, so it is impossible to determine at this time what impact, if any, this legislation will have on holders of the common shares.

Many countries, including Bermuda, have entered into agreements with the United States ("IGAs") to facilitate the implementation of FATCA. These IGAs modify the FATCA withholding regime described above. In December 2013, Bermuda entered into a Model 2 IGA with the United States pursuant to which Bermudian financial institutions are directed by the Bermudian authorities to register with the IRS and to enter into an agreement with the IRS to perform specified due diligence, reporting and withholding functions.

We, like many financial institutions, remain under considerable regulatory scrutiny regarding our ability to prevent and detect financial crime. The financial crime threats we face have continued to evolve, often in tandem with broader geopolitical, socioeconomic and technological shifts in our markets, leading to challenges such as managing conflicting laws and approaches to legal and regulatory regimes.

Financial crime risk evolved during the COVID-19 pandemic, notably with the manifestation of fraud risks linked to the economic slowdown and resulting deployment of government relief measures. The accelerated digitization of financial services has fostered significant changes to the payments ecosystem, including a multiplicity of providers and new payment mechanisms, not all of which are subject to the same level of regulatory scrutiny or regulations as financial institutions. Developments around digital assets and currencies, notably the role of cryptocurrencies, are increasing regulatory and enforcement focus on the financial crimes linked to these types of assets. While we continuously monitor for financial crime, there is a risk that we may unknowingly become a party to, associated with, or accused of being associated with, money laundering or violations of sanctions laws or regulations which could damage our reputation and could make us subject to fines, sanctions and/or legal enforcement. Any one of these outcomes could have a material adverse effect on our business, financial condition, results of operations, prospects and reputation.

Risks Relating to the Common Shares

Purchases of our common shares under our share repurchase program may result in the price of our common shares being higher than the price that otherwise might have existed in the open market.

On December 9, 2024, the Board of Directors approved a new share repurchase program. Pursuant to the program, the Bank is authorized to repurchase up to 2.7 million common shares of the Bank through December 31, 2025. The timing, manner, price and amount of any repurchases will be determined by the Bank, in its discretion, based upon the evaluation of economic and market conditions, stock price, available cash, applicable legal and regulatory requirements and other factors, and which may include purchases pursuant to Rule 10b5-1 of the Exchange Act. The program does not require the Bank to repurchase any specific number of shares and there can be no assurance that any shares will be repurchased under the program. The program may be suspended, extended, modified or discontinued by the Bank at any time. These activities may have had the effect of maintaining the market price of our common shares or deferring a decline in the market price of the common shares, and, as a result, the price of our common shares may have been higher than the price that otherwise might have existed in the open market.

We are a "foreign private issuer" under US securities law. Therefore, we are exempt from certain requirements applicable to US domestic registrants.

Although we are subject to the periodic reporting requirements of the Exchange Act, the periodic disclosure required of FPIs, including us, under the Exchange Act is different from periodic disclosure required of US domestic registrants. Therefore, there may be less publicly available information about us than is regularly published by or about US domestic registrants. We are exempt from certain other sections of the Exchange Act to which US domestic registrants are subject, including the requirement to provide our shareholders with information statements or proxy statements that comply with the Exchange Act. In addition, our insiders and large shareholders are not obligated to file reports under Section 16 of the Exchange Act. See "Implications of Being a Foreign Private Issuer."

As an FPI, we are also permitted by the NYSE to comply with Bermuda corporate governance practice in lieu of complying with certain NYSE corporate governance requirements. This means that we are not required to comply with NYSE requirements that:

- the board of directors consists of a majority of independent directors;
- independent directors meet in regularly scheduled executive sessions;
- the audit committee satisfy NYSE standards for director independence;
- the audit committee has a written charter addressing the committee's purpose and responsibilities;
- we have a nominating and corporate governance committee composed of independent directors with a written charter addressing the committee's purpose and responsibilities;
- we have a compensation committee composed of independent directors with a written charter addressing the committee's purpose and responsibilities;
- we establish corporate governance guidelines and a code of business conduct;
- our shareholders approve any equity compensation plans; and
- there be an annual performance evaluation of the nominating and corporate governance and compensation committees.

With the exception of having shareholders approve equity compensation plans, we have elected to comply with the NYSE requirements listed above, notwithstanding the exemptions available to us as an FPI. However, as ongoing compliance is not required by the NYSE, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all of the NYSE corporate governance requirements.

We are a Bermuda company. Bermuda law differs from the laws in effect in the United States and might afford less protection to shareholders.

We are a Bermuda-based company incorporated under the laws of Bermuda. As a result, the rights of holders of our common shares will be governed by Bermuda law, including the Companies Act, the Butterfield Act and our bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. In particular, under Bermuda law, the duties of directors and officers of a company are generally owed to the company only, and shareholders do not generally have rights to take action against directors or officers of the company. In addition, class actions and derivative actions are generally not available to shareholders under Bermuda law. The status of laws currently in place, and areas not currently governed, are subject to change. The interests of our shareholders could be adversely affected if significant regulations are added or deleted from Bermuda's existing statutory framework. For a summary of the existing legal framework in Bermuda, see Item 4.B. "Business Overview - Supervision and Regulation."

In addition, our business is based outside of the United States, a majority of our directors and officers reside outside of the United States and a majority of our assets and some or all of the assets of such persons are located outside of the United States. As a result, it may be difficult or impossible to effect service of process on us or our directors and officers in the United States or to enforce in the United States judgments obtained in the United States courts against us or those persons based on the civil liability provisions of the United States securities laws. Furthermore, it is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions.

There are provisions in our bye-laws that may be used to delay or block a takeover attempt, which could discourage, delay or prevent a change in control of the Bank and could adversely impact the value of our common shares. For a detailed summary of the anti-takeover provisions in our bye-laws, see "Description of Share Capital" in our registration statement on Form F-1 filed with the SEC on February 13, 2017 with file number 333-216018.

Our ability to pay dividends to non-residents of Bermuda and the transfer of our common shares to non-residents of Bermuda could be impaired by Bermuda regulations.

A large number of our shareholders are resident outside of Bermuda, and our common shares are listed on the BSX and the NYSE. Bermuda regulations impacting non-Bermuda holders of our common shares are set by the Bermuda Controller of Foreign Exchange, whose current policy:

- permits the conversion of Bermuda Dollars for payment of dividends in foreign currency to shareholders who are non-residents of Bermuda for exchange control purposes, provided that all payments are processed through an authorized dealer, including, for this purpose, us; and
- permits the free transferability of equity securities of a Bermuda company for so long as such equity securities of such company are listed on an "appointed stock exchange" appointed by the Minister of Finance under section 2(9) of the Companies Act 1981.

However, if the Controller of Foreign Exchange were to change the foregoing policies, our ability to pay dividends in US Dollars to non-residents of Bermuda for exchange control purposes could be impaired. Furthermore each transfer of our common shares to or from non-residents of Bermuda for exchange control purposes could require specific approval by the Controller of Foreign Exchange. This could impact the liquidity of the market for our common shares, and the value of the common shares could be adversely affected.

Laws in certain jurisdictions in which we operate and our bye-laws could adversely affect the rights of our shareholders or prevent or delay a change in control.

Under the provisions of Bermuda's BDCA, the rights of our shareholders could be impaired if any such shareholder becomes a shareholder controller. If a shareholder controller fails to comply with the notice requirements in connection with a change in control under the BDCA or continues as such after being given notice of objection to its being a shareholder controller, the BMA may take the actions specified in the BDCA, including, among other things, revoking the relevant license of the Bank under the BDCA. For more information, see the summaries of relevant provisions of the BDCA regulations under Item 4.B. "Business Overview - Supervision and Regulation" and "Description of Share Capital" in our registration statement on Form F-1 filed with the SEC on February 13, 2017 with file number 333-216018.

Similarly, in Guernsey certain changes to the ownership structure of our Guernsey company (which is licensed by the Guernsey Financial Services Commission) may be considered to be a change of control requiring a declaration of "no objection" from the regulator.

In addition to these restrictions, the provisions of our bye-laws provide that a person who is not "Bermudian" (as such term is defined in the Companies Act) who is "interested" (as such term is defined in the bye-laws) in our shares which constitute more than 40% of all shares then issued and outstanding is not entitled to vote the shares which are in excess of such 40% interest at any general meeting without the prior written approval of the Minister of Finance. See also Item 4.B. "Business Overview - Supervision and Regulation."

Our common shares trade on more than one market and this may result in price variations; in addition, investors may not be able to easily move shares for trading between such markets.

Our common shares have traded on the BSX since 1971 and began trading on the NYSE in September 2016. Trading in our common shares on these markets takes place in different currencies (US Dollars on the NYSE and Bermuda Dollars on the BSX), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Bermuda). The trading prices of our common shares on these two markets may differ due to these and other factors. Any decrease in the price of our common shares on the BSX could cause a decrease in the trading price of our common shares on the NYSE, or vice versa. Investors could seek to sell or buy our common shares to take advantage of any price differences between the markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both our share prices on one exchange, and the shares available for trading on the other exchange.

The value of the common shares may fluctuate significantly.

The value of our common shares may fluctuate significantly as a result of a large number of factors, including, in part, changes in our actual or forecasted operating results and the inability to fulfill the profit expectations of securities analysts, as well as the high volatility in the securities markets generally, and more particularly in shares of financial institutions. The current market price of our common shares may not be indicative of future market prices.

Other factors, besides our financial results, that may impact the price of our common shares include, but are not limited to:

- market expectations of the performance and capital adequacy of financial institutions in general;
- investor perception of the success and impact of our strategies;
- investor perception of our positions and risks, including risks associated with economic uncertainty in key markets in which we operate;
- a downgrade or review of our credit ratings;
- potential litigation or regulatory action involving us;
- announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and
- general market circumstances.

Holders of our common shares may not receive dividends.

The dividend policy described under Item 8.A. "Consolidated Statements and Other Financial Information - Dividend Policy" should not be construed as a dividend forecast. Our results of operations and financial condition are dependent on our performance. There can be no assurance that we will declare and pay dividends in the future. Any decision to declare and pay dividends in the future will be subject to the prior approval of the BMA and be made at the discretion of the Board. Such dividends shall be declared and paid by the Board only as permitted under applicable law. In determining the amount of any future dividends, factors the Board may take into account include: (1) our financial results; (2) our available cash, as well as anticipated cash requirements (including debt servicing); (3) our capital requirements, including the capital requirements of our subsidiaries; (4) our capital requirements to fund potential acquisitions; (5) contractual, legal, tax and regulatory restrictions on, and implications of, the declaration and payment of dividends by us to our shareholders or share repurchase activity; (6) general economic and business conditions; (7) restrictions applicable to the Bank and its subsidiaries under Bermuda and other applicable laws, regulations and policies, including the requirement to obtain a letter of no objection from the BMA for the payment of dividends on our common shares; and (8) any other factors that the Board may deem relevant. Therefore, there can be no assurance that we will declare or pay any dividends to holders of the common shares, or as to the amount of any such dividends.

Our ability to declare and pay dividends may also depend on the level of distributions, if any, received from our operating subsidiaries. Our operating subsidiaries may be precluded from declaring and paying dividends by various factors, such as their own financial condition, or restrictions applicable to us and our subsidiaries under Bermuda and other applicable laws, regulations and policies. The ability of certain of our subsidiaries to upstream funds has been increasingly restricted due to changes in the business and regulatory environments in the jurisdictions in which those subsidiaries operate. In addition, any change in tax treatment of dividends or interest received by us may reduce the level of yield received by our shareholders.

The issuance of additional shares in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.

We may seek to raise capital to fund future acquisitions and other growth opportunities. We may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible securities. Any issuance of additional shares, however, is subject to prior BMA approval, and we cannot guarantee that their approval will be obtained, either in a timely manner or at all. In the event that we are able to and do issue additional shares, existing shareholders could suffer dilution in their percentage ownership.

General Risk Factors

Information provided to us about clients and counterparties may not be accurate or complete.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and

completeness of that information and, with respect to financial statements, on reports of independent auditors. Such information could turn out to be inaccurate, including as a result of fraud or misrepresentation on behalf of our clients, counterparties or other third parties, which would increase our credit risk and expose us to possible write-downs and losses and may also adversely affect our ability to comply with certain rules, regulations and standards.

We cannot be certain that our underwriting and operational controls will prevent or detect such fraud or that we will not experience fraud losses or incur costs or other losses related to such fraud. Our clients and counterparties may also experience fraud in their businesses which could adversely affect their ability to repay their loans or make use of our services.

During the periods reported in this annual report, we have not experienced any material losses, or had to write down collateral, as a result of fraud or misrepresentation, but we cannot be certain that the Bank will not experience any such losses or have to write down any such collateral in the future, which could have a material adverse impact on our results of operation and financial condition.

The appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property may not accurately describe the net value of the collateral that we can realize.

In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and, as real estate values may change significantly in relatively short periods of time (especially in periods of heightened economic uncertainty and in rising interest rate environments), this estimate may not accurately describe the net value of the real property collateral after the loan is made. As a result, we may not be able to realize the full amount of any remaining indebtedness when we foreclose on and sell the relevant property. In addition, we rely on appraisals and other valuation techniques to establish the value of our OREO and to determine certain loan impairments. If any of these valuations are inaccurate, our consolidated financial statements may not reflect the correct value of our OREO, and our allowance for credit losses may not reflect accurate loan impairments. This could have an adverse effect on our business, financial condition or results of operations.

We may be alleged to have infringed upon intellectual property rights owned by others or may be unable to protect our own intellectual property.

Competitors or other third parties may allege that we, or consultants or other third parties retained or indemnified by us, infringe on their intellectual property rights. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of our management and employees. In addition, although in some cases a third party may have agreed to indemnify us for such costs, such indemnifying party may refuse, or be unable, to uphold its contractual obligations.

Moreover, we rely on a variety of measures to protect our intellectual property and proprietary information, including copyrights, trademarks, and controls on access and distribution. These measures may not prevent misappropriation or infringement of our intellectual property or proprietary information and a resulting loss of competitive advantage. In any event, we may be required to litigate to protect our intellectual property and proprietary information from misappropriation or infringement by others, which is expensive and could cause a diversion of resources and may not be successful.

Our insurance coverage may not be adequate to cover all possible losses that we could suffer, and our insurance costs could increase in the future.

Our insurance policies do not cover all types of potential losses and liabilities and are subject to limits and deductibles. There can be no assurance that our insurance will be sufficient to cover the full extent of all losses or liabilities for which we are ultimately responsible, which could result in losses being incurred by the Bank. Additionally, we cannot guarantee that we will be able to renew our current insurance policies on favorable terms, or at all.

Changes in accounting policies and practices may be adopted by applicable regulatory agencies or other authoritative bodies, which could materially impact our financial statements.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, applicable regulatory agencies and other authoritative bodies change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Corporate Information

We are a company incorporated under the laws of Bermuda, incorporated on October 22, 1904, pursuant to The N.T. Butterfield & Son Bank Act, 1904 (the "Butterfield Act"). We are registered with the Registrar of Companies in Bermuda under registration number 2106. Our registered office and principal executive offices are located at 65 Front Street, Hamilton, HM 12, Bermuda. Our agent for service of process in the United States is C T Corporation System, 28 Liberty Street, New York, New York 10005. Our telephone number is (441) 295 1111. We maintain a website at www.butterfieldgroup.com. Neither this website nor the information on or accessible through this website is included or incorporated in, or is a part of, this report.

The SEC maintains an internet site at <https://www.sec.gov> that contains reports, information statements, and other information regarding issuers that file electronically with the SEC.

Our History

The origin of The Bank of N.T. Butterfield & Son Limited dates back to the founding of the trading firm of Nathaniel Butterfield circa 1784. In 1858, our company was established as a bank in Bermuda and has been instrumental to the functioning of the local economy ever since. The Bank was later incorporated under a special act of the local Parliament in 1904. In the 1960s, as international businesses began contributing substantially to Bermuda's economy, we developed services to work to meet their needs. In 1967, we opened offices in the Cayman Islands and by the 1980s had expanded our operations to include retail banking, investment management, and fund administration. In 1973, we opened our Guernsey office in order to provide customers with access to the Pound Sterling currency after Bermuda's departure from the British Sterling zone. In addition to being Bermuda's first bank, we opened the first ATMs in Bermuda in the 1980s and launched Bermuda's first internet banking service in 2001. In 1971, we listed our common shares on the BSX under the ticker symbol "NTB.BH". In 2016, we listed our common shares on the NYSE under the ticker symbol "NTB".

In 2008 and 2009, as a result of the global financial crisis, we realized losses attributable primarily to US non-agency mortgage backed securities in our investment portfolio, as well as write-downs on local market hospitality loans. To raise capital to offset these losses, the Bank executed a \$200 million preference share offering in June 2009. In 2009 and 2010, we implemented a comprehensive restructuring plan for the Company: we hired a new management team, de-risked our balance sheet, and raised \$550 million of common equity from a group of investors as well as existing shareholders.

Since our restructuring, we have pursued a strategy to focus on our core business in banking and wealth management. We have executed upon our strategy by streamlining the Company's operations through exiting non-core markets, repositioning our balance sheet, investing in efficiency initiatives, and continuing to invest in our core business lines to grow both organically and through acquisitions. By following this strategy, we have improved our financial results and have been able to initiate a progressive capital return policy for investors. The following are the most recent key steps in executing our strategy:

- In October 2017, we entered into an agreement to acquire Deutsche Bank AG's ("Deutsche Bank's") Global Trust Solutions ("GTS") business, excluding its US operations, for net cash payments of \$24.7 million. Upon completion of the transaction, Butterfield took over the ongoing management and administration of the GTS portfolio, comprising approximately 1,000 trust structures for some 900 private clients in Guernsey, Switzerland, the Cayman Islands and Singapore. As part of the transaction, we also acquired a service company in Mauritius to provide operations and support services to our trust businesses. This transaction was completed in March 2018.
- In February 2018, we entered into an agreement to acquire Deutsche Bank's banking and custody business in the Cayman Islands, Jersey and Guernsey, which provides services primarily to financial intermediaries and corporate clients. The Bank began to onboard certain customer deposits relating to the acquisition in 2018, and this onboarding activity was completed in the first half of 2019.
- In May 2018, we issued \$75 million of 5.25% Fixed to Floating Rate Subordinated Notes due in 2028 to repay a portion of our outstanding indebtedness and for other general corporate purposes.
- In July 2019, we completed the £160.7 million (\$201.1 million) acquisition of ABN AMRO (Channel Islands) Limited ("ABN AMRO (Channel Islands)"), which provides banking, investment management and custody products to three distinct client groups, including trusts, private clients, and funds.
- In June 2020, we issued \$100 million of 5.25% Fixed to Floating Rate Subordinated Notes due in 2030 for general corporate purposes, including the repayment of a portion of our previously outstanding debt.
- In September 2022, we entered into an agreement to acquire assets from the Credit Suisse global trust businesses operating in Singapore, Guernsey and The Bahamas. The transaction was completed in December 2023.
- In June 2023, we executed the early redemption of the Bank's \$75 million 5.25% Fixed to Floating Rate Subordinated Notes due June 1, 2028.
- In 2024, Butterfield's business in the Channel Islands was reorganized so that all business formerly carried on in or from within Jersey by Butterfield Bank (Jersey) Limited has been transferred to Butterfield Bank (Guernsey) Limited acting through its Jersey branch (Butterfield Bank (Guernsey) Limited, Jersey Branch). The scheme was sanctioned by the Royal Court of Jersey on May 14, 2024 and the transfer of the Business became effective on June 1, 2024.

B. Business Overview

Overview

We are a full service bank and wealth manager headquartered in Hamilton, Bermuda. We operate our business through three geographic segments: Bermuda, the Cayman Islands, and the Channel Islands and the UK (CI & UK). We offer banking services, comprising of retail, private and corporate banking, treasury services, and wealth management, which consists of investment management, advisory and brokerage services, trust, estate, and company management in both our Bermuda and Cayman Islands segments, as well as custody services in our Bermuda segment. The CI & UK segment includes the jurisdictions of Guernsey and Jersey (Channel Islands), and the UK. In the Channel Islands, a broad range of services are provided to individuals, private clients and trusts, and to financial intermediaries and funds including deposit services, mortgage lending, private and corporate banking, treasury services, wealth management and fiduciary services. In 2023, we began issuing credit cards to residents of Guernsey and Jersey. The UK jurisdiction provides mortgage lending for high-value residential properties. We also have operations in the jurisdictions of The Bahamas, Canada, Mauritius, Singapore and Switzerland, which we include in our Other segment.

For the year ended December 31, 2024, we generated \$579.9 million in net revenue after provision for credit losses and other gains/losses ("net revenue"). Our total net revenue, before inter-segment eliminations, by each of our three geographic segments and our non-reportable "Other" segment for the years ended December 31, 2024, 2023 and 2022 are as follows:

In millions of \$	For the year ended		
	2024	2023	2022
Net Revenue			
Bermuda	\$ 262.0	\$ 269.9	\$ 248.6
Cayman	\$ 189.5	\$ 200.6	\$ 182.0
Channel Islands and the UK	\$ 108.3	\$ 91.6	\$ 107.1
Other	\$ 42.6	\$ 35.9	\$ 29.5

As at December 31, 2024, we had \$14.2 billion in total assets, \$4.5 billion in net loans, \$12.7 billion in total deposits (52% USD, 20% USD-pegged, 21% GBP), \$131.3 billion and \$30.5 billion of trust and custody businesses assets under administration, respectively, and \$6.0 billion of assets under management.

In our Bermuda and Cayman segments, our bank provides a full range of retail and corporate banking services to individuals, local businesses, captive insurers, reinsurance companies, trust companies, and hedge funds. The key products we offer include personal and business deposit services, residential and commercial mortgages, small and medium-sized enterprise and corporate loans, credit and debit cards, merchant acquiring, mobile and internet banking, and cash management.

In our Channel Islands and UK segment, our bank provides a broad range of services to individuals, private clients and trusts, and to financial institutions and funds including deposit services, mortgage lending, private and corporate banking, treasury services, wealth management and fiduciary services. In 2023, the segment began issuing credit cards to local residents of Guernsey and Jersey. The UK jurisdiction provides mortgages for high-value residential properties.

In all of our segments, we offer wealth management to high net worth and ultra-high net worth individuals, family offices, and institutional and corporate clients. Our wealth management platform has three lines of business: trust, private banking, and asset management.

The trust business line, which utilizes specialists in each of our geographic areas, responds to client needs in estate and succession planning, administration of complex asset holdings, and efficient coordination of family affairs. In addition, the business provides pension and employee benefits services for multinational corporations, as well as services that involve administration of and fiduciary responsibility for customized trust structures holding a wide range of asset types including financial assets, property, business assets and art.

Our private banking business line offers access to a suite of services, targeted toward high net worth and ultra-high net worth individuals, trusts, and family offices, that can be customized to each client's needs and preferences and delivered as part of a coordinated strategy by a dedicated private banker. We provide clients in our Bermuda, Cayman, and Channel Islands and the UK segments with an integrated model that combines traditional wealth management with banking, lending, cash management, foreign exchange services, custody and access to asset management and trust professionals within Butterfield. We also provide our clients with access to their account information through the use of internet and mobile banking.

Our asset management business line provides a broad range of portfolio management services to institutional and private clients. Our target client base includes institutions such as pension funds and captive insurance companies with investable assets over \$10 million and private clients such as high net worth and ultra-high net worth individuals, families, and trusts with investable assets over \$1 million. Our principal services include discretionary investment management, managed portfolio services, money market, and mutual fund offerings. We also offer advisory and self-directed brokerage options. Over 90% of the business's discretionary investment mandates call for balanced growth to conservative allocations. We focus on delivery of reasonable appreciation with an emphasis on capital preservation. The Bank relies on third parties to provide research and investment management expertise, while our own services are concentrated on portfolio construction and managing client relationships. We also provide customized reporting to meet specific needs of our major clients.

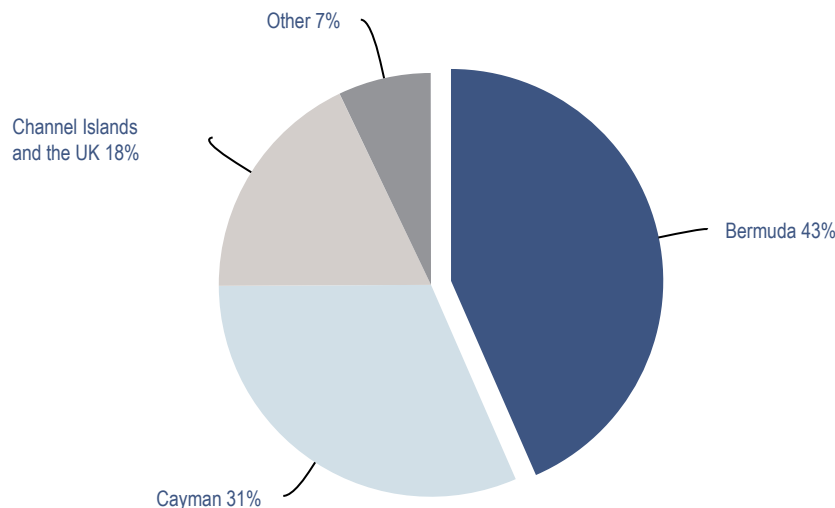
From 2020 to 2024, our GAAP net income to common shareholders and our core net income to common shareholders ("Core Net Income to Common")⁽¹⁾ had a CAGR of 8.0% and 7.2%, respectively. Our earnings generation has allowed us to build capital to return to shareholders and invest strategically, both organically and through acquisitions, to further enhance the growth prospects of our Company. We aim to continue to build excess capital in the future, which we can redeploy into growing our business and return to shareholders.

⁽¹⁾ Core Net Income to Common is a non-GAAP financial measure that is calculated by adjusting net income for income or expense items which management considers not to be representative of the ongoing operations of our business and preference share dividends, guarantee fees and premiums paid on preference share buybacks and redemptions. For a reconciliation of Core Net Income to Common to GAAP net income to common, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".

Our Markets

The charts below provide the geographic distribution of our Net Revenue for the year ended December 31, 2024.

Segment Distribution of Net Revenue



2024 Net Revenue: \$579.9 million

The Bermuda and Cayman Islands banking markets have historically been characterized by a limited number of participants and significant barriers to entry. In addition, these markets provide us with access to several attractive customer bases: in retail banking, we serve local residents and businesses; in corporate banking, we serve captive insurers, hedge funds, middle-market reinsurers, and other corporates; and in wealth management, we serve private trust clients and high net worth and ultra-high net worth individuals and families.

The international trust market is primarily concentrated in select jurisdictions, including Bermuda, the Cayman Islands, Guernsey, Jersey, Hong Kong, Singapore, and Switzerland. The leading international trust law firms serve as key introducers of clients to Butterfield and are the primary source of new business. Trust clients often hold assets that are international in nature, and as a result, performance of trust businesses is expected to have limited correlation with the performance of the domestic economies where clients are served.

The private banking market in Bermuda, the Cayman Islands, and Guernsey is composed largely of resident high net worth and ultra-high net worth individuals meeting minimum deposit and/or loan thresholds. Clients are introduced to the private bank through Butterfield's retail banking operation upon reaching the appropriate deposit or loan threshold, Butterfield's trust and asset management arms, as well as through external introducers. Although locally based, private banking clients often hold international assets, and as a result, business performance is not necessarily correlated to the domestic economies where clients are served.

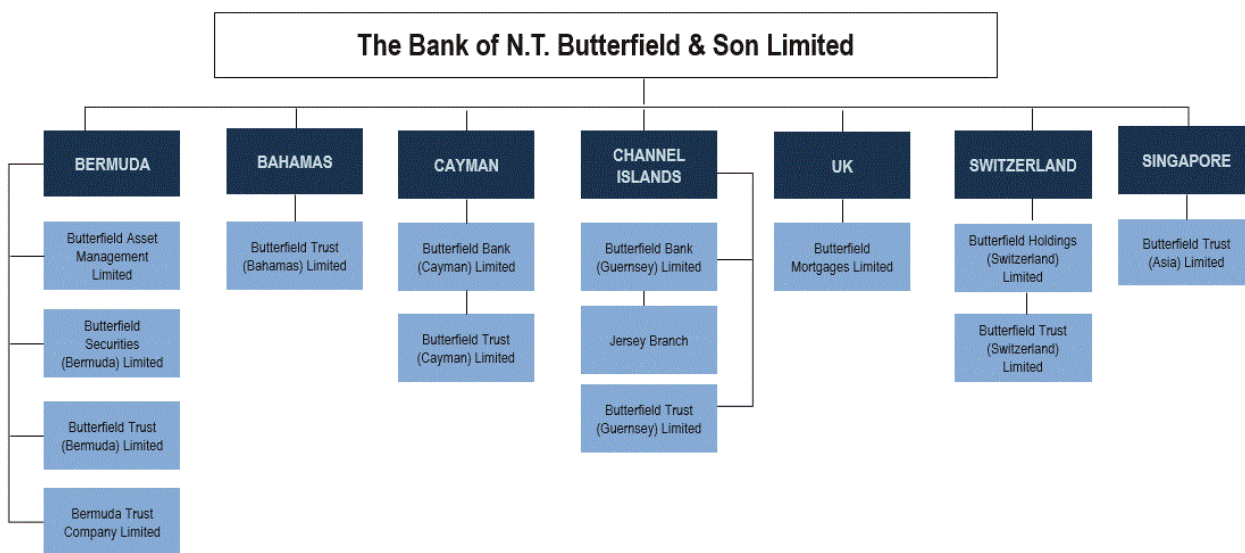
Our asset management business line operates in Bermuda, the Cayman Islands, and Guernsey. As at December 31, 2024, 67% of our AUM was in Bermuda, 19% was in the Cayman Islands, and 14% was in Guernsey. In Bermuda and the Cayman Islands, a majority of our institutional and private clients are domestic from a domicile perspective while a majority of our clients in Guernsey are tied to our trust business and are international in nature.

Our International Network and Group Structure

The following map presents the several geographic regions in which our business operates. Business support centers in Canada and Mauritius are not shown.



The following chart presents our corporate structure, indicating our principal regulated subsidiaries as at December 31, 2024. All of the subsidiaries listed below are wholly owned by the Bank.



Bermuda

The Bank itself is licensed in Bermuda to provide banking and custody services. Through Butterfield Asset Management Limited and Butterfield Securities (Bermuda) Limited, it is licensed and provides investment services and, through Butterfield Trust (Bermuda) Limited and Bermuda Trust Company Limited, it is licensed and provides corporate trustee, fiduciary and corporate administration services. Butterfield Securities (Bermuda) Limited also provides investment advisory and listing sponsor services.

The Bahamas

Butterfield Trust (Bahamas) Limited provides trust and fiduciary services.

Cayman Islands

Butterfield Bank (Cayman) Limited provides banking services and Butterfield Trust (Cayman) Limited provides trustee, fiduciary and corporate administration services.

Channel Islands

Butterfield Bank (Guernsey) Limited provides banking and custody services in Guernsey. The Jersey branch of Butterfield Bank (Guernsey) Limited provides banking and custody services. Butterfield Trust (Guernsey) Limited provides trustee and fiduciary services.

United Kingdom

Butterfield Mortgages Limited provides residential property lending services.

Switzerland

Butterfield Holdings (Switzerland) Limited provides investment services and Butterfield Trust (Switzerland) Limited provides trust and fiduciary services.

Singapore

Butterfield Trust (Asia) Limited provides trust and fiduciary services.

Competition

The financial services industry and each of the markets in which we operate are competitive. We face strong competition in gathering deposits, making loans and obtaining client assets for management. We compete, both domestically and internationally, with globally oriented asset managers, retail and commercial banks, investment banking firms, brokerage firms and other investment service firms. Due to the trend toward consolidation in the global financial services industry, our larger competitors tend to have broader ranges of product and service offerings, greater access to capital, and greater efficiency. Larger financial institutions may also have greater ability to leverage increasing regulatory requirements and investment in technology platforms. We also face competition from non-banking financial institutions. These institutions have the ability to offer services previously limited to commercial banks. In addition, non-banking financial institutions are not subject to the same regulatory restrictions as banks, and can often operate with greater flexibility and lower cost structures.

The Bermuda banking industry currently consists of four licensed and operating banks and one licensed and operating deposit-taking institution. These include one subsidiary of an international bank, HSBC, and three domestic institutions: Butterfield, Bermuda Commercial Bank and Clarien Bank. In the Cayman Islands, the Bank is one of 6 Class 'A' full service retail banks licensed to conduct business with domestic and international clients. There are also 5 non-retail Category 'A' banks and 68 limited service Category 'B' banks according to CIMA. In the Channel Islands, Guernsey has 21 licensed banks and Jersey has 19, the majority of which are branches with some subsidiaries including global banking groups and brands such as Barclays, RBS, Lloyds, JPMorgan Chase, Investec and Royal Bank of Canada. In certain interest rate environments, additional significant competition for deposits may be expected to arise from corporate and government debt securities and money market mutual funds. We view HSBC in Bermuda and Scotia Bank and CIBC FirstCaribbean in the Cayman Islands as our most significant competitors in those markets.

In our wealth management business line, we face competition from local competitors, as well as much larger financial institutions, including financial institutions that are not based in the markets in which we operate. Revenues from the trust and wealth management business depend in large part on the level of assets under management, and larger international banks may have higher levels of assets under management.

In our trust business line, we face competition primarily from other specialized trust service providers. There are many trust companies in the main international financial centers, and many of our competitors in this sector offer fund administration and corporate services alongside private client fiduciary services.

Competition for deposits is also affected by the ease with which customers can transfer deposits from one institution to another. Our cost of funds fluctuates with market interest rates and may be affected by higher rates being offered by other financial institutions. We believe that our most direct competition for deposits comes from international and domestic financial services firms that target the same customers as the Bank.

Deposits

We are a deposit-led institution with leading market shares in Bermuda and the Cayman Islands¹, and a small but growing market share in the Channel Islands. We strive to maintain deposit growth and to maintain a strong liquidity profile through a significant excess of deposits over loans through market cycles.

Our deposits are generated principally by our banking business line, which offers retail and corporate checking, savings, and term deposits through our segments in Bermuda, Cayman and the Channel Islands. In addition, wealth management, through its private banking business line, also provides deposit services to high net worth and ultra-high net worth clients in those same geographic segments. As at December 31, 2024, our Bermuda, Cayman, and Channel Islands and the UK segments contributed \$4.8 billion, \$4.0 billion and \$4.0 billion, respectively, to our total deposit base.

Total deposits as at December 31, 2024 were \$12.7 billion, up 6.3% over total deposits as at December 31, 2023, primarily due to deposit increases in Bermuda and the Channels Islands. Demand deposits, which include checking, savings and call accounts, totaled \$8.3 billion as at December 31, 2024 and 2023, accounting for 64.9% of our total deposits as at December 31, 2024, compared to 68.9%, as at December 31, 2023. Term deposits totaled \$4.5 billion as at December 31, 2024 compared to \$3.7 billion as at December 31, 2023. The cost of funds on total deposits increased from 140 basis points in 2023 to 183 basis points in 2024. Cost of funds increased primarily due to higher market interest rates and a mix-shift in the composition of deposits towards term deposits.

Lending

We offer a broad set of lending products and services including residential mortgage lending, automobile lending, credit cards, consumer financing, and overdraft facilities to our retail customers, and commercial real estate lending, commercial and industrial loans, and overdraft facilities to our commercial and corporate customers. These offerings are provided to our retail, commercial, and private banking clients in our key jurisdictions of Bermuda and the Cayman Islands. We also offer residential mortgage lending through our banking business in the Channel Islands and to our high net worth and ultra-high net worth clients in the UK. Our loan portfolio, net of allowance for credit losses, stood at \$4.5 billion as at December 31, 2024 compared to \$4.7 billion as at December 31, 2023. The decrease was driven primarily by maturities and prepayments in excess of originations across the residential mortgage portfolios. The loan portfolio represented 31.4% of total assets as at December 31, 2024, and loans, net of allowance for credit losses, as a percentage of total deposits were 35.1%. The effective yield on total loans for the year ended December 31, 2024 was 6.29%, compared to 6.46% for the year ended December 31, 2023.

Residential Mortgage Lending

The residential mortgage portfolio comprises mortgages to clients with whom we are seeking to establish (or already have) a comprehensive financial services relationship. It includes mortgages to individuals and corporate loans secured by way of first ranking charges over the residential property to which each specific loan relates, generally on terms which allow for the repossession and sale of the property if the borrower fails to comply with the terms of the loan. As at December 31, 2024, residential

¹ Based on interpretive data provided by the BMA and CIMA respectively.

mortgages totaled \$3.1 billion, accounting for approximately 67.8% of the Group's total gross loan portfolio with \$40.2 million of residential mortgage non-accrual loans representing 52.4% of total non-accrual loans in the loan portfolio.

Consumer Lending

We provide loans, as part of our normal banking business, in respect of automobile financing, consumer financing, credit cards and overdraft facilities to retail and private banking clients in the jurisdictions in which we operate. As at December 31, 2024, non-residential loans to consumers totaled \$192.8 million, accounting for approximately 4.3% of the Group's total gross loan portfolio and approximately 1.2% of total non-accrual loans in the Group's loan portfolio.

Commercial Real Estate Lending

Commercial real estate loans are offered to real estate investors, developers and builders domiciled primarily in Bermuda, the Cayman Islands, Channel Islands and the UK. To manage the Group's credit exposure on such loans, the principal collateral is real estate held for commercial purposes and is supported by a registered mortgage. Cash flows from the properties, primarily from rental income, are generally supported by long-term leases.

As at December 31, 2024, our commercial real estate loan portfolio totaled \$642.0 million, accounting for approximately 14.3% of the Group's total gross loan portfolio with \$17.5 million of commercial real estate non-accrual loans representing 22.9% of total non-accrual loans in the loan portfolio.

Our commercial real estate loan portfolio is broken down into two categories: commercial mortgage and construction. As at December 31, 2024, commercial mortgages totaled \$593.6 million, and construction loans totaled \$48.5 million, accounting for approximately 92.4% and 7.6% of our commercial real estate loan portfolio, respectively.

Other Commercial Lending

The commercial and industrial loan portfolio includes loans and overdraft facilities advanced primarily to corporations and small and medium-sized entities, which are generally not collateralized by real estate and where loan repayments are expected to flow from the operation of the underlying businesses. As at December 31, 2024, the Group's commercial loan portfolio, excluding loans to governments, totaled \$347.5 million, accounting for approximately 7.7% of the Group's total gross loan portfolio and the Group's loans to governments totaled \$266.3 million, accounting for approximately 5.9% of our total gross loan portfolio. There was \$18.0 million of other commercial non-accrual loans representing approximately 23.5% of total non-accrual loans in the loan portfolio.

Investments

Given the large customer deposit base commanded in our Bermuda, Cayman Islands and Channel Islands operations, and the relatively low volume of lending demand from our customer base, our investment strategy is more important than may be the case for most financial institutions. In recognition of this, we maintain what we believe to be a conservative approach to investments, requiring the purchase of mainly fixed-rate investments in order to manage interest rate risk. Our investment portfolio comprises mainly securities issued or guaranteed by the US government or federal agencies. The securities in which we invest are limited generally to securities that are considered investment grade (i.e., "BBB" and higher by S&P's Financial Services LLC or an equivalent credit rating).

As at December 31, 2024, the Group held \$5.5 billion in investments, representing approximately 38.7% of total assets.

Cash and Liquidity Management

We operate across multiple currency jurisdictions with multi-currency products. In our deposit taking jurisdictions—Bermuda, the Cayman Islands, Guernsey and Jersey—there are currently no dedicated central banks, and no pre-funded deposit insurance scheme infrastructures (such as the Federal Deposit Insurance Corporation in the United States), with the exception of Bermuda, where a pre-funded deposit insurance scheme has been implemented, and as described below in "Supervision and Regulation" and Item 3.D. "Risk Factors - Risks Relating to the Markets in Which We Operate - Certain jurisdictions in which we operate, including Bermuda, Guernsey and Jersey, have a Deposit Insurance Scheme or Deposit Compensation Scheme and we incur ongoing costs as a result". In addition, we do not have access to borrowing or deposit facilities with the US Federal Reserve or the European Central Bank; therefore, we conservatively manage client deposit balances and the liquidity risk profile of our balance sheets. This involves the retention of significant cash or cash equivalent balances, management of intra-bank counterparty exposure and management of a significant short-dated Canadian, UK and US Treasury Bill portfolio. As at December 31, 2024, the cash and cash equivalents of \$2.0 billion was composed primarily of \$1.7 billion in interest earning cash equivalents, which are investments with a less than 90-day duration. The remaining amounts were comprised of non-interest bearing and interest bearing deposits of \$0.1 billion and \$0.2 billion, respectively.

Foreign Exchange Services

We provide foreign exchange services in the normal course of business in all banking jurisdictions. The major contributors to foreign exchange revenues are Bermuda and the Cayman Islands, accounting for 80% of our foreign exchange revenue for the year ended December 31, 2024. We do not maintain a proprietary trading book. Foreign exchange commission income is generated from client-driven transactions and totaled \$51.2 million during the year ended December 31, 2024.

Administration Services

We provide custody administration and settlement services to a wide range of internal and external investment clients dealing in global markets. Our custody service currently offers custody settlement and safekeeping services in 39 markets globally, including major markets and smaller, less-developed markets, with principal markets covered being the United States, Canada, Europe and Asia.

Our custody service offers safekeeping services for physical and book-entry assets. Custody for listed securities is conducted through BNYM. Hedge funds, mutual funds and exchange traded funds are held by BBH. Trading in investment transactions is settled via our global sub-custodians, BNYM and BBH. Custody services are offered from our Bermuda, Cayman and Channel Islands segments and complement core wealth management services offered by other parts of the Group, and we currently anticipate this business to grow in line with our wealth management business. Clients of our custody service include a wide range of investment funds and other investment vehicles, corporations and trusts whose related banking requirements are provided by the Bank. As such, the custody client base, in addition to delivering a fee based income, also provides cash balances and foreign exchange transaction flows.

Custody fees are earned based on the value of Assets Under Custody, which are subject to a minimum levels for smaller, less complex portfolios. In addition to these fees, custody clients are charged banking transaction fees based on account activity.

Information Technology

We devote significant resources to maintaining stable, reliable, efficient and scalable information technology systems. We work with our third-party vendors to monitor and maximize the efficiency of our use of their applications. We use integrated systems to originate and process loans and deposit accounts, which reduces processing time, improves customer experience and reduces costs. Most customer records are maintained digitally.

Currently, our information technology is operationally divided into two platforms: (i) Bermuda and Cayman and (ii) Channel Islands and the UK. In 2023, our Bermuda and Cayman operations transitioned from a single outsourced banking technology platform to a multi-cloud, industry standard configuration, spreading operating risk among several large hosting providers, continuing the Group's ongoing cloud outsourcing strategy. In our Channel Islands and UK operations, core services and applications are hosted across both Guernsey and Jersey data centers.

Protecting our systems to ensure the safety of our customers' information is critical to our business. We use multiple layers of protection to control access and reduce risk, including conducting access testing and regular vulnerability scanning on our platforms, systems and applications to reduce the risk that any attacks are successful. To protect against disasters, we have a Business Continuity Management framework and IT Disaster Recovery plans. For more information, see Item 3.D. "Risk Factors - Risks Relating to Operations, Risk Oversight and Internal Controls" and Item 16K. "Cybersecurity".

Marketing

Through our Marketing & Communications department, we engage select advertising, branding and promotional companies on an as-needed basis and provide business development and sales support for businesses in all jurisdictions. In support of our banking businesses, we broadly market our products and services through print, broadcast, web and social media advertising in the major markets in which we operate. Trust and fiduciary services are marketed primarily to intermediaries through representative attendance at and sponsorship of industry conferences and through print advertising in international trade journals.

Intellectual Property

In the highly competitive banking industry in which we operate, intellectual property is important to the success of our business. We own a variety of trademarks, service marks, trade names and logos and spend time and resources maintaining this intellectual property portfolio. We control access to our intellectual property through license agreements, confidentiality procedures, non-disclosure agreements with third parties, employment agreements and other contractual rights to protect our intellectual property. For more information, see Item 3.D. "Risk Factors - Risks Relating to Our Strategy, Brand, Portfolio and Other Aspects of Our Business".

Supervision and Regulation

Bermuda

The Bank is subject to regulation and supervision by the Bermuda Monetary Authority (the "BMA") under:

- the Bermuda Monetary Authority Act 1969;
- the Banks and Deposit Companies Act 1999;
- the Trusts (Regulation of Trust Business) Act 2001;
- the Investment Business Act 2003;
- the Exchange Control Regulations 1973;
- the Corporate Services Provider Business Act 2012; and
- any applicable code of practice or guidance notes that may be published by the BMA from time to time.

The Bank is also subject to regulation by the Minister of Finance in Bermuda under the Companies Act 1981, the Banking (Special Resolution Regime) Act 2016 and the Economic Substance Act 2018 and regulations promulgated thereunder (including applicable guidance notes published by the Registrar of Companies from time to time). It is also subject to the Deposit Insurance Act 2011 and the Deposit Insurance Rules 2016.

Supervision and Monitoring by the BMA

Our activities are regulated by the BMA and our ability to engage in certain activities is subject to prior approval by the BMA. One of the principal objectives of the BMA is to supervise, regulate and inspect financial institutions which operate in or from within Bermuda and further to promote the financial stability and soundness of such financial institutions. The supervision is primarily for the benefit and protection of the Bank's clients and not for the benefit of our investors. The BMA is also responsible for managing and regulating transactions in foreign currency or gold.

In addition to conducting on-site reviews, the BMA utilizes a comprehensive quarterly statistical return system that enables off-site monitoring of institutions licensed under the BDCA. The statistical system, which follows the standards imposed on banks in the UK by the Financial Conduct Authority and is consistent with Basel Committee Standards, provides the BMA with a detailed breakdown of the Bank's balance sheet and profit-and-loss accounts on both a consolidated and unconsolidated basis. This information enables the BMA to monitor the soundness of the Bank's financial position and ensure that it meets certain capital requirements.

As the Bank's supervisory authority in Bermuda, the BMA is responsible for the consolidated supervision of our worldwide operations. There are also host regulatory bodies performing a similar function to that of the BMA in all major locations in which the Bank operates regulated activities. Many of these local authorities require detailed reporting on the activities of the Bank's subsidiaries located in their jurisdictions. As part of its oversight process, the BMA receives copies of each of these reports on a regular basis and liaises with the regulatory authorities in the respective locations.

From time to time, in the ordinary course of business, the Bank enters into agreements with the BMA under which the Bank agrees to achieve or maintain certain levels of capital and to obtain the BMA's prior approval or letter of no objection to take certain corporate actions. Certain actions that may not be taken without prior BMA approval include: (1) creating or increasing the authorized amount of, or issuing any class of shares; and (2) entering into a material acquisition.

Under the market disclosure requirements (referred to as Pillar III disclosures) applicable under the Basel III Accord ("Basel III"), the Bank is required to publish information about the risks to which it is exposed. Effective as of January 1, 2015, the BMA adopted capital and liquidity regulatory requirements consistent with Basel III, a framework released by the BCBS. Basel III aims to raise the quality, consistency and transparency of the capital base, limit the build-up of excess leverage and increase capital requirements for the banking sector.

In December 2017, the BCBS published standards that it described as the finalization of the Basel III post-crisis regulatory reforms (the standards are commonly referred to as "Basel IV"). Among other things, these standards revise the BCBS's standardized approach for credit risk (including recalibrating risk weights and introducing new segmentations for exposures) and provides a new standardized approach for operational risk capital. Under the BCBS framework, these standards became effective on January 1, 2023, with an aggregate output floor phasing in through January 1, 2028. The BMA adopted the BCBS's revised standardized approach for operational and credit risk into its regulations effective January 1, 2023 and January 1, 2025, respectively.

The Bank is subject to the following requirements:

- CET1 as the primary and predominant form of regulatory capital, with a requirement of CET1 of at least 7.0% of RWA, inclusive of a minimum CET1 capital adequacy ratio of 4.5% plus a capital conservation buffer of 2.5%, but excluding the D-SIB surcharge described below. The BMA allowed Bermuda banks to make the one-time irrevocable election to exclude other comprehensive income on their AFS portfolios from CET1;
- a Tier 1 capital requirement of at least 8.5% of RWA, inclusive of a minimum Tier 1 ratio of 6% and the capital conservation buffer of 2.5% but excluding the D-SIB surcharge described below;
- a total capital requirement of at least 10.5% of RWA, inclusive of a minimum total capital ratio of 8% and the capital conservation buffer of 2.5% but excluding the D-SIB surcharge described below;
- the Bank is considered to be a D-SIB and is subject to a 3% surcharge composed of CET1-eligible capital implemented by the BMA effective September 30, 2015. This is based upon its assessment of the extent to which the Bank (individually and collectively with the other Bermuda banks) poses a degree of material systemic risk to the economy of Bermuda due to its role in deposit taking, corporate lending, payment systems and other core economic functions;
- the inclusion of a countercyclical buffer to be introduced when macro-economic indicators provide an assessment of excessive credit or other pressures building in the banking sector, potentially increasing the Bank's required capital buffer by up to 2.5%;
- the introduction of a 5% leverage ratio as calculated in accordance with Basel III;
- an LCR with a minimum requirement of 100%; and
- a NSFR with a minimum requirement of 100%.

The minimum capital ratio requirements set forth above do not reflect additional Pillar II add-on requirements that the BMA may impose upon the Group as a prudential measure from time to time.

As the Group's capital requirements remain under continuous review by the BMA pursuant to its prudential supervision, the Group cannot guarantee that the BMA will not seek higher total capital ratio requirements from time to time.

The Bank may from time to time also be subject to additional regulatory requirements imposed by the BMA in its role as Bermuda's main prudential regulator such as the Outsourcing Guidance Notes for Relevant Legal Entities and the Operational Cyber Risk Management Code of Conduct, both of which apply to the Bank and certain of its subsidiaries and impose additional requirements relating to risk management and mitigation.

Effective February 29, 2020, the Bermuda Banking Association Code of Ethical Conduct was promulgated. This is a voluntary code that the Bank subscribes to. It sets out a number of guiding principles and commitments in the Bermuda banking industry for customers. The code complements the BDCA, and the code of conduct promulgated under the BDCA, in promoting best practice and encouraging higher standards for the benefit of customers through competition and market forces.

Bermuda Monetary Authority Act 1969

The Bermuda Monetary Authority Act 1969 established the BMA as a statutory corporate body responsible for, among other things, supervising, regulating and inspecting any financial institution which operates in or from within Bermuda (which includes the Bank). Specific areas of financial regulation, such as the banking industry, are also the subject of separate, specific legislation (some of which is discussed below), but this specific legislation is nevertheless administered by the BMA in its supervisory capacity. In addition to its supervisory functions, both under the Bermuda Monetary Authority Act 1969 and the specific legislation discussed below, the BMA is empowered to assist foreign regulatory bodies by requiring entities supervised and regulated by the BMA to furnish information on demand to the BMA in connection with foreign regulatory requests. In 2022, the objectives of the BMA were expanded to include promoting the protection of customers using products and services provided by financial institutions (such as the Bank) through the oversight by the BMA of the conduct of business by those financial institutions.

Banks and Deposit Companies Act 1999

The BDCA prohibits any person from carrying on a deposit-taking business in or from within Bermuda unless that person is a company incorporated in Bermuda and licensed by the BMA under the BDCA. The BDCA provides for three classes of licenses: banking licenses, restricted banking licenses and deposit company licenses. The Bank holds a banking license and a deposit company license. Unless otherwise permitted by the BMA, a company that holds a banking license must provide a range of minimum services to the public in Bermuda, including (without limitation) current accounts in Bermuda dollars, other deposit accounts, loan facilities in Bermuda Dollars, foreign exchange services and credit card or debit card facilities. A company holding a deposit company license typically offers a small range of services but, unless otherwise permitted by the BMA, must also provide some specified services to the public in Bermuda, including (without limitation) savings, deposit or other similar accounts in Bermuda Dollars and loans in Bermuda Dollars secured on mortgages of real property in Bermuda.

As the agency responsible for administering the BDCA, regulating deposit-taking businesses and protecting depositors, the BMA has broad authority to compel companies licensed under the BDCA to take or cease specific actions and comply with informational or access requests. Under the BDCA, the BMA can, or can compel these companies, including us, to, among other things, do any or all of the following:

- submit a report prepared by the Bank's auditors or by an accountant or other person with professional skills on any matter about which the BMA could require us to provide information;
- produce documentation or other information as the BMA may reasonably require; and
- permit any officer, servant or agent of the BMA, on producing evidence of his authority, to enter the Bank's premises to obtain information and documents.

In addition, the BMA has the power to do any or all of the following:

- require the Bank to take certain steps or to refrain from adopting or pursuing a particular course of action or to restrict the scope of the Bank's business in a particular way;
- appoint competent persons to investigate and report to the BMA on the Bank's business or the Bank's ownership and control;
- restrict the scope of a license or revoke a license; and

- vary or revoke the Bank's banking license and to give directions if it feels these are necessary to protect the Bank's depositors.

The Bank's failure to comply with any of the statutory requirements set forth in the BDCA could result in civil or criminal penalties.

The Bank is required to report certain transactions to the BMA. These include any transaction or transactions relating to any one person as a result of which the Bank would be exposed to a risk of incurring losses in excess of 10% of the Bank's available capital resources, or where the Bank proposes to enter into a transaction or transactions relating to any one person, which, either alone or together with previous transactions entered into by the Bank in relation to the same person, would result in the Bank being exposed to the risk of incurring losses in excess of 25% of its available capital resources. This also applies where the transaction relates to different persons if they are connected in such a way that the financial soundness of any of them may affect the financial soundness of the others or the same factors may affect the financial soundness of both or all of them. The BMA may extend the scope of this requirement to the Bank's subsidiaries even if these subsidiaries are not licensed under the BDCA as if the transactions and available capital resources of the Bank's subsidiaries were included in the Bank's available capital resources. For the purpose of the foregoing, the transactions which must be reported by the Bank to the BMA are those between the Bank and a person where:

- that person incurs an obligation to the Bank or as a result of which such person may incur such an obligation;
- the Bank will incur, or as a result of which it may incur, an obligation in the event of that person defaulting on an obligation to a third party; or
- the Bank acquires or incurs any obligation to acquire, or as a result of which it may incur an obligation to acquire, an asset the value of which depends wholly or mainly on that person performing their obligations or otherwise on his financial soundness.

The risk of loss attributable to the transaction is, in a case within paragraph (a) or (b), the risk of the person concerned defaulting on the obligation therein mentioned and, in a case within paragraph (c), the risk of the person concerned defaulting on the obligations therein mentioned or of a deterioration in such person's financial soundness. The Bank's available capital resources may be determined by the BMA, after consultation with it and in accordance with principles published by the BMA, which are currently the Basel III principles described above. It is an offense for the Bank to fail to make the required reports.

Under the BDCA, any person who becomes a significant shareholder of a deposit-taking institution, which is defined to include persons, either individually or with associates (within the meaning of the BDCA), who (i) hold 5% or more of the shares in the institution or another company of which it is a subsidiary company; or (ii) are entitled to exercise, or control the exercise of 5% or more of the voting power at any general meeting of the institution or of another company of which it is such a subsidiary, must notify the BMA in writing of that fact within seven days. Failure to provide the BMA with prompt and appropriate notice would constitute an offense that could result in a fine.

The BDCA prohibits a person from becoming a shareholder controller of any company licensed under the BDCA unless the person provides written notice to the BMA of his intent to do so and the BMA does not object. The definition of shareholder controller is set out in the BDCA but generally refers to a person who, among other things, either alone or with any associate or associates (i) holds 10% or more of the shares in the licensed institution or another company of which it is a subsidiary company; (ii) is entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of the licensed institution or another company of which it is such a subsidiary; or (iii) is able to exercise a significant influence over the management of the institution or of another company of which it is a subsidiary by virtue of holding shares in or an entitlement to exercise or control the exercise of the voting power at any general meeting of either the institution or the other company concerned. The BDCA distinguishes between shareholder controllers of the following threshold descriptions: "10% shareholder controllers," "20% shareholder controllers," "30% shareholder controllers," "40% shareholder controllers," "50% shareholder controllers," "60% shareholder controllers" and "principal shareholder controllers" who have a 75% or greater interest. A person who intends to become a shareholder controller, or a shareholder controller who intends to increase his shareholding/control, meaning generally, ownership of shares or the ability to exercise or control the exercise of voting rights attached to shares, beyond his present threshold, must provide written notice to the BMA that he intends to do so. It is an offense not to give this notice. The BMA may object to a person's notice of intent to become a shareholder controller of any description or to an existing shareholder controller seeking to increase their control where it appears to the BMA that, among other things, such person is not or is no longer a fit and proper person to be such controller. If the BMA objects, the BMA will provide such person with written notice of its objection.

Prior to serving a notice of objection, the BMA shall serve the person seeking to become a shareholder controller of any description or existing shareholder controller seeking to increase their control with a preliminary written notice stating that the BMA is considering service on that person of a notice of objection, and that notice shall state among other things, the reasons for the BMA's proposed objection. The statement of the BMA's reasons for their proposed objection will, however, be subject to the BMA's determination that such statement would not involve the disclosure of confidential information, the disclosure of which would be prejudicial to a third party. A person served with a preliminary written notice may, within a period of 28 days beginning with the day on which the notice is served, make written representations to the BMA and the BMA shall take any such representations into account in deciding whether to serve a notice of objection.

If three months pass from the date of giving notice of intent to the BMA without the BMA serving a notice of objection, then the person may become a shareholder controller as requested in the notice of intent. In practice, the BMA's procedure is generally to respond to a shareholder controller notification of intent.

If a person becomes a shareholder controller or increases their shareholding/control in spite of the BMA's objection thereto, if a shareholder controller fails to comply with the foregoing notice requirements or if a shareholder controller continues as such after being given notice of objection to his or her being a shareholder controller, the BMA may take the actions specified in the BDCA, including revoking the relevant license where a 50%, 60% or principal shareholder controller is involved, or mandating that any specified shares become subject to one or more of the following restrictions:

- any transfer of or agreement to transfer those shares or, in the case of unissued shares, any transfer of or any agreement to transfer the right to be issued with them, will be void;
- no voting rights may be exercisable in respect of the shares;
- no further shares may be issued in right of them or pursuant to any offer made to their holder; or
- except in liquidation, no payment may be made of any sums due from the institution on the shares, whether in respect of capital or otherwise.

A court in Bermuda may, on the application of the BMA, order the sale of any such shares. Any person may appeal to a tribunal constituted under the BDCA for a review of a notice of objection given by the BMA as described above. However, this right of appeal does not apply to a person in any case in which such person has failed to give a notice or has become or continued to be a controller in contravention of the BDCA. In addition, if a person has had its license revoked or has been subject to any of the restrictions set forth above, the tribunal may confirm or reverse the decision which is the subject of the appeal but shall not have power to vary it except:

- where the decision was made to impose or vary any restriction, the tribunal may direct the BMA to impose different restrictions or to vary them in a different way; or
- where the decision was to revoke a license, the tribunal may direct the BMA to restrict it instead.

In the event that the BMA imposes any of the restrictions listed above, the restrictions may apply to:

- all shares of the institution where the person in question is a shareholder controller that (i) are held by him or any associate of his, and (ii) were not so held immediately before he became such shareholder controller of the institution; and
- all shares in another company where the person in question became a shareholder controller (i) as a result of the acquisition by him or any associate of his of shares in such other company, and (ii) the shares were not so held before he became a shareholder controller of such institution.

A company licensed under the BDCA must give written notice to the BMA in the event that any person has either become or ceased to be a director, controller or senior executive of such licensed company. The written notice is required to be given to the BMA within 14 days beginning with the day on which the licensed company becomes aware of the relevant change in director, controller or senior executive. The definition of "controller" is set out in the BDCA but generally refers to a shareholder controller, a managing director or chief executive officer of the institution or of another company of which it is a subsidiary, or a person in accordance with whose directions or instructions the directors of the institution or of another company of which the institution is a subsidiary, or persons who are shareholder controllers (or any of them) are accustomed to act.

In August 2022, the BMA published a code of conduct issued pursuant to section 8A of the BDCA. The Bank is required to comply with this code of conduct, and the BMA has indicated that the Bank's compliance with the BDCA code of conduct will be considered when determining whether the Bank's business is being conducted in a prudential manner as required under the BDCA's minimum criteria for licensing. The BDCA code of conduct seeks to ensure that, amongst other things, institutions licensed under the BDCA deal with their customers fairly and equitably. To this end, the BDCA code of conduct sets out principles the Bank is expected to observe in several key areas including compliance with laws, integrity and ethics, conflicts of interests, handling of customer information, internal management controls, publication and disclosure of license and cooperation with regulatory authorities.

Also in August 2022, the BDCA was amended to add provisions that give the Minister of Finance of Bermuda, in consultation with the BMA, the power to make regulations regulating any commercial or operational business fee, charge or penalty the Bank proposes to charge its clients.

Trusts (Regulation of Trust Business) Act 2001

The principal purpose of the Trusts (Regulation of Trust Business) Act 2001 (the "Trusts Business Act"), is to regulate "trust business," which is generally defined as providing the services of a trustee as a business, trade, profession or vocation. Under the Trusts Business Act, a license is required to conduct trust business in or from within Bermuda. Licenses are designated as either "unlimited" or "limited." Only bodies corporate are entitled to obtain unlimited licenses, which allow them to conduct trust business and solicit business from the public generally. Holding a license under the Trusts Business Act obliges the licensed undertaking to maintain a physical presence in Bermuda at which the licensed undertaking is directed and managed. A licensed undertaking is also required to hold all client funds separately from its own funds or funds held in respect of any other business and maintain such books of account and other records such that client funds may be readily identified at any time.

At present, the Bank and certain of its subsidiaries hold unlimited licenses issued by the BMA pursuant to the Trusts Business Act. Pursuant to Section 6 of the Trusts Business Act, the BMA has published a Statement of Principles, in accordance with which it is acting or purporting to act with respect to the exercise of its powers under the Trusts Business Act, including (without limitation) the BMA's minimum licensing criteria, the grounds for revocation of licenses, the power to grant, revoke or restrict a license and the power to obtain information or require the production of documents. As at December 31, 2019, the BMA amended the minimum licensing criteria under the Trusts Business Act, such that a licensed undertaking is not regarded as conducting its business in a prudent manner (which is a requirement for licensing) unless it maintains or will maintain adequate liquidity, having regard to the relationship between its assets and its actual and contingent liabilities, to the time at which those liabilities will or may fall due and its assets mature, and to other factors appearing to the BMA to be relevant. In addition, pursuant to Section 7 of the legislation, the BMA published a Code of Practice that provides guidance as to the duties, requirements, procedures, standards and principles to be observed by persons carrying on trust business under the Trusts Business Act.

The BMA's powers under the Trusts Business Act include (without limitation) the power to:

- impose conditions on a license with respect to scope and type of business, to protect a client or potential client of a licensee;
- revoke a license in certain circumstances including if the licensee has not complied with the licensing criteria; and
- request and obtain information from a licensee to ensure compliance with the Trusts Business Act, and to safeguard the interests of the licensee's clients and potential clients.

The Trusts Business Act prohibits a person from becoming a 10% shareholder controller or a majority shareholder controller of a licensed undertaking, unless such person provides written notice to the BMA of his intent to do so and the BMA does not object. It is an offense not to provide this notice. The definition of shareholder controller is set out in the Trusts Business Act, but generally refers to a person who, among other things, either alone or with any associate or associates (within the meaning of the Trusts Business Act): (i) holds 10% or more of the shares in the licensed undertaking or another company of which it is a subsidiary company; or (ii) is entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of the licensed undertaking or another company of which it is such a subsidiary or (iii) is able to exercise a significant influence over the management of a licensed undertaking or of another company of which the licensed undertaking is a subsidiary by virtue of holding shares in or an entitlement to exercise or control the exercise of the voting power at any general meeting of either the licensed undertaking or the other company concerned. A "majority shareholder controller" is defined under the Trusts Business Act as a shareholder controller which, among other things, (i) holds 50% or more of the shares in the licensed undertaking or another company of which it is a subsidiary company; or (ii) is entitled to exercise, or control the exercise of 50% or more of the voting power at any general meeting of the licensed undertaking or another company of which it is such a subsidiary.

The BMA may object to a person's notice of intent to become a 10% shareholder controller or majority shareholder controller or may object to an existing shareholder controller of any description where it appears to the BMA that, among other things, such person is not or is no longer a fit and proper person to be such a controller of the licensed undertaking. If the BMA objects, the BMA will provide such person with a written notice of objection. Prior to serving any such notice of objection, the BMA shall serve the person seeking to become a shareholder controller or the existing shareholder controller with a preliminary written notice stating that the BMA is considering service on that person of a notice of objection, stating, among other things, the reasons for the BMA's proposed objection. The statement of the BMA's reasons for its proposed objection will, however, be subject to the BMA's determination that such statement would not involve the disclosure of confidential information, the disclosure of which would be prejudicial to a third party. A person served with a preliminary written notice may, within a period of 28 days beginning with the day on which the notice is served, make written representations to the BMA and the BMA shall take any such representations into account in deciding whether to serve a notice of objection.

If three months pass from the date of notifying the BMA of a new shareholder controller or an increased shareholding/control beyond a shareholder controller's then current threshold, without the BMA serving a notice of objection, then the person may become a shareholder controller as requested in the notice. In practice, the BMA's procedure is generally to respond to a person's shareholder controller notification.

If a person becomes a shareholder controller or increases their shareholding control, in spite of the BMA's objection thereto, if a shareholder controller fails to comply with the foregoing notice requirements or if a shareholder controller continues as such after being given notice of objection to his being a shareholder controller, the BMA may take certain actions, including revoking the relevant license where a shareholder controller holding 50% or more of the shares of the licensed undertaking is involved or mandating that any specified shares become subject to one or more of the following restrictions:

- any transfer of or agreement to transfer those shares or, in the case of unissued shares, any transfer of or any agreement to transfer the right to be issued with them, will be void;
- no voting rights may be exercisable in respect of the shares;
- no further shares may be issued in right of them or pursuant to any offer made to their holder; or
- except in liquidation, no payment may be made of any sums due from the licensed undertaking on the shares, whether in respect of capital or otherwise.

A court in Bermuda may, on the application of the BMA, order the sale of any such shares. Any person may appeal to a tribunal constituted under the Trusts Business Act for a review of a notice of objection given by the BMA as described above. However, this right of appeal does not apply to a person in any case in which such person has failed to give a notice or has become or continued to be a controller in contravention of the Trusts Business Act. In addition, if a person has had their license revoked or has been subject to any of the restrictions set forth above, the tribunal may confirm or reverse the decision which is the subject of the appeal but shall not have power to vary it except:

- where the decision was made to impose different restrictions or vary them in a different way, the tribunal may direct the BMA to impose different restrictions;
- where the decision was to revoke a license, the tribunal may direct the BMA to restrict it instead.

In the event that the BMA imposes any of the restrictions listed above, the restrictions may apply to:

- all shares of the licensed undertaking of which the person in question is a shareholder controller that (i) are held by him or any associate of his, and (ii) were not so held immediately before he became such shareholder controller of the licensed undertaking; and
- all shares in another company where the person in question became a shareholder controller (i) as a result of the acquisition by him or any associate of his of shares in such other company, and (ii) the shares were not so held before he became a shareholder controller of such licensed undertaking.

An undertaking licensed under the Trusts Business Act must give written notice to the BMA in the event that any person has either become or ceased to be a controller or officer of such licensed undertaking. The written notice is required to be given to the BMA within 14 days beginning with the day on which the licensed undertaking becomes aware of the change in controller or officer. The definition of "controller" is set out in the Trusts Business Act but generally refers to a shareholder controller, a managing director or chief executive officer of the undertaking or of another company of which it is a subsidiary, or a person in accordance with whose directions or instructions the directors of the undertaking or of another company of which the undertaking is a subsidiary, or persons who are shareholder controllers (or any of them) are accustomed to act. The definition of "officer" under the Trusts Business Act includes a director, secretary or any senior executive.

Investment Business Act 2003

The Investment Business Act 2003 (the "Investment Business Act") prohibits any person from carrying on, or purporting to carry on, an investment business in or from within Bermuda unless that person holds a license granted under the Investment Business Act, or is registered as a Class A registered person or a Class B registered person under the Investment Business Act (or is otherwise designated as non-registrable). A person is deemed to carry on investment business in or from Bermuda if it is incorporated or formed in Bermuda and carries on investment business, or is incorporated or formed outside of Bermuda and carries on investment business in or from Bermuda. The Investment Business Act defines "investment business" broadly as the business of dealing in investments, arranging deals in investments, managing or offering investments and giving advice on investments.

Under the Investment Business Act, the BMA is given the authority to grant licenses and to supervise license holders (which includes issuing codes of conduct or practice and making rules prescribing prudential and technical standards). The BMA will only grant a license if it is satisfied that the applicant complies with licensing criteria set out in the Investment Business Act, which include (without limitation) that controllers and senior executives of the applicant are fit and proper persons to carry on such business, the applicant company's business is effectively directed by at least two individuals (unless the BMA otherwise approves), the Board of the applicant has a number of non-executive directors considered appropriate by the BMA, the applicant's business is conducted in a prudent manner, the applicant maintains its principal place of business in Bermuda, the position of the applicant in the group does not obstruct effective consolidated supervision and the applicant will carry on the investment business with integrity and professional skill appropriate to the nature and scale of its activities.

At the present time, the Bank and its wholly owned subsidiaries Butterfield Trust (Bermuda) Limited, Butterfield Securities (Bermuda) Limited and Butterfield Asset Management Limited hold licenses under the Investment Business Act.

Under the Investment Business Act, the BMA may require an accountant's or auditor's report on a license holder or the appointment of an inspector to carry out an investigation into the affairs of a license holder and/or demand the production of documents or information relating to the investment business of a license holder. The Investment Business Act also grants the BMA broad powers to enforce the provisions of the Investment Business Act, including (without limitation) powers to issue directions, to vary, restrict or cancel a license, to appoint a person to manage and administer an offending investment business, to give directions desirable to safeguard the interests of the investment provider's clients, to levy fines and to seek from the court injunctions and restitution orders.

The Investment Business Act prohibits a person from becoming a 10% shareholder controller or a majority shareholder controller of an investment provider, unless such person provides written notice to the BMA of his intent to do so and the BMA does not object. It is an offense not to provide this notice. The definition of 10% shareholder controller is set out in the Investment Business Act, but generally refers to a person who, among other things, either alone or with any associate or associates (within the meaning of the Investment Business Act): (i) holds 10% or more of the shares in the investment provider or its parent undertaking; (ii) is entitled to exercise, or control the exercise of 10% or more of the voting power in the investment provider or in the parent undertaking; or (iii) is able to exercise a significant influence over the management of the investment provider or its parent undertaking by virtue of the voting power in the investment provider or its parent undertaking. A "majority shareholder controller" is defined under the Investment Business Act as a shareholder controller which (i) holds 50% or more of the issued and outstanding shares in the investment provider or its parent undertaking; or (ii) is entitled to exercise, or control the exercise of 50% or more of the voting power in the investment provider or in the parent undertaking.

The BMA may object to a person's notice of intent to become a 10% shareholder controller or majority shareholder controller or to an existing shareholder controller of any description where it appears to the BMA that, among other things, such person is not or is no longer a fit and proper person to be such controller of the licensed company. If the BMA objects, the BMA will provide such person with a written notice of objection. Prior to serving any such notice of objection, the BMA serves the person seeking to become a shareholder controller or will serve an existing shareholder controller with a preliminary written notice stating that the BMA is considering service on that person of a notice of objection, stating, among other things, the reasons for the BMA's proposed objection. The statement of the BMA's reasons for their proposed objection will, however, be subject to the BMA's determination that such statement would involve the disclosure of confidential information, the disclosure of which would be prejudicial to a third party. A person served with a preliminary written notice may, within a period of 28 days beginning with the day on which the notice is served, make written representations to the BMA and the BMA shall take any such representations into account in deciding whether to serve a notice of objection.

If ninety days pass from the date of notifying the BMA of a new shareholder controller or an increased shareholding/control beyond a shareholder controller's then current threshold, without the BMA serving a notice of objection, then the person may become a shareholder controller as requested in the notice. In practice, the BMA's procedure is generally to respond to a person's shareholder controller notification.

If a person becomes a shareholder controller or increases their shareholding/control in spite of the BMA's objection to his becoming a shareholder controller, or if a shareholder controller fails to comply with the foregoing notice requirements, or if a shareholder controller continues as such after being given notice of objection to his being a shareholder controller, the BMA may take certain actions, including revoking the relevant license where a shareholder controller holding 50% or more of the shares of the licensed company is involved or mandating that any specified shares become subject to one or more of the following restrictions:

- any transfer of or agreement to transfer those shares or, in the case of unissued shares, any transfer of or any agreement to transfer the right to be issued with them, will be void;
- no voting rights may be exercisable in respect of the shares;
- no further shares may be issued in right of them or pursuant to any offer made to their holder; or
- except in liquidation, no payment may be made of any sums due from the investment provider on the shares, whether in respect of capital or otherwise.

A court in Bermuda may, on the application of the BMA, order the sale of any such shares. Any person may appeal to a tribunal constituted under the Investment Business Act for a review of a notice of objection given by the BMA as described above. However, this right of appeal does not apply to a person in any case in which such person has failed to give a notice or has become or continued to be a controller in contravention of the Investment Business Act. In addition, if a person has had its license revoked or has been subject to any of the restrictions set forth above, the tribunal may confirm or reverse the decision which is the subject of the appeal but shall not have power to vary it except:

- where the decision was made to impose or vary any restriction, the tribunal may direct the BMA to impose different restrictions or to vary them in a different way; or
- where the decision was to revoke a license, the tribunal may direct the BMA to restrict it instead.

In the event that the BMA imposes any of the restrictions listed above, the restrictions may apply to:

- all shares of the investment provider of which the person in question is a shareholder controller that (i) are held by him or any associate of his; and (ii) were not so held immediately before he became such shareholder controller of the investment provider; and
- all shares in another company where the person in question became a shareholder controller (i) as a result of the acquisition by him or any associate of his of shares in such other company; and (ii) the shares were not so held before he became a shareholder controller of such investment provider.

A company licensed under the Investment Business Act must give written notice to the BMA in the event that any person has either become or ceased to be a controller or officer of such investment provider. The written notice is required to be given to the BMA within 14 days beginning with the day on which the investment provider becomes aware of the change in controller or officer. The definition of "controller" is set out in the Investment Business Act but generally refers to a shareholder controller, a managing director or chief executive officer of the investment provider or of another company of which it is a subsidiary, or a person in accordance with whose directions or instructions the directors of the investment provider or of its parent undertaking or persons who are shareholder controllers (or any of them) are accustomed to act. The definition of "officer" under the Investment Business Act includes a director, secretary or any senior executive.

Corporate Service Provider Business Act 2012

The CSPB regulates persons carrying on a corporate service provider business in Bermuda. "Corporate service provider business" in this context means the provision of any of the following services for a profit: (a) acting as a company formation agent or agent for establishment of a partnership; (b) providing nominee services, including (among other things) providing nominee shareholders; (c) providing administrative and secretarial services to companies or partnerships (including, among other things, providing a registered office and maintaining the books and records of a company or partnership); (d) performing functions in the capacity as a resident representative under various Bermuda statutes; and (e) providing any other corporate or administrative services as may be specified in regulations made under the CSPB. Under the CSPB, the Bank or any of its subsidiaries is required to hold a corporate service provider license to lawfully provide corporate services to our customers in Bermuda. Licensing under the CSPB is administered by the BMA. Holding a license under the CSPB obliges the licensed undertaking to maintain a physical presence in Bermuda at which the licensed undertaking is directed and managed. A licensed undertaking is also required to hold all client funds separately from its own funds or funds held in respect of any other business and maintain such books of account and other records such that client funds may be readily identified at any time.

Pursuant to the provisions of the CSPB any person who, together with their associates (within the meaning of the CSPB), intends to become either a shareholder controller or a majority shareholder controller of a CSPB licensed entity, must first serve notice of their intent to do so on the BMA and either receive a notice of non-objection from the BMA, or wait for the expiration of a three month period starting from the date of the notice to the BMA without the BMA having served a written notice of objection. A "shareholder controller" under the CSPB is any person who, either alone or with any associate or associates, (i) holds 10% or more of shares of the licensed entity (if it is a company) or 10% or more of another company of which the licensed entity is a subsidiary; (ii) is entitled to control or control the exercise of 10% or more of the voting power at any general meeting of the licensed entity (if it is a company) or of another company of which the licensed entity is a subsidiary; or (iii) is able to exercise a significant influence over the management of a licensed entity or of another company of which the licensed entity is a subsidiary by virtue of holding shares in or an entitlement to exercise or control the exercise of the voting power at any general meeting of either the licensed entity (if it is a company) or its holding company. A "majority shareholder controller" under the CSPB has the same meaning as limbs (i) and (ii) in the preceding sentence, save that the relevant percentage threshold for ownership is 50% or more.

In addition to the requirement to notify and obtain BMA non-objection (whether express or deemed) of any change in shareholder controller or majority shareholder controller of a CSPB licensed entity, if at any time it appears to the BMA that a person who is a "controller" of any description of a CSPB licensed entity is not a fit and proper person for such role, the BMA may serve a written notice of objection to that controller; provided that, before serving such a notice, the BMA must serve that person with a preliminary written notice stating that the BMA is considering service on that person of a notice of objection, specifying the reasons for which it appears to the BMA why that person is not or is no longer a fit and proper person and advising as to the rights of that person to make written representations to the BMA within 28 days beginning on the day on which such notice is served, and that such written representations shall be taken into account by the BMA in deciding whether to serve a notice of objection. For these purposes a "controller" includes (i) a managing director of a licensed entity or the licensed entity's holding company; (ii) the CEO of the licensed entity or the licensed entity's holding company; and (iii) a person in accordance with whose directions or instruction the directors of the licensed entity (or its holding company) are accustomed to act. Upon determining that any individual is not a fit and proper person, the BMA may pass a prohibition order, thereby preventing that individual from exercising any functions in connection with any business requiring licensing under the CSPB. Furthermore, under the CSPB, a licensed entity is required to give written notice to the BMA of any person becoming or ceasing to be a controller or an "officer" (director, company secretary or senior executive) of the licensed entity.

Breaches of the CSPB are punishable by a range of criminal and civil penalties including fines, imprisonment and public censure; breaches can result in the licensed entity losing its license and therefore its ability to conduct corporate service provider business. The BMA is also empowered to restrict a controller's ability to sell any shares (and

exercise any rights in respect of such shares) held by the controller in a CSPB licensed entity if they continue to be or become a controller following a notice of objection from the BMA.

Companies Act 1981

As a local company incorporated in Bermuda, the Bank is subject to the Companies Act 1981 (the "Companies Act"). Under section 114 of the Companies Act, no local company may carry on business of any sort in Bermuda unless, among other things, (i) it complies with the control and ownership requirements set out in Part I of the Third Schedule of the Companies Act; (ii) it is licensed under section 114B of the Companies Act and is carrying on such business in accordance with the terms and conditions imposed in such license; or (iii) its shares are listed on a designated stock exchange and the company is engaged as a business in a material way in a prescribed industry pursuant to section 114(1)(e) of the Companies Act.

In December 2000, the Minister of Finance issued to the Bank a license pursuant to section 114B of the Companies Act allowing the Bank to carry on business in Bermuda without complying with certain provisions of the Third Schedule to the Companies Act. Effective June 10, 2016, the Bank relinquished its section 114B license and carries on business in Bermuda without complying with the provisions of the Third Schedule in reliance upon the exemption in section 114(1)(e) of the Companies Act. The Bank qualifies for this statutory exemption by virtue of (i) the listing of the Bank's shares on the BSX, which is a "designated stock exchange" for the purposes of the Companies Act and (ii) the Bank's material business of banking, which is a "prescribed industry" for the purposes of the Companies Act.

Exchange Control

The Bank is designated as resident in Bermuda for exchange control purposes.

The BMA has given its consent for the issue and free transferability of all of the common shares to and between non-residents of Bermuda for exchange control purposes, provided the Bank's shares remain listed on an appointed stock exchange, which includes the NYSE. Approvals or permissions given by the BMA do not constitute a guarantee by the BMA as to our performance or our creditworthiness. Accordingly, in giving such consent or permissions, the BMA shall not be liable for the financial soundness, performance or default of our business or for the correctness of any opinions or statements expressed in this report.

Financial Crime Regulation

Bermuda has enacted a number of laws relating to combating money laundering and terrorist financing. These laws include the Proceeds of Crime Act 1997, the Anti-Terrorism (Financial and Other Measures) Act 2004, the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Supervision and Enforcement) Act 2008 and the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008, the Financial Intelligence Agency Act 2007, and the Anti-Terrorism (Financial and Other Measures) (Businesses in Regulated Sector) Order 2008 each as amended from time to time.

The Bank may be regulated together with its branches and subsidiaries in respect of anti-money laundering and anti-terrorist financing policies and procedures as a "financial group" if so designated by the Bermuda minister responsible for justice. Furthermore, under the Bribery Act 2016 of Bermuda, the Bank may be guilty of an offense if persons associated with the Bank (which can include the Bank's employees, agents or subsidiaries) bribe another person intending to obtain or retain business for the Bank or to obtain or retain an advantage in the conduct of business for the Bank. It is a defense to such offenses if the Bank proves that it has in place adequate procedures designed to prevent persons associated with the Bank from undertaking such bribery.

Following the UK's exit from the EU, the UK enacted the Sanctions and Anti-Money Laundering Act 2018 (SAMLA) as enabling legislation for a raft of economic and other sanctions, and money laundering and terrorist financing regulations. Regulations made under SAMLA have been extended to certain overseas territories (but not Bermuda, owing to Bermuda's unique measure of self-government) by Order in Council (the "Orders"). Bermuda has separately applied the Orders in its domestic law under the International Sanctions Act 2003. They are listed in the International Sanctions Regulations 2013. Such action to apply the Orders in Bermuda ensures that the list of financial sanctions targets in Bermuda tracks the UK Sanctions List maintained by HM Treasury's Office for Financial Sanctions Implementation. Bans on new investment and on financial or professional services also track applicable UK sanctions.

Stamp Duty

Stamp duty is a tax in Bermuda imposed on written documents. The governing legislation is the Stamp Duties Act 1976, as amended (the "Stamp Duties Act"). The Stamp Duties Act sets out the instruments that are subject to stamp duty, which generally include certain instruments or documents as specified in the Stamp Duties Act that are executed in Bermuda or, if executed outside of Bermuda, are then brought into Bermuda.

There are certain limited stamp duty exemptions under the Bermuda Stock Exchange Company Act 1992 (the "BSX Act"), which extend to local companies, the securities of which are listed on the BSX. The Bank's common shares are currently listed on the NYSE and BSX. Pursuant to the BSX Act, the provisions of the Stamp Duties Act will not apply to any instrument which relates to (i) a conveyance or transfer on sale, (ii) a conveyance or transfer to effect or having the effect of a voluntary disposition inter vivos, or (iii) any agreement for the lending and borrowing, of any securities which are listed on the BSX. Accordingly, for so long as the common shares of the Bank remain listed on the BSX (and to the extent any other securities issued by the Bank are listed on the BSX), the foregoing stamp duty exemptions under the BSX Act would apply. However, dealings in the Bank's common shares beyond the limited exemptions under the BSX Act may attract stamp duty under various heads of the Schedule to the Stamp Duties Act. For example, ad valorem stamp duty may be payable (i) where security is granted over shares of the Bank, (ii) where shares of the Bank form part of a deceased's estate and probate is sought, and (iii) on a share certificate where the share is issued by the Bank for the first time at a premium in excess of the par value thereof.

The Stamp Duties Act prescribes the persons liable to pay the stamp duty, whether the amount of duty is a fixed or ad valorem amount and the time period in which the duty must be paid, depending on the nature of the instrument. The Stamp Duties Act also sets out the consequences for failure to stamp instruments which are subject to duty.

Generally, if a stampable document has been executed in Bermuda or has been executed outside of Bermuda and then brought into Bermuda and stamp duty is not paid, the document is not valid for any purpose (including registration) in Bermuda, until such time as it is stamped. In addition, a stampable document which is not stamped (i) is not admissible in court proceedings in Bermuda, except in criminal proceedings or stamp duty violation prosecutions; and (ii) may not be acted upon, filed, or registered by any public official or by any company. For any instrument which is liable to stamp duty that is not duly stamped, every person who is specified in the Stamp Duties Act as liable for stamping commits an offense.

Limits on Shareholding

Generally, the Companies Act imposes limits on the percentage of shares in a local company carrying on business in Bermuda which may be held by persons who are non-Bermudian as that term is defined in the Companies Act. As described above, the Bank relies on an exemption under section 114(1)(e) of the Companies Act to these ownership and related control requirements.

Additionally, the bye-laws of the Bank restrict the voting rights of a person who is not "Bermudian" (as such term is defined in the Companies Act) and who is "interested" (as such term is defined in the bye-laws) in the shares of the Bank which constitute more than 40% of all shares then issued and outstanding, and such person is not entitled to vote the shares which are in excess of this 40% interest at any general meeting without the prior written approval of the Minister of Finance.

In addition, there are certain prior approval requirements pursuant to the BDCA, the Trusts Business Act, the CSPB and the Investment Business Act with respect to any person who seeks to become a "shareholder controller" (as defined in each of those Acts) of the Bank.

Deposit Insurance Scheme

Pursuant to the Deposit Insurance Act 2011 and the Deposit Insurance Rules 2016 of Bermuda, a DIS has come into effect in Bermuda. The DIS is administered by the Bermuda Deposit Insurance Corporation. The DIS is designed to protect the deposits of individuals, charities, unincorporated associations, partnerships, sole proprietors and small businesses by guaranteeing up to \$25,000 of their aggregate Bermuda Dollar deposits in the event of a Bermuda deposit taking institution's failure. The DIS is backed by a Deposit Insurance Fund which is in turn funded from premium contributions that are payable by all banks and credit unions licensed by the BMA. As a bank licensed by the BMA, we are required to be a member of the DIS and pay contributions to the Deposit Insurance Fund. Currently, our premium contribution is calculated by the Bermuda Deposit Insurance Corporation as 0.25% per annum of the average total amount of our Bermuda Dollar deposits that are covered by the DIS guarantee over a rolling three-month period based on information disclosed by us to the Bermuda Deposit Insurance Corporation. Each contribution to the Deposit Insurance Fund is payable every three months in arrears.

Personal Information Protection Act 2016

Bermuda's principal data protection legislation is the PIPA. PIPA applies to every organization (which includes any individual, entity or public authority) that uses personal information in Bermuda where that personal information is used by automated or other means which form, or are intended to form, part of a structured filing system. For the purposes of PIPA, "personal information" means any information about an identified or identifiable individual (meaning a natural person), and "use" or "using" are very broadly defined and effectively include possessing or carrying out any operation on personal information. The Bank uses and holds individuals' personal information in Bermuda, so must comply with the provisions of PIPA.

The first Bermuda Privacy Commissioner was appointed with effect from January 20, 2020, and all remaining provisions for PIPA became effective on January 1, 2025. Upon PIPA becoming fully effective, the Bank (and its Bermuda subsidiaries) will have to administer all "personal information" in accordance with PIPA (and any related codes of conduct or guidance). This will require the Bank and its Bermuda subsidiaries to, amongst other things, publish and abide by a privacy notice in respect of personal information, ensure that appropriate safeguards are in place in relation to risks associated with the use of personal information (including loss, unauthorized access, destruction, use, modification or disclosure) and ensure that appropriate protections are in place when personal information is transferred to overseas third parties (including affiliates). Upon PIPA becoming fully effective, compliance with the relevant provisions of PIPA will be subject to the monitoring of the Privacy Commissioner who may, for example, investigate any data breaches or enforce any access requests made by individuals in respect of any of their personal information held by the Bank or its Bermuda subsidiaries.

Corporate Income Tax Act 2023 and Corporate Income Tax Agency Act 2024

Under the Corporate Income Tax Agency Act 2024, the Corporate Income Tax Agency ("CIT Agency") is responsible for the administration of the Corporate Income Tax Act 2023 ("CIT Act"). As described in Item 10.E. "Additional Information - Taxation", the CIT Act became effective on January 1, 2025, Bermuda has enacted a corporate tax regime applicable to the Bermuda entities of multi-national enterprises. While the Bank (and its Bermuda subsidiaries) does not at present satisfy the definition of a "multi-national group" for the purposes of the Bermuda CIT Act due to the level of its consolidated revenues, if, in the future, the consolidated revenues of the Bank were to increase such that it was in scope of the CIT Act, the Bank's (and its Bermuda subsidiaries') tax filings would be administered (and subject to audit) by the Bermuda CIT Agency. Regardless of whether or not the Bank (or any of its Bermuda subsidiaries) are in scope of the charge to tax under the CIT Act, the CIT Agency also has broad information gathering powers that apply to any person (including the Bank and its Bermuda based subsidiaries and staff) in so far as the CIT Agency can require the production of such information as the Agency may reasonably require to discharge its functions under the CIT Agency or the CIT Act.

The Cayman Islands

The Cayman Islands Monetary Authority

Our activities in the Cayman Islands are regulated by CIMA. CIMA is responsible for currency management, regulation and supervision of the Cayman Islands financial services sector (which includes securities and investments business, banking, insurance and fiduciary services), advice to the Cayman Islands government and cooperation with overseas regulatory authorities. CIMA's principal focus is to promote and maintain a sound financial system in the Cayman Islands and to promote and enhance market confidence, consumer protection and the reputation of the Cayman Islands as a financial center.

CIMA has broad statutory powers of enforcement. These powers are intended to permit CIMA to have access to information held or maintained by a licensee as necessary and to enable CIMA to take appropriate remedial action, including imposition of administrative fines, if a licensee is in default of its obligations under applicable laws.

Banks & Trust Companies Act (as revised)

The BATCA provides that it is an offense to conduct banking business or trust business without the appropriate license. Butterfield Bank (Cayman) Limited holds a category "A" banking license and a trust license, both issued by CIMA.

The BATCA is supplemented by certain regulations which, among other things, prescribe the fees that are payable by licensees and certain information that must be submitted to CIMA in connection with any license application.

Licensees must adhere to certain capital adequacy requirements and must file audited financial statements with CIMA within three months of their financial year-end. Prior written approval of CIMA is required in a number of circumstances including, but are not limited to, the issue, transfer or disposal of any shares, the appointment of a new director or senior officer or where the licensee wishes to conduct business that deviates from its business plan submitted at the time of its license application. Effective January 31, 2025, Butterfield Bank (Cayman) Limited was designated as a Domestic Systemically Important Deposit-Taking Institution ("D-SIDTI") and will be subject to a 3% surcharge above the minimum regulatory capital requirement effective January 31, 2026.

Securities Investment Business Act (as revised)

The SIBA (as amended) provides that a person shall not carry on, or purport to carry on, securities investment business in or from the Cayman Islands unless that person is for the time being licensed under SIBA or is exempted from the requirement to hold a license pursuant to SIBA. Butterfield Bank (Cayman) Limited holds a securities investment business license, issued by CIMA, to conduct its business.

SIBA is essentially designed to achieve the licensing and regulation of securities investment providers and applies to (i) any company, foreign company or partnership incorporated or registered in the Cayman Islands and carrying on "securities investment business" anywhere in the world, or (ii) any entity which has a "place of business" in the Cayman Islands through which "securities investment business" is carried on. The entity need not have a physical presence in the Cayman Islands in order for such entity to fall within the ambit of SIBA.

Certain categories of persons conducting activities that would otherwise fall within the definition of securities investment business are categorized as non-registrable persons under SIBA. Such persons include single family offices who do not advise third parties and managers of non-Cayman limited liability companies who carry on securities investment business only in that capacity. In addition, SIBA requires certain persons who are engaged in securities investment business with, among other things, sophisticated or high net worth persons (as such terms are defined in SIBA) to register as a registered person under SIBA. Upon such registration, a registered person is subject to CIMA regulation, however a number of requirements applicable to SIBA licensees do not apply to SIBA registered persons. For example, a SIBA registered person is not required to submit annual audited financial statements or business plans to CIMA.

Insurance Act, 2010 (as revised)

CIMA regulates the insurance industry in the Cayman Islands pursuant to the IA (as amended). Such regulation includes licensing, ongoing supervision, and enforcement.

Pursuant to the IA, a company is required to hold a license in order to carry on insurance or reinsurance business or business as an insurance agent, insurance broker or insurance manager in or from the Cayman Islands. Butterfield Bank (Cayman) Limited (which is not itself an insurer) holds an insurance agent license, issued by CIMA, permitting it to solicit domestic business on behalf of not more than one general insurer and one long term insurer.

Companies Act (as revised)

Butterfield Bank (Cayman) Limited is an ordinary resident company incorporated in the Cayman Islands, meaning that, subject to it being licensed under the BATCA, it can carry on business within the Cayman Islands. Butterfield Bank (Cayman) Limited is required to comply with the requirements of the Companies Act (2023 Revision), this being the principal statute governing the incorporation and ongoing operations of the Cayman Islands companies.

Anti-Money Laundering Regulations (as revised); Proceeds of Crime Act (as revised, the "PCA"); and Terrorism Act (as revised)

Butterfield Bank (Cayman) Limited is subject to the Anti-Money Laundering Regulations (as revised) (the "Regulations") made pursuant to the PCA (as revised). The Regulations apply to anyone conducting "relevant financial business" in or from the Cayman Islands intending to form a business relationship or carry out a one-off transaction. The Regulations require a financial service provider to maintain certain anti-money laundering procedures including those for the purposes of verifying the identity and source of funds of an "applicant for business" except in certain circumstances, including where an entity is regulated by a recognized overseas regulatory authority and/or listed on a recognized stock exchange in an approved jurisdiction. In addition, if any person resident in the Cayman Islands knows or suspects, or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct, or is involved with terrorism or terrorist property, and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Cayman Islands Financial Reporting Authority (the "FRA"), pursuant to the PCA, if the disclosure relates to criminal conduct or money laundering; or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Act (as revised), if the disclosure relates to involvement with terrorism or terrorist financing and property.

The Cayman Islands Data Protection Act, (as revised, the "DPA")

The DPA came into force on September 30, 2019 and establishes a framework of rights and duties designed to safeguard individuals' personal data, balanced against the need of public authorities, businesses and organizations to collect and use personal data for legitimate purposes. The DPA was developed in line with international best practices while ensuring that it reflects the specific needs of the Cayman Islands. It is based substantially on the Data Protection Act, 1998 of the United Kingdom. The DPA defines "personal data" very widely to include any data which enables a living individual to be identified.

In common with most businesses, Butterfield Bank (Cayman) Limited records information in respect of individuals, particularly those who are employees, clients or suppliers, and the obligations under the DPA require a detailed review or establishment of policies and procedures in order to achieve compliance. Non-compliance with the DPA may have serious ramifications.

The DPA is centered on eight data protection principles under which personal data must:

- be processed fairly and only when specific conditions are met, including where consent has been given, where there is a legal obligation, or where it is necessary for the performance of a contract to which the data subject is a party. Additional conditions apply in respect of "sensitive personal data" (examples of which include racial or ethnic origin, political opinions, religious beliefs, trade union membership, genetic data, health, sex life and offenses);
- be obtained only for one or more specified lawful purposes, and shall not be further processed in any manner incompatible with such purposes;
- be adequate, relevant and not excessive in relation to the purpose or purposes for which they are collected or processed;
- be accurate and, where necessary, kept up to date;
- not be kept for longer than is necessary for the purpose;
- be processed in accordance with the rights of individuals as specified under the DPA;
- be protected by appropriate technical and organizational measures against unauthorized or unlawful processing, and against accidental loss, destruction or damage; and
- not be transferred abroad unless the country or territory to which it is transferred ensures an adequate level of protection for the rights and freedoms of data subjects in relation to the processing of personal data.

Under the DPA, individuals have the right to be informed how personal data is processed and Butterfield Bank (Cayman) Limited is required to provide individuals with a privacy notice in this regard. Individuals also have the right (i) to request access to their personal data, (ii) to request rectification or correction of personal data, (iii) to request that processing of personal data be stopped or restricted and (iv) to require Butterfield Bank (Cayman) Limited to cease processing personal data for direct marketing purposes.

Individuals who believe that their personal data has been handled incorrectly or are not satisfied with responses from Butterfield Bank (Cayman) Limited to any requests made regarding the use of their personal data have a right under the DPA to complain to the Cayman Islands' Ombudsman.

The Bahamas

The Central Bank of The Bahamas

Butterfield Trust (Bahamas) Limited has been granted a license from the Central Bank of The Bahamas to conduct trust business from within The Bahamas. As the primary regulator of Butterfield Trust (Bahamas) Limited, the Central Bank of The Bahamas is responsible for the regulation and supervision of Butterfield Trust (Bahamas) Limited with respect to all of its operations, corporate governance issues, and compliance with applicable laws and regulations. The Central Bank of The Bahamas' regulations on capital adequacy and the regulatory framework within The Bahamas take into account the recommendations of the BCBS.

The Banks and Trust Companies Regulation Act and Regulations

The Banks and Trust Companies Regulation Act and Regulations set forth the basic provisions relating to the licensing and operations of banks and trust companies in The Bahamas, as well as the powers of the Central Bank of The Bahamas to supervise and audit the activities of such entities. As it relates to the preservation of confidentiality, the Banks and Trust Companies Regulation Act makes it an offense for certain individuals to disclose without customer consent, inter alia, the identity, assets, liabilities, transactions or accounts of a customer of a licensee, save for in specified circumstances.

The Central Bank of The Bahamas Act and Regulations

The Central Bank of The Bahamas Act provides general provisions relating to the structure and operation of the Central Bank of The Bahamas, the regulatory reporting required to be submitted to the Central Bank of The Bahamas by the licensees and the penalties that may be imposed for failure to comply with the orders of the Central Bank of The Bahamas. From time to time, the Central Bank issues regulations, guidelines and policies which are available on its website.

Financial and Corporate Service Providers Act

The Financial and Corporate Service Providers Act provides regulations for the administration and supervision of all licensed financial and corporate service providers in The Bahamas. This Act details the obligations and duties of a licensee under the Act and sets out the supervisory powers of the Securities Commission over its licensees inclusive of penalties and sanctions for non-compliance.

Financial Intelligence and Reporting

The Financial Intelligence Unit Act provides for the establishment of the financial intelligence unit organization in The Bahamas that is responsible for receiving, analyzing, obtaining and disseminating information which relates to or may relate to the proceeds of offenses under the Proceeds of Crime Act or the Anti-Terrorism Act.

The Financial Transactions Reporting (Amended) Act and Regulations provides the basic requirements applicable to financial institutions in The Bahamas with respect to verifying the identities of facility holders and bank customers, the obligation to report suspicious transactions to the financial intelligence unit, and minimum record retention policies and procedures.

Data Protection (Privacy of Personal Information) Act

This Data Protection (Privacy of Personal Information) Act makes provision for the protection of the privacy of the personal data of individuals and the regulation of its collection, processing, keeping, use and disclosure.

Other Relevant Legislation

Butterfield Trust (Bahamas) Limited is also subject to various other acts and regulations, including the Proceeds of Crime Act, which sets forth that it is a crime in The Bahamas for a person to conceal, transfer or deal with the proceeds of criminal conduct (such as money laundering) and the Anti-Terrorism Act, which sets forth that it is a crime in The Bahamas for a person to provide or collect funds or provide financial services or make such services available to persons with the intention that such funds or services are to be used in full or in part to carry out a terrorist act. In addition to the laws and regulations set forth above, Butterfield Trust (Bahamas) Limited is also obligated to comply with the guidelines released by the Central Bank of The Bahamas from time to time.

Guernsey

Guernsey Financial Services Commission

Our activities in Guernsey are monitored by the GFSC through its Probability Risk and Impact System. The primary objective of the GFSC is to regulate and supervise finance businesses in the Bailiwick of Guernsey ("Guernsey," or the "Bailiwick"). Almost all financial service activities in Guernsey are required to be licensed by the GFSC. Once licensed, the businesses are subject to the regulation, oversight, investigatory, information gathering and enforcement powers of the GFSC.

The various divisions of the GFSC perform regular visits with the purpose of understanding the business and reviewing the risk management and internal control environment (including monitoring and any outsourced functions). Such visits also monitor compliance with applicable law and regulation.

In addition to conducting on-site reviews, the GFSC has a continuing duty to determine whether entities it regulates and the persons who own or run them remain fit and proper. Licensees therefore have a statutory obligation to notify the GFSC of various changes, which are set out in comprehensive rules and regulations. The GFSC also requires financial services businesses to submit periodic returns for statistical analysis and inclusion in thematic studies.

The GFSC has wide powers of enforcement to address shortcomings and breaches by financial services businesses. These range from private warnings and reprimands to revocation and suspension of applicable licenses and consents, fines and referral for criminal prosecution, among others.

The Banking Supervision (Bailiwick of Guernsey) Law, 2020

The BSL provides that no person in the Bailiwick shall accept a deposit in the course of carrying on, whether in Guernsey or elsewhere, a deposit-taking business except under the authority of and in accordance with the conditions of a license granted by the GFSC. Butterfield Bank (Guernsey) Limited holds a license under the BSL. In order to be granted a license, a company's business must be carried on with prudence, integrity, professional skills and in a manner which will not tend to bring the Bailiwick into disrepute. The business must also be directed by at least two individuals who are resident in the Bailiwick of Guernsey with appropriate standing and experience and sufficiently independent of each other. Businesses must also adhere to codes, principles, rules and instructions issued from time to time.

Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law 2020

The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law 2020 (the "Guernsey Fiduciaries Law") provides that only a person licensed by the GFSC under the Guernsey Fiduciaries Law can operate fiduciary businesses, which includes:

- formation, management and administration of trusts;
- company or corporate administration;
- provision of executorship services; and
- the formation and management of foundations.

The GFSC can grant three different categories of license, including a primary or secondary fiduciary license, which can only be granted to a company or a partnership, and a personal fiduciary license. The primary fiduciary license also covers any director, partner or employee acting in the course of their employment. Secondary license holders must be associated with a designated primary licensee, and the Commission must be notified of this designation.

The Protection of Investors (Bailiwick of Guernsey) Law, 2020

Under the POI (Bailiwick of Guernsey) Law, 2020 (the "POI Law"), a person shall not (subject to certain exemptions) carry on, or hold himself out as carrying on, any controlled investment business in or from within the Bailiwick, except under and in accordance with the terms of a license. For the purposes of the POI Law, a controlled investment includes collective investment schemes and general securities and derivatives. All Guernsey domiciled funds have to be authorized by or registered with the GFSC and be administered by a Guernsey licensed administrator. In addition, open-ended funds must also have a Guernsey-licensed custodian.

The Financial Services Commission (Bailiwick of Guernsey) Law, 1987

The Financial Services Commission (Bailiwick of Guernsey) Law, 1987 provides that the general functions of the GFSC are to supervise the finance business in the Bailiwick, to counter financial crime and the financing of terrorism and to maintain confidence in the Bailiwick's reputation as an international finance center.

The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999

The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 established certain offenses in connection with the proceeds of criminal conduct including concealing or transferring the proceeds of crime, assisting another person to retain the proceeds of criminal conduct, acquisition, possession or use of proceeds of criminal conduct and tipping-off.

The Terrorism and Crime (Bailiwick of Guernsey) Regulations, 2007

The Terrorism and Crime (Bailiwick of Guernsey) Regulations, 2007 provides for a positive obligation on businesses to report internally any suspicions of money laundering. A money laundering reporting officer must be appointed to fulfil this function and to make disclosure to the relevant division of Guernsey's police unit.

Guernsey Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008

Pursuant to the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008, a Guernsey DCS is in effect in Guernsey. The Guernsey DCS provides compensation of up to £50,000 per qualifying deposit in the event of the failure of a Guernsey-licensed bank. The maximum total amount of compensation is capped at £100 million in any 5 year period. If claims exceed this cap, compensation will be reduced pro rata. The cap also means that compensation in respect of any one bank cannot exceed £100 million. The Guernsey DCS is paid for by Guernsey banks through an annual administration levy and, in the event of a bank failure, a compensation levy.

Data Protection (Bailiwick of Guernsey) Law, 2017

The DPL 2017 came into force on May 25, 2018 to coincide with the enforcement of the EU's General Data Protection Regulation (EU) 2016/679 ("GDPR"). The DPL 2017 updated Guernsey's data protection framework to ensure that Guernsey retained its data protection "adequacy" status with the European Commission.

The DPL 2017 applies to the processing of personal data and provides rights to data subjects (i.e., individuals) and places obligations on data controllers and processors of personal data including, among other matters, in relation to subject access requests, transfers of personal data and notification of data breaches.

The Office of the Data Protection Authority is the independent regulatory authority responsible for the regulatory functions under the DPL 2017, including the ability to levy fines.

Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022

The LCF Law and the regulatory rules which underpin it came into force on January 1, 2023, with full implementation on July 1, 2023.

The primary purpose of the LCF Law is to regulate the credit and finance sector to protect consumers who make use of consumer credit, including individual loans, home finance and credit for the purchase of goods and services. Firms offering or intermediating such services in or from within Guernsey need to be licensed to do so and regulated by the GFSC.

Jersey

Butterfield Bank (Guernsey) Limited, Jersey Branch is regulated by the JFSC to carry on deposit-taking business under the Banking Business (Jersey) Law 1991; investment business pursuant to the Financial Services (Jersey) Law 1998; fund services business pursuant to the Financial Services (Jersey) Law 1998; and has notified the JFSC that it is carrying on money service business pursuant to the Financial Services (Jersey) Law 1998.

Butterfield's business in the Channel Islands was reorganized in 2024 so that all business, including deposit-taking business (as defined in the Banking Business (Jersey) Law 1991), lending and other banking business, Investment Business, Money Service Business and Fund Services Business (each as defined in the Financial Services (Jersey) Law 1998) formerly carried on in or from within Jersey by Butterfield Bank (Jersey) Limited (together, the "Business") has been transferred to Butterfield Bank (Guernsey) Limited acting through its Jersey branch (Butterfield Bank (Guernsey) Limited, Jersey Branch) by way of a court sanctioned scheme. The scheme was sanctioned by the Royal Court of Jersey on May 14, 2024 and the transfer of the Business became effective on June 1, 2024.

The JFSC uses four key areas in supervising banks which are the development of regulatory requirements in relation to prudential matters, conduct of business

and anti-money laundering/countering of terrorist financing/countering of proliferation financing, including by means of laws and codes of practice; on-site examinations and meetings; off-site supervision including the analysis of financial information; and international dialogue and liaison with other regulators involved in the supervision of the broader group.

The JFSC has wide powers of enforcement to address shortcomings and breaches by financial services businesses. These range from private warnings and reprimands to revocation and suspension of applicable licenses and consents, civil financial penalties and referral to the Attorney General to consider whether to pursue a criminal prosecution, among others.

Financial Services Commission (Jersey) Law 1998

The Financial Services Commission (Jersey) Law 1998 provides that the JFSC is, among other things, responsible for the supervision and development of financial services in or from within Jersey and by Jersey companies, preparing and submitting recommendations for legislation regarding financial services, supervising regulated entities, and administering laws such as the Control of Borrowing (Jersey) Law 1947 and the Companies (Jersey) Law 1991. It also has particular regard to the reduction of risk to the public of financial loss, to protecting and enhancing the reputation and integrity of Jersey, to the best economic interests of Jersey and the need to counter financial crime.

Banking Business (Jersey) Law 1991

The BBL provides that no person shall carry on or hold themselves out as carrying on a deposit taking business in or from within Jersey or in any part of the world if they are a Jersey company unless they are registered under the BBL. Butterfield Bank (Guernsey) Limited, Jersey Branch holds a license under the BBL. In order to be granted a license, the JFSC will consider the integrity, competence and financial standing, amongst other factors of a company's business and that it would be in the best interests of persons who may deposit money that the company should be registered. The business must also have a physical presence in Jersey involving meaningful decision making and management, and be subject to supervision by a relevant supervisory authority. Businesses must adhere to secondary legislation and codes issued from time to time. This law also contains provisions regarding approval of principal persons, key persons and shareholders, and sets out further powers of the JFSC.

Financial Services (Jersey) Law 1998

This law regulates investment, trust company, general insurance mediation, money service, fund services and alternative investment fund services business. It includes requirements to register if carrying on regulated business, provisions for the supervision of financial services (including requirements to notify of changes to principal persons, key persons and shareholders), and gives the JFSC powers to issue directions and public statements, request information, and issue further orders and regulations. It also sets out the offenses of market manipulation, misleading information and insider dealing.

Collective Investment Funds (Jersey) Law 1988

Under the Collective Investment Funds (Jersey) Law, a person shall not (subject to certain exemptions) be or hold himself out as being a functionary of a recognized fund in or from within Jersey, except under a permit. For the purposes of this law, a recognized fund is a type of collective investment fund subject to additional regulations. Any person carrying on the business of an unclassified fund must also hold a certificate. This law also contains provisions regarding notification of principal persons, key persons and shareholders, and sets out further powers of the JFSC.

Bank (Recovery and Resolution) (Jersey) Law 2017

The Bank (Recovery and Resolution) (Jersey) Law 2017 came into force in 2022. Butterfield Bank (Guernsey) Limited, Jersey Branch is therefore now subject to the recovery and resolution powers, as well as investigatory powers, exercisable by the Jersey Resolution Authority. Butterfield Bank (Guernsey) Limited, Jersey branch is, potentially to a limited extent, subject to the bank winding up procedure set out in this Law. This Law notes that where a bank is a branch of a foreign bank, the provisions of the law for the bank's home jurisdiction with respect to the ranking provided for the claims of ordinary creditors may, where notice is given by the Jersey Resolution Authority of its consent, apply to the resolution of that bank. The Law also contains provisions for the recognition (or refusal) of foreign resolution actions.

Proceeds of Crime (Jersey) Law 1999 and Terrorism (Jersey) Law 2002

The Proceeds of Crime (Jersey) Law 1999 established certain offenses in connection with the proceeds of criminal conduct including acquiring, using or having possession or control of criminal property, concealing, disguising, converting, transferring or removing such criminal property from Jersey, and tipping off and interference with material that is likely to be relevant to an investigation.

The Terrorism (Jersey) Law 2002 contains similar offenses regarding using, possessing, providing, collecting or receiving property for the purposes of terrorism, and otherwise dealing with terrorist property.

Both the Proceeds of Crime (Jersey) Law 1999 and the Terrorism (Jersey) Law 2002 provide for a positive obligation on businesses to report any suspicions of money laundering or terrorist financing to the Jersey Financial Intelligence Unit. The Proceeds of Crime (Jersey) Law 1999 was also amended in 2022 to introduce an offense of failing to prevent money laundering by employees, agents, service providers or customers, as a result of failing to maintain and apply adequate prevention procedures.

Depositors Compensation Scheme, 2009

Pursuant to the Banking Business (Depositors Compensation) (Jersey) Regulations 2009, the Jersey Bank DCS ("Jersey DCS") is in effect in Jersey. The law covers all "eligible deposits" and, in the event of the failure of a Jersey bank, provides protection of up to £50,000 for deposits placed in Jersey per person, per banking group, for local and international depositors. The maximum liability of the Jersey DCS is capped at £100 million in any 5 year period.

Data Protection (Jersey) Law, 2018 / Data Protection Authority (Jersey) Law, 2018

The DPJL, and its companion statute the DPAJL, came into force on May 25, 2018 to coincide with implementation of the GDPR. The DPJL updated Jersey's data protection framework expressly to mirror the GDPR and ensure that Jersey retained its data protection "adequacy" status with the European Commission.

In outline, the DPJL governs the processing of personal data in Jersey or in relation to Jersey residents; it provides rights to data subjects (i.e. individuals) and places obligations on data controllers and processors of personal data including, among other matters, in relation to subject access requests, transfers of personal data and notification of data breaches. The DPAJL requires any organization which is "established" in Jersey to be registered with the JOIC and to pay an annual charge.

The JOIC is the independent authority responsible for the regulatory and enforcement functions of the DPJL and DPAJL, including the ability to levy fines.

United Kingdom

Regulatory Regime

Butterfield Mortgages Limited provides UK residential property lending services.

The primary legislation governing the provision of Butterfield Mortgages Limited's services is the FSMA and its secondary regulations. FSMA requires that in order to carry on mortgage and investment services in the UK, a firm must be authorized (or exempt) and have the necessary permissions. Butterfield Mortgages Limited is authorized and has permissions to enter into, advise on and administer regulated mortgage contracts.

Because its permissions are limited to mortgage activities, Butterfield Mortgages Limited is regulated by the FCA. The FCA has responsibility for both prudential and conduct of business regulation of Butterfield Mortgages Limited.

Butterfield Mortgages Limited must comply with the FCA handbook which contains detailed rules and guidance in respect of governance and conduct matters. The FCA's Principles for Business require, among other things, that Butterfield Mortgages Limited conducts its business with integrity and due skill, care and diligence, to a consumer duty standard which ensures an appropriate level of protection for retail customers and deals with its regulators in an open and cooperative way. In addition, certain persons occupying senior management functions and certifications at Butterfield Mortgages Limited are subject to statements of principle and a code of practice that describes behaviors expected of persons operating in the regulated sector. Butterfield Mortgages Limited is subject to and has implemented the FCA's Senior Management and Certification Regime, the purpose of which is to increase individual accountability of senior management under the UK regulatory system.

Control

FSMA requires any person seeking to obtain (and in certain circumstances increase) control over Butterfield Mortgages Limited to first get approval from the FCA. A person will become a controller if it holds (itself or with another where they are acting together) (i) 20% or more of the shares of Butterfield Mortgages Limited or in any parent undertaking; or (ii) 20% or more of the voting power in Butterfield Mortgages Limited or any parent.

The Companies Act 2006 requires that UK incorporated companies maintain a register of persons who have significant control over them. A person will be considered to have significant control if it holds (itself or with another where they are acting together) 25% or more of the company's shares or voting rights or has the ability to appoint a majority of the board of directors.

Capital

Butterfield Mortgages Limited is subject to capital rules under the FCA's Prudential sourcebook for MIPRU. The MIPRU capital rules stipulate the minimum level and quality of capital that must be maintained to support the activities carried on.

AML and Financial Crime

Butterfield Mortgages Limited is subject to a range of legislation at a UK level requiring it to take steps to detect and prevent potential money laundering, financial crime, terrorist financing or proliferation financing. The FCA and HM Treasury have investigatory powers in relation to suspected breaches.

The principal UK anti-money laundering legislation applicable to the regulated activities of Butterfield Mortgages Limited is the MLRs 2017 from June 26, 2017. The MLRs 2017 prescribed obligations in relation to KYC information and assessment as well as ongoing monitoring obligations.

Further, Butterfield Mortgages Limited must comply with its obligations under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Anti-terrorism, Crime and Security Act 2001, the Counter-Terrorism Act 2008 (Schedule 7), the Sanctions and Anti-Money Laundering Act 2018, the UK Bribery Act 2010, the Economic Crime and Corporate Transparency Act 2023, certain specific obligations under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and certain specific obligations in FSMA and the requisite sourcebooks within the FCA Handbook. Together, this legislation requires regulated firms to create a robust system and controls framework and appropriate and risk-sensitive policies and procedures in relation to customer due diligence and monitoring of transactions, to avoid financing terrorism or money laundering or facilitating either of these, and to avoid dealing with certain persons specified by HM Treasury, and to disclose suspicious activity to the relevant regulatory authorities.

Butterfield Mortgages Limited, as a wholly-owned subsidiary of the Bank of N.T. Butterfield & Son Limited, must also comply with legislation of third countries to the extent that such legislation has extra-territorial effect and is applicable to it. Examples of this are the US PATRIOT Act of 2001, the FATCA of 2010, and the Sarbanes-Oxley Act 2002.

Data Protection Act, 2018

The DPA 2018 came into force on May 25, 2018 and supplemented and tailored the GDPR to the UK legal framework. Following the UK leaving the EU on January 31, 2020, the GDPR was incorporated into the UK's domestic law under The European Union (Withdrawal Agreement) Act 2020 that makes legal provision for ratifying the Brexit Withdrawal Agreement of January 24, 2020 and implementing it into the domestic law of the United Kingdom as the UK GDPR. It sits alongside an amended version of the DPA 2018.

Butterfield Mortgages Limited is required to have in place compliant policies and procedures to meet the UK GDPR and DPA 2018 obligations to deal with data appropriately. Additionally, there are still implications under the GDPR on UK controllers who have customers in the EEA or monitor individuals in the EEA as the EU GDPR still applies to this processing. Breaches of the legislation are criminal offences and can result in severe penalties. The Information Commissioner's Office has regulatory and disciplinary powers and a breach of the UK GDPR or the DPA 2018 can give rise to financial penalties based on a percentage of annual turnover.

Switzerland

Financial Institutions Act

FinIA and FinIO set forth the basic provisions relating to the licensing in Switzerland of financial institutions, which includes trustees and (collective) asset managers but excludes banks and insurance companies as they are already subject to specific legislation. Pursuant to FinIA, Swiss trustees acting on a professional basis in Switzerland or from Switzerland, must obtain a license from the FINMA to carry on their trustee activities. A Swiss branch or a Swiss representative office of a foreign trustee must also obtain a license from FINMA.

FINMA is responsible for granting the license and for taking any enforcement actions. In order to obtain a license from FINMA, a trustee will first need to affiliate to a Supervisory Organization, which is licensed and supervised by FINMA. The Supervisory Organization will conduct the day-to-day supervision and perform regular audits of the affiliated trustees. In order to obtain a license, the applicant must further, inter alia, comply with minimum capital requirements, have an appropriate level of own funds, an appropriate organization, qualified executives and generally meet a "fit and proper" requirement.

In accordance with the obligations for existing trustees under FinIA, Butterfield Trust (Switzerland) Ltd complies with the licensing requirements as set forth under FinIA, is affiliated to a Supervisory Organization (see below under Swiss Anti-Money Laundering Act) and was granted a Trustee license by FINMA on January 15, 2024.

Swiss Anti-Money Laundering Act

The AMLA and the related implementing ordinances apply to financial intermediaries, which include trustees. It governs the combating of money laundering and terrorist financing. It ensures the exercise of due diligence by the financial institutions in the conduct of financial transactions. Pursuant to AMLA, financial institutions must affiliate to a recognized Self-Regulatory Organisation or a recognized Supervisory Organisation (see above under Financial Institutions Act) which shall supervise compliance by financial intermediaries of their duties set out in AMLA. Butterfield Trust (Switzerland) Ltd must comply with its obligations under AMLA and is currently affiliated to SO-FIT, a Supervisory Organisation licensed and supervised by FINMA.

Swiss Data Protection Act

On September 1, 2023, the revised DPA and the DPO entered into force. The revision responds to technological advancements, aligns Swiss data protection law with international data protection standards, including the GDPR, to allow Switzerland to uphold its status as a country adequately protecting personal data from an EU perspective. The DPA and DPO aim to protect the privacy and the fundamental rights of persons when their data is processed. The DPA and DPO provide for several requirements and limits with respect to data processing in Switzerland as well as the transfer of data outside Switzerland. The data protection legislation applies to any private entity processing data related to individuals ("data subjects"). Data processing is defined as any handling of personal data, irrespective of the means and procedures used, in particular the collection, storage, keeping, use, modification, disclosure, archiving or destruction of data.

The DPA and DPO impose a series of duties on the so-called controller of the processing of personal data, i.e. the person who defines the purpose and controls the content of the collected personal data. The activities of Butterfield Trust (Switzerland) Ltd imply the processing of personal data of various data subjects. As a result, it is to comply with the provisions of the DPA when processing personal data.

The general principles of the Swiss data protection legislation include the obligations to process personal data lawfully, and to ensure that the processing is carried out in good faith and to be proportionate. Further, personal data may only be collected for a specific purpose that the data subject can recognize and must be destroyed or anonymized as soon as they are no longer required. The controller must also arrange the data processing in technical and organizational terms so that the principles as set forth in the DPA and DPO are respected. In particular, the controller must guarantee a level of data security appropriate to the risk of accidental destruction, loss, theft and any other unauthorized use, by taking suitable technical and organizational measures. Under the DPA, the data subjects have a right of access to their personal data if they request so and have the opportunity to request the correction of the personal data that is inaccurate. A data subject may also request the controller to deliver the personal data in an electronic format. Finally, the revised DPO now appends a list of countries providing for adequate data protection legislation for cross-border transfer purposes.

Singapore

Butterfield Trust (Asia) Limited holds a trust business license issued by the MAS pursuant to the TCA.

As the integrated financial services regulatory authority in Singapore, the MAS administers (among other financial services related statutes) the TCA and regulates and supervises (among other types of financial institutions) trust business license holders (such as Butterfield Trust (Asia) Limited) in accordance with the TCA and all related subsidiary legislation, notices, guidelines and other regulatory instruments issued by the MAS ("MAS Instruments"). These MAS Instruments cover a wide range of ongoing obligations relating to, inter alia, capital adequacy, audit, conduct of business, confidentiality, anti-money laundering and countering of terrorist financing and also impose approval and/or notification requirements in respect of controllers, directors and key officers.

Under the TCA, the MAS is empowered to conduct inspections and/or investigations of Butterfield Trust (Asia) Limited to ensure that it is in compliance with requirements contained in the MAS Instruments. Where there is a breach, the MAS may pursue a wide range of enforcement sanctions, including private warnings, private or public reprimands, composition offers (i.e., allowing the offense to be compounded by payment of a fine), prohibition orders, suspension or revocation of licenses, civil penalties and criminal prosecution.

United States

Foreign Account Tax Compliance Act

Under FATCA, US federal tax legislation, a 30% withholding tax will be imposed on "withholdable payments" made to non-US financial institutions (including non-US investment funds and certain other non-US financial entities) that fail (or, in some cases, that have 50% affiliates which are also non-US financial institutions that fail) to provide certain information regarding their US accountholders and/or certain US investors (such as US accountholders and US investors, "US accountholders") to the IRS. For non-US financial institutions that fail to comply, this withholding will generally apply without regard to whether the beneficial owner of a withholdable payment is a US person or would otherwise be entitled to an exemption from US federal withholding tax. "Withholdable payments" generally include, among other items, payments of US-source interest and dividends. Furthermore, FATCA may also impose withholding on non-US source payments by non-US financial institutions that comply with FATCA to non-US financial institutions that fail to comply with FATCA. However, under proposed Treasury regulations, such withholding will not apply to payments made before the date that is two years after the date on which final regulations defining the term "foreign pass thru payment" are published. In general, non-publicly traded debt and equity interests in investment vehicles will be treated as "accounts" and be subject to these reporting requirements. In addition, certain insurance policies and annuities are considered accounts for these purposes.

Some countries, including Bermuda, the Cayman Islands, Guernsey, Jersey, the UK, Singapore, Switzerland and The Bahamas, have entered into, and other countries are expected to enter into, intergovernmental agreements ("IGAs") with the United States to facilitate the type of information reporting required under FATCA. While the existence of IGAs will not eliminate the risk of the withholding described above, these agreements are expected to reduce that risk for financial institutions and investors in countries that have entered into IGAs. IGAs will often require financial institutions in those countries to report some information on their US accountholders to the taxing authorities of those countries, which will then pass the information to the IRS.

The Group has taken all the steps it believes are necessary to comply with current FATCA regulations, including analysis of its group entities and conclusions as to their FATCA classifications, entering into agreements with the US tax authorities (as necessary), identification of reportable accounts, and timely and accurate filing of all required annual FATCA filings, all in accordance with the appropriate IGA. Certain payments to the Group may be subject to withholding under FATCA if, in the future, the Group cannot

enter into such agreements or satisfy the requirements thereunder (including as a result of local laws in non-IGA countries prohibiting information-sharing with the IRS, as a result of contracts or local laws prohibiting withholding on certain payments to account holders, policyholders, annuitants or other investors, or as a result of the failure of account holders, policyholders, annuitants or other investors to provide requested information). The possibility of such withholding and the need for US account holders, policyholders, annuitants and investors to provide certain information may adversely affect the sales of certain of the Group's products. In addition, entering into agreements with the IRS and compliance with the terms of such agreements and with FATCA and any regulations or other guidance promulgated thereunder or any legislation promulgated under an IGA may substantially increase the Group's compliance costs.

Office of Foreign Assets Control Regulation

The US Treasury Department's Office of Foreign Assets Control ("OFAC"), administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. OFAC sanctions apply to all transactions that take place in the United States. Transactions that take place outside the United States may become subject to the jurisdiction of the United States and subject to compliance with OFAC sanctions if they involve US persons or payment in US dollars. Such payments typically are cleared through the US Dollar settlement system located in the United States and involve the intermediation of US financial institutions. Although we currently do not have any operations in the United States, our operations may involve transactions with US persons or in US Dollars and as a result, in order to comply with OFAC sanctions, we are responsible for, among other things, blocking any such transactions with designated targets and countries and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious legal and reputational consequences, including the imposition of civil money penalties or causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required.

Anti-Money Laundering and the US PATRIOT Act

A major focus of worldwide governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. In particular, United States anti-money laundering laws and regulations including the US PATRIOT Act of 2001, and the Anti-Money Laundering Act of 2020 ("2020 AMLA"), applicable to non-US banks with operations in the United States, including banks that engage in transactions outside the United States with US persons or in US Dollars, such as the Bank, impose significant compliance and due diligence obligations.

Under these laws and regulations, financial institutions are prohibited from entering into specified financial transactions and account relationships and must use enhanced due diligence procedures in their dealings with certain types of high-risk customers and implement a written customer identification program. Financial institutions must also take certain steps to assist government agencies in detecting and preventing money laundering and report certain types of suspicious transactions. Regulatory authorities routinely examine financial institutions for compliance with these obligations, and failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Institutions that violate these obligations can be subject to cease and desist orders, civil money penalties and criminal sanctions.

Moreover, the 2020 AMLA requires the U.S. Treasury Department to issue National Anti-Money Laundering and Countering the Financing of Terrorism Priorities, conduct studies and issue regulations that may, over the next few years, significantly alter some of the due diligence, recordkeeping and reporting requirements that may be imposed on financial institutions. The 2020 AMLA also expands the US Department of Justice's subpoena authority with respect to any foreign bank that maintains a correspondent account in the US, increases penalties for violations of US anti-money laundering laws and significantly expands a whistleblower award program, which could increase the prospect of regulatory enforcement. Many of the statutory provisions in the 2020 AMLA will require additional rulemakings, reports and other measures, and the impact of the 2020 AMLA will depend on, among other things, rulemaking and implementation guidance. In June 2021, the Financial Crimes Enforcement Network of the US Treasury Department issued the required priorities, which include: corruption, cybercrime, terrorist financing, fraud, transnational crime, drug trafficking, human trafficking and proliferation financing.

Future Legislation and Regulation

The above jurisdictions and the other jurisdictions in which we operate may enact legislation from time to time that affects the regulation of the financial services industry or that affect the regulation of financial institutions chartered by or operating in those jurisdictions. These governments and their regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied. For example, see Item 3.D "Risk Factors – Regulatory and Tax-Related Risks – We operate in a complex and changing regulatory environment and legal and regulatory changes or our failure to comply with laws and regulations could have a negative impact on our business, financial condition or results of operations" and Item 3.D "Risk Factors – Risks Relating to Our Strategy, Brand, Portfolio and Other Aspects of Our Business – Requirements and expectations from our regulators and other stakeholders on environmental, social and governance issues could significantly impact our business". The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of the proposed legislation could impact the regulatory structure under which we operate and may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and modify our business strategy, and limit our ability to pursue business opportunities in an efficient manner. Our business, financial condition, results of operations or prospects may be adversely affected, perhaps materially, as a result.

Additional Information

The Butterfield Act and our current amended and restated bye-laws have been filed as exhibits to this annual report on Form 20-F. The information contained in these exhibits is incorporated by reference herein.

Information regarding the rights, preferences and restrictions attaching to each class of our common and preferred shares, as well as other information regarding director and shareholder rights and proceedings, is described in the section entitled "Description of Share Capital" in our registration statement on Form F-1 filed with the SEC on February 12, 2017 with the file number 333-216018 and incorporated by reference herein.

C. Organizational Structure

Refer to Item 4.B. "Business Overview".

D. Property, Plants and Equipment

Our corporate headquarters is located at 65 Front Street, Hamilton HM 12, Bermuda. In addition to our corporate headquarters we also maintain offices in the Cayman Islands, Guernsey, Jersey (a branch of Guernsey), the UK, The Bahamas, Switzerland, Singapore, Mauritius and Canada. Additionally, we operate three branch locations in Bermuda and three branch locations in the Cayman Islands. Premises are owned in Bermuda and the Cayman Islands, with the remainder being held under commercial leases.

E. Selected Statistical Data

The following tables present select statistical information as required by subpart 1400 of Regulation S-K.

Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential

Average Balance Sheet and Interest Rates

The following table presents average consolidated balance sheets and net interest income for the years indicated:

(in millions of \$)	For the year ended December 31								
	2024			2023			2022		
	Average balance	Interest income (expense)	Average yield/rate	Average balance	Interest income (expense)	Average yield/rate	Average balance	Interest income (expense)	Average yield/rate
Assets									
Cash and cash equivalents — Interest bearing	2,027.6	86.6	4.26 %	1,704.1	67.3	3.95 %	1,903.9	19.8	1.04 %
Securities purchased under agreements to resell	546.0	27.5	5.03 %	81.7	4.6	5.62 %	118.2	2.5	2.12 %
Short-term investments	831.6	42.9	5.14 %	862.9	40.3	4.67 %	1,110.6	10.9	0.98 %
Available-for-sale	1,910.9	48.9	2.55 %	1,925.3	35.6	1.85 %	2,581.8	38.9	1.51 %
Held-to-maturity	3,357.4	75.6	2.25 %	3,604.8	80.5	2.23 %	3,476.3	76.9	2.21 %
Investment in securities ⁽¹⁾	5,268.3	124.5	2.36 %	5,530.1	116.1	2.10 %	6,058.1	115.8	1.91 %
Commercial loans	1,336.3	88.3	6.59 %	1,393.9	93.1	6.68 %	1,477.5	76.7	5.19 %
Consumer loans	3,276.6	215.8	6.57 %	3,519.8	224.2	6.37 %	3,616.0	172.7	4.78 %
Total loans, net of allowance for credit losses ⁽²⁾	4,612.9	304.1	6.57 %	4,913.7	317.4	6.46 %	5,093.5	249.4	4.90 %
Interest-earning assets	13,286.4	585.7	4.40 %	13,092.5	545.6	4.17 %	14,284.3	398.4	2.79 %
Other assets	423.5			409.1			370.3		
Total assets	13,709.9			13,501.5			14,654.6		
Liabilities									
Deposits	9,785.9	(227.0)	(2.31)%	9,410.9	(170.5)	(1.81)%	10,269.1	(45.2)	(0.44)%
Securities sold under agreements to repurchase	46.8	(2.0)	(4.32)%	1.4	(0.1)	(5.59)%	0.6	—	(3.95)%
Long-term debt	98.6	(5.5)	(5.55)%	129.2	(8.1)	(6.26)%	172.1	(9.6)	(5.58)%
Interest bearing liabilities	9,931.3	(234.5)	(2.35)%	9,541.4	(178.7)	(1.87)%	10,441.8	(54.8)	(0.52)%
Non-interest bearing current accounts	2,577.9			2,803.6			3,033.3		
Other liabilities	247.2			248.2			284.3		
Total liabilities	12,756.4			12,593.2			13,759.3		
Shareholders' equity	953.5			908.3			895.3		
Total liabilities and shareholders' equity	13,709.9			13,501.5			14,654.6		
Non-interest bearing funds net of non-interest-earning assets (free balance)	3,355.1			3,551.1			3,842.5		
Net interest margin		351.2	2.64 %		367.0	2.80 %		343.6	2.41 %
Net interest spread						2.62 %			2.32 %
Ratio of average interest earning asset/ interest bearing liabilities		133.8 %			137.2 %			136.8 %	

⁽¹⁾ Yields are based on average historical costs and yields on securities held in income tax exempt jurisdictions are not computed on a tax-equivalent yield basis.

⁽²⁾ Interest income and rates on loans include loan fees (2024: \$5.1 million; 2023: \$5.1 million and 2022: \$6.3 million). Additionally, average non-accrual loans were included in the average loan balances used to determine the average yield on loans in all of the periods presented. Interest income on non-accrual loans is recognized only to the extent it is received in cash. See "Note 2: Significant accounting policies" of our audited consolidated financial statements for further information.

Analysis of Changes in Volume and Rate on Interest Income and Interest Expense

The following table presents the amount of changes in interest income and interest expense from December 31, 2023 to December 31, 2024 and from December 31, 2022 to December 31, 2023, due to changes in both average volume and average rate. Changes not solely due to volume or rate have been allocated to volume.

(in millions of \$)	2024 compared to 2023			2023 compared to 2022		
	Increase/(Decrease) due to Changes in		Net Increase/(Decrease)	Increase/(Decrease) due to Changes in		Net Increase/(Decrease)
	Volume	Rate		Volume	Rate	
Interest income related to:						
Cash and cash equivalents — Interest bearing	14.02	5.36	19.38	(7.82)	55.32	47.50
Securities purchased under agreements to resell	23.43	(0.48)	22.95	(2.03)	4.13	2.10
Short-term investments	(1.49)	4.09	2.60	(11.60)	41.00	29.40
Available-for-sale	(0.23)	13.53	13.30	(12.09)	8.79	(3.30)
Held-to-maturity	(5.35)	0.46	(4.89)	2.79	0.81	3.60
Total investment in securities⁽¹⁾	(5.58)	13.99	8.41	(9.30)	9.60	0.30
Commercial loans	(3.56)	(1.30)	(4.86)	(5.61)	22.01	16.40
Consumer loans	(15.38)	6.99	(8.39)	(6.18)	57.68	51.50
Total loans, net of allowance for credit losses⁽²⁾	(18.94)	5.69	(13.25)	(11.79)	79.69	67.90
Total interest-earning assets	11.44	28.65	40.09	(42.54)	189.74	147.20
Interest expenses related to:						
Deposits	(9.30)	(47.20)	(56.50)	15.59	(140.89)	(125.30)
Securities sold under agreements to repurchase	(1.97)	0.02	(1.95)	—	—	—
Long-term debt	1.68	0.93	2.61	2.68	(1.18)	1.50
Total interest bearing liabilities	(9.59)	(46.25)	(55.84)	18.27	(142.07)	(123.80)
Change in net interest income	1.85	(17.60)	(15.75)	(24.27)	47.67	23.40

⁽¹⁾ Yields are based on average historical costs and yields on securities held in income tax exempt jurisdictions are not computed on a tax-equivalent yield basis.

⁽²⁾ Interest income and rates on loans include loan fees (2024: \$5.1 million; 2023: \$5.1 million and 2022: \$6.3 million). Additionally, average non-accrual loans were included in the average loan balances used to determine the average yield on loans in all of the periods presented.

Investment Portfolio

The following table presents an analysis of the weighted average yields for interest bearing debt securities as at December 31, 2024:

	Remaining term to maturity					Total
	Within 1 year	1 to 5 years	After 5 through 10 years	After 10 years	No specific or single maturity	
Available-for-sale (measured at fair value)						
US government and federal agencies	4.6 %	2.4 %	— %	— %	3.5 %	3.0 %
Non-US governments debt securities	0.6 %	— %	— %	— %	— %	0.6 %
Asset-backed securities - Student loans	0.0	— %	— %	— %	1.7 %	1.7 %
Residential mortgage-backed securities	— %	— %	— %	— %	3.2 %	3.2 %
Weighted average yield⁽¹⁾	1.1 %	2.4 %	— %	— %	3.5 %	2.9 %
Held-to-maturity (measured at amortized cost)						
US government and federal agencies	— %	— %	— %	— %	2.5 %	2.5 %
Weighted average yield⁽¹⁾	— %	— %	— %	— %	2.5 %	2.5 %
Total Weighted average yield⁽¹⁾	1.1 %	2.4 %	— %	— %	2.8 %	2.7 %

⁽¹⁾ Yields are based on average historical costs and yields on securities held in income tax exempt jurisdictions are not computed on a tax-equivalent yield basis.

Loan Portfolio

Maturity Profile of the Loan Portfolio

The following table presents certain items in our loan portfolio by contractual maturity as at December 31, 2024:

(in millions of \$)	Remaining term to average contractual maturity					Total
	Within 1 year	1 to 5 years	After 5 years through 15 years	After 15 years	No specific maturity ⁽¹⁾	
Commercial loans						
Government	30.1	6.2	230.0	—	—	266.3
Commercial and industrial	61.8	151.3	18.8	1.6	—	233.5
Commercial overdrafts	117.5	—	—	—	—	117.5
Total Commercial loans	209.4	157.5	248.8	1.6	—	617.3
Commercial real estate loans						
Commercial mortgage	38.7	190.2	356.8	7.9	—	593.6
Construction	1.1	47.0	—	0.3	—	48.4
Total Commercial real estate loans	39.8	237.2	356.8	8.2	—	642.0
Consumer loans						
Automobile financing	1.2	14.8	2.2	—	—	18.2
Credit card	90.7	—	—	—	—	90.7
Overdrafts	37.1	—	—	—	—	37.1
Other consumer	8.4	17.0	13.1	8.2	—	46.7
Total Consumer loans	137.4	31.8	15.3	8.2	—	192.7
Total Residential mortgages	419.7	877.5	803.7	949.9	—	3,050.8
Non-interest bearing items without a contractual maturity⁽¹⁾	—	—	—	—	(3.5)	(3.5)
Total	806.3	1,304.0	1,424.6	967.9	(3.5)	4,499.3

The following table presents our loan portfolio by maturity and type of interest as at December 31, 2024:

(in millions of \$)	Remaining term to average contractual maturity					Total
	Within 1 year	1 to 5 years	After 5 years through 15 years	After 15 years	No specific maturity ⁽¹⁾	
Loans with fixed interest rates:						
Commercial loans	28.9	25.1	245.9	—	—	299.9
Commercial real estate loans	23.7	80.4	225.1	6.0	—	335.2
Consumer loans	2.8	2.2	2.9	4.1	—	12.0
Residential mortgages	118.7	397.7	351.0	603.4	—	1,470.8
Total Loans with fixed interest rates	174.1	505.4	824.9	613.5	—	2,117.9
Loans with floating or adjustable interest rates:						
Commercial loans	180.5	132.4	2.9	1.6	—	317.4
Commercial real estate loans	16.1	156.8	131.7	2.2	—	306.8
Consumer loans	134.6	29.6	12.4	4.1	—	180.7
Residential mortgages	301.0	479.8	452.7	346.5	—	1,580.0
Total loans with floating or adjustable interest rates	632.2	798.6	599.7	354.4	—	2,384.9
Non-interest bearing items without a contractual maturity⁽¹⁾	—	—	—	—	(3.5)	(3.5)
Total loans	806.3	1,304.0	1,424.6	967.9	(3.5)	4,499.3

⁽¹⁾Included here are items without a contractual maturity such as deferred loans fees and fair value adjustments.

Credit Ratios

The following table presents our credit ratios for the years indicated:

(in millions of \$)	For the year ended December 31		
	2024	2023	2022
Allowance for credit losses to total loans outstanding:			
Allowance for credit losses	25.7	25.8	25.0
Total loans outstanding	4,499.3	4,771.6	5,121.4
	0.6 %	0.5 %	0.5 %
Non-accrual loans to total loans outstanding:			
Non-accrual loans	76.7	61.0	63.1
Total loans outstanding	4,499.3	4,771.6	5,121.4
	1.7 %	1.3 %	1.2 %
Allowance for credit losses to non-accrual loans:			
Allowance for credit losses	25.7	25.8	25.0
Non-accrual loans	76.7	61.0	63.1
	33.5 %	42.2 %	39.6 %
Net charge-offs (recoveries) during the period to average loans outstanding:			
Commercial loans			
Net charge-offs (recoveries) during the period	0.5	1.5	1.3
Average amount outstanding	650.5	678.7	741.4
	0.07 %	0.22 %	0.18 %
Commercial real estate loans			
Net charge-offs (recoveries) during the period	0.4	0.0	0.0
Average amount outstanding	603.6	608.2	647.3
	0.06 %	— %	— %
Consumer loans			
Net charge-offs (recoveries) during the period	0.8	0.8	1.6
Average amount outstanding	191.9	188.0	195.7
	0.40 %	0.43 %	0.80 %
Residential Mortgages			
Net charge-offs (recoveries) during the period	0.3	1.5	2.7
Average amount outstanding	3,167.1	3,431.1	3,514.8
	0.01 %	0.04 %	0.08 %
Total loans			
Net charge-offs (recoveries) during the period	1.9	3.8	5.5
Average amount outstanding	4,612.9	4,913.7	5,093.5
	0.04 %	0.08 %	0.11 %

Allowance for credit losses to loans outstanding increased to 0.6% in 2024 from 0.5% in 2023, driven by a reduction in loan balances as maturities and prepayments exceeded originations across the residential mortgage portfolios.

Non-accrual loans to total loan outstanding ratio increased to 1.7% in 2024 from 1.3% in 2023 driven by a commercial facility secured by real estate in Bermuda.

Net charge-off (recoveries) ratio decreased from 0.08% in 2023 to 0.04% in 2024 mainly due to a reduction in commercial loan and residential mortgage charge-offs.

Allocation of the Allowance for Credit Losses

(in millions of \$)	December 31, 2024	
	Amount	Percent of loans in each category to total loans
Balance at End of Period Applicable to:		
Commercial	11.7	14 %
Commercial real estate	3.3	14 %
Consumer	3.3	4 %
Residential Mortgage	7.5	68 %
	25.7	100 %

See "Note 6: Loans" to our audited consolidated financial statements as at December 31, 2024 for the breakdown of allowance for credit losses by each loan category.

Deposits

The following table presents our deposits by category for the years indicated:

(in millions of \$)	For the year ended December 31					
	2024		2023		2022	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
Interest bearing deposits						
Bermuda						
Demand	1,926.3	0.16 %	1,936.2	0.23 %	2,120.7	(0.01)%
Term	1,019.2	3.90 %	771.0	3.10 %	658.5	0.89 %
Total Bermuda	2,945.5		2,707.2		2,779.2	
Non-Bermuda						
Demand	3,689.7	1.12 %	4,062.8	0.80 %	5,308.4	0.18 %
Term	3,150.8	4.37 %	2,640.8	4.15 %	2,181.5	1.35 %
Non-Bermuda	6,840.5		6,703.6		7,489.9	
Total interest bearing deposits	9,786.0		9,410.8		10,269.1	
Non-interest bearing demand deposits						
Bermuda	1,619.1		1,730.2		1,878.8	
Non-Bermuda	958.8		1,073.4		1,154.5	
Total non-interest bearing deposits	2,577.9		2,803.6		3,033.3	

The following table presents the amount of uninsured deposits by reportable segment:

(in millions of \$)	As at December 31	
	2024	2023
Bermuda ⁽¹⁾	4,781.1	4,235.2
Cayman ⁽²⁾	3,971.1	4,005.1
Channel Islands and the UK ⁽³⁾⁽⁴⁾	3,797.7	3,456.3
	12,549.9	11,696.6

⁽¹⁾ The Bermuda Deposit Insurance Scheme covers only BMD deposits up to a maximum of \$25,000 per group of depositor relationships. Eligibility is limited to individuals; sole proprietors; partnerships; unincorporated associations; charities; and companies registered in the Register of Small Businesses maintained by the Bermuda Economic Development Corporation.

⁽²⁾ Cayman Islands currently has no deposit insurance scheme in place.

⁽³⁾ The Guernsey DCS covers deposits up to a maximum of £50,000 per qualifying claimant which is defined as a natural person; the trustee of a Guernsey Retirement Annuity Trust; the executor or administrator of a deceased person's estate; or a Guernsey-registered charity. The total amount of compensation is capped at £100 million in any 5-year period. Claims exceeding this cap will be reduced pro rata.

⁽⁴⁾ The Jersey DCS covers deposits up to a maximum of £50,000 per qualifying depositor per Jersey banking group. Qualifying depositors are defined as private individuals and charities. The total amount of compensation is capped at £100 million in any 5-year period.

The following table presents the amount of uninsured time deposits by reportable segment and time to maturity as at December 31, 2024:

(in millions of \$)	Remaining term to contractual maturity				Total
	Within 3 months	3 to 6 months	6 to 12 months	Over 12 months	
<i>Time deposits in excess of insured limit:</i>					
Bermuda	36.8	24.0	39.4	30.0	130.2
Channel Islands and the UK	230.2	37.3	77.9	0.7	346.1
Total time deposits in excess of insured limit	267.0	61.3	117.3	30.7	476.3
<i>Time deposits in uninsured accounts:</i>					
Bermuda	914.2	98.4	54.1	39.3	1,106.0
Cayman	1,020.1	105.4	43.3	9.2	1,178.0
Channel Islands and the UK	1,371.4	135.7	133.9	1.5	1,642.5
Total time deposits in uninsured accounts	3,305.7	339.5	231.3	50.0	3,926.5
Total uninsured time deposits	3,572.7	400.8	348.6	80.7	4,402.8

ITEM 4A: UNRESOLVED STAFF COMMENTS

None.

ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

Management's Discussion and Analysis of Financial Condition and Results of Operations

This section presents management's perspective on our financial condition and results of operations. The following discussion and analysis is intended to highlight and supplement data and information presented elsewhere in this report, including the consolidated financial statements and related notes and should be read in conjunction with the accompanying tables and our financial statements included in this report. The consolidated financial statements and notes have been prepared in accordance with GAAP. Certain statements in this discussion and analysis may be deemed to include "forward-looking statements" and are based on management's current expectations and are subject to uncertainty and changes in circumstances. Forward-looking statements are not historical facts but instead represent only management's belief regarding future events, many of which by their nature are inherently uncertain and outside of management's control. Actual results may differ materially from those included in these statements due to a variety of factors, including worldwide and local economic conditions, success in business retention and obtaining new business and other factors. Factors that could cause these differences are discussed in the sections titled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors." For management's considerations and determinations of each non-core item discussed, please see "Reconciliation of Non-GAAP Financial Measures".

Overview

We are a full service bank and wealth manager headquartered in Hamilton, Bermuda. We operate our business through our four reportable segments, three geographical and one other: Bermuda, Cayman, Channel Islands and the UK, and Other. We offer banking services, comprising of retail and corporate banking, and wealth management, which consists of trust, private banking, and asset management. In our Bermuda and Cayman segments, we offer retail banking and wealth management. In our Channel Islands and the UK segment, we offer retail and corporate banking and wealth management. The Other segment includes our operations in the jurisdictions of The Bahamas, Canada, Mauritius, Singapore and Switzerland. In these jurisdictions we either provide wealth management or operate service centers. These jurisdictions individually and collectively do not meet the quantitative threshold for segmented reporting and are therefore aggregated as a non-reportable operating segment.

The following table details our Net Revenue in total and by segment, as well as our total assets, total loans, total deposits, total AUA (which includes trust and custody AUA) and AUM for the years ended December 31, 2024, December 31, 2023 and December 31, 2022.

	For the year ended December 31		
	2024	2023	2022
Net Revenue			
% of Net Revenue from:			
Bermuda segment	43.5%	45.1%	43.8%
Cayman segment	31.5%	33.6%	32.1%
Channel Islands and the UK segment	18.0%	15.3%	18.9%
Other segment	7.1%	6.1%	5.3%
(in millions of \$)			
Summary Balance Sheet			
Total Assets	14,231.4	13,374.0	
Total Loans	4,473.6	4,745.8	
Total Deposits	12,745.9	11,986.7	
Assets under administration			
Custody and other administration services	30,494.7	30,311.5	
Trust	131,276.6	132,385.0	
Assets under management			
Butterfield Funds	2,416.3	1,970.7	
Other assets under management	3,631.8	3,559.1	

Market Environment

Our business is affected by international, regional and local economic conditions as well as, the perception of future economic prospects. The significant macro-economic factors that impact our business include the US and global economic landscapes, unemployment rates, the housing markets and interest rates. After pivoting away from further monetary tightening in December of 2023, the US Federal Reserve and other central banks began easing their policies in mid-to-late summer of 2024. Both the communication and action of easing financial conditions boosted asset prices throughout most of 2024. Despite the brief easing campaign, longer term interest rates on government bonds rose on balance in 2024. More recently, the markets' expectations for lower short term rates in 2025 are being tempered as the US economy is proving more resilient than previously expected and the pace of inflation declines appears to be slowing. In addition, the outcome of the US November 2024 election brings with it additional government policy uncertainty which markets are digesting and is likely fueling some of the yield curve steepening that is experienced around the globe.

Bermuda Segment

Bermuda's economy grew an estimated 4.9% in 2023 and Real GDP was 8.9% higher than when compared to 2019 levels of GDP, indicating that Bermuda has substantially recovered from the COVID-19 pandemic economic impacts. The first six months of 2024 have shown initial real growth of 8.7%, however, and this has largely been driven by continued strength within the international business sector and the return of tourism from relaxing of COVID-19 related restrictions, with Exports of Services showing growth of 16.3%, whilst Household Consumption was marginally up 0.5%. Total employment in 2023 was up 3.0%, with employment in the international business sector up 5.0% and Hospitality up 12.2% for the period.

The international business sector, especially the reinsurance and captive insurance markets, continues to grow, attracting new capital and companies, demonstrated by employment levels increasing 25% in the international business sector from 2019 to 2023. Bermuda remains the world's largest captive domicile, one of the largest markets for reinsurance underwriting and the largest market for insurance-linked securities. Recovery for small and medium sized local enterprises, however, has been sluggish.

Retail activity continues to decline from 2019 levels and consumer imports via online retailers remain at elevated levels. While the official inflation rates recorded in Bermuda have been modest, general cost of living challenges have remained elevated, driven by significant impacts seen from specific categories, notably food costs, energy costs and housing costs, both in rental rates and building costs.

Airlift has continued to grow with total seats available in 2024 increasing by approximately 22% over 2023 levels, however, total air visitor arrivals are up 9% in this period, with bed nights sold also up 9%. The largest hotel (650 rooms) remains offline pending redevelopment, which has now announced its ground breaking, and another large resort currently in receivership and likely progressing to a sale shortly. Recent hotel operating performance has been strong, with revenue per available room in 2024 of \$373.80 compared to \$232.77 in 2019 levels, with average daily rates up 54% from 2019 levels and overall occupancy levels of 63.2%.

Construction activity has suffered from a lack of large projects, however, the commencement of new projects in Hamilton and the hospitality sector redevelopment have positive impact on this industry. There are an estimated 500+ Airbnb units now available on the island, still down slightly from pre-pandemic levels. In the real estate sector, rents continue to climb due to a lack of inventory against current demand. Housing sales have remained stable but still lag behind pre-pandemic levels, however, current real estate prices have remained stable.

Government finances continue to improve with a small budget surplus for the 2024-2025 fiscal year, largely from increases in payroll tax receipts in the international business sector and customs duties. Expenses have also risen to assist resident Bermudians in need of financial support and capital expenditure directed at affordable housing. The CIT Act became effective on January 1, 2025 and there is an expectation of substantive revenue generation for the Bermuda Government - see Item 10.E. "Additional Information - Taxation". All of the rating agencies have recently reaffirmed their debt ratings and maintain a 'stable' outlook for the jurisdiction.

See Item 3.D. "Risk Factors - Risks Relating to the Markets in Which We Operate - Adverse economic and market conditions in Bermuda, the Cayman Islands and the Channel Islands and the UK, have in the past resulted in and could in the future result in lower revenue, lower asset quality, increased provisions and lower earnings" and Item 3.D. "Risk Factors - Risks Relating to the Markets in Which We Operate - A decline in tourism in Bermuda and the Cayman Islands could adversely affect our business, financial condition or results of operations".

	2024 ^E	2023 ^E	2022	2021	2020
Bermuda GDP (in millions of BMD \$)	7,515	7,023	6,694	6,286	6,101
% change from prior year	7.0%	4.9%	6.5%	3.0%	(5.4)%

Source: Government of Bermuda, Department of Statistics, Economist Intelligence Unit

Cayman Segment

The Cayman Islands continues to experience consistent stay-over tourism with arrivals in 2024 projected to be equal to or above 2023 arrival levels and within 15% of record air arrivals achieved in 2019. Completed hospitality projects continue to add to the island's high quality room stock. Cruise ship and cruise passenger arrivals in 2024 were trending lower than 2023 levels. Cayman Island's GDP is projected to have grown by 2.8% in 2024 amidst this continued economic recovery. GDP growth expectations for 2025 and 2026 are 2.5% and 2.2%, respectively. Financial services and tourism are expected to remain the key drivers of growth along with ongoing development of condominiums, hotels, apartment complexes and residential homes, keeping the construction sector vibrant in the near term. Several large scale developments are scheduled to be completed in 2025. Interest rates have fallen slightly during the second half of 2024 but, at current levels, appetite for new speculative development remains low.

The Cayman Islands has experienced a meaningful increase in its population in order to service the recovering and expanding economy. This manpower expansion coincided with rapidly rising interest rates which resulted in significant cost pressures on all imported goods, materials and food, as well as the cost of accommodation rentals and ownership. Inflation has moderated somewhat and is anticipated to be 2.6% for 2024. Projections for inflation in 2025 and 2026 are 2.5% and 2.1%, respectively. Real estate transaction levels reported sales of \$1.0 billion in 2024, up 7.0% from 2023 sales levels of \$0.9 billion. The all-time record sales level of \$1.1 billion was achieved in 2021.

The Cayman Islands Government is forecasting a budgetary surplus for 2024 resulting from better than planned revenues from economic expansion. Surpluses in each of 2024 and 2025 were planned in the Government's approved two-year budget.

	2024 ^E	2023 ^E	2022 ^E	2021	2020
Cayman Islands GDP (in millions of \$)	6,179	6,010	6,627	6,060	5,655
% change from prior year	2.8%	(9.3)%	9.4%	7.2%	(4.8)%

Source: Economist Intelligence Unit

Channel Islands and UK Segment

2024 was a mixed year across the UK and Channel Island economies. On the positive side, there has been a downward trend in inflationary pressures leading to lower interest rates but, less encouragingly, has been below trend growth.

Inflation was ahead of target at the start of the year, but fell sharply as falling energy prices flowed through to consumer prices. The Bank of England lowered official rates by 0.25% - the first of two such moves in the year - leaving the Base Rate at 4.75% at year end, with expectations for further cuts in 2025. However, the number of cuts priced into the market for 2025 has reduced. A combination of a firmer employment market than anticipated and the potential for higher external inflationary pressures, sees the market positioned for the Base Rate to be lower by the end of 2025. With a weak global backdrop (ex-US), limited additional monetary support and the new Labor Government having little scope to offer fiscal support, the economic outlook for 2025 remains relatively benign, with economic growth in the UK set to be in the region of 1%, similar to the 0.9% provisional outcome for 2024.

Guernsey and Jersey are unlikely to produce official data for growth during 2024 until the latter part of 2025, although there appears to be little in either economy to suggest that the outcomes are likely to be significantly different from the level of growth seen in the UK for 2024. However, upon review of post-pandemic data, and specifically 2023, Jersey seems to have emerged from the period somewhat stronger. Jersey saw GDP expand by 7.3% in 2023, but fall by 2.4% in Guernsey during the same year. Looking forward, the divergence appears to be idiosyncratic, rather than a trend, with both islands set for low (but positive) levels of growth in upcoming years. Jersey retains an AA- credit rating from S&P, compared to A- for Guernsey.

Our operations in the Channel Islands and UK use the Pound Sterling as their functional currency, and are closely linked to economic trends in both the UK and the Eurozone due to the close relationships between the UK and Europe, despite the Channel Islands autonomy from the UK. See Item 3.D. "Risk Factors".

2024 represented a key transitional year for our Channel Islands business, as our penetration of the local market gathered significant pace, particularly in the areas of deposits and credit cards. At the same time, we have begun to see significant dislocation in the corporate banking arena, which allowed corporate deposit acquisition to accelerate towards year end. Overall, deposits increased by 15% compared to 2023 with local deposits being the major driver of this growth with a 52% increase. Alongside this, our credit card program continued to gain traction, with 2,739 cards issued at year end and higher revenue per card being earned than anticipated. Together, this local focus drove total client numbers to increase by 3,000 to exceed of 11,000 clients.

On the lending side, markets remained relatively subdued in both Prime Central London and across Channel Islands mortgage lending. Despite that backdrop, overall credit levels remained largely unchanged throughout the year.

	2023	2022	2021	2020	2019
Guernsey GDP (GVA Market/GBP (in £ Millions))	3,488	3,574	3,439	3,225	3,468
Annual Changes (%)	(2.4)%	3.9%	6.6%	(7.0)%	0.7%

Source: States of Guernsey

	2023	2022	2021	2020	2019
Jersey GDP (GBP (in £ millions))	6,575	6,128	5,771	5,153	5,728
Annual Changes (%)	7.3%	6.2%	12.0%	(10.0)%	2.1%

Source: States of Jersey

We continue to maintain a cautious stance with a liquid balance sheet, a conservative investment portfolio, and no reliance on wholesale funding. Total liquid cash and investments made up 65.3% of our balance sheet at December 31, 2024, which is slightly up from 61.0% at December 31, 2023.

2024 Overview

In 2024, our net income decreased by \$9.2 million to \$216.3 million from \$225.5 million in 2023. This decrease was driven primarily by increasing deposit costs outpacing yields on loans and treasury assets, higher non-interest expenses, a decrease in other gains and (losses) and an increase in income tax expenses. This was partially offset by higher non-interest income and a decrease in provision for credit losses. Management continued to focus on the diligent management of capital, expenses and risks, and maintaining our strong capital position with CET1 and Total capital ratios of 23.5% and 25.8%, respectively, as at December 31, 2024. For the year ended December 31, 2024, the Board declared four quarterly dividends of \$0.44 per share totaling \$1.76 for each common share held on record as of the applicable record dates, and repurchased 4.5 million common shares from the share repurchase programs. On December 9, 2024, the Board approved a new share repurchase program authorizing the purchase of up to 2.7 million common shares through to December 31, 2025. The Board will continue to evaluate capital planning options and the payment of future dividends as warranted, subject to regulatory requirements. See Item 8.A. "Consolidated Statements and Other Financial Information - Dividend Policy" and Item 3.D. "Risk Factors – Risks Relating to the Common Shares - Holders of our common shares may not receive dividends" elsewhere in this report for further details.

The quality of our assets remained strong, total assets increased year-over-year by \$0.9 billion to \$14.2 billion, primarily driven by increased deposit levels in Bermuda and the Channel Islands. Deposits were up by \$0.8 billion to \$12.7 billion while loans decreased by \$0.3 billion to \$4.5 billion. The decrease in loans was driven primarily by maturities and prepayments in excess of originations across the residential mortgage portfolios. Investments were up by \$0.2 billion to \$5.5 billion due to activation of cash and short-term securities into US Treasuries and Agency MBS securities. Overall liquidity remained strong, as measured by cash and cash equivalents, securities purchased under agreements to resell, short-term investments and investments in securities as a percentage of total assets, ending the year at 65.3% compared to 61.0% in the prior year.

Our shareholders' equity increased year-over-year by \$17.2 million to \$1.0 billion, which was primarily a result of organic growth through net income net of dividends paid out during the year, amortization of net gains (losses) on the HTM investment portfolio to net income, employee benefit plan adjustments and partially offset by common share repurchases and retirements throughout the year.

Key contributors to our 2024 results were as follows:

- **Profitability:** Net income decreased year-over-year by \$9.2 million, or 4.1%, to \$216.3 million, primarily due to increasing deposit costs outpacing yields on loans and treasury assets, higher non-interest expenses, a decrease in other gains and (losses) and an increase in income tax expenses. This was partially offset by higher non-interest income and a decrease in provision for credit losses.
- **Net interest margin:** NIM decreased by 16 basis points to 264 basis points compared to 280 basis points in 2023. The decrease in NIM was due to increasing deposit costs outpacing yields on interest earning assets; loan yields increased by 11 basis points to 657 basis points; the investment portfolio yields increased by 26 basis points to 236 basis points; and yields on cash and cash equivalents, securities purchased under agreements to resell and short-term investments were up by 37 basis points to 460 basis points. The cost of funding increased and saw expense yields increasing by 43 basis points to 183 basis points due to higher market rates.
- **Expenses:** Total non-interest expenses increased year-over-year by \$6.7 million to \$359.1 million in 2024, largely due to \$4.1 million increase in technology and communications driven by increased software maintenance costs; \$2.7 million increase in property cost due to increased depreciation on Head Office renovations; \$2.3 million increase in amortization of intangible assets associated with the Credit Suisse trust asset acquisition; \$1.6 million increase in professional and outside services for project work. The increases were offset by a \$5.6 million decrease in staff-related costs as a result of redundancy expenses recognized in 2023 as part of a group-wide restructuring. These expenses included \$2.6 million of non-core expenses that comprise mainly fees relating to corporate restructuring; final costs relating to the acquisition of assets from Credit Suisse; and costs associated with the departure of a senior executive. The core efficiency ratio increased from 58.1% in 2023 to 60.0% in 2024, reflecting the rate of core non-interest expense relative to the increase in revenue.
- **Deposits:** Deposits increased year-over-year by \$0.8 billion to \$12.7 billion as at December 31, 2024, driven by inflows in Bermuda and the Channel Islands and a mix-shift to term deposits. Interest bearing deposit costs increased by 50 basis points to 231 basis points in 2024. With non-interest bearing deposits totaling \$2.7 billion as at December 31, 2024, the average cost of deposits for the year increased by 43 basis points to 183 basis points.
- **Loan quality:** As at December 31, 2024, we had gross non-accrual loans of \$76.7 million representing 1.7% of total gross loans, an increase from \$61.0 million, or 1.3%, of total loans at December 31, 2023. The increase in non-accrual loans was driven by a commercial facility secured by real estate in Bermuda and residential mortgages in the Channel Islands and UK segment.

2023 Overview

In 2023, our net income increased by \$11.5 million to \$225.5 million from \$214.0 million in 2022. This increase is driven primarily by the impact of higher market interest rates on net interest income and increased non-interest income partially offset by higher non-interest expenses and a higher provision for current expected credit losses. Management continued to focus on the diligent management of capital, expenses and risks, and maintaining our strong capital position with CET1 and Total capital ratios of 23.0% and 25.4%, respectively, as at December 31, 2023. For the year ended December 31, 2023, the Board declared four quarterly dividends of \$0.44 per share totaling \$1.76 for each common share held on record as of the applicable record dates, and repurchased 3.1 million common shares from the share repurchase programs. On December 5, 2023, the Board approved a new share repurchase program authorizing the purchase of up to 3.5 million common shares expiring on December 31, 2024. The Board will continue to evaluate capital planning options and the payment of future dividends as warranted, subject to regulatory requirements. See Item 8.A. "Consolidated Statements and Other Financial Information - Dividend Policy" and Item 3.D. "Risk Factors – Risks Relating to the Common Shares - Holders of our common shares may not receive dividends" elsewhere in this report for further details.

The quality of our assets remained strong even though total assets decreased year-over-year by \$0.9 billion to \$13.4 billion, driven primarily by decreased deposit levels across all banking jurisdictions as customers activated their funds and sought higher yielding products. Deposits were down by \$1.0 billion to \$12.0 billion while loans decreased by \$0.3 billion to \$4.7 billion. The decrease in loans was driven by scheduled paydowns in the portfolio as well as prepayments in the Cayman and Channel Islands and UK residential mortgage portfolio. Investments were down by \$0.4 billion to \$5.3 billion driven by paydowns and maturities in the portfolio, the majority of which were invested into short-term treasury assets. Overall liquidity remained strong, as measured by cash and cash equivalents, securities purchased under agreements to resell, short-term investments and investments in securities as a percentage of total assets, ending the year at 61.0% compared to 61.3% in the prior year.

Our shareholders' equity increased year-over-year by \$138.8 million to \$1.0 billion, which was primarily a result of organic growth through net income net of dividends paid out during the year, a decrease in unrealized losses on the AFS investment portfolio and partially offset by common share repurchases and retirements throughout the year.

Key contributors to our 2023 results were as follows:

- **Profitability:** Net income increased year-over-year by \$11.5 million, or 5.4%, to \$225.5 million, primarily due to higher market interest rates and increased non-interest income driven by trust income from the recent Credit Suisse global trust acquisition and partially offset by higher non-interest expenses and a higher provision for current expected credit losses.
- **Net interest margin:** NIM increased by 39 basis points to 280 basis points compared to 241 basis points in 2022. The increase in NIM was due to increased market interest rates across the yield curve; loan yields increased by 156 basis points to 646 basis points; the investment portfolio yields increased by 19 basis points to 210 basis points; and yields on cash and cash equivalents, securities purchased under agreements to resell and short-term investments were up by 317 basis points to 423 basis points. The cost of funding increased and saw expense yields increasing by 106 basis points to 140 basis points due to higher market rates.
- **Expenses:** Total non-interest expenses increased year-over-year by \$20.7 million to \$352.3 million in 2023, largely due to a \$13.6 million increase in staff-related costs due to a group-wide restructuring that resulted in the recognition of redundancy expenses, and the onboarding of staff related to the Credit Suisse global trust acquisition; a \$5.2 million increase in technology and communications as the core banking system upgrade came into operation and a \$1.4 million increase in professional and outside services costs relating to the Credit Suisse asset acquisition. These expenses included \$10.0 million of non-core expenses that comprise mainly of the group-wide restructuring that resulted in the recognition of redundancy expenses and costs relating to the Credit Suisse acquisition. The core efficiency ratio decreased from 58.9% in 2022 to 58.1% in 2023, reflecting the rate of core non-interest expense relative to the increase in revenue.
- **Deposits:** Deposits decreased year-over-year by \$1.0 billion to \$12.0 billion as at December 31, 2023. The deposit balance decreased across all jurisdictions as expectations of market interest rates remaining higher for longer emerged and clients began activating deposits and seeking higher yielding products. Costs of funds increased for similar reasons. Interest bearing deposit costs increased by 137 basis points to 181 basis points in 2023. With non-interest bearing deposits totaling \$2.7 billion on December 31, 2023, the average cost of deposits for the year increased by 106 basis points to 140 basis points.
- **Loan quality:** As at December 31, 2023, we had gross non-accrual loans of \$61.0 million representing 1.3% of total gross loans, a decrease from \$63.1 million, or 1.2%, of total loans at December 31, 2022. The decrease in non-accrual loans was driven by the net settlements of residential mortgages in the Channel Islands and UK segment and partially offset by a number of net new Bermuda residential mortgages moving to non-accrual status.

Financial Summary

(in millions of \$)	As at December 31		Dollar change	Percent change
	2024	2023		
Assets				
Cash and cash equivalents	1,998.1	1,646.6	351.5	21.3 %
<i>Of which cash and demand deposits with banks — non-interest bearing</i>	93.1	91.8	1.3	1.4 %
<i>Of which demand deposits with banks — interest bearing</i>	165.7	151.1	14.6	9.7 %
<i>Of which cash equivalents — interest bearing</i>	1,739.2	1,403.7	335.5	23.9 %
Securities purchased under agreements to resell	1,205.4	187.3	1,018.1	543.6 %
Short-term investments	580.0	1,038.0	(458.0)	(44.1)%
Investment in securities	5,512.8	5,292.2	220.6	4.2 %
<i>Of which available-for-sale⁽¹⁾</i>	2,272.5	1,831.1	441.4	24.1 %
<i>Of which held-to-maturity⁽²⁾</i>	3,240.3	3,461.1	(220.8)	(6.4)%
Loans, net of allowance for credit losses	4,473.6	4,745.8	(272.2)	(5.7)%
Premises, equipment and computer software, net of accumulated depreciation	153.8	154.4	(0.6)	(0.4)%
Goodwill	23.6	24.1	(0.5)	(2.1)%
Other intangible assets, net	66.0	74.8	(8.8)	(11.8)%
Equity method investments	6.6	7.1	(0.5)	(7.0)%
Other real estate owned, net	—	0.5	(0.5)	(100.0)%
Accrued interest and other assets	211.5	203.2	8.3	4.1 %
Total assets	14,231.4	13,374.0	857.4	6.4 %
Liabilities				
Total deposits	12,745.9	11,986.7	759.2	6.3 %
<i>Of which — non-interest bearing</i>	2,687.9	2,656.7	31.2	1.2 %
<i>Of which — interest bearing</i>	10,058.0	9,330.0	728.0	7.8 %
Securities sold under agreements to repurchase	92.6	—	92.6	100.0 %
Employee benefit plans	83.6	88.7	(5.1)	(5.7)%
Accrued interest and other liabilities	189.8	196.5	(6.7)	(3.4)%
Long-term debt	98.7	98.5	0.2	0.2 %
Total liabilities	13,210.6	12,370.4	840.2	6.8 %
Total shareholders' equity⁽³⁾⁽⁴⁾	1,020.8	1,003.6	17.2	1.7 %
<i>Of which common share capital⁽⁴⁾</i>	0.4	0.5	(0.1)	(20.0)%
Total liabilities and shareholders' equity	14,231.4	13,374.0	857.4	6.4 %
Common shares outstanding (number)⁽⁴⁾	43.5	47.5	(4.0)	(8.4)%

(1) Amortized cost of AFS debt securities was \$2,435.8 million as at December 31, 2024 and \$1,995.1 million as at December 31, 2023.

This includes assets pledged that secured parties are permitted to sell or repledge as at December 31, 2024: \$93.5 million (December 31, 2023: nil).

(2) Fair value of HTM debt securities was \$2,671.0 million as at December 31, 2024 and \$2,976.7 million as at December 31, 2023.

(3) As at December 31, 2024, the number of outstanding awards of unvested common shares was 1.7 million (December 31, 2023: 1.5 million). Only awards for which the sum of 1) the expense that will be recognized in the future (i.e., the unrecognized expense) and 2) its exercise price, if any, was lower than the average market price of the Bank's common shares were considered dilutive and, therefore, included in the computation of diluted earnings per share.

(4) Figures reflect the retirement of 4.5 million shares during the year ended December 31, 2024 (December 31, 2023: 3.1 million).

Summary Income Statement	For the year ended December 31			Dollar change		Percent change	
	2024	2023	2022	2023 to 2024	2022 to 2023	2023 to 2024	2022 to 2023
(in millions of \$, except per share data)							
Interest income							
Loans	304.1	317.4	249.4	(13.3)	68.0	(4.2)%	27.3 %
Investments	124.5	116.1	115.8	8.4	0.3	7.2 %	0.3 %
Cash and cash equivalents, securities purchased under agreements to resell and short-term investments	157.1	112.1	33.2	45.0	78.9	40.1 %	237.7 %
Interest expense	(234.5)	(178.7)	(54.8)	(55.8)	(123.9)	31.2 %	226.1 %
Net interest income before provision for credit losses	351.2	367.0	343.6	(15.8)	23.4	(4.3)%	6.8 %
Non-interest income	230.0	212.3	206.6	17.7	5.7	8.3 %	2.8 %
Net revenue	581.2	579.3	550.2	1.9	29.1	0.3 %	5.3 %
Provision for credit (losses) recoveries	(1.7)	(4.5)	(2.4)	2.8	(2.1)	(62.2)%	87.5 %
Salaries and other employee benefits	(174.0)	(177.9)	(166.2)	3.9	(11.7)	(2.2)%	7.0 %
Other non-interest expenses (including income taxes)	(189.6)	(175.2)	(169.1)	(14.4)	(6.1)	8.2 %	3.6 %
Net income before other gains (losses)	215.9	221.7	212.5	(5.8)	9.2	(2.6)%	4.3 %
Total other gains (losses)	0.4	3.8	1.5	(3.4)	2.3	(89.5)%	153.3 %
Net income	216.3	225.5	214.0	(9.2)	11.5	(4.1)%	5.4 %
Non-core items	2.6	6.0	1.7	(3.4)	4.3	(56.7)%	252.9 %
Core net income (Non-GAAP)	218.9	231.5	215.7	(12.6)	15.8	(5.4)%	7.3 %
Core earnings to common shareholders (Non-GAAP)	218.9	231.5	215.7	(12.6)	15.8	(5.4)%	7.3 %
Common dividends paid	(79.6)	(86.2)	(87.3)	6.6	1.1	(7.7)%	(1.3)%
<i>Earnings per common share from continuing operations (in US\$)</i>							
Basic	4.80	4.62	4.32	0.18	0.30	3.9 %	6.9 %
Diluted ⁽¹⁾	4.71	4.58	4.29	0.13	0.29	2.8 %	6.8 %

⁽¹⁾ Reflects only "in the money" options and certain unvested share awards, which have a dilutive effect.

Financial Ratios and Other Performance Indicators

We use a number of financial measures to track the performance of our business and guide our management. Some of these measures are defined by, and calculated in compliance with, applicable banking regulations, but such regulations often provide for certain discretion in defining and calculating the measures. These measures allow management to review our core activities, and enable us and our investors to evaluate relevant trends meaningfully when considered in conjunction with (but not in lieu of) measures that are calculated in accordance with GAAP. Non-GAAP measures used in this report are not a substitute for GAAP measures and readers should consider the GAAP measures as well.

The following table shows certain of our key financial measures for the periods indicated. Because of the discretion that we and other banks and companies have in defining and calculating these measures, care should be taken in comparing such measures used by us with similarly titled measures of other banks and companies, as such measures may not be directly comparable.

Many of these measures are non-GAAP financial measures. We believe that each of these measures is useful for investors in understanding trends in our business that may not otherwise be apparent when relying solely on our GAAP-calculated results. For more information on the non-GAAP financial measures presented below, including a reconciliation to the most directly comparable GAAP financial measures, see Item 5.A. "Item 5 - Operating and Financial Review and Prospects - Overview and highlights - Reconciliation of Non-GAAP Financial Measures".

For the year ended December 31

(in %, unless otherwise indicated)	2024	2023	2022
Return on average common shareholders' equity ⁽¹⁾	21.4	24.2	25.7
Core return on average tangible common equity ⁽²⁾	24.0	27.0	28.6
Return on average assets ⁽³⁾	1.6	1.7	1.5
Core return on average tangible assets ⁽⁴⁾	1.6	1.7	1.5
Net interest margin ⁽⁵⁾	2.64	2.80	2.41
Efficiency margin ⁽⁶⁾	60.4	59.8	59.2
Core efficiency ratio ⁽⁷⁾	60.0	58.1	58.9
Fee income ratio ⁽⁸⁾	39.7	36.9	37.7
Common equity Tier 1 capital ratio ⁽⁹⁾⁽¹⁰⁾	23.5	23.0	20.3
Tier 1 capital ratio ⁽⁹⁾	23.5	23.0	20.3
Total capital ratio ⁽⁹⁾	25.8	25.4	24.1
Leverage ratio ⁽⁹⁾⁽¹⁰⁾	7.3	7.6	6.7
Tangible common equity/tangible assets ⁽¹⁰⁾	6.6	6.8	5.6
Tangible total equity/tangible assets ⁽¹¹⁾	6.6	6.8	5.6
Non-performing assets ratio ⁽¹²⁾	1.1	1.0	0.5
Non-accrual ratio ⁽¹³⁾	1.7	1.3	1.2
Non-performing loan ratio ⁽¹⁴⁾	3.3	2.8	1.5
Net charge-off (recoveries) ratio ⁽¹⁵⁾	—	0.1	0.1
Core net income attributable to common shareholders ⁽¹⁶⁾⁽¹⁷⁾ (in \$ million)	218.9	231.5	215.7
Core net income per common share fully diluted ⁽¹⁸⁾⁽²⁰⁾ (in \$)	4.77	4.70	4.33
Common equity per share ⁽¹⁹⁾ (in \$)	23.78	21.39	17.42

- (1) ROE measures profitability by revealing how much profit is generated with the money invested by common shareholders. ROE represents the amount of net income to common shareholders as a percentage of average common equity and is calculated as net income to common shareholders / average common equity. Net income to common shareholders is net income for the full fiscal year, before dividends paid to common shareholders but after dividends to preference shareholders. Average common equity does not include the preference shareholders' equity.
- (2) Core ROATCE is a non-GAAP financial measure. Core ROATCE measures core profitability as a percentage of average tangible common equity. Core ROATCE is the amount of core income to common shareholders as a percentage of average tangible common equity and is calculated as core earnings to common shareholders / average tangible common equity. Core earnings to common shareholders is net earnings to common shareholders for the full fiscal year (before dividends paid to common shareholders but after dividends to preference shareholders) adjusted to exclude certain items that are included in the financial results presented in accordance with GAAP. Average tangible common equity does not include the preference shareholders' equity or goodwill and intangible assets. For more information on the non-GAAP financial measures, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".
- (3) ROA is an indicator of profitability relative to average total assets and is intended to demonstrate how efficient management is at using the assets to generate earnings. The ROA ratio is calculated as net income / average total assets.
- (4) Core ROATA is a non-GAAP financial measure. Core ROATA is an indicator used to assess the core profitability of average tangible assets and is intended to demonstrate how efficiently management is utilizing its tangible assets to generate core net income. Core ROATA is calculated by taking the core income as a percentage of average tangible assets and is calculated as core net income / average tangible assets. Core net income is the net income adjusted to exclude certain items that are included in the financial results presented in accordance with GAAP. For more information on the non-GAAP financial measures, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".
- (5) NIM is a performance metric that examines how successful the Bank's investment decisions are compared to its cost of funding assets and is expressed as net interest income as a percentage of average interest-earning assets. NIM is calculated as net interest income before provision for credit losses / average interest-earning assets. Net interest income is the interest earned on cash and cash equivalents, investments, loans and other interest earning assets minus the interest paid for deposits, short-term borrowings and long-term debt. The average interest-earning assets is calculated using daily average balances of interest-earning assets.
- (6) Efficiency margin is a non-GAAP financial measure. Efficiency margin is an indicator used to assess operating efficiencies and is intended to demonstrate how efficiently management is controlling expenses relative to generating revenues. The efficiency margin is calculated by taking the non-interest expenses as a percentage of total net revenue before total other gains (losses) and provisions for credit losses, and is calculated as (non-interest expense - amortization of intangible assets) / (total non-interest income + net interest income before provision for credit losses). For more information on the non-GAAP financial measures, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".
- (7) The core efficiency ratio is a non-GAAP financial measure. The core efficiency ratio is an indicator used to assess operating efficiencies and is intended to demonstrate how efficiently management is controlling expenses relative to generating revenues on our core activities. The core efficiency ratio is calculated by taking the core non-interest expenses as a percentage of total net revenue before provision for credit losses and other gains and losses and is calculated as (core non-interest expenses - amortization of intangible assets) / (core non-interest income + core net interest income before provision for credit losses). Core non-interest expenses exclude certain items that are included in the financial results presented in accordance with GAAP including income taxes and amortization of intangible assets. For more information on the non-GAAP financial measures, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".
- (8) The fee income ratio is a measure used to determine the proportion of revenues derived from non-interest income sources. The ratio is calculated as non-interest income / (non-interest income + net interest income after provision for credit losses).
- (9) The Bank's regulatory capital is determined in accordance with Basel III guidelines as issued by the BMA. The total capital ratio measures the amount of the Bank's capital in relation to the amount of risk it is taking. All banks must ensure that a reasonable proportion of their risk is covered by permanent capital. Under Basel III, Pillar I, banks must maintain a minimum total capital ratio of 13.5%, inclusive of all capital buffers. In effect, this means that 13.5% of the RWA must be covered by permanent or near

permanent capital. The risk weighting process takes into account the relative risk of various types of lending and asset placements. The higher the capital adequacy ratio a bank has, the greater the level of unexpected losses it can absorb before becoming insolvent. The tier 1 capital ratio is the ratio of the Bank's core equity capital to its total RWA. RWA is the total of all assets held by the Bank weighted by credit risk according to a formula determined by the BMA which follows the BCBS guidelines in setting formulas for asset risk weights. The CET1 ratio is equivalent to the tier 1 capital ratio except that it only includes common equity in the numerator and we must maintain a minimum CET1 ratio of 10%. The Leverage Ratio is calculated by dividing tier 1 capital by an exposure measure and banks must maintain a minimum Leverage Ratio of 5.0%. The exposure measure consists of total assets (excluding items deducted from tier 1 capital) and certain off balance sheet items converted into credit exposure equivalents as well as adjustments for derivatives to reflect credit and other risks.

- (10) The TCE/TA ratio is a non-GAAP financial measure. The TCE/TA ratio is a measure used to determine how significant of an unexpected loss can be incurred by the Bank before other forms of capital, other than common equity, are impacted. The TCE/TA ratio is calculated as (common equity - intangible assets - goodwill) / tangible assets. Tangible common equity does not include the preference shareholders' equity or goodwill and intangible assets. Tangible assets are the Bank's total assets from continuing operations less goodwill and intangibles. For more information on the non-GAAP financial measures, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".
- (11) The TE/TA ratio is a non-GAAP financial measure. The TE/TA ratio is a measure used to determine how much loss the Bank can absorb before subordinated debt capital is impacted. The TE/TA ratio is calculated as (total shareholders' equity - intangible assets - goodwill) / tangible assets. Tangible assets are the Bank's total assets from continuing operations less intangible assets and goodwill. For more information on the non-GAAP financial measures, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".
- (12) The NPA ratio is an indicator of the credit quality of the Bank's total assets by expressing the non-performing assets as a percentage of total assets. The NPA ratio is calculated as (gross non-accrual loans + accruing loans past due 90 days + OREO) / total assets.
- (13) The NACL ratio is an indicator used to assess the credit performance of the Bank's loan portfolio by calculating the non-accrual loans as a percentage of loans. The NACL ratio is calculated as gross non-accrual loans / gross total loans. Note the reference to gross implies the amounts prior to loan allowances for credit losses.
- (14) The NPL ratio is an indicator used to assess the credit performance of the Bank's loan portfolio by calculating the non-performing loans as a percentage of loans. The NPL ratio is calculated as total gross non-performing loans / total gross loans.
- (15) The NCO ratio is an indicator used to assess the net credit loss of the Bank's loan portfolio by calculating the net charge-offs as a percentage of average total loans. The NCO ratio is calculated as net charge-off expense / average total loans. Average total loan is calculated as the average of the month-end asset balances during the relevant period.
- (16) Core net income is a non-GAAP financial measure. Core net income measures net income on a core basis. Core net income is calculated by adjusting net income for income or expense items which are not representative of the ongoing operations of our business. For a reconciliation of core net income to net income, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".
- (17) CEACS is a non-GAAP financial measure. CEACS measures profitability attributable to common shareholders on a core basis. For a reconciliation of CEACS to net income, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".
- (18) Core net income per common share — fully diluted is a non-GAAP financial measure. Core net income per common share — fully diluted measures core profitability attributable to common shareholders on a per share basis. For a reconciliation to net income per share, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".
- (19) Common equity per share is calculated as total common equity / number of common shares issued and outstanding at period end.

Reconciliation of Non-GAAP Financial Measures

The tables below present computations of earnings and certain other financial measures, which exclude certain significant items that are included in the financial results presented in accordance with GAAP.

We focus on core net income in many of these measures and ratios, which we calculate by adjusting net income for income or expense items which are not representative of the ongoing operations of our business, which results in non-core gains, losses and expense measures. Core net income includes revenue, gains, losses and expense items incurred in the normal course of business. We consider the normal course of business to be the general operations of our business lines of banking and wealth management. We believe that expressing earnings and certain other financial measures excluding these non-core items provides a meaningful base for period-to-period comparisons, which management believes will assist investors in analyzing the operating results of the Bank and predicting future performance. Non-core items are determined by the CFO in conjunction with the CEO, and approved by our Board of Directors. Consideration is given as to whether the expense, gain or loss is a result of exceptional circumstances or other decisions made not in the normal course of business. Items which are not in the normal course of business, such as business acquisition costs or impairment losses, or a result of exceptional circumstances, such as business restructuring costs, are considered non-core. These non-GAAP financial measures based on core net income are also used by management to assess the performance of the Bank's business because management does not consider the activities related to the adjustments to be indications of core operations. We believe that presentation of these non-GAAP financial measures will permit investors to assess the performance of the Bank on the same basis as that applied by management. Management and the Board utilize these non-GAAP financial measures as follows:

- Preparation of the Bank's operating budgets;
- Quarterly financial performance reporting; and
- Monthly reporting of consolidated results (management reporting only).

We calculate core net income attributable to common shareholders by deducting preference dividends and guarantee fees from core net income. We calculate core net income per common share by dividing the core net income attributable to common shareholders by the average number of common shares issued and outstanding during the relevant period.

The core efficiency ratio (non-GAAP), which is a measure of productivity, is generally calculated by taking the core non-interest expenses (which is the total non-interest expenses excluding non-core non-interest expenses) as a percentage of total net revenue before provision for credit losses and other gains and losses and is calculated as (core non-interest expenses - amortization of intangible assets) / (core non-interest income + core net interest income before provision for credit losses). Management uses this ratio to monitor performance regarding the efficiency of expense management and believes this measure provides meaningful information to investors.

Tangible common shareholders' equity ratios and tangible total asset ratios have become a focus of some investors in analyzing the capital position of the Bank absent the effects of intangible assets and preference shareholders' equity. The BMA and other banking regulatory bodies assess a bank's capital adequacy based on CET1 capital, the calculation of which is codified in the Basel III framework as implemented by the BMA. Because tangible common shareholders' equity and tangible total assets are not formally defined by GAAP, these measures are considered to be non-GAAP financial measures and other entities may calculate them differently. Since analysts and banking regulators may assess the Bank's capital adequacy using tangible common shareholders' equity or tangible assets, the Bank believes that it is useful to provide investors the ability to assess the Bank's capital adequacy on this same basis. The Bank calculates tangible common equity and tangible total assets on a period-end basis. The Bank also measures

performance relative to core net income over average tangible common shareholders' equity and average tangible assets to monitor performance and efficiency relative to the Bank's capital adequacy.

We believe the non-GAAP financial measures presented in this report provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP; however, we acknowledge that our non-GAAP financial measures have a number of limitations. As such, these non-GAAP financial measures should not be viewed 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.

The following tables provide: (1) a reconciliation of net income (GAAP) to core net income and core net income attributable to common shareholders (non-GAAP), (2) a computation of core net income attributable to common shareholders per common share fully diluted (non-GAAP), (3) a reconciliation of average and total shareholders' equity (GAAP) to average and total equity and average tangible common equity (non-GAAP), (4) a computation of core return to average tangible common equity (non-GAAP), (5) a reconciliation of average total assets (GAAP) to average tangible assets (non-GAAP), (6) a computation of core return on average tangible assets (non-GAAP), (7) a computation of tangible common equity to tangible assets (non-GAAP), (8) a computation of tangible total equity to tangible assets (non-GAAP), (9) a reconciliation of non-interest expenses (GAAP) to core non-interest expenses (non-GAAP), (10) a computation of the efficiency ratio (non-GAAP), and (11) a computation of the core efficiency ratio (non-GAAP).

(in millions of \$, unless otherwise indicated)	For the year ended December 31			
	2024	2023	2022	
Reconciliation of net income (GAAP) to core net income (non-GAAP)				
Net income	A	216.3	225.5	214.0
Non-core (gains), losses and expenses				
<i>Non-core (gains) losses</i>				
Liquidation settlement from an investment previously written-off ⁽¹⁾		—	(4.0)	—
Total non-core (gains) losses	B	—	(4.0)	—
<i>Non-core expenses</i>				
Early retirement program, redundancies and other non-core compensation costs ⁽²⁾		1.5	7.9	1.0
Tax compliance review costs ⁽³⁾		0.3	0.1	0.4
Settlement of client related tax inquiry ⁽³⁾		—	—	0.2
Asset acquisition costs ⁽⁴⁾		—	1.9	—
Restructuring charges and related professional service fees ⁽⁵⁾		0.8	0.2	—
Total non-core expenses	C	2.6	10.0	1.7
Total non-core (gains), losses and expenses	D=B+C	2.6	6.0	1.7
Core net income attributable to common shareholders	E=A+D	218.9	231.5	215.7
Reconciliation of return on equity (GAAP) to core return on average tangible common equity (non-GAAP)				
Core net income attributable to common shareholders	E=A+D	218.9	231.5	215.7
Average common equity	F	1,006.2	931.2	833.2
Less: average goodwill and intangible assets		(95.1)	(75.1)	(78.5)
Average tangible common equity	G	911.1	856.1	754.7
Return on equity	A/F	21.4 %	24.2 %	25.7 %
Core return on average tangible common equity	E/G	24.0 %	27.0 %	28.6 %
Reconciliation of diluted earnings per share (GAAP) to core earnings per common share fully diluted (non-GAAP)				
Adjusted weighted average number of diluted common shares (in thousands)	F	45.9	49.3	49.9
Earnings per common share fully diluted	A/J	4.71	4.58	4.29
Non-core items per share	D/F	0.06	0.12	0.04
Core earnings per common share fully diluted		4.77	4.70	4.33
Reconciliation of return on average assets (GAAP) to core return on average tangible assets (non-GAAP)				
Total average assets	G	13,795.6	13,592.9	14,596.1
Less: average goodwill and intangible assets		(95.1)	(75.1)	(78.5)
Average tangible assets	H	13,700.5	13,517.7	14,517.6
Return on average assets	A/G	1.6 %	1.7 %	1.5 %
Core return on average tangible assets	E/H	1.6 %	1.7 %	1.5 %

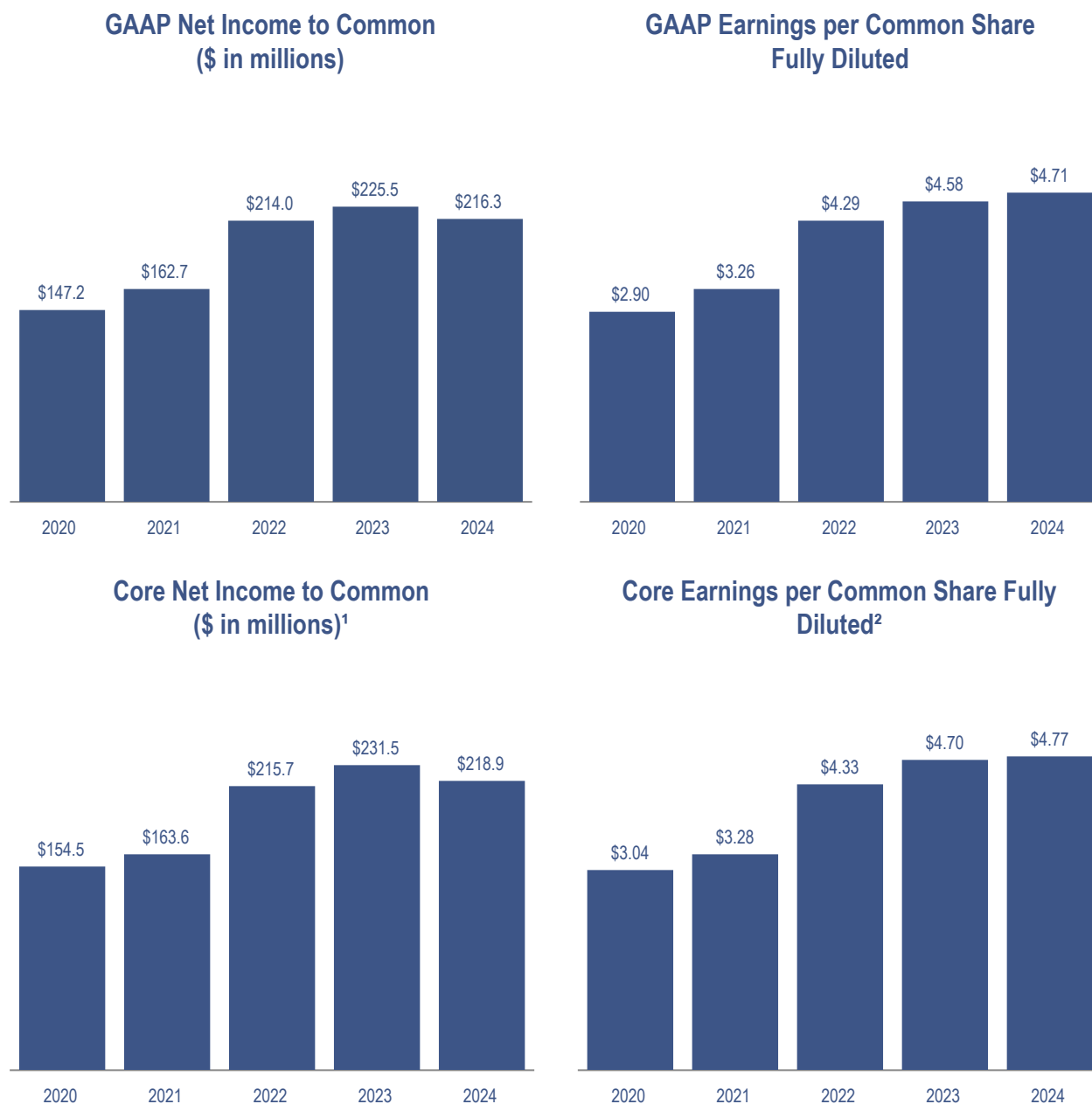
For the year ended December 31

(in millions of \$, unless otherwise indicated)

		2024	2023	2022
Tangible equity to tangible assets				
Shareholders' equity		1,020.8	1,003.6	864.8
Less: goodwill and intangible assets		(89.6)	(98.9)	(74.4)
Tangible common equity	I	931.2	904.7	790.4
Total assets		14,231.4	13,374.0	14,306.1
Less: goodwill and intangible assets		(89.6)	(98.9)	(74.4)
Tangible assets	J	14,141.8	13,275.1	14,231.7
Tangible common equity to tangible assets	I/J	6.6 %	6.8 %	5.6 %
Efficiency ratio				
Non-interest expenses		359.1	352.3	331.6
Less: amortization of intangibles		(8.0)	(5.7)	(5.7)
Non-interest expenses before amortization of intangibles	K	351.1	346.6	325.9
Non-interest income		230.0	212.3	206.6
Net interest income before provision for credit losses		351.2	367.0	343.6
Net revenue before provision for credit losses and other gains/losses	L	581.2	579.3	550.2
Efficiency ratio	K/L	60.4 %	59.8 %	59.2 %
Core efficiency ratio				
Non-interest expenses		359.1	352.3	331.6
Less: non-core expenses	C	(2.6)	(10.0)	(1.7)
Less: amortization of intangibles		(8.0)	(5.7)	(5.7)
Core non-interest expenses before amortization of intangibles	M	348.5	336.6	324.2
Core revenue before other gains and losses and provision for credit losses	N	581.2	579.3	550.2
Core efficiency ratio	M/N	60.0 %	58.1 %	58.9 %

- (1) Relates to the liquidation settlement received from an investment that was previously written-off.
- (2) In 2022 and 2024, relates to costs associated with the departure of a senior executive.
In 2023, relates to the group-wide restructuring that resulted in the recognition of redundancy expenses.
- (3) Relates to the professional fees and final settlement of the US Department of Justice inquiry which commenced in 2013 and the settlement of a non-US corporate income tax inquiry in connection with the commercial affairs of a legacy custody client.
- (4) Relates to costs incurred in the Credit Suisse asset acquisition completed in December 2023.
- (5) Fees related to corporate restructuring.

The following charts show the trajectory of our performance from 2020 to 2024:

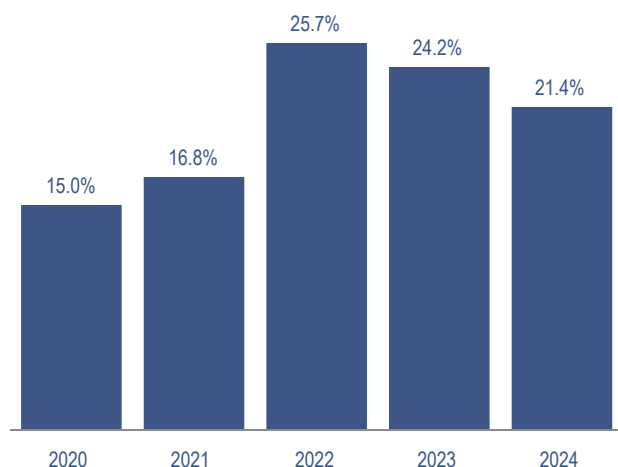


⁽¹⁾ Core Net Income to Common is a non-GAAP financial measure that is calculated by adjusting net income for income or expense items which management considers not to be representative of the ongoing operations of our business and preference share dividends, guarantee fees and premiums paid on preference share repurchases and redemptions. For a reconciliation of Core Net Income to Common to GAAP net income to common, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".

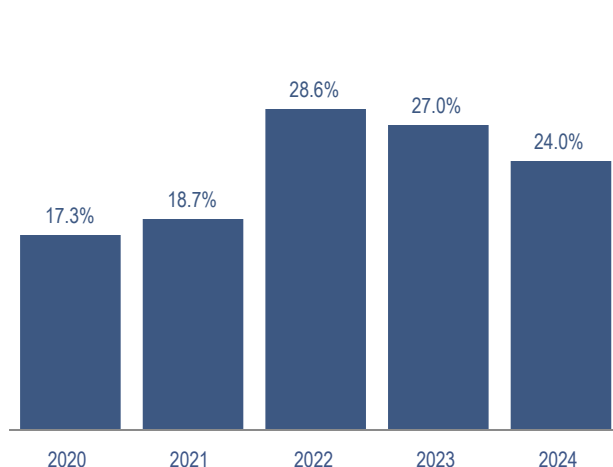
⁽²⁾ Core Earnings per Common Share Fully Diluted is a non-GAAP financial measure that is calculated by dividing Core Earnings to Common by the weighted average shares outstanding. For a reconciliation of Core Earnings per Common Share Fully Diluted to GAAP earnings per share, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".

Our return on equity for 2024 of 21.4% and our Core ROATCE¹ for 2024 of 24.0% were driven by a number of factors, including: significant fee income with historically low capital requirements; increasing market interest rates benefiting net interest income despite the higher cost of funding; reductions in accumulated other comprehensive losses due to the amortization of net gains (losses) on the HTM investment portfolio to net income and employee benefit plan adjustments; and our operations in corporate income tax neutral jurisdictions. As a result, our business generated core net income in 2024 well in excess of that needed to execute our organic balance sheet growth strategy.

Return on Equity



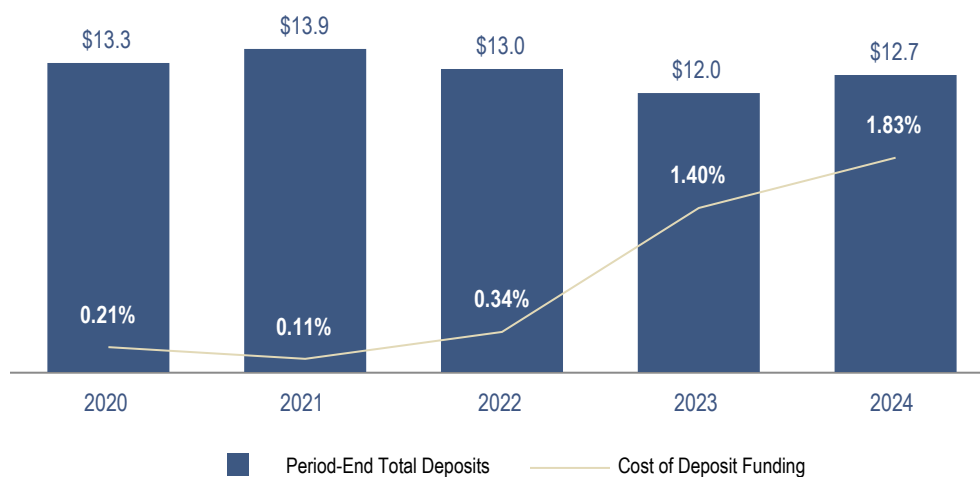
Core ROATCE¹



⁽¹⁾ Core ROATCE is a non-GAAP financial measure that is calculated by dividing core earnings to common shareholders by average tangible common equity. Average tangible common equity does not include the preference shareholders' equity or goodwill and intangible assets. For more information on the non-GAAP financial measures, see Item 5.A. "Operating Results - Reconciliation of Non-GAAP Financial Measures".

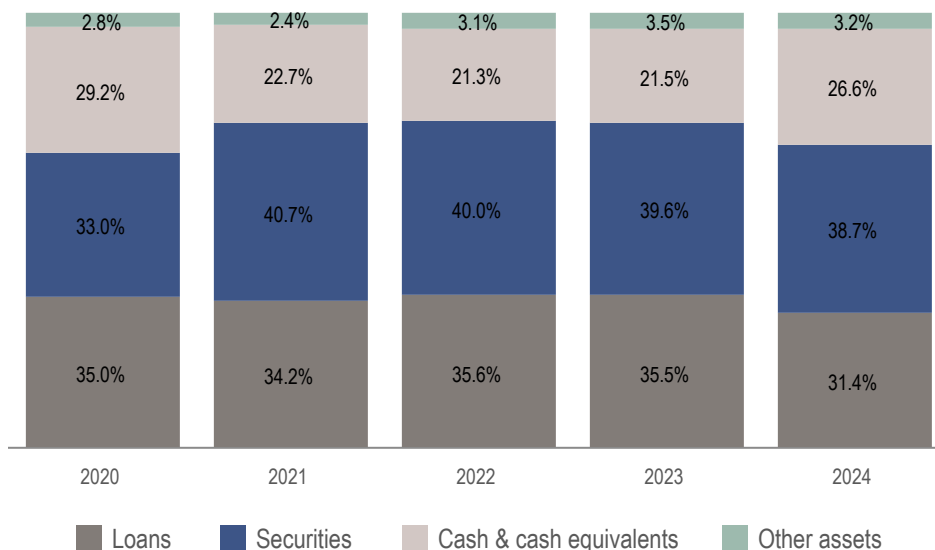
The following chart shows total deposit trends for 2020 to 2024:

Deposit Balance and Funding Costs (\$ in billions)



Historically, the markets in which we operate generate fewer loans than deposits, which has led us to take a conservative approach to managing our balance sheet. We accomplish this by maintaining a large cash balance and investing in high quality and liquid securities. The following chart illustrates our asset composition from 2020 to 2024:

Balance Sheet Composition - Total Assets (\$ in billions)

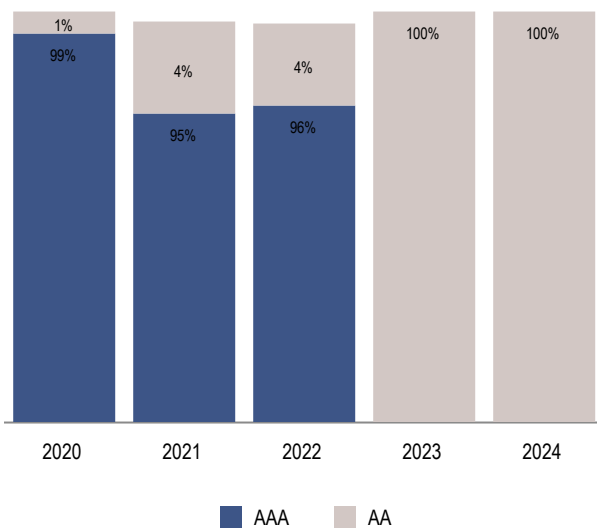


As at December 31, 2024, 26.6% of our balance sheet was cash and cash equivalents (including cash and demand deposits with banks, unrestricted term deposits, and treasury bills with a maturity of less than three months), securities purchased under agreements to resell and liquid short-term investments.

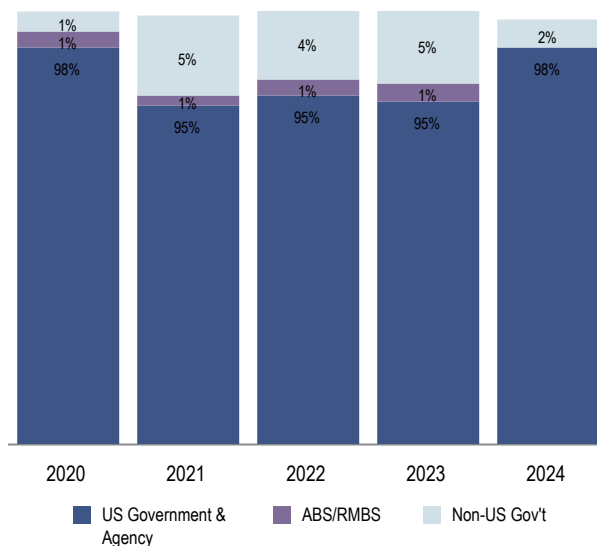
In addition to maintaining a large cash and cash equivalents balance, we also have a large and conservative securities investment portfolio. We have a disciplined investment portfolio selection process and invest in highly rated securities. We also seek to ensure that our portfolio remains liquid across market cycles: 97.8% of our portfolio was invested in US government treasuries and mortgage-backed securities issued by US governmental agencies. Our investment strategy as at December 31, 2024, aims to align the behavioral interest rate risk profile of our assets and liabilities — as at December 31, 2024, the average duration of our AFS investment portfolio was 3.4 years, the average duration of our HTM investment portfolio was 6.8 years, and the average duration of our total investment portfolio was 5.3 years. As at December 31, 2024, the total carrying value of our AFS investment portfolio was \$2.3 billion, and the total carrying value of our HTM investment portfolio was \$3.2 billion.

In August 2023, Fitch downgraded the US Long-Term Foreign-Currency Issuer Default Rating to 'AA+' from 'AAA' which impacted the ratings on the Banks' holdings of US government treasuries and mortgage-backed securities issued by US governmental agencies. The following charts show the composition of our investment portfolio by rating and asset type from 2020 to 2024:

Investment Portfolio - Rating



Investment Portfolio - Asset Type

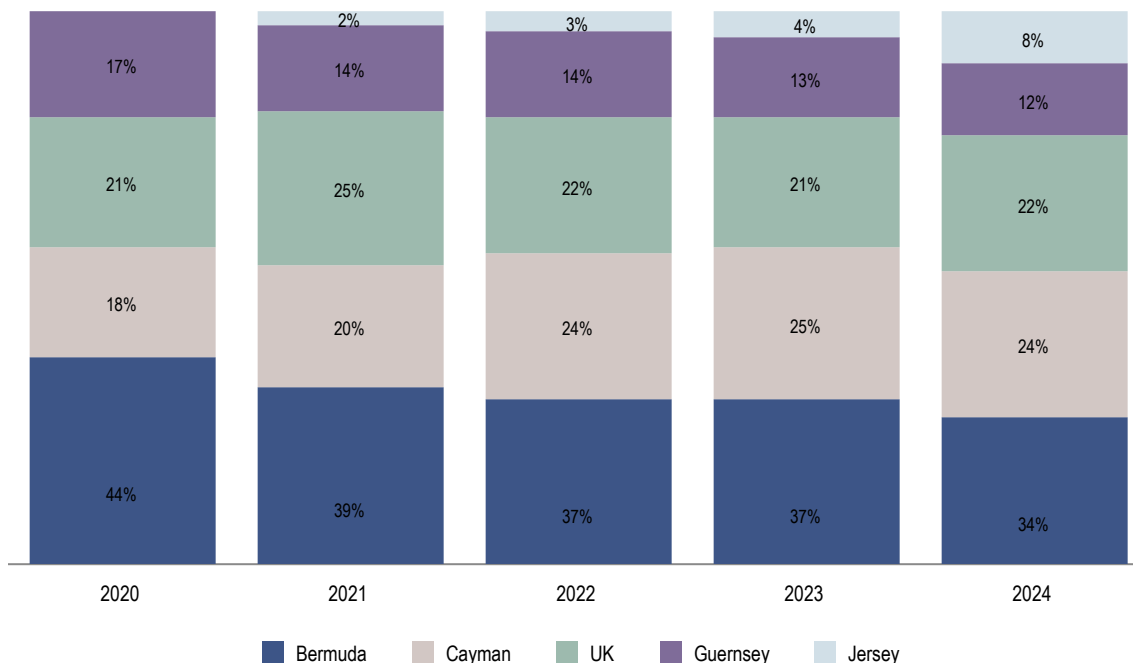


The combination of our significant cash and securities portfolios helps drive our capital efficient balance sheet, with risk-weighted assets equal to 31.9% of our total assets and a Basel III total capital ratio of 25.8%, each as at December 31, 2024.

Our loan underwriting process requires that we complete a full credit assessment of every customer prior to committing to a loan, which we believe has resulted in a high quality loan portfolio. Our lending markets do not have secondary markets for loans and as such we hold all of our originated loans on our balance sheet. In 2023 and 2024, net charge-offs represented 0.08% and 0.04%, respectively, of average loans. As at December 31, 2024, our non-accrual loan balance was \$76.7 million, or 1.7% of total gross loans, and our loans past due were \$168.4 million or 3.7% of total gross loans, of which 77.3% were full recourse residential mortgages. As at December 31, 2024, our loan portfolio consisted of 53% floating-rate loans and 47% fixed-rate loans generally with contractual rate resets of 3 to 5 years.

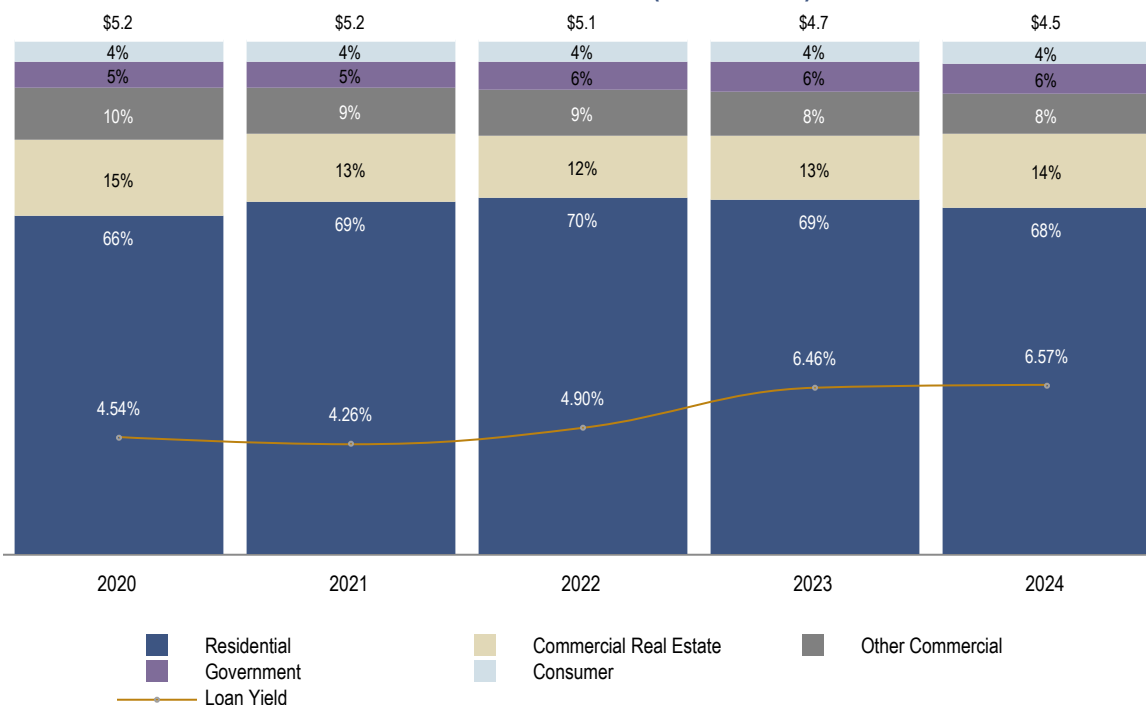
The following chart shows the segment composition of our loan portfolio from 2020 to 2024:

Loan Portfolio Composition by Origination - Geography



Our loan portfolio has exhibited stability over time. The following chart shows loan portfolio trends for 2020 to 2024:

Loan Balance and Yield (\$ in billions)



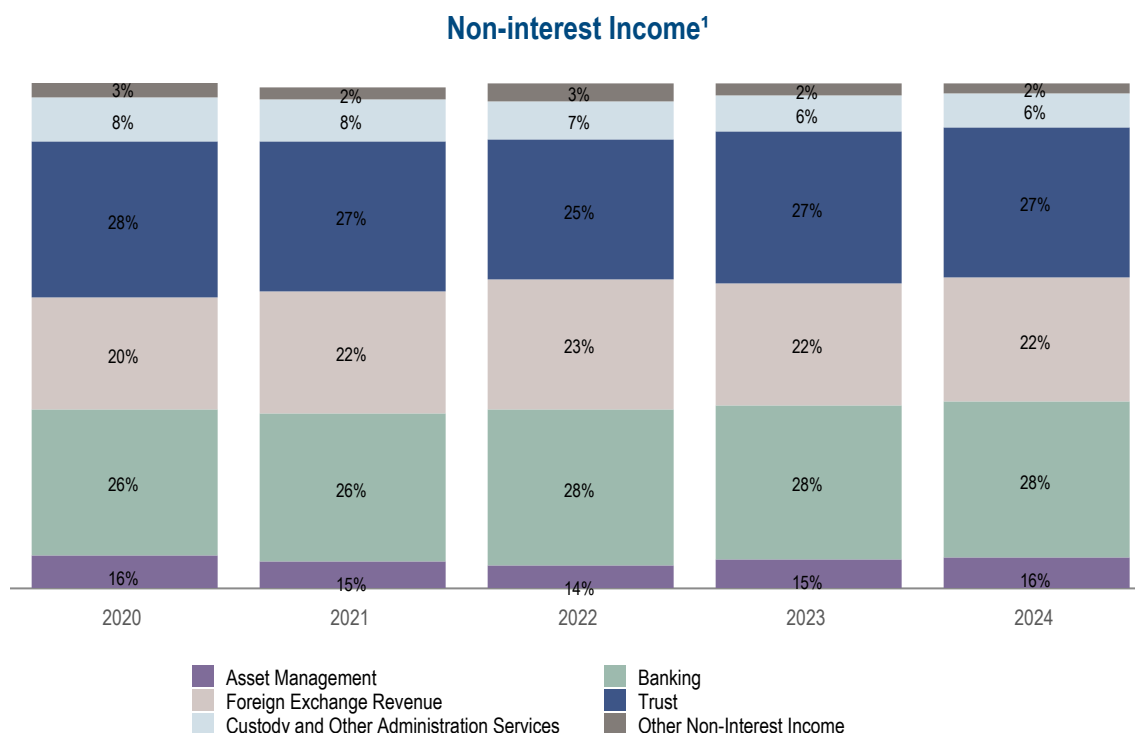
The domestic lending markets in Bermuda, the Cayman Islands, and the Channel Islands have a limited number of participants and significant barriers to entry. 67.8% of our loan balances were residential mortgages as at December 31, 2024. These loans are attractive for a number of reasons. Our mortgages have exhibited predictable cash

flows, with historically negligible refinancing activity due to significant transaction costs to refinance in these lending markets. Additionally, our mortgages in these markets have historically benefited from a manual underwriting process, low LTVs (with 80.9% of residential loans below 70% LTV as at December 31, 2024), and a full recourse legal system.

We have also generated balanced sources of non-interest income from a well-diversified customer base. For the five-year period ended December 31, 2024, our non-interest income is evenly split between banking which consists of banking and foreign exchange revenue, and wealth management, which consists of trust, asset management, and custody and other administration services.

Fee income from a typical trust client serviced in our wealth management business line is driven primarily by the size and complexity of our clients' assets and holdings, which are generally diversified across multiple geographies; the performance of these businesses is not typically linked to the performance of the domestic economies of our local markets. Non-interest income represented 39.7% of our total Net Revenue (our fee income ratio) in 2024, and contributed significantly to the Company's high Core ROATCE and excess capital generation as limited capital is required for our fee income business.

The following chart shows our various sources of non-interest income from 2020 to 2024:



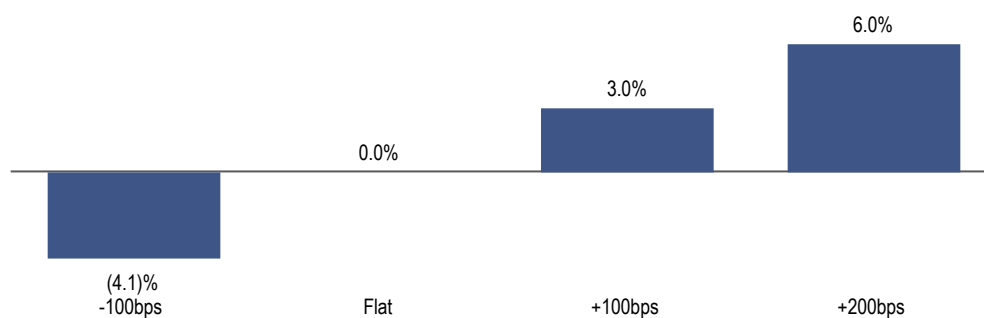
2024 Non-Interest Income: \$230.0 million / 39.7% Fee Income Ratio

⁽¹⁾ Foreign exchange revenue represents income generated from client-driven transactions in the normal course of business. We do not engage in proprietary trading.

Growth Opportunities

We expect that, all else being equal, a rising interest rate environment would generally increase our net interest income before provision for credit losses because an increase in our cost of deposits would lag an increase in yield of our cash, securities and loans. In addition, a significant portion of our deposits are non-interest bearing (21% as at December 31, 2024), and as a result, only a portion of our funding is sensitive to rising rates. Our non-interest bearing deposit balances have historically exhibited low correlation with market interest rates, a behavior that we attribute in part to a sizable client base that utilizes our bank for custody and clearing services as well as cash management purposes. Potential changes to our net interest income in hypothetical rising and declining rate scenarios, measured over a 12-month period, are presented in the chart below (these projections assume parallel shifts of the yield curves occurring immediately and no changes in other potential variables):

Net Interest Income Sensitivity



At December 31, 2024, a negative 100 basis points interest rate shock reflects a reduction in projected 12-month net interest income of 4.1% compared to the flat rate scenario. The loss of income is driven by lower treasury, loan and investment yields, which more than offset reduced rates paid on deposits. Refer to discussion under "Risk Management".

In addition, we are well-positioned as an acquirer of certain businesses, in private trust and banking. Our acquisition strategy seeks to capitalize on opportunities created by international financial institutions and trust companies that wish to simplify their businesses and deploy capital to other markets or business lines. We consider a wide range of potential acquisition opportunities, and we have a well-defined, disciplined approach to identifying potential acquisition targets across numerous criteria including: geography, business alignment, size, timing, quality, buyer universe and financial hurdles. Our focus has been on the private trust business and banking in our core markets where we have expertise, scale and a strong brand.

In October 2017, we entered into an agreement to acquire Deutsche Bank's Global Trust Solutions business, excluding its US operations. This transaction added the ongoing management and administration of the GTS portfolio, comprising approximately 1,000 trust structures for approximately 900 private clients in Guernsey, Switzerland, the Cayman Islands, and Singapore. As part of the deal, we also purchased a service company in Mauritius that also provided operations and support services to the Cayman Islands and Channel Islands banking and custody businesses. This transaction was completed in March 2018.

In February 2018, we entered into an agreement to acquire Deutsche Bank's banking and custody business in the Cayman Islands, Jersey and Guernsey, which provide services primarily to financial intermediaries and corporate clients. The Bank began to onboard certain customer deposits relating to the acquisition in 2018, and this activity was completed in the first half of 2019.

In April 2019, we entered into an agreement to acquire ABN AMRO (Channel Islands) Limited which provides banking, investment management and custody products to three distinct client groups, including trusts, private clients, and funds in Jersey and Guernsey. The transaction was completed in July 2019.

In September 2022, we entered into an agreement to acquire the assets of the Credit Suisse global trust businesses operating in Singapore, Guernsey and The Bahamas. This was completed in December 2023.

Our relationship-driven business model and international corporate clientele have allowed us to develop a stable core deposit base with historically low funding costs. We believe our customers' deposit activity has historically been relatively inelastic to deposit pricing given the nature of corporate activity and competition in retail deposit taking in our segments. We did, however, see some pricing pressure come through in 2024 and 2023 as expectations of market interest rates remaining higher for longer emerged and clients began activating deposits and seeking higher yielding products. As at December 31, 2024, we had \$12.7 billion in deposits at a cost of 1.83% for the year then ended, of which 21% were non-interest bearing demand deposits, 44% were interest bearing demand deposits with a weighted-average cost of 0.9%, and 35% were term deposits with a weighted-average cost of 3.7% and an average contractual or remaining maturity of 72 days. We believe the current market conditions in Bermuda, the Cayman Islands, and the Channel Islands will allow us to continue to benefit from higher market interest rates despite a higher cost of funding.

Consolidated Results of Operations and Discussion for Fiscal Years Ended December 31, 2024, 2023 and 2022

Net Revenue

2024 vs. 2023

Total net revenue before provision for credit losses and other gains and losses for 2024 was \$581.2 million, up \$1.9 million, or 0.3%, from 2023. Net interest income before provision for credit losses decreased from \$367.0 million in 2023 to \$351.2 million in 2024, a decrease of \$15.8 million, or 4.3%, which was primarily due to increasing deposit costs outpacing yields on interest earning assets. Loan interest income decreased by \$13.2 million to \$304.1 million on decreasing average volumes of \$300.8 million, despite yields increasing by 11 basis points. The volume decrease was driven primarily by maturities and prepayments in excess of originations across the residential mortgage portfolios. Investment interest income increased by \$8.4 million to \$124.5 million, whilst the average volume of investments decreased by \$261.8 million, yields on investments increased by 26 basis points. Interest income from cash and cash equivalents, securities purchased under agreements to resell and short-term investments increased by \$44.9 million, or 40.1%, while the average volume increased by \$375.0 million as a result of increased deposit funding in Bermuda and the Channel Islands. The total cost of deposits increased by \$56.5 million or 33.1%, reflecting a 43 basis points increase to 183 basis points, driven by the higher interest rate environment. In addition, non-interest income was up by \$17.7 million, or 8.3%, principally attributable to higher trust income, higher asset management services fees, higher banking fees and foreign exchange revenue.

2023 vs. 2022

Total net revenue before provision for credit losses and other gains and losses for 2023 was \$579.3 million, up \$29.1 million, or 5.3%, from 2022. Net interest income before provision for credit losses increased from \$343.6 million in 2022 to \$367.0 million in 2023, an increase of \$23.4 million, or 6.8%, which was primarily due to increases in yields on loans and treasury assets being higher than the cost of funding. Loan interest income increased by \$68.0 million to \$317.4 million as yields increased by 156 basis points. The average volume of loans outstanding decreased by \$179.8 million. The decrease was driven by scheduled paydowns in the portfolio as well as prepayments in the Cayman and Channel Islands and UK residential mortgage portfolios. Investment interest income increased by \$0.3 million to \$116.1 million, the average volume of investments

decreased by \$528.1 million, and yields on investments increased by 19 basis points. Interest income from cash and cash equivalents, securities purchased under agreements to resell and short-term investments increased by \$78.9 million, or 237.8%, while the average volume decreased by \$483.9 million as a result of reduced depositor funding. The total cost of deposits increased by \$125.3 million or 277.4%, reflecting a 106 basis points increase to 140 basis points, driven by higher market interest rates. In addition, non-interest income was up by \$5.7 million, or 2.8%, principally attributable to the onboarding of customers in our trust business from the Credit Suisse global trust acquisition and higher asset management fees due to an increase in net asset values offset by lower foreign exchange revenue driven by volume.

Net Interest Income Before Provision for Credit Losses

Net interest income is the amount of interest earned on our interest-earning assets less interest paid on our interest bearing liabilities. There are several drivers of the change in net interest income, including changes in the volume and mix of interest-earning assets and interest bearing liabilities, their relative sensitivity to interest rate movements, and the proportion of non-interest bearing sources of funds, such as equity and non-interest bearing current accounts.

The following table presents the components of net interest income for the years ended December 31, 2024, 2023 and 2022:

(in millions of \$)	Year ended December 31								
	2024			2023			2022		
	Average balance (\$)	Interest (\$)	Average rate (%)	Average balance (\$)	Interest (\$)	Average rate (%)	Average balance (\$)	Interest (\$)	Average rate (%)
Assets									
Cash and cash equivalents, securities purchased under agreements to resell, and short-term investments	3,405.2	157.1	4.60 %	2,648.7	112.1	4.23 %	3,132.6	33.2	1.06 %
Investment in securities	5,268.3	124.5	2.36 %	5,530.1	116.1	2.10 %	6,058.1	115.8	1.91 %
Loans	4,612.9	304.1	6.57 %	4,913.7	317.4	6.46 %	5,093.5	249.4	4.90 %
Interest earning assets	13,286.4	585.7	4.40 %	13,092.5	545.6	4.17 %	14,284.3	398.4	2.79 %
Other assets	423.5	—	—	409.1	—	—	370.3	—	—
Total assets	13,709.9	585.7	4.26 %	13,501.5	545.6	4.04 %	14,654.6	398.4	2.72 %
Liabilities									
Deposits	9,785.9	(227.0)	(2.31)%	9,410.9	(170.5)	(1.81)%	10,269.1	(45.2)	(0.44)%
Securities sold under agreements to repurchase	46.8	(2.0)	(4.32)%	1.4	(0.1)	(5.59)%	0.6	—	(3.95)%
Long-term debt	98.6	(5.5)	(5.55)%	129.2	(8.1)	(6.26)%	172.1	(9.6)	(5.58)%
Interest bearing liabilities	9,931.3	(234.5)	(2.35)%	9,541.4	(178.7)	(1.87)%	10,441.8	(54.8)	(0.52)%
Non-interest bearing current accounts	2,577.9	—	—	2,803.6	—	—	3,033.3	—	—
Other liabilities	247.2	—	—	248.2	—	—	284.3	—	—
Total liabilities	12,756.4	(234.5)	(1.83)%	12,593.2	(178.7)	(1.42)%	13,759.3	(54.8)	(0.40)%
Shareholders' equity	953.5	—	—	908.3	—	—	895.3	—	—
Total liabilities and shareholders' equity	13,709.9	—	—	13,501.5	—	—	14,654.6	—	—
Non-interest bearing funds net of non-interest earning assets (free balance)	3,355.1	—	—	3,551.1	—	—	3,842.5	—	—
Net interest margin		351.2	2.64 %		367.0	2.80 %		343.6	2.41 %

2024 vs. 2023

Net interest income before provision for credit losses of \$351.2 million in 2024 represented a decrease of \$15.8 million (or 4.3%) compared to 2023. Net interest income is generated by our main segments of Bermuda, Cayman, and the Channel Islands and the UK. Interest income increased by \$40.1 million in 2024, which was driven by increases in average volumes of treasury assets as a result of increased deposit funding.

Loan interest income decreased in 2024 by \$13.2 million as average loan volumes decreased driven by maturities and prepayments in excess of originations across the residential mortgage portfolios. The volume-driven decline in income was partially offset by an increase in yields.

Investment interest income increased by \$8.4 million, primarily driven by the increase in market rates. The overall duration of the portfolio at year-end was 5.3 years, which remains flat from 2023.

Interest bearing liability costs increased to 235 basis points, which resulted in an increase in interest expense of \$55.8 million, attributable to the higher market interest rate environment.

Average free balances for 2024 were \$3.4 billion (2023: \$3.6 billion), including non-interest bearing current accounts of \$2.6 billion (2023: \$2.8 billion), shareholders' equity of \$953.5 million (2023: \$908.3 million), net of other assets and other liabilities totaling \$176.3 million (2023: \$160.8 million). See "Risk Management" below for more information on how interest rate risk is managed.

2023 vs. 2022

Net interest income before provision for credit losses of \$367.0 million in 2023 represented an increase of \$23.4 million (or 6.8%) compared to 2022. Net interest income is generated by our main segments of Bermuda, Cayman, and the Channel Islands and the UK. Interest income increased by \$147.2 million in 2023, which was driven by increases in yields on loans and treasury assets as a result of increasing market interest rates.

Loan interest income increased in 2023 by \$68.0 million as base rates increased in all segments during the year. The increase in yield was partially offset by a decline in average balances driven by scheduled paydowns in the portfolio as well as prepayments in the Cayman and Channel Islands and UK residential mortgage portfolios.

Investment interest income increased by \$0.3 million, primarily driven by the increase in market rates. The overall duration of the portfolio at year-end was 5.3 years, which remains flat from 2022.

Interest bearing liability costs increased to 187 basis points, which resulted in an increase in interest expense by \$123.9 million, attributable to the higher market interest rates.

Average free balances for 2023 were \$3.6 billion (2022: \$3.8 billion), including non-interest bearing current accounts of \$2.8 billion (2022: \$3.0 billion), shareholders' equity of \$908.3 million (2022: \$895.3 million), net of other assets and other liabilities totaling \$160.8 million (2022: \$86.0 million). See "-Risk Management" below for more information on how interest rate risk is managed.

Provision for Credit Losses

2024 vs. 2023

Our net provision for credit losses in 2024 is \$1.7 million, a 62.7% decrease compared to \$4.5 million in 2023 due to the recognition in 2023 of increased specific provisions, net write-offs and cost associated with the recovery of collateral and not repeated in 2024.

2023 vs. 2022

Our net provision for credit losses in 2023 was \$4.5 million, an 85.8% increase compared to \$2.4 million in 2022. The movement was driven by increased specific provisions, net write-offs and cost associated with the recovery of collateral.

Other Gains (Losses)

The following table represents the components of other gains (losses) for the years ended December 31, 2024, 2023 and 2022:

(in millions of \$)	For the year ended December 31			Dollar Change		Percent Change	
	2024	2023	2022	2023 to 2024	2022 to 2023	2023 to 2024	2022 to 2023
Net gains (losses) on other real estate owned	0.1	—	0.4	0.1	(0.4)	100.0 %	(100.0)%
Net other gains (losses)	0.3	3.8	1.1	(3.5)	2.7	(92.1)%	245.5 %
Total other gains (losses)	0.4	3.8	1.5	(3.4)	2.3	(89.5)%	153.3 %

Net Gains (Losses) on Other Real Estate Owned

The balance in 2024 reflects gains on the disposal of foreclosed property in the Bermuda segment. The balance in 2022 reflects gains to the disposal of foreclosed property in the Channel Islands and UK segment.

Net Other Gains (Losses)

Net other gains in 2024 reflect gains from a legal settlement and the revaluation of a private equity investment, which was partially offset by the impairment of a leased asset, all in the Channel Islands. Net other gains in 2023 relate to the liquidation settlement received from an investment that was previously written-off and which management considers to be non-core. Net other gains in 2022 mainly relate to the reversal of a defined benefit settlement accounting adjustment in the Channel Islands and UK segment recorded in the previous year.

Non-Interest Income

Non-interest income represents capital efficient and stable revenue sources for the Group. Non-interest income is derived primarily from banking, including cards, foreign exchange commissions, asset management fees as well as trust fees. Our trust fee structure provides for varied pricing that depends primarily on the size of the relationship and the nature of services provided. As a result, it is not always possible to draw a direct relationship between the value of client assets and the level of non-interest income, though the trend of non-interest income generally follows the trend in client asset levels.

Total non-interest income increased by \$17.7 million from \$212.3 million in 2023 to \$230.0 million in 2024. Non-interest income as a percentage of total net revenue increased to 39.7% in 2024, from 36.9% in 2023.

Total non-interest income increased by \$5.7 million from \$206.6 million in 2022 to \$212.3 million in 2023. Non-interest income as a percentage of total net revenue remains relatively flat at 36.9% in 2023 compared to 37.7% in 2022.

The following table presents the components of non-interest income for the years ended December 31, 2024, 2023 and 2022:

(in millions of \$)	For the year ended December 31			Dollar change		Percent change	
	2024	2023	2022	2023 to 2024	2022 to 2023	2023 to 2024	2022 to 2023
Asset management	36.3	32.5	29.7	3.8	2.8	11.7 %	9.4 %
Banking	63.7	58.8	57.1	4.9	1.7	8.3 %	3.0 %
Foreign exchange revenue	51.2	46.1	47.8	5.1	(1.7)	11.1 %	(3.6)%
Trust	61.3	57.8	52.3	3.5	5.5	6.1 %	10.5 %
Custody and other administration services	13.8	13.3	13.6	0.5	(0.3)	3.8 %	(2.2)%
Other non-interest income	3.6	3.8	6.0	(0.2)	(2.2)	(5.3)%	(36.7)%
Total non-interest income	230.0	212.3	206.6	17.7	5.7	8.3 %	2.8 %

Asset Management

Asset management revenues are generally based on the market value of assets managed and the volume of transactions and fees for other services rendered. We provide asset management services from our offices in Bermuda, the Cayman Islands, and the Channel Islands. Revenues from asset management were \$36.3 million in 2024, compared to \$32.5 million in 2023, and \$29.7 million in 2022.

The table that follows shows the changes in the year-end values of clients' assets under management, sub-divided between those managed for clients on a discretionary basis and client funds invested in mutual funds that Butterfield manages ("Butterfield Funds"):

(in millions of \$)	Year ended December 31			Dollar Change	
	2024	2023	2022	2023 to 2024	2022 to 2023
Butterfield Funds	2,416	1,971	1,753	445	218
Other assets under management	3,632	3,559	3,296	73	263
Total assets under management	6,048	5,530	5,049	518	481

Asset management fees are generated primarily from management fees earned from Butterfield Funds and discretionary portfolios, as well as custody and brokerage fees.

2024 vs. 2023

AUM increased by \$0.5 billion to \$6.0 billion as at December 31, 2024, compared to \$5.5 billion as at December 31, 2023, driven by increased market values of assets managed. As a result, asset management fees earned increased by \$3.8 million to \$36.3 million compared to 2023.

2023 vs. 2022

AUM increased by \$0.5 billion to \$5.5 billion as at December 31, 2023, compared to \$5.0 billion as at December 31, 2022, driven by increased market values of assets managed. As a result, asset management fees earned increased by \$2.8 million to \$32.5 million compared to 2022.

Banking

We provide a full range of community, commercial, and private banking services in select jurisdictions. Banking services are offered to individuals and small to medium-sized businesses through branch locations, internet banking, automated teller machines, debit and credit cards, and mobile banking in Bermuda and the Cayman Islands, while private banking services are offered in Bermuda, the Cayman Islands, and the Channel Islands. In 2023, we began offering credit cards to residents in Guernsey and Jersey. Banking revenues reflect loan, transaction processing, and other fees earned in these jurisdictions.

Banking fee revenues increased by 8.3% in 2024 to \$63.7 million, compared to \$58.8 million in 2023, primarily due to increased card services and wire fees and volume incentives.

Banking fee revenues increased by 3.0% in 2023 to \$58.8 million, compared to \$57.1 million in 2022, primarily due to increased volumes and early loan repayment fees.

Foreign Exchange

We provide foreign exchange services in the normal course of business in all jurisdictions. The major contributors to foreign exchange revenues are Bermuda and Cayman, accounting for 80% of our foreign exchange revenue (2023: 84%; 2022: 81%). We do not maintain a proprietary trading book. Foreign exchange income is generated from client-driven transactions and totaled \$51.2 million in 2024, compared to \$46.1 million in 2023 and \$47.8 million in 2022. The \$5.1 million increase from 2023 to 2024 and the decrease in 2023 of \$1.7 million from 2022 were volume-driven.

Trust

We provide both personal and institutional fiduciary services from our operations in Bermuda, The Bahamas, the Cayman Islands, Guernsey, Singapore and Switzerland. Revenues are derived from a combination of fixed fees, fees based on the size and complexity of the trust relationship and fees based on time spent in relation to the range of personal trust and company administration services and pension and employee benefit trust services we provide.

In 2024, trust revenues represented 26.7% of our non-interest income, down from 27.2% in 2023. In 2024, trust revenues totaled \$61.3 million, \$3.5 million higher than 2023. This was mainly driven by the full year impact of client relationships acquired from Credit Suisse customers in 2023.

In 2023, trust revenues represented 27.2% of our non-interest income, up from 25.3% in 2022. In 2023, trust revenues totaled \$57.8 million, \$5.5 million higher than 2022. This was driven by the onboarding of client relationships acquired from Credit Suisse customers in 2023.

Trust AUA remained relatively stable at \$131.3 billion at the end of 2024 compared to \$132.4 billion at the end of 2023.

Custody and Other Administration Services

Custody fees are generally based on market values of assets in custody, the volume of transactions and flat fees for other services rendered. We provide custody services from our offices in Bermuda, Guernsey, and Jersey. In 2024, revenues were \$13.8 million, an increase of \$0.5 million from 2023 driven primarily by higher average GBP/USD exchange rates impacting the Channel Islands revenue recognized. From 2022 to 2023, revenues decreased by \$0.3 million driven by the loss of one client and transfer out of related assets in Guernsey.

Total AUA for the custody and other administration services business were \$30.5 billion on December 31, 2024, an increase from \$30.3 billion as at December 31, 2023 and \$32.2 billion as at December 31, 2022.

Other Non-Interest Income

The components of our other non-interest income for the years ended December 31, 2024, 2023 and 2022 are set forth in the following table:

(in millions of \$)	Year ended December 31			Dollar Change		Percent Change	
	2024	2023	2022	2023 to 2024	2022 to 2023	2023 to 2024	2022 to 2023
Net share of earnings from equity method investments	(0.3)	(0.2)	—	(0.2)	(0.2)	100.0 %	(100.0)%
Rental income	1.6	1.9	1.8	(0.3)	0.1	(15.8)%	5.6 %
Other	2.4	2.1	4.1	0.3	(2.0)	14.3 %	(48.8)%
Total other non-interest income	3.6	3.8	5.9	(0.2)	(2.1)	(5.3)%	(35.6)%

In 2024, we recorded a loss in our net share of earnings from equity method investments of \$0.3 million due to a lower equity pick-up.

Rental income decreased to \$1.6 million in 2024 due to the expiry of a sub-lease agreement in Guernsey. In 2023, rental income remained relatively flat from 2022.

The 'Other' category of other non-interest income increased by \$0.3 million in 2024 due to the increase in income from premise maintenance fees on rental properties as compared to 2023.

Non-Interest Expenses

Expense management continued to be a key focus in 2024 with management targeting a 60% efficiency ratio through the cycle. Total non-interest expenses in 2024 were \$359.1 million compared to \$352.3 million in 2023 and \$331.6 million in 2022. These figures include non-core expenses in 2024, 2023 and 2022 of \$2.6 million, \$10.0 million and \$1.7 million, respectively.

After adjusting for these non-core items, 2024 core expenses increased by \$14.1 million or 4.1% with a corresponding increase in the core efficiency ratio to 60.0% from 58.1% in 2023. The increase in core efficiency ratio is driven by the increase in non-interest expenses outpacing the increase in revenues. From 2022 to 2023, core non-interest expenses increased by \$12.4 million with a corresponding decrease in the core efficiency ratio to 58.1% from 58.9% in 2022.

In 2024, salaries and other employee benefits accounted for 48.5% of non-interest expenses, with technology and communications and property making up 27.9% combined.

The following table presents the components of non-interest expenses for the years ended December 31, 2024, 2023 and 2022:

(in millions of \$)	Year ended December 31			Dollar Change		Percent Change	
	2024	2023	2022	2023 to 2024	2022 to 2023	2023 to 2024	2022 to 2023
Salaries and other employee benefits	174.0	177.9	166.2	(3.9)	11.8	(2.2)%	7.1 %
Technology and communications	66.1	62.0	56.7	4.1	5.2	6.6 %	9.2 %
Professional and outside services	22.7	21.1	19.6	1.6	1.4	7.8 %	7.2 %
Property	34.1	31.4	31.4	2.7	(0.1)	8.6 %	(0.2)%
Indirect taxes	22.7	21.5	22.0	1.2	(0.5)	5.7 %	(2.4)%
Non-service employee benefits expense	3.9	5.6	3.8	(1.7)	1.8	(29.7)%	48.1 %
Marketing	6.5	6.5	6.4	0.1	0.1	1.1 %	1.6 %
Amortization of intangible assets	8.0	5.7	5.7	2.3	—	39.8 %	0.8 %
Other non-interest expenses	21.1	20.8	19.8	0.3	1.0	1.6 %	4.9 %
Total non-interest expenses	359.1	352.3	331.6	6.7	20.7	1.9 %	6.2 %
Non-core items (Non-GAAP)	(2.6)	(10.0)	(1.7)	7.4	(8.3)	(74.0)%	488.2 %
Core non-interest expenses (Non-GAAP)	356.5	342.3	329.9	14.1	12.4	4.1 %	3.8 %

For a full reconciliation of GAAP net income to core net income, please see Item 5.A. "Operating Results — Reconciliation of Non-GAAP Financial Measures".

Salaries and Other Employee Benefits

Total salaries and other employee benefits costs were \$174.0 million in 2024, a decrease of \$3.9 million compared to 2023. Included in 2024 were \$1.5 million of non-core expenses, primarily in relation to the departure of a senior executive. Included in 2023 were \$7.6 million of non-core expenses in relation to the group-wide restructuring that resulted in the recognition of redundancy expenses. Included in 2022 were \$1.0 million of non-core expenses in relation to the departure of a senior executive.

Core salaries, which exclude these amounts, and other employee benefits costs were \$172.5 million in 2024, up \$2.2 million compared to \$170.3 million in 2023 primarily due to higher staff incentive accruals. From 2022 to 2023, core salaries increased by \$5.2 million primarily due to the onboarding of staff related to the asset acquisition from Credit Suisse.

Headcount on a full-time equivalency basis at the end of 2024 was 1,306, compared to 1,334 in 2023 and 1,341 in 2022. The decrease in 2024 from 2023 was mainly due to the impact of the implementation of the group-wide restructuring as previously announced in 2023 which was expected to reduce the Bank's global workforce by 9% in several phases. The restructuring was partially offset by the continued onboarding of staff related to the asset acquisition from Credit Suisse as well as the expansion of our Halifax Service Center. For more information see "Item 6.D Employees".

Technology and Communications

Technology and communication costs reflect expenses relating to the support for our IT infrastructure and increased by \$4.1 million from 2023 to 2024 due to increased software maintenance costs. From 2022 to 2023, expenses increased by \$5.2 million as the core banking system upgrade came into operation in Bermuda and Cayman.

Professional and Outside Services

Professional and outside services primarily include consulting, legal, audit and other professional services. Professional and outside services costs were \$22.7 million in 2024, an increase compared to \$21.1 million in 2023 due to increased project work, which included the conversion of the Jersey banking business to a branch of the Guernsey bank. From 2022 to 2023, professional and outside services costs were higher primarily due to costs associated with the acquisition of trust client relationships from Credit Suisse.

Property

Property costs, which reflect occupancy expenses, building maintenance, and depreciation of property, plant and equipment, increased by \$2.7 million from 2023 to 2024 and decreased by \$0.1 million from 2022 to 2023. The increase from 2023 to 2024 was driven by increased depreciation on Head Office renovations.

Indirect Taxes

These taxes reflect taxes levied in the jurisdictions in which we operate, including employee-related payroll taxes, customs duties, and business licenses. In 2024, the expense was \$22.7 million, an increase of \$1.2 million when compared with 2023 driven by increased tax rates and fees. From 2022 to 2023, expenses decreased by \$0.5 million, driven by decreased payroll taxes associated with the group-wide restructuring that resulted in the recognition of redundancy expenses. Of the \$22.7 million in indirect taxes, \$17.2 million was paid to the Bermuda government agencies for payroll tax, business licenses, deposit insurance, land taxes, and financial services tax and \$5.5 million was paid to other governments for business licenses, insurance tax, land taxes and work permit fees.

Marketing

Marketing expenses reflect costs incurred in advertising and promoting our products and services. Marketing expenses totaled \$6.5 million in 2024, which remained relatively flat compared to 2023. From 2022 to 2023, marketing expenses increased due to increased sponsored event costs during the year.

Amortization of Intangible Assets

Intangible assets relate to client relationships acquired from business acquisitions and are amortized on a straight-line basis over their estimated useful lives, not exceeding 15 years. The estimated lives of these acquired intangible assets are re-evaluated annually and tested for impairment. The amortization expense associated with intangible assets was \$8.0 million in 2024 compared to \$5.7 million in 2023 and \$5.7 million in 2022. Amortization increased by \$2.3 million from 2023 to 2024 as a result of the Credit Suisse asset acquisition in 2023. Amortization remained flat from 2022 to 2023.

Other Non-Interest Expenses

(in millions of \$)	For the year ended December 31			Dollar Change		Percent Change	
	2024	2023	2022	2023 to 2024	2022 to 2023	2023 to 2024	2022 to 2023
Stationery & supplies	1.2	1.2	1.0	—	0.1	(1.7)%	12.0 %
Custodian & handling	3.3	3.0	3.4	0.4	(0.4)	11.7 %	(10.7)%
Charitable donations	1.3	1.2	1.1	0.1	0.1	5.7 %	12.6 %
Professional lines insurance	3.2	3.7	4.2	(0.5)	(0.5)	(13.6)%	(11.0)%
Other expenses	12.1	11.6	10.1	0.4	1.5	3.8 %	14.9 %
Total other non-interest expenses	21.1	20.8	19.8	0.3	1.0	1.6 %	4.9 %

Other non-interest expenses of \$21.1 million in 2024 were relatively flat compared to 2023 and higher compared to 2022 due to higher operational losses and write-offs.

Income Taxes

Each jurisdiction in which we operate is subject to different corporate income tax laws. See Item 3.D. "Risk Factors - Regulatory and Tax-Related Risks" and Item 10.E Taxation. We are incorporated in Bermuda as a local company and, pursuant to Bermuda law, not obligated to pay any direct corporate taxes in Bermuda on either income or capital gains. Our subsidiaries in the Cayman Islands and The Bahamas are not subject to any taxes on either income or capital gains under current laws applicable in the respective jurisdictions. In general, entities in Bermuda and the Cayman Islands are not subject to corporate income taxes but are required to pay higher rates of indirect taxes (included above) such as license fees and, in Bermuda, payroll taxes and import duties.

Our subsidiaries in the UK, Guernsey, Switzerland, Canada, Singapore, Mauritius and Jersey are subject to the tax laws of those jurisdictions. See "Note 25 Income taxes" in the Audited Consolidated Financial Statements for a reconciliation between the effective income tax rate and the statutory income tax rate.

In 2024, income tax expense netted to an expense of \$4.5 million compared to \$0.8 million in 2023. The increase of \$3.8 million in 2024 was driven by higher net income in the Channel Islands and the initial recognition of a deferred tax asset in Singapore in 2023. The decrease of \$2.9 million in 2023 was driven by the recognition of deferred tax assets in Singapore and decreased profitability in our Channel Islands and UK segment.

Consolidated Balance Sheet and Discussion

The following table shows the balance sheet as reported as at December 31, 2024 and 2023:

(in millions of \$)	As at December 31		Dollar Change	Percent Change
	2024	2023		
Assets				
Cash and cash equivalents	1,998	1,647	351	21.3 %
Securities purchased under agreements to resell	1,205	187	1,018	544.4 %
Short-term investments	580	1,038	(458)	(44.1)%
Investment in securities	5,513	5,292	221	4.2 %
Loans, net of allowance for credit losses	4,474	4,746	(272)	(5.7)%
Premises, equipment and computer software	154	154	—	— %
Goodwill and intangibles	90	99	(9)	(9.1)%
Other assets	218	211	7	3.3 %
Total assets	14,231	13,374	857	6.4 %
Liabilities				
Total deposits	12,746	11,987	759	6.3 %
Securities sold under agreements to repurchase	93	—	93	100.0 %
Total other liabilities	273	285	(12)	(4.2)%
Long-term debt	99	98	1	1.0 %
Total liabilities	13,211	12,370	841	6.8 %
Common shareholders' equity	1,021	1,004	17	1.7 %
Total shareholders' equity	1,021	1,004	17	1.7 %
Total liabilities and shareholders' equity	14,231	13,374	857	6.4 %

	As at December 31	
	2024	2023
Capital Ratios		
Risk-weighted assets	4,539	4,541
Tangible common equity (TCE)	931	905
Tangible assets (TA)	14,142	13,275
TCE/TA	6.6 %	6.8 %
Common Equity Tier 1	23.5 %	23.0 %
Total Tier 1	23.5 %	23.0 %
Total Capital	25.8 %	25.4 %
Leverage ratio	7.3 %	7.6 %

We maintain a liquid balance sheet and our regulatory capital held exceeds minimum capital requirements. As at December 31, 2024, total cash and cash equivalents, short-term investments and investment in securities (including assets pledged that secured parties are permitted to sell or repledge) represented \$9.3 billion, or 65.3% of total assets, up from 61.0% at the end of 2023. Shareholders' equity at December 31, 2024 was \$1.0 billion, relatively flat compared to \$1.0 billion at the end of 2023 primarily as a result of organic growth through net income net of dividends paid out during the year, amortization of net gains (losses) on the HTM investment portfolio to net income, employee benefit plan adjustments and partially offset by common share repurchases and retirements throughout the years.

Total assets increased by \$0.9 billion to \$14.2 billion from 2023 to 2024, primarily due to an increase in depositor funding which is reflected in the increase in cash and cash equivalents and investment in securities balances.

As at December 31, 2024, our capital ratios exceeded of regulatory requirements. The Bank's regulatory capital is determined in accordance with current Basel III guidelines as issued by the BMA.

The TCE/TA ratio at the end of 2024 was 6.6% (2023: 6.8%), while the CET1 and total Tier 1 capital ratios at the end of 2024 each were 23.5% (2023: 23.0%), respectively. These ratios continue to remain in excess of regulatory minimums at December 31, 2024.

Cash and Cash Equivalents, Securities Purchased Under Agreements to Resell and Short-Term Investments

We only place deposits with highly-rated institutions and ensure that there is appropriate geographic and sector diversification in our exposures. Limits are set for aggregate geographic exposures and for every counterparty for which we place deposits. Those limits are monitored and reviewed by our Credit Risk Management division and approved by the Financial Institutions Committee. We define cash and cash equivalents to include cash on hand, cash items in the process of collection, amounts due from correspondent banks and liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value. Such investments are those with less than three months maturity from the date of acquisition and include unrestricted term deposits, certificates of deposit and treasury bills. Investments of a similar nature that are either restricted or have a contractual maturity of more than three months but one year or less are classified as short-term investments. Securities purchased under agreements to resell are treated as collateralized lending transactions, and are referred to as repurchase agreements. We utilize repurchase agreements to manage liquidity. The risks of these transactions include changes in the fair value in the securities posted or received as collateral and other credit-related events. The Bank manages these risks by ensuring that the collateral involved is appropriate and by monitoring the value of the securities posted or received as collateral on a daily basis.

As at December 31, 2024, cash and cash equivalents, securities purchased under agreements to resell and short-term investments were \$3.8 billion, compared to \$2.9 billion as at December 31, 2023. The increase from 2023 to 2024 was primarily due to the increase in depositor funding.

See "Note 3: Cash and cash equivalents", "Note 4: Short-term investments" and "Note 12: Credit related arrangements, repurchase agreements and commitments" to our audited consolidated financial statements as at and for the year ended December 31, 2024 for additional tables and information.

Investment in Securities

Our investment policy requires management to maintain a portfolio of securities that provide the liquidity necessary to cover our obligations as they come due, and mitigate our overall exposure to credit and interest rate risk, while achieving a satisfactory return on the funds invested. The securities in which we invest are limited to securities that are considered investment grade. Securities in our investment portfolio are accounted for as either equity securities at fair value, AFS or HTM. Investment policies are approved by the Board, governed by the Group Asset and Liability Committee and monitored by Group Market Risk, a department of the Group Risk Management division.

Consistent with industry and rating agency designations, we define investment grade as "BBB" or higher. As at December 31, 2024, 100% (2023: 100%) of our total investments were investment grade. Of these securities, 100% (2023: 100%) are rated "A" or higher.

The following table presents the carrying value of investment securities by balance sheet category as at December 31, 2024 and 2023:

(in millions of \$)	As at December 31		Dollar Change	Percent Change
	2024	2023		
Available-for-sale	2,272	1,831	441	24.1 %
Held-to-maturity	3,240	3,461	(221)	(6.4)%
Total Investment in Securities	5,512	5,292	220	4.2 %

The investments were placed almost exclusively in US government and federal agency securities totaling \$4.8 billion, based upon carrying value, or 98.0% of the total investment portfolio, as at December 31, 2024. Total net unrealized losses in the investment portfolio were \$732.5 million, compared to net unrealized losses of \$648.3 million at the end of 2023. The increase in net unrealized losses for the year was as a result of increasing long-term US dollar interest rates offset by paydowns in the portfolio. The 10-year treasury rate as of December 31, 2024 increased to 4.57% compared to 3.88% as of December 31, 2023.

AFS securities totaled \$2.3 billion at the end of 2024, compared to \$1.8 billion at the end of 2023. As at December 31, 2024, 95.2% or \$2.2 billion (2023: 85.4%, or \$1.6 billion) of AFS securities consisted of holdings of securities issued by the US government and federal agencies. As at December 31, 2024, the remaining 4.8%, or \$108.9 million of AFS securities (2023: 14.6% or \$267.3 million) was comprised primarily of debt securities issued by non-US governments of 4.1%, or \$93.5 million (2023: 13.7%, or \$250.2 million) and residential mortgage-backed securities of 0.7%, or \$15.4 million (2023: 0.9%, or \$17.1 million).

HTM investments were \$3.2 billion as at December 31, 2024 (2023: \$3.5 billion) and consisted entirely of mortgage-backed securities issued by US federal agencies that management does not intend to sell before contractual maturity.

The overall increase in the investment portfolio during the year was attributable to the redeployment of treasury assets into the portfolio to manage interest rate sensitivity with the expectation of market interest rate decreases and offset by an increase in net unrealized losses. The proceeds from maturities were reinvested back into the portfolio.

Investment Valuation — Impairment and Credit Loss Considerations

Securities in unrealized loss positions are analyzed as part of management's ongoing assessment of impairment and credit losses. For debt securities, where management does not expect to recover the entire amortized cost basis of the security and intends to sell such securities or it is more likely than not that the Bank will be required to sell the securities before recovering the amortized cost, it recognizes an impairment loss equal to the full difference between the amortized cost basis and the fair value of those securities through the income statement. Following the recognition of impairment, the security's new amortized cost basis is the previous basis less impairment.

When management does not intend to sell or it is more likely than not that the Bank will hold such securities until recovering the amortized cost, management determines whether any credit losses exist. See "Note 2.H: Investments" and "Note 2.J: Allowance for Credit Losses".

While management sold AFS securities during 2023 and 2022, these securities were sold for a net loss of a minimal amount. The sales in 2023 and 2022 involved asset-backed securities-student loans. Management does not have the intention or does not foresee a more likely than not scenario where the Bank will be required to sell any further securities which are in an unrealized loss position, and accordingly, management has concluded that these sales are not credit loss indicators for any remaining securities in a loss position as at December 31, 2024.

See "Note 5: Investment in securities" to our audited consolidated financial statements as at December 31, 2024 for additional tables and information.

Loans

The loan portfolio decreased from \$4.7 billion at the end of 2023 to \$4.5 billion as at December 31, 2024. The decrease was driven primarily by maturities and prepayments in excess of originations across the residential mortgage portfolios.

The loan portfolio represented 31.4% of total assets as at December 31, 2024 (December 31, 2023: 35.5%), while loans as a percentage of total deposits was 35.1% (December 31, 2023: 39.6%). The decrease in both ratios was attributable principally to a decrease in loan balances and increase in total deposits at December 31, 2024.

Allowance for credit losses as at December 31, 2024 totaled \$25.7 million, remained flat from \$25.8 million in the prior year.

Gross non-accrual loans totaled \$76.7 million as at December 31, 2024, \$15.6 million higher than \$61.0 million as at December 31, 2023, and represented 1.7% of the total loan portfolio as at December 31, 2024, compared to 1.3% as at December 31, 2023. The increase in non-accrual loans was driven by a commercial facility secured by real estate in Bermuda and residential mortgages in the Channel Islands and UK segment.

In December 31, 2024, our OREO decreased by \$0.5 million compared to December 31, 2023 driven primarily by the sale of a residential property in Bermuda.

Government

Loans to governments were \$266.3 million, which was \$8.6 million lower from 2023, primarily due to the amortization of a long-term facility to the Cayman Islands Government which was partially offset by an increase in borrowings by the States of Jersey.

Commercial

The commercial and industrial loan portfolio includes loans and overdraft facilities advanced primarily to corporations and small and medium-sized entities, which are generally not collateralized by real estate and where loan repayments are expected to flow from the operation of the underlying businesses.

Commercial real estate loans are offered to real estate investors, developers and builders based primarily in Bermuda and the Cayman Islands. To manage our credit exposure on such loans, the principal collateral is real estate held for commercial purposes and is supported by a registered mortgage. Cash flows from the properties, primarily from rental income, are generally supported by non-cancellable long-term leases to high quality international businesses. These cash flows are generally sufficient to service the loan. The portfolio increased by \$34.3 million to \$642.0 million at December 31, 2024 due to loan growth in Cayman.

Commercial loans outstanding (excluding Government) as at December 31, 2024 were \$347.5 million, which represented a decrease of \$49.5 million from the previous year, driven primarily by the early repayment of a few facilities in Bermuda.

Residential

The residential mortgage portfolio comprises mortgages to clients with whom we are seeking to establish (or already have) a comprehensive financial services relationship. It includes mortgages to individuals and corporate loans secured by residential property.

All mortgages were underwritten utilizing our stringent credit standards. See Item 5.A. "Operating Results". Residential loans consist of conventional home mortgages and equity credit lines.

As at December 31, 2024, residential mortgages totaled \$3.1 billion (or 67.8% of total gross loans), a \$249.6 million decrease from December 31, 2023. This decrease was attributed to prepayments and regular amortization exceeding new loan growth in Bermuda, Cayman and the Channel Islands and UK.

Other Loan Portfolios

We provide loans, as part of our normal banking business, in respect of automobile financing, consumer financing, credit cards, commercial financing, loans to financial institutions and overdraft facilities to retail, corporate and private banking clients in the jurisdictions in which we operate. As at December 31, 2024, other consumer loans totaled \$192.8 million (or 4.3% of total gross loans), a \$1.0 million increase from December 31, 2023.

See "Note 6: Loans" and "Note 7: Credit risk concentrations" to our audited consolidated financial statements as at December 31, 2024 for more information on our loan portfolio and contractual obligations and arrangements.

Deposits

Deposits are our principal funding source for use in lending, investments and liquidity. We are a deposit-led bank and do not rely on the use of wholesale or institutional markets to fund our loan business. See Item 5.A. "Operating Results - Liquidity Risk" and "- Credit Risk". Deposit balances at the end of reporting periods can fluctuate due to significant balances that flow in and out from private trust, fund and insurance clients to meet quarter-end operational requirements.

The table below shows the year-end and average total deposit balances by jurisdiction for the year ended and as at December 31, 2024 and 2023:

(in millions of \$)	As at December 31		Dollar change	Average balance		Dollar change
	2024	2023		2024	2023	
Bermuda	4,781	4,473	308	4,565	4,437	128
Cayman	3,971	4,005	(34)	3,929	4,096	(167)
Channel Island and the UK	3,994	3,509	485	3,870	3,682	188
Total deposits	12,746	11,987	759	12,364	12,215	149

Average total deposits increased by \$149.0 million to \$12.4 billion in 2024. On a year-end basis, total deposits were up by \$0.8 billion from \$12.0 billion at the end of 2023. The increase in deposit balances was driven by increases in Bermuda and the Channel Islands.

Demand deposits, which include checking accounts (both interest bearing and non-interest bearing), savings and call accounts, totaled \$8.3 billion, or 64.9% of total deposits at the end of 2024, compared to \$8.3 billion or 68.9%, at the end of 2023. Term deposits increased by \$0.8 billion to \$4.5 billion compared to the prior year. The cost of funds on deposits increased from 140 basis points in the full year ended 2023 to 183 basis points in 2024 primarily due to higher market interest rates. Average non-interest bearing deposits decreased to \$2.6 billion from \$2.8 billion in 2023.

Included in total deposits are deposits from banks of \$42.9 million at the end of 2024, down from \$59.9 million at the end of 2023.

See "Note 10: Deposits" to our audited consolidated financial statements as at December 31, 2024 for additional tables and information.

Borrowings

We have no issuances of CD, CP or senior notes outstanding and have no CD or CP issuance programs. We use funding from the inter-bank market as part of interest rate risk and liquidity management. As at December 31, 2024, deposits from banks totaled \$42.9 million, \$17.0 million lower than the prior year.

Employee Future Benefits

We maintain trustee pension plans including non-contributory defined benefit plans and a number of defined contribution plans, and provide post-retirement healthcare benefits to our qualifying retirees. The defined benefit provisions under the pension plans are generally based upon years of service and average salary during the final years of employment. The defined benefit pension and post-retirement healthcare plans are not open to new participants, are non-contributory and thus the funding required is provided by us, based upon the advice of an independent actuary. The defined benefit pension plans are in the Bermuda, Guernsey and UK jurisdictions, and the defined benefit post-retirement medical plan is in Bermuda. The Bank also has a residual obligation in addition to its defined contribution plan in Mauritius.

Effective December 31, 2011, the Bermuda defined benefit pension benefits were amended to freeze credited service and final average earnings for remaining active members. Effective January 2012, all the participants of the Bermuda defined benefit pension plan are inactive and in accordance with GAAP, the net actuarial loss of the Bermuda defined benefit pension plan is amortized over the estimated average remaining life expectancy of the inactive participants of 22.8 years. Prior to all Bermuda participants being inactive, the net actuarial loss of the Bermuda defined benefit pension plan was amortized to net income over the estimated average remaining service period for active members of 4.5 years.

Effective September 30, 2014, the defined benefit pension benefits of our Guernsey operations were amended to freeze credited service and final average earnings for remaining active members. The benefits amendment resulted in a further reduction in the Guernsey defined benefit pension liability of \$4.6 million as at September 30, 2014.

Effective October 2014, all of the participants of the Guernsey defined benefit pension plan are inactive and in accordance with GAAP, the net actuarial loss of the Guernsey defined benefit pension plan will be amortized over the estimated average remaining life expectancy of the inactive participants of 39 years. Prior to all Guernsey participants being inactive, the net actuarial loss of the Guernsey defined benefit pension plan was amortized to net income over the estimated average remaining service period for active members of 15 years.

For the year ended December 31, 2014, numerous changes in the plan provisions were made to align the plan provisions with our administrative practices resulting in a further increase in the Bermuda defined benefit post-retirement healthcare plan liability of \$7.9 million. We amortize prior service credit resulting from plan amendments that occurred when plan members were active employees, on a linear basis over the expected average remaining service period (to full eligibility) of active members expected to receive benefits under the plan. Such remaining service periods are as follow: 3.1 years for the 2010 plan amendments and 4.6 years for the 2011 plan amendments. Plan amendments occurring in 2014 resulted in the recognition of new prior service cost on December 31, 2014 on a plan for which substantially all members are now inactive and, in accordance with GAAP, we have elected to amortize this new prior service cost on a linear basis over 21 years, which is the average remaining life expectancy of members eligible for benefits under the plan at the time of the amendments.

As at December 31, 2024, we had a net obligation for employee future benefits in the amount of \$83.6 million, down \$5.1 million (5.8%) from \$88.7 million at the end of 2023. The movement is driven primarily by an increase in discount rates.

See "Note 11: Employee benefit plans" to our audited consolidated financial statements as at December 31, 2024 for additional tables and information.

Long-Term Debt, Interest Payments and Maturities

We had outstanding issuances of long-term debt with a carrying value of \$98.7 million as at December 31, 2024 and \$98.5 million as at December 31, 2023, all issued in US Dollars. On June 11, 2020, the Bank issued US \$100 million of Subordinated Lower Tier II capital notes. The notes were issued at par and are due on June 15, 2030. The issuance was by way of a registered offering with US institutional investors. The notes are listed on the BSX in the specialist debt securities category. The proceeds of the issue were used, amongst other, to repay the entire amount of the US \$45 million outstanding subordinated notes Series 2005-B which matured on July 2, 2020 and the entire amount of the US \$25 million outstanding subordinated notes Series 2008-B which were eligible for redemption. As at December 31, 2024, all of our outstanding long-term debt was eligible for inclusion in our Tier 2 regulatory capital base, limited to 50% of Tier 1 capital.

The following table presents the contractual maturity, interest rates and principal outstanding as at December 31, 2024:

Long-term debt (in millions of \$)	Earliest date redeemable at the Bank's option	Contractual maturity date	Interest rate until date redeemable	Interest rate from earliest date redeemable to contractual maturity	Principal outstanding
2020 issuance	June 15, 2025	June 15, 2030	5.25%	3 months US\$ SOFR + 5.060%	100.0
Unamortized debt issuance costs					(1.3)
Total					98.7

See "Note 19: Long-term debt" to our audited consolidated financial statements as at December 31, 2024 for additional information.

Securities sold under agreements to repurchase

The Bank also obtains funds from time to time from the sale of securities to institutional investors under repurchase agreements. In a repurchase agreement transaction, we will generally pledge investment securities as collateral in a borrowing transaction, agreeing to repurchase the identical security on a specified later date, generally not more than 90 days, at a price greater than the original sales price. The difference between the sale price and repurchase price is the cost of the use of the proceeds, or interest expense. The investment securities underlying these agreements may be delivered to securities dealers who arrange such transactions as collateral for the repurchase obligation. Repurchase agreements represent a cost competitive funding source and also provide liquidity on agency paper for us. However, we are subject to the risk that the borrower of the securities may default at maturity and not return the collateral. In order to minimize this potential risk when entering into such transactions, we generally deal with large, established investment brokerage firms with whom we have master repurchase agreements. Repurchase transactions are accounted for as collateralized financing arrangements rather than as sales of such securities, and the obligation to repurchase such securities is reflected as a liability in our consolidated financial statements.

As at December 31, 2024, the Bank had one open position (December 31, 2023: nil) in a repurchase agreement with a remaining maturity of less than 30 days involving one non-US government debt security, with the carrying value of the repurchase agreement being \$92.6 million (December 31, 2023: nil).

See "Note 12: Credit related arrangements, repurchase agreements and commitments" to our audited consolidated financial statements as at December 31, 2024 for additional information.

Other Liabilities

Other liabilities include operating lease liabilities, derivative liabilities, current employee salaries and benefits payable and related payroll tax, as well as sundry liabilities. Other liabilities decreased by \$6.7 million to \$189.8 million as at December 31, 2024. The decrease was a result of lower accrued interest on fixed rate deposits offset and lower sundry liabilities.

Leases

In the normal course of operation, the Bank enters into leasing agreements either as the lessee or the lessor, mostly for office and parking spaces as well as for small office equipment. The Bank recognizes right-of-use assets and lease liabilities for operating leases. Lease liabilities are measured as the present value of future lease payments, including term renewals that are reasonably certain to occur, discounted using the Bank's incremental borrowing rate. The Bank determines its incremental borrowing rate using various market inputs as well as the rate on its past debt issuances.

The terms of the existing leases, including renewal options that are reasonably certain to be exercised, extend up to the year 2038. Certain lease payments will be adjusted during the related leases' terms based on movements in the relevant consumer price index.

See "Note 13: Leases" to our audited consolidated financial statements as at December 31, 2024 for additional information.

Shareholders' Equity

Shareholders' equity increased by \$17.2 million during the year ended December 31, 2024 to \$1.0 billion.

Increases totaling \$252.7 million included:

- \$216.3 million of net income for the year;
- \$21.0 million for share-based compensation and settlements;
- \$8.1 million from net change in unrealized gains (losses) on HTM investments;
- \$6.7 million from adjustments to employee benefit plans; and
- \$0.6 million from net change in unrealized gains (losses) on AFS investments.

The increases were offset by the following decreases of \$235.6 million:

- \$79.6 million of common share dividends;
- \$155.3 million from net increases in treasury shares from share repurchases; and

- \$0.7 million from net change in unrealized gains (losses) on translation of net investment in foreign operations

Segment Overview

The Bank is managed by the Chairman & CEO, its CODM, on a geographic basis. The Bank presents four reportable segments, three geographical and one other: Bermuda, Cayman, Channel Islands and the UK, and Other. The Other segment is composed of several non-reportable operating segments that have been aggregated in accordance with GAAP. Each reportable segment has a managing director who reports to the Chairman & CEO. The Chairman & CEO and the segment managing director have final authority over resource allocation decisions and performance assessment.

Transactions between segments are accounted for on an accrual basis and are all eliminated upon consolidation. The Bank generally does not allocate assets, revenues and expenses among its business segments, with the exception of certain corporate overhead expenses and loan participation revenue and expenses. Loan participation revenue and expenses are allocated pro-rata based on the percentage of the total loan funded by each jurisdiction participating in the loan.

Bermuda (Including Head Office)

For more than 150 years, Bermuda has served as home to our headquarters and remains our largest jurisdiction in terms of number of employees and business volume. The following table provides certain financial information for our Bermuda segment for the years ended December 31, 2024, 2023 and 2022.

Summary Income Statement (in millions of \$)	For the year ended December 31			Dollar change		Percent change	
	2024	2023	2022	2023 to 2024	2022 to 2023	2023 to 2024	2022 to 2023
Net interest income	169.9	180.6	161.9	(10.7)	18.7	(5.9)%	11.6 %
Provision for credit recoveries (losses)	(1.8)	(4.8)	(1.2)	3.0	(3.6)	(62.5)%	300.0 %
Non-interest income	93.7	89.9	87.9	3.8	2.0	4.2 %	2.3 %
Net revenue before other gains (losses)	261.8	265.7	248.6	(3.9)	17.1	(1.5)%	6.9 %
Operating expenses	(198.6)	(198.9)	(188.7)	0.3	(10.2)	(0.2)%	5.4 %
Net income before other gains (losses)	63.2	66.8	59.9	(3.6)	6.9	(5.4)%	11.5 %
Total other gains (losses)	0.1	4.0	—	(3.9)	4.0	(97.5)%	100.0 %
Net income	63.3	70.8	59.9	(7.5)	10.9	(10.6)%	18.2 %

Summary Balance Sheet

(in millions of \$)	As at December 31			
	2024	2023	Dollar change	Percent change
Total deposits	4,856	4,605	251	5.5 %
Loans, net of allowance for credit losses	1,594	1,733	(139)	(8.0)%
Total assets	5,438	5,181	257	5.0 %
Assets under administration				
Custody and other administration services	14,841	14,131	710	5.0 %
Trust	55,769	55,909	(140)	(0.3)%
Assets under management				
Butterfield Funds	1,871	1,616	255	15.8 %
Other assets under management	2,193	2,159	34	1.6 %
Total assets under management	4,063	3,775	288	7.6 %
Number of employees	356	387	(31)	(8.0)%

2024 vs. 2023

Net income before other gains and losses was \$63.2 million for the year ended December 31, 2024, a decrease of \$3.6 million from \$66.8 million in the prior year. This decrease was due principally to the following movements in net interest income, provision for credit losses, non-interest income and operating expenses:

- Net interest income before provision for credit losses was \$169.9 million in 2024, a decrease of \$10.7 million as compared to 2023, primarily due to increasing deposit costs outpacing yields on interest earning assets and reduced loan volumes.
- The provision for credit losses decreased by \$3.0 million to \$1.8 million in 2024 due to the recognition in 2023 of increased specific provisions, net write-offs and cost associated with the recovery of collateral.
- Non-interest income increased by \$3.8 million to \$93.7 million in 2024. This was primarily due to higher asset management fees from increases in assets under management and increased banking fees driven by credit card utilization and banking fee volumes.
- Operating expenses decreased by \$0.3 million to \$198.6 million in 2024 which was mainly driven by lower staff related costs following the group-wide restructuring initiative announced in 2023, offset by increased property depreciation expenses, technology and communications costs and professional fees.

Total other gains (losses) decreased by \$3.9 million in 2024 as 2023 mainly represents a gain realized on the liquidation settlement from a legacy investment which did not re-occur in 2024.

Total assets as at December 31, 2024 were \$5.4 billion, up \$0.3 billion from December 31, 2023. Total deposits were \$4.9 billion in December 31, 2024, up from \$4.6 billion December 31, 2023 and loan balances at December 31, 2024 were \$0.1 billion lower at \$1.6 billion due to scheduled paydowns in the portfolio outpacing originations.

Client AUA for the trust and custody businesses as at December 31, 2024 were \$55.8 billion and \$14.8 billion, respectively, while assets under management were \$4.1 billion. This compares with \$55.9 billion, \$14.1 billion and \$3.8 billion, respectively, as at December 31, 2023.

2023 vs. 2022

Net income before other gains and losses was \$66.8 million for the year ended December 31, 2023, an increase of \$6.9 million from \$59.9 million in the prior year. This increase was due principally to the following movements in net interest income, provision for credit losses, non-interest income and operating expenses:

- Net interest income before provision for credit losses increased by \$18.7 million to \$180.6 million in 2023, driven primarily by higher market interest rates across the yield curve and the early redemption of \$75 million 2018 subordinated notes in June 2023.
- The provision for credit losses increased by \$3.6 million to \$4.8 million in 2023 which was driven by increased individual provisions on a small number of loan facilities, net write-offs and costs associated with the recovery of collateral.
- Non-interest income increased by \$2.0 million to \$89.9 million in 2023. This was primarily due to higher asset management fees due to an increase in net asset values which was partially offset by lower foreign exchange revenue driven by volume.
- Operating expenses increased by \$10.2 million to \$198.9 million in 2023 which was driven by an increase in staff related costs due to higher incentives and the group-wide restructuring initiative; increase in technology and communications costs due to the upgrade of the Bank's core banking system; and higher professional fees relating to the Credit Suisse asset acquisition.
- Total other gains (losses) increased by \$4.0 million in 2023 which mainly represents a gain realized on the liquidation settlement from a legacy investment written-off.

Total assets as at December 31, 2023 were \$5.2 billion, down \$0.2 billion from December 31, 2022. Total deposits were \$4.5 billion in December 31, 2023, down from December 31, 2022 as customers activated their funds and also sought higher yielding financial investments, and loan balances at December 31, 2023 were \$146.0 million lower at \$1.7 billion due to scheduled paydowns in the portfolio.

Client AUA for the trust and custody businesses as at December 31, 2023 were \$55.9 billion and \$14.1 billion, respectively, while assets under management were \$3.8 billion. This compares with \$57.6 billion, \$14.5 billion and \$3.6 billion, respectively, as at December 31, 2022.

Cayman Islands

We are a leading financial services provider in the Cayman Islands, offering a comprehensive range of personal and corporate financial services. In addition to our strong retail presence, we are focused on the provision of wealth management services including private banking, asset management and trust services.

We have continued to enhance our client delivery channels and online and mobile banking platform upgrades. With three banking centers in desirable locations and seventeen ATMs strategically located in Grand Cayman, we continue to be a leading provider of financial services locally. The following table provides certain financial information for our Cayman segment for the years ended December 31, 2024, 2023 and 2022.

Summary Income Statement (in millions of \$)	For the year ended December 31			Dollar change		Percent change	
	2024	2023	2022	2023 to 2024	2022 to 2023	2023 to 2024	2022 to 2023
Net interest income	117.4	133.7	115.9	(16.3)	17.8	(12.2)%	15.4 %
Provision for credit (losses) recoveries	0.1	0.1	(0.6)	—	0.7	— %	(116.7)%
Non-interest income	71.9	66.9	66.7	5.0	0.2	7.5 %	0.3 %
Net revenue before other gains (losses)	189.5	200.6	182.0	(11.1)	18.6	(5.5)%	10.2 %
Operating expenses	(67.0)	(64.5)	(62.1)	(2.5)	(2.4)	3.9 %	3.9 %
Net income before other gains (losses)	122.4	136.1	119.9	(13.7)	16.2	(10.1)%	13.5 %
Total other gains (losses)	—	—	—	—	—	— %	— %
Net income	122.4	136.1	119.9	(13.7)	16.2	(10.1)%	13.5 %

Summary Balance Sheet

As at December 31

(in millions of \$)	2024	2023	Dollar change	Percent change
Total deposits	3,971	4,005	(34)	(0.8)%
Loans, net of allowance for credit losses	1,100	1,207	(107)	(8.9)%
Total assets	4,338	4,342	(4)	(0.1)%
Assets under administration				
Custody and other administration services	3,602	3,378	224	6.6 %
Trust	6,301	6,500	(199)	(3.1)%
Assets under management				
Butterfield Funds	497	308	189	61.4 %
Other assets under management	670	656	14	2.1 %
Total assets under management	1,167	964	203	21.1 %
Number of employees	221	235	(14)	(6.0)%

2024 vs. 2023

Net income before other gains and losses for the year ended December 31, 2024 was \$122.4 million, a decrease of \$13.7 million from \$136.1 million in 2023. This decrease was due principally to the following movements in net interest income, provision for credit losses, non-interest income and operating expenses:

- Net interest income before provision for credit losses was \$117.4 million in 2024, a decrease of \$16.3 million compared to 2023 primarily due to increasing deposit costs outpacing yields on interest earning assets and reduced loan volumes.
- Provision for credit recoveries of \$0.1 million in 2024 was flat when compared to 2023. The credit recovery is mainly due to reduced provisions on sovereign borrowings as the tenor continued to decrease as well as a reduction in loan balances.
- Non-interest income was \$71.9 million, an increase of \$5.0 million from 2023. This was primarily due to higher asset management fees from increases in assets under management, increased banking fees driven by credit card utilization and banking fee volumes. increases foreign exchange revenue driven by volumes and partially offset by lower trust income.
- Operating expenses increased by \$2.5 million from 2023 to \$67.0 million in 2024, mainly driven by higher technology and communications costs due to higher software maintenance costs; increases in professional and outsourced services partially offset by lower staff related costs following the group-wide restructuring initiative in 2023.

Total assets as at December 31, 2024 were \$4.3 billion, flat when compared with December 31, 2023. Total deposits were \$4.0 billion in December 31, 2024, also flat from December 31, 2023. Net loans decreased slightly by \$0.1 billion to \$1.1 billion at December 31, 2024 due to higher unscheduled prepayments in the residential mortgage portfolio.

Client AUA for the trust and custody businesses were \$6.3 billion and \$3.6 billion, respectively, while AUM were \$1.2 billion at December 31, 2024. This compares with \$6.5 billion, \$3.4 billion and \$1.0 billion, respectively, on December 31, 2023.

2023 vs. 2022

Net income before other gains and losses for the year ended December 31, 2023 was \$136.1 million, an increase of \$16.2 million from \$119.9 million in 2022. This increase was due principally to the following movements in net interest income, provision for credit losses, non-interest income and operating expenses:

- Net interest income before provision for credit losses was \$133.7 million in 2023, an increase of \$17.8 million compared to 2022. The increase from 2022 to 2023 was due to higher market interest rates across the yield curve.
- Provision for credit recoveries of \$0.1 million in 2023 represented a decrease of \$0.7 million compared to credit losses of \$0.6 million in 2022. The credit recovery is mainly due to reduced provisions on sovereign borrowings as the tenor decreased as well as a reduction in loan balances.
- Non-interest income was \$66.9 million, an increase of \$0.2 million from 2022 driven by increases in banking and foreign exchange revenue due to volume and higher asset management fees due to an increase in net asset values. This was offset by lower unclaimed assets taken into income compared to the prior year and lower trust income.
- Operating expenses increased by \$2.4 million from 2022 to \$64.5 million in 2023, mainly driven by higher technology and communications costs due to the successful implementation of the Bank's core banking system; increase in staff related costs due to higher staff incentives and the group-wide restructuring initiative and partially offset by lower property maintenance costs and income taxes.

Total assets as at December 31, 2023 were \$4.3 billion, down \$0.2 billion from December 31, 2022, reflecting lower depositor funding levels. Net loans decreased \$63.0 million to \$1.2 billion at December 31, 2023 due to higher unscheduled prepayments in the residential mortgage portfolio.

Client AUA for the trust and custody businesses were \$6.5 billion and \$3.4 billion, respectively, while AUM were \$1.0 billion at December 31, 2023. This compares with \$6.6 billion, \$3.4 billion and \$0.8 billion, respectively, on December 31, 2022.

Channel Islands and the UK

The Channel Islands and UK segment includes the jurisdictions of Guernsey, Jersey (both in the Channel Islands), and the UK. In the Channel Islands, a broad range of services are provided to individuals, private clients and trusts, and to financial institutions and funds including deposit services, mortgage lending and credit card services, private and corporate banking, treasury services, wealth management, fiduciary services and local savings deposits. Commencing June 1, 2024 all business formerly carried on in or from within Jersey by Butterfield Bank (Jersey) Limited has been transferred to Butterfield Bank (Guernsey) Limited acting through its Jersey branch (Butterfield Bank

(Guernsey) Limited, Jersey Branch). The UK jurisdiction provides mortgages for high-value residential properties. The following table provides certain financial information for our Channel Islands and the UK segment for the years ended December 31, 2024, 2023 and 2022.

Summary Income Statement	For the year ended December 31			Dollar change		Percent change	
	2024	2023	2022	2023 to 2024	2022 to 2023	2023 to 2024	2022 to 2023
(in millions of \$)							
Net interest income	63.6	52.5	65.7	11.1	(13.2)	21.1 %	(20.1)%
Provision for credit (losses) recoveries	—	0.2	(0.6)	(0.2)	0.8	(100.0)%	(133.3)%
Non-interest income	44.4	39.1	40.5	5.3	(1.4)	13.6 %	(3.5)%
Net revenue before other gains (losses)	108.0	91.8	105.6	16.2	(13.8)	17.6 %	(13.1)%
Operating expenses	(77.8)	(76.7)	(70.7)	(1.1)	(6.0)	1.4 %	8.5 %
Net income before other gains (losses)	30.2	15.1	34.9	15.1	(19.8)	100.0 %	(56.7)%
Total other gains (losses)	0.3	(0.3)	1.5	0.6	(1.8)	(200.0)%	120.0 %
Net income before income taxes	30.5	14.8	36.4	15.7	(21.6)	106.1 %	59.3 %
Income tax benefit (expense)	(3.3)	(1.3)	(3.2)	(2.0)	1.9	153.8 %	59.4 %
Net income	27.2	13.5	33.2	13.7	(19.7)	101.5 %	(59.3)%

Summary Balance Sheet	As at December 31			
	2024	2023	Dollar change	Percent change
(in millions of \$)				
Total deposits	4,027	3,766	261	6.9 %
Loans, net of allowance for credit losses	1,796	1,822	(26)	(1.4)%
Total assets	4,527	4,205	322	7.7 %
Assets under administration				
Custody and other administration services	12,051	12,803	(752)	(5.9)%
Trust	15,914	15,639	275	1.8 %
Assets under management				
Butterfield Funds	49	47	2	4.3 %
Other assets under management	769	744	25	3.4 %
Total assets under management	818	792	26	3.3 %
Number of employees	334	348	(14)	(4.0)%

2024 vs. 2023

Our Channel Islands and UK segment posted net income before gains and losses of \$30.2 million in 2024, an increase of \$15.1 million when compared to 2023. This increase was due principally to the following movements in net interest income, provision for credit losses, non-interest income and operating expenses:

- Net interest income before provision for credit losses reflected an increase of \$11.1 million to \$63.6 million in 2024, compared to \$52.5 million in 2023, primarily due to increasing yields and volume on interest earning assets outpacing the increasing deposit costs.
- Provision for credit losses in 2024 represented a decrease of \$0.2 million compared to credit losses in 2023.
- Non-interest income increased by \$5.3 million to \$44.4 million in 2024 due to higher foreign exchange revenue from higher volumes; increased trust income from the full year impact of the Credit Suisse asset acquisition; and higher banking income driven by increasing fees and volumes; and higher asset management and dealing fees.
- Operating expenses increased by \$1.1 million to \$77.8 million in 2024, from \$76.7 million in 2023, driven by an increase in property costs due to higher depreciation, maintenance and property relocation costs; this was partially offset by lower staff related costs following the group-wide restructuring initiative in 2023.

Total other gains (losses) for 2024 were gains of \$0.3 million, compared to losses of \$0.3 million in 2023. This was driven by gains from a legal settlement and the revaluation of a private equity investment, which was partially offset by the impairment of a leased asset

Income tax expenses increased by \$2.0 million in 2024 as compared to 2023 due to higher taxable income.

Total assets of \$4.5 billion as at December 31, 2024, an increase from \$4.2 billion as at December 31, 2023 reflecting higher depositor funding levels. Net loans decreased by \$26.0 million to \$1.8 billion at December 31, 2024 mainly as a result of scheduled repayment.

As at December 31, 2024, client AUA for the trust and custody businesses were \$15.9 billion and \$12.1 billion, respectively, while AUM were \$0.8 billion. This compares with \$15.6 billion, \$12.8 billion and \$0.8 billion, respectively, as at December 31, 2023.

2023 vs. 2022

Our Channel Islands and UK segment posted net income before gains and losses of \$13.9 million in 2023, a decrease of \$17.7 million when compared to 2022. This decrease was due principally to the following movements in net interest income, provision for credit losses, non-interest income and operating expenses:

- Net interest income before provision for credit losses reflected a decrease of \$13.2 million to \$52.5 million in 2023, compared to \$65.7 million in 2022. The decrease was due to higher costs of funding and a lower balance sheet size, both of which offset higher asset yields.
- Provision for credit recoveries of \$0.2 million in 2023 represented a decrease of \$0.8 million compared to credit losses of \$0.6 million in 2022 due to reduced provisions on sovereign borrowings and specific provisions raised on a small number of facilities in 2022.
- Non-interest income decreased by \$1.4 million to \$39.1 million in 2023 due to reduced foreign exchange revenue and banking income which was partially offset by increases in trust income from the onboarding of Credit Suisse customers.
- Operating expenses increased by \$3.9 million to \$77.9 million in 2023, from \$74.0 million in 2022, driven by an increase in staff related costs due to the group-wide restructuring initiative and offset by lower staff incentives.

Total other gains (losses) for 2023 were losses of \$0.3 million, compared to gains of \$1.5 million in 2022. Losses in 2023 pertains to the impairment of a leased asset in Jersey due to the relocation of offices to a more prominent location as part of the expansion of the retail product offering in the Channel Islands.

Total assets of \$4.2 billion as at December 31, 2023, a decrease from \$4.6 billion as at December 31, 2022 reflecting lower depositor funding levels due to fund activation. Net loans decreased \$0.2 billion to \$1.8 billion at December 31, 2023 mainly as a result prepayments in the residential mortgage portfolio.

As at December 31, 2023, client AUA for the trust and custody businesses were \$15.6 billion and \$12.8 billion, respectively, while AUM were \$0.8 billion. This compares with \$10.0 billion, \$14.2 billion and \$0.7 billion, respectively, as at December 31, 2022.

Off Balance Sheet Arrangements

Assets Under Administration and Assets Under Management

In the normal course of business, we hold AUA and AUM in a fiduciary or agency capacity for our clients. In accordance with GAAP, these assets are not our assets and are not included in our consolidated balance sheets.

Credit-Related Arrangements

We enter into standby letters of credit, letters of guarantee and contractual commitments to extend credit in the normal course of business, which are not required to be recorded on the balance sheet. Since many commitments expire unused or only partially used, these arrangements do not necessarily reflect future cash requirements. Management believes there are no material commitments to extend credit that represent risks of an unusual nature.

Standby letters of credit and letters of guarantee are issued at the request of our clients in order to secure a client's payment or performance obligations to a third party. These guarantees represent our irrevocable obligation to pay the third-party beneficiary upon presentation of the guarantee and satisfaction of the documentary requirements stipulated therein, without investigation as to the validity of the beneficiary's claim against the client. Generally, the term of the standby letters of credit does not exceed one year, while the term of the letters of guarantee does not exceed four years.

Credit risk is the principal risk associated with these instruments. The contractual amounts of these instruments represent the credit risk should the instrument be fully drawn upon and the client defaults. To control the credit risk associated with issuing letters of credit and letters of guarantee, we subject such activities to the same credit quality and monitoring controls as our lending activities. The types and amounts of collateral security we hold for these standby letters of credit and letters of guarantee are generally represented by our deposits or a charge over assets held in mutual funds. We are obligated to meet the entire financial obligation of these agreements and in certain cases are able to recover the amounts paid through recourse against the collateral security.

Risk Management

Risk Oversight and Management

Organizational Structure

The Board has overall responsibility for determining the strategy for risk management, setting the Bank's risk appetite and ensuring that risk is monitored and controlled effectively. It accomplishes its mandate through the activities of two dedicated committees:

The Risk Policy and Compliance Committee: This committee of the Board assists the Board in fulfilling its responsibilities by overseeing the Group's risk profile and its performance against approved risk appetites and tolerance thresholds. Specifically, the committee considers the sufficiency of the Group's policies, procedures and limits related to the identification, measurement, monitoring and control of activities that give rise to credit, market, liquidity, interest rate, operational, regulatory, compliance, climate and reputational risks, as well as overseeing its compliance with laws, regulations and codes of conduct.

The Audit Committee: This committee reviews the overall adequacy and effectiveness of the Group's system of internal controls and the control environment, including in respect of the risk management process. It reviews recommendations arising from internal and independent audit review activities and management's response to any findings raised.

Both the RPCC and Audit Committee are supported in the execution of their respective mandates by the dedicated Audit, Compliance and Risk Policy Committees for our UK, Channel Islands, Cayman Islands and The Bahamas operations, which oversee the sufficiency of local risk management policies and procedures and the effectiveness of the system of internal controls that are in place. These committees are chaired by non-executive directors drawn from the boards of directors for each segment.

The Group executive management team is led by the Chairman & CEO and includes the members of executive management reporting directly to the Chairman & CEO. The executive management team is responsible for setting business strategy and for monitoring, evaluating and managing risks across the Group. It is supported by the following management committees:

The Group Risk and Compliance Committee: This committee comprises executive and senior management team members and is chaired by the Group Chief Risk Officer. It provides a forum for the strategic assessment of risks assumed across the Group as a whole based on an integrated view of risks including credit, market, liquidity, legal, regulatory and financial crime compliance, fiduciary, operational, cybersecurity, climate, insurance, pension, capital and reputational risks, ensuring that these exposures are consistent with the risk appetites and tolerance thresholds promulgated by the Board and oversees the compliance of regulatory obligations arising under

applicable laws, rules and regulations. It is responsible (i) for reviewing, evaluating and recommending the Group's Risk Appetite Framework, the results of the Capital Assessment and Risk Profile and recovery and resolution planning processes (including all associated stress testing performed) and the Group's key risk policies to the Board for approval; (ii) for reviewing and evaluating current and proposed business strategies in the context of our risk appetites; and (iii) for identifying, reviewing and advising on current and emerging risk issues and associated mitigation plans; and (iv) for reviewing the Group's compliance with external regulations and internal policies. It is supported in its mandate by the CORC, a dedicated sub-committee that is responsible for the evaluation and monitoring of non-financial risks, including compliance, conduct, reputational and operational risks, as well as the Group's policies.

The Group Asset and Liability Committee: This committee comprises executive and senior management team members and is chaired by the Group CFO. The committee is responsible for liquidity, interest rate and exchange rate risk management and other balance sheet issues. It also oversees key policies and the execution of the Group's investment and capital management strategies and monitors the associated risks assumed. It is supported in the execution of its mandate by the work undertaken by the dedicated Asset & Liability Committees in each of the Bank's segments.

The Group Credit Committee: This committee comprises executive and senior management and is chaired by the Group Chief Risk Officer. The committee is responsible for a broad range of activities relating to the monitoring, evaluation and management of credit risks assumed across the Group at both transaction and portfolio levels. The committee is also responsible for the evaluation and approval of recommended inter-bank and counterparty exposures assumed in the Group's treasury and investment portfolios. It is supported in the execution of its mandate by the activities of the jurisdictional Credit Committees, which review and approve transactions within delegated authorities and recommends specific transactions outside of these limits to the GCC for approval.

The Provisions and Impairments Committee: This committee comprises executive and senior management team members and is chaired by the Group Chief Risk Officer. The committee is responsible for approving significant provisions and other impairment charges. It also oversees the overall credit risk profile of the Group with a particular focus on non-accrual loans and assets. It is supported in the execution of its mandate by jurisdictional credit committees and the GCC, which make recommendations to this committee.

Risk Management

The Bank manages its exposure to risk through a three "lines of defense" model.

The first "line of defense" is provided by our jurisdictional business units, which retain ultimate responsibility for the risks they assume and for bearing the cost of risks associated with these exposures.

The second "line of defense" is provided by our Risk Management and Compliance groups, which work in collaboration with our business units to identify, assess, mitigate and monitor the risks associated with our business activities and strategies. They do this by:

- making recommendations to the GRCC regarding the constitution of the Risk Appetite Framework;
- setting risk strategies that are designed to manage risk exposures assumed in the course of pursuing our business strategies and aligning them with agreed appetites;
- establishing and communicating policies, procedures and limits to control risks in alignment with these risk strategies;
- measuring, monitoring and reporting on risk levels;
- opining on specific transactions that fall outside delegated risk limits; and
- identifying and assessing emerging risks.

The functions within the Risk Management group that support our risk management activities are outlined below.

Group Market Risk: This unit provides independent oversight of the measurement, monitoring and control of liquidity and funding risks, interest rate and foreign exchange risks as well as the market risks associated with our investment portfolios. It also monitors compliance with both regulatory requirements and our internal policies and procedures relating to the management of these risks.

Group Credit Risk Management: This unit is responsible for the adjudication and oversight of credit risks associated with our retail and commercial lending activities and the management of risks associated with our investment portfolios and counterparty exposures. It also establishes the parameters and delegated limits within which credit risks may be assumed and promulgates guidelines on how exposures should be managed and monitored.

Group Operational Risk: This unit assesses the effectiveness of our procedures and internal controls in managing our exposure to various forms of operational risk, including those associated with new business activities and processes and the deployment of new technologies. It is also responsible for our incident management processes and reviews the effectiveness of our loss data collection activities.

Group Compliance: This unit provides independent analysis and assurance of our compliance with applicable laws, regulations, codes of conduct and recommended best practices, including those associated with the prevention of financial crime, including money laundering and terrorist financing. It is also responsible for assessing our potential exposure to upstream risks and for providing guidance on the preparations that should be made in advance of these changes coming into effect.

The third "line of defense" is provided by our Group Internal Audit function, by providing independent and objective assurance over the design and effectiveness of controls in place to manage the key risks impacting the Group. To enhance the independence of the function, the Group Head of Internal Audit has a functional reporting line to the Chair of the Audit Committee and administratively reports to the Chairman & CEO.

Regulatory Review Process

Our banking, trust and investment business activities in Bermuda are monitored by the BMA as the lead regulator. One of the principal objectives of the BMA is to supervise, regulate and inspect Bermuda-based financial institutions to ensure their financial stability and soundness.

In addition to conducting on-site reviews, the BMA utilizes a comprehensive quarterly statistical return system that enables off-site monitoring. The statistical system is consistent with Basel Committee Standards, and provides the BMA with a detailed breakdown of a bank's balance sheet and profit-and-loss accounts on both a consolidated and unconsolidated basis. This information enables the BMA to monitor the soundness of a bank's financial position and ensure that it meets certain capital requirements. For more information, see Item 4.B. "Business Overview - Supervision and Regulation - Bermuda - Supervision and Monitoring by the BMA".

Each of our regulated entities is separately monitored by the local regulatory authority in that jurisdiction to ensure its financial stability and soundness.

The Risk Appetite Framework

In pursuit of its strategic goals and objectives, the Bank is exposed to a broad range of risks. In support of effective governance and risk informed decision-making, the Bank has set out a Risk Appetite Statement and framework covering its principal risk exposures and approach to managing risk. The Risk Appetite Statement is set annually by the Board with the goal of aligning risk taking with statutory requirements, strategic business objectives and capital planning activities. It serves to express a clear and unambiguous methodology to foster a common risk culture across the organization, predicated on a common risk language and guide for internal stakeholders regarding acceptable and unacceptable behavior.

The Group has classified its identified key risks at two different levels. Our Level 1 principal risk categories are financial, operational, compliance, reputational, and strategic risks. These represent the various risks that the Group assumes in the pursuit of its strategic initiatives.

Each Level 1 risk has subcategories or more granular risk types, known as Level 2 risk types. Level 2 risk exposures are managed with corresponding risk postures and methods to avoid, transfer, mitigate, or accept those risks in alignment with our governing objectives, risk indicators, and strategic goals.

Together, these risk types set out the Group's Risk Taxonomy:

- There are three options for our risk posture (set out in the following table). Each posture is designed to convey a clear strategic direction in terms of the risk-reward profile assumed to ensure consistency in our risk conversations.
- Additionally, we provide a statement of our governing objectives relating to each risk category, establishing the characteristics of the risks that the Bank is willing to assume and the management behaviors that we should exhibit in managing the risk.

Appetite	Definition	Profile
Conservative	Areas in which the Group avoids risk, or acts to minimize or eliminate the likelihood that the risk will occur, because we have determined the likelihood and impact of potential implications are intolerable.	Our processes and controls are defensive and focus on detection and prevention.
Balanced	Areas in which the Group must constantly strike a balance between the potential upside benefits and potential downside costs of a given decision.	Exposures are only assumed when the risk can be quantified accurately and is assessed as being acceptable.
Tolerant	Areas in which the Group prefers disciplined risk-taking because we have determined the potential upside benefits outweigh the potential costs.	Exposures can be estimated reliably and structures, systems and processes are in place to manage them.

- The Group has adopted a tiered risk taxonomy and hierarchy with corresponding key risk indicators. The risk indicators are organized into three reporting tiers based on their significance and impact on the business objectives and the Group's risk profile. The ultimate goal of tiering is to streamline monitoring and reporting, ensuring that the most critical metrics receive the necessary attention while providing a holistic view of the overall performance of each identified risk.

Key Risk Indicator tolerance thresholds have been established concerning each risk category, combining quantitative and qualitative targets (which are designed to reflect both forward-looking as well as historical perspectives), providing executive management and the Board with an indication of the "direction" of our exposure relative to our declared risk appetite and an early warning of material adverse developments requiring remedial action.

Our enterprise risk management approach allows the organization to establish a repeatable and sustainable system for monitoring and enhancing operational and financial performance. The risk appetite statement sets the tone for our risk culture across the Group as a whole, influencing behaviors at all levels of the organization and reinforcing accountability for decisions taken.

Market Risks

Interest Rate Risk Management

Our primary market risk is interest rate risk, which is defined as the risk of loss of net interest income or changes in net interest margin because of changes in interest rates. Interest rate risk for the Bank is confined to the banking book as the bank does not engage in proprietary trading.

We seek to measure and manage the potential impact of interest rate risk. Interest rate risk occurs when interest earning assets and interest bearing liabilities mature or re-price at different times, on a different basis or in unequal amounts. Interest rate risk also arises when our assets, liabilities and off-balance sheet contracts each respond differently to changes in interest rates, including as a result of explicit and implicit provisions in agreements related to such assets and liabilities and in off-balance sheet contracts that alter the applicable interest rate and cash flow characteristics as interest rates change. The two primary examples of such provisions that we are exposed to are the duration and rate sensitivity associated with indeterminate-maturity deposits (e.g., interest bearing call accounts) and the rate of prepayment associated with fixed-rate lending and mortgage-backed securities. Interest rates may also affect loan demand, credit losses, mortgage origination volume and other items affecting earnings.

Our management of interest rate risk is overseen by the RPCC, which outlines reporting and measurement requirements. In particular, this infrastructure sets limits and management targets, calculated for various metrics, including our economic value sensitivity, our economic value of equity and net interest income simulations involving parallel shifts in interest rate curves, steepening and flattening yield curves, and various prepayment and deposit duration assumptions. Our risk management infrastructure also requires a periodic review of all key assumptions used, such as identifying appropriate interest rate scenarios, setting loan prepayment rates based on historical analysis, non-interest bearing and interest bearing demand deposit durations based on historical analysis, and the targeted investment term of capital.

The principal objective of our interest rate risk management is to maximize profit potential while minimizing exposure to changes in interest rates. Our actions in this regard are taken under the guidance of GALCO. The committee is actively involved in formulating the economic assumptions that we use in our financial planning and budgeting processes and establishes policies which control and monitor the sources, uses and pricing of funds. From time to time, we utilize hedging techniques to reduce interest rate risk. GALCO uses interest income simulations and economic value of equity analysis to measure inherent risk in our balance sheet at specific points in time.

Appetite for interest rate risk is documented in the Group's policies on market risk and investments. This includes the completion of stress testing on at least a quarterly basis of the impact of an immediate and sustained shift in interest rates of +/- 200 basis points on net interest income, economic value of equity and the ratio of tangible total equity to average assets. If any of the parameters established by policy are exceeded, GALCO will provide a plan to executive management to bring the exposure back within

tolerance under advice to the Board. The plan does not have to bring the exposure back within limit immediately, but must adjust the exposure within Board and management approved timeframes.

We also use derivatives in the asset and liability management of positions to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our derivative contracts principally involve over-the-counter transactions that are privately negotiated between the Group and the counterparty to the contract. Derivative instruments that may be used as part of our interest rate risk management strategy include interest rate swaps. Interest rate swaps generally involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional principal amount and maturity date.

Interest Rate Risk

The following table sets out the assets, liabilities and shareholders' equity and off-balance sheet instruments on the date of the earlier of contractual maturity, expected maturity and repricing date. Use of these tables to derive information about our interest rate risk position is limited by the fact that customers may choose to terminate their financial instruments at a date earlier than the contractual maturity or repricing date. Examples of this include fixed-rate mortgages, which are shown at contractual maturity but which may be subject to early prepayment, and certain term deposits, which are shown at contractual maturity but which may be withdrawn before their contractual maturity subject to prepayment penalties. Investments are shown based on remaining contractual maturities. The remaining contractual principal maturities for mortgage-backed securities (primarily US government agencies) do not consider prepayments. Remaining expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations before the underlying mortgages mature.

December 31, 2024 (in \$ millions)	Earlier of contractual maturity or repricing date						Total	Total fair value ⁽¹⁾
	Within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	After 5 years	Non-interest bearing		
Assets								
Cash and deposits with banks	1,905	—	—	—	—	93	1,998	1,998
Securities purchased under agreements to resell	1,142	63	—	—	—	—	1,205	1,205
Short-term investments	505	75	—	—	—	—	580	580
Investments ⁽²⁾	93	6	22	1,097	4,294	—	5,512	4,944
Loans ⁽³⁾	2,398	104	229	1,407	283	53	4,474	4,434
Other assets	—	—	—	—	—	462	462	462
Total assets	6,043	248	251	2,504	4,577	608	14,231	13,623
Liabilities and shareholders' equity								
Demand deposits	5,580	—	—	—	—	2,688	8,268	8,268
Term deposits ⁽⁴⁾	3,593	434	368	83	—	—	4,478	4,483
Securities sold under agreements to repurchase	93	—	—	—	—	—	93	93
Other liabilities	—	—	—	—	—	273	273	273
Subordinated capital ⁽⁴⁾	—	98	—	—	—	—	98	98
Shareholders' equity	—	—	—	—	—	1,021	1,021	408
Total liabilities and shareholders' equity	9,266	532	368	83	—	3,982	14,231	13,623
Interest rate sensitivity gap	(3,223)	(284)	(117)	2,421	4,577	(3,374)	—	—
Cumulative interest rate sensitivity gap	(3,223)	(3,507)	(3,624)	(1,203)	3,374	—	—	—

⁽¹⁾ See Item 5.A. "Operating Results - Critical Accounting Policies and Estimates - Fair Values" and "Note 17: Fair value measurements" of the audited consolidated financial statements for further detail on the determination of fair value.

⁽²⁾ Investments include (i) HTM, which are carried at their amortized cost on the consolidated balance sheet, and (ii) equity securities and AFS investments, each of which are carried at fair value on the consolidated balance sheet. The fair value column presents all classifications at their fair value.

⁽³⁾ Loans are carried on the consolidated balance sheet as the principal amount outstanding, net of allowance for credit losses, unearned income, fair value adjustments arising from hedge accounting and net deferred loan fees.

⁽⁴⁾ Term deposits and subordinated capital are carried on the consolidated balance sheet as the principal outstanding.

Asset/Liability Management and Interest Rate Risk

The principal objective of our asset and liability management function is to evaluate the interest rate risk within the balance sheet and pursue a controlled assumption of interest rate risk while maximizing net income and preserving adequate levels of liquidity funding and capital.

As a financial institution, our primary component of market risk is interest rate volatility. Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on most of our assets and liabilities, and the fair value of all interest earning assets and interest bearing liabilities, other than those which have a short term to maturity. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair values. The objective is to measure the effect on net interest income and to adjust the balance sheet to minimize the inherent risk while at the same time maximizing income.

We manage our exposure to interest rates primarily by structuring our balance sheet in the ordinary course of business. We do not typically enter into derivative contracts for the purpose of managing interest rate risk, but we may elect to do so in the future. Based upon the nature of our operations, we are not subject to foreign exchange or commodity price risk. Our exposure to holdings categorized as "trading positions" falls below the *de minimis* threshold established of 5% (ratio of total trading book open position compared to the sum of on- and off-balance sheet assets that are not part of the trading book).

We use an interest rate risk simulation model to test the interest rate sensitivity of net interest income and the balance sheet. Instantaneous parallel rate shift scenarios are modeled and utilized to evaluate risk and establish exposure limits for acceptable changes in net interest margin. These scenarios, known as rate shocks, simulate an instantaneous change in interest rates and use various assumptions, including, but not limited to, prepayments on securities, deposit decay rates, pricing decisions on loans and

deposits, reinvestment and replacement of asset and liability cash flows. We also analyze the economic value of equity as a secondary measure of interest rate risk. This is a complementary measure to net interest income where the calculated value is the result of the fair value of assets less the fair value of liabilities. The economic value of equity is a longer-term view of interest rate risk because it measures the present value of all future cash flows. The impact of changes in interest rates on this calculation is analyzed for the risk to our future earnings and is used in conjunction with the analysis on net interest income.

The following table summarizes the simulated change in net interest income versus unchanged rates as at December 31, 2024 and December 31, 2023:

	For the year ended			
	December 31, 2024		December 31, 2023	
	Following 12 Months	Months 13 - 24	Following 12 Months	Months 13 - 24
+300 basis points	9.0 %	14.5 %	4.6 %	10.2 %
+200 basis points	6.0 %	9.7 %	3.1 %	6.8 %
+100 basis points	3.0 %	4.8 %	1.5 %	3.4 %
Flat rates	0.0 %	0.0 %	0.0 %	0.0 %
-100 basis points	-4.1 %	-5.8 %	-4.0 %	-5.8 %

The following table presents the change in our economic value of equity as at December 31, 2024 and December 31, 2023, assuming immediate parallel shifts in interest rates:

	For the year ended	
	December 31, 2024	December 31, 2023
+300 basis points	-7.6 %	-4.7 %
+200 basis points	-5.4 %	-2.8 %
+100 basis points	-2.7 %	-1.6 %
Flat rates	0.0 %	0.0 %
-100 basis points	1.6 %	2.1 %

NII sensitivity profile is consistent with the prior year with improved symmetry due to client deposit mix shift to interest bearing term deposits. Investment securities and loan asset repricing horizon has shortened versus prior year, adding to a steeper asset sensitivity profile. EVE rate sensitivity profile is also consistent with the prior year and the Bank has continued to shorten asset duration to mitigate EVE rate sensitivity exposure overall.

Many assumptions are used to calculate the impact of interest rate fluctuations. Actual results may be significantly different than our projections due to several factors, including the timing and frequency of rate changes, market conditions and the shape of the yield curve. The computations of interest rate risk shown above do not include the full suite of actions that our management may undertake to manage the risks in response to anticipated changes in interest rates, and actual results may also differ materially.

Foreign Exchange Risk

The Group holds various non-USD denominated assets and liabilities and maintains investments in subsidiaries whose domestic currency is either not USD or whose domestic currency is not pegged to USD. Assets and liabilities denominated in currencies other than USD are translated to USD at the rates of exchange prevailing at the balance sheet date. The resulting gains or losses are included in foreign exchange revenue in the consolidated statements of operations. Assets and liabilities of subsidiaries outside of Bermuda are translated at the rate of exchange prevailing on the balance sheet date while associated revenues and expenses are translated to USD at the average rate of exchange prevailing through the accounting period. Unrealized translation gains or losses on investments in foreign currency based subsidiaries are recorded as a separate component of shareholders' equity within accumulated other comprehensive loss. Such gains or losses are recorded in the consolidated statements of operations only when realized. Our foreign currency subsidiaries may give rise to significant foreign currency translation movements against the USD. We also provide foreign exchange services to our clients, principally in connection with our banking and wealth management businesses, and effect other transactions in non-USD currencies. Foreign currency volatility and fluctuations in exchange rates may impact the value of non-USD denominated assets and liabilities and raise the potential for losses resulting from foreign currency trading positions where aggregate obligations to purchase and sell a currency other than USD do not offset one another, or offset each other in different time periods. If the policies and procedures we have in place to assess and mitigate potential impacts of foreign exchange volatility are not followed, or are not effective to mitigate such risks, our results and earnings may be negatively affected. The Group maintains a clearly articulated foreign exchange risk exposure tolerance framework which limits exposures to select major currencies.

Liquidity Risk

The objectives of liquidity risk management are to ensure that the Group can meet its cash flow requirements and capitalize on business opportunities on a timely and cost-effective basis. Liquidity is defined as the ability to hold and/or generate cash adequate to meet our needs for day-to-day operations and material long and short-term commitments. Liquidity risk is the risk of potential loss if the Group were unable to meet its funding requirements at a reasonable cost.

We monitor and manage our liquidity by banking location and on a Group-wide basis. The treasury functions in the Group's banking operations, located in Bermuda, the Cayman Islands and Guernsey, manage day-to-day liquidity. The Group market risk function has the responsibility for measuring and reporting to senior management on liquidity risk positions. We manage our liquidity based on demand, commitments, specific events and uncertainties to meet current and future financial obligations of a short-term nature. Our objective in managing liquidity is to respond to the needs of depositors and borrowers as well as to earnings enhancement opportunities in a changing marketplace. Management is responsible for establishing and monitoring liquidity targets as well as strategies to meet these targets. The Group adopts a conservative liquidity risk appetite with internal quantitative liquidity risk tolerances more stringent than regulatory requirements. Specifically, the Group manages liquidity against internal limits established by the market risk management policy and its related liquidity risk standard and quarterly stress testing methodology.

We maintained a balance sheet with loans representing 31.4% of total assets as at December 31, 2024. Further, at that date there were significant sources of liquidity within our balance sheet in the form of cash and cash equivalents, short-term investments, securities purchased under agreements to resell and investments amounting to \$9.3 billion, or 65.3%, of total assets.

An important element of our liquidity management is our liquidity contingency plan which can be employed in the event of a liquidity crisis. The objective of the liquidity contingency plan is to ensure that we maintain our liquidity during periods of stress. This plan takes into consideration a variety of scenarios that could challenge our liquidity. These scenarios include specific and systemic events (e.g. significant withdrawals of deposits) that can impact our on- and off-balance sheet sources and uses of liquidity. This plan is reviewed and updated at least annually.

Credit Risk

Credit risk is defined as the risk that unexpected losses arise as a result of the Group's borrowers or market counterparties failing to meet their obligations to repay. Credit risk is managed through the jurisdictional CRM departments. CRM provides a system of checks and balances for our diverse credit-related activities by establishing and monitoring all credit-related policies and practices throughout the Group and assuring their uniform application. These activities are designed to diversify credit exposure on an industry and client basis, thus lessening overall credit risk. These credit management activities also apply to our use of derivative financial instruments, including foreign exchange contracts and interest rate risk management instruments, which are used primarily to facilitate client transactions.

Individual credit authority for commercial and other loans is limited to specified amounts and maturities. Credit decisions involving commitment exposure in excess of the specified individual limits are submitted to CRM and then to the GCC, which provides a forum for ongoing executive review of loan activity, establishing our credit guidelines and policies and approving selected credit transactions in accordance with our business objectives. The committee reviews large credit exposures, establishes and reviews credit strategy and policy and approves selected credit transactions. The committee also manages counterparty risk in respect of third party bank counterparties which do not have commercial credit relationships within the Group and also approves country exposure limits.

As part of our ongoing credit granting process, internal ratings are assigned to commercial clients before credit is extended, based on an assessment of creditworthiness. At least annually, a review of all significant credit exposures is undertaken to identify, at an early stage, clients who might be facing financial difficulties. Internal borrower risk ratings are also reviewed during this process, allowing identification of adverse individual borrower and sector trends, and accurate application of internal borrower risk ratings which incorporates but is not limited to an assessment of climate risk impacting borrower risk ratings.

An integral part of the CRM function is to formally review past due and potential problem loans to determine which credits, if any, need to be placed on non-accrual status or charged-off. The allowance for loan losses is reviewed quarterly to determine the amount necessary to maintain an adequate provision for current expected credit losses.

Another way credit risk is managed is by requiring collateral. Management's assessment of the borrower's creditworthiness determines whether collateral is obtained. The amount and type of collateral held varies but may include deposits held in financial institutions, mutual funds, US Treasury securities, other marketable securities, income-producing commercial properties, accounts receivable, residential real estate, property, plant and equipment, and inventory. Values of variable collateral are monitored on a regular basis to ensure that they are maintained at an appropriate level, which includes an assessment of the climate risk impact on the value of the collateral.

Credit Risk — Retail and Private Banking

Retail and private lending activity is split between residential mortgages, personal loans, credit cards and authorized overdrafts. Retail credit risks are managed in accordance with limits and processes set out in the credit risk policies and guidelines approved by GCC and GRCC (and approved by the Board). The policies set out where specialist underwriting may be needed.

For residential mortgages, a combination of lending policy criteria, lending guidelines and underwriting are used to make a decision on applications for credit. The primary factors considered are affordability, residential status, residential history, credit history, employment history, nature of income and LTV of the residential property. In addition, confirmation of a borrower's identity is obtained and an assessment of the value of the collateral is carried out prior to granting a credit facility. When considering applications, the primary focus is placed on the willingness and ability to repay.

LTV ratios are derived based on third-party valuations as part of the original underwriting or when increased borrowing has been requested. Updated valuations are not otherwise obtained unless the loan reaches non-accrual status. Non-accrual loans which are collateral-dependent on real estate must be supported by a third-party valuation no older than 12 months. Costs of sale for commercial properties are calculated based on individual circumstances, whereas the haircuts for residential real estate are prescribed in lending guidelines by geographic location and are never less than 15% of the valuation amount.

As valuations are conducted throughout the year, the rolling average age of the valuations are closer to 6 months than 12 months. To further ensure that valuations within the 12-month revaluation period remain appropriate measures for input into the CECL model, we: (1) compare renewal valuations to the prior valuation to track market movement; (2) back-test all sales to compare net carrying value versus any additional gain/loss at the time of sale; (3) segregate the tests described in (1) and (2) by geographic area and, where required, amend provision factors accordingly; and (4) perform a review of new valuations to ascertain such valuations' reasonableness and determine if any change in value may impact similar properties or locations where valuations are more stale-dated and require an adjustment to the CECL model.

The Bank performs an annual assessment of group residential LTV ranges as part of its stress-testing exercise for regulatory and capital-adequacy purposes. Real estate indices are not available in the Bank's primary markets and LTV values are based on standard reductions in value over time, based on observed market activity.

Generally, maximum LTV for new residential and commercial loans is as follows:

	Bermuda	Cayman Islands	UK—London	Channel Islands
Residential				
Owner-occupied freehold	70 %	85 %	65 %	80 %
Owner-occupied leasehold condominium	70 %	85 %	65 %	80 %
Investment (not owner-occupied)	65 %	75 %	65 %	80 %
Raw land	50 %	80 %	N/A	N/A
Commercial Real Estate	65 %	65 %	N/A	65 %

For other retail lending products, similar lending policy criteria are used, and each of these products has its own policy and underwriting guidelines to enable decisions on applications for credit and to manage accounts. The factors used are attuned to the lending product in question, although affordability and credit history are considered in all cases. Ongoing monitoring of all retail and private banking credit is undertaken by the business unit concerned as well as by CRM. In addition, the GCC reviews reports on a weekly basis. In the event that particular exposures show adverse features such as arrears, the Bank's specialist recovery teams generally work with borrowers to resolve the situation.

Unlike the United States where the FCRA is designed to help ensure that credit bureaus furnish correct and complete information when evaluating loan applications, the markets in which we operate do not have systemic credit bureau reports. Therefore, we manually review each loan and we use a formally governed tiered credit approval process that is administered through and governed by our Risk Management framework.

Credit Risk — Commercial Banking

Commercial credit risks are managed in accordance with limits and asset quality measures set out in the credit risk policies and guidelines approved by the GCC (and ratified by the Board).

In respect of Commercial Banking, there is a level of delegated sanctioning authority to underwrite certain credit risks based upon an evaluation of the borrower's experience, track record, financial strength, ability to repay, transaction structure and security characteristics. Lending decisions for large or high risk exposures are based upon a thorough credit risk analysis and the assignment of an internal borrower risk rating, and are subject to further approval by the assigned officers in CRM or the GCC.

Consideration is also given to risk mitigation measures which will provide the Group with protection, such as third-party guarantees, supporting collateral and security, legal documentation and financial covenants. Commercial portfolio asset quality monitoring is based upon a number of measures, including the monitoring of financial covenants, cash flows, pricing movements and variable collateral. In the event that particular exposures begin to show adverse features such as payment arrears, covenant breaches or business trading losses, a full risk reassessment is undertaken. Where appropriate, a specialist recovery team will work with the borrower to resolve the situation. If this proves unsuccessful, the case will be subject to intensive monitoring and management procedures designed to maximize debt recovery.

Credit Risk — Treasury

Treasury credit risks are managed in accordance with limits, asset quality measures and criteria set out within the policy approved by the GCC and ratified by the Board. The policy also sets out powers which require higher levels of authorization according to the size of the transaction or the nature of the associated risk. The GCC identifies, assesses, prioritizes and manages our risks associated with counterparty exposure to other financial institutions, as well as country-specific exposures.

Exposures to financial institutions arise within the Group's investment portfolio and treasury operations. The Group has treasury operations in all of its banking jurisdictions. Treasury exposures primarily take the form of deposits with banks and foreign exchange positions. Exposures to financial institutions in the investment portfolio can take the form of bonds, floating rate notes and/or certificates of deposit.

Diversification and avoidance of concentration is emphasized. The Group establishes limits for countries and each financial institution where there is an expected exposure. Ongoing asset quality monitoring is undertaken by Treasury and CRM and reports are sent to the GCC and GRCC on a monthly basis. Exception reporting takes place against a range of asset quality triggers. Treasury uses a number of risk mitigation techniques including netting and collateralization agreements. Other methods (such as margining and derivatives) are used periodically to mitigate the risk associated with particular transactions or groups of transactions.

For its exposure to Treasury credit risk, the Group uses external credit assessment institutions as permitted under Basel III for sovereign, financial institutions, asset-backed securities, covered bonds and corporate risks. With regard to financial institutions and corporates, the Group's preference for a long-term rating is the senior unsecured rating. However, counterparty ratings and/or short-term deposit or commercial paper ratings are used if this is unavailable. For asset-backed securities, the issue or tranche rating is used.

Exposures

The following tables analyze the Group's regulatory credit risk exposures as at December 31, 2024 and December 31, 2023. Exposures are allocated to specific standardized exposure portfolios determined by the BMA's Revised Framework for Regulatory Capital Assessment and it is these portfolios that determine the risk weights used. These exposures include both on- and off-balance sheet exposures, with the latter shown separately after credit conversion factors have been applied.

Analysis of exposures class (in millions of \$)	Average Exposure 2024	Position as at December 31, 2024	Average Exposure 2023	Position as at December 31, 2023
Cash	73.8	69.3	71.5	74.2
Claims on Sovereigns	2,404.4	2,476.2	2,537.4	2,712.9
Claims on Public Sector Entities	6.3	6.2	6.4	6.4
Claims on Corporates	1,048.3	1,592.8	520.6	572.5
Claims on Banks and Securities Firms	1,581.7	1,383.5	1,323.9	1,136.2
Securitized	4,353.2	4,438.6	4,472.9	4,335.6
Retail Loans	193.4	190.7	193.9	192.7
Residential Mortgages	3,089.5	2,950.2	3,407.9	3,226.9
Commercial Mortgages	578.6	578.3	602.0	596.5
Past Due Loans	151.6	145.4	91.5	126.0
Other Balance Sheet Exposures	311.0	282.0	300.1	306.2
Non-Market Related Off-Balance Sheet Credit Exposures	456.7	439.0	445.7	459.5
Market Related Off-Balance Sheet Credit Exposures	53.9	98.8	30.4	43.2
Total	14,302.5	14,651.0	14,004.2	13,788.7

Geographic segment distribution of exposures class
as at December 31, 2024
(in millions of \$)

	Bermuda	Cayman	Channel Islands & UK	Other	Total
Cash	36.4	32.9	—	—	69.3
Claims on Sovereigns	1,206.8	786.9	482.5	—	2,476.2
Claims on Public Sector Entities	6.2	—	—	—	6.2
Claims on Corporates	256.0	68.9	1,268.0	—	1,592.8
Claims on Banks and Securities Firms	452.5	476.0	442.6	12.4	1,383.5
Securitized	1,842.1	2,024.5	571.9	—	4,438.6
Retail Loans	85.7	66.1	39.0	—	190.7
Residential Mortgages	810.5	631.6	1,508.1	—	2,950.2
Commercial Mortgages	439.6	103.3	35.4	—	578.3
Past Due Loans	102.9	4.2	38.4	—	145.4
Other Balance Sheet Exposures	145.8	60.8	58.1	17.3	282.0
Non-Market Related Off-Balance Sheet Credit exposures	134.0	170.0	135.0	—	439.0
Market Related Off-Balance Sheet Credit Exposures	52.2	7.5	39.1	—	98.8
Total	5,570.7	4,432.5	4,618.0	29.7	14,651.0

Residual maturity breakdown of exposures class
as at December 31, 2024
(in millions of \$)

	Up to 12 months	1 - 5 years	More than 5 years	No specific maturity	Total
Cash	69.3	—	—	—	69.3
Claims on Sovereigns	1,264.6	981.7	229.8	—	2,476.2
Claims on Public Sector Entities	0.1	6.1	—	—	6.2
Claims on Corporates	1,381.9	191.2	19.7	—	1,592.8
Claims on Banks and Securities Firms	1,383.5	—	—	—	1,383.5
Securitized	1.0	4.0	4,433.6	—	4,438.6
Retail Loans	132.7	39.0	19.0	—	190.7
Residential Mortgages	382.9	872.3	1,695.0	—	2,950.2
Commercial Mortgages	36.8	176.4	365.1	—	578.3
Past Due Loans	56.0	20.9	68.6	—	145.4
Other Balance Sheet Exposures	—	—	—	282.0	282.0
Non-Market Related Off-Balance Sheet Credit exposures	439.0	—	—	—	439.0
Market Related Off-Balance Sheet Credit Exposures	98.8	—	—	—	98.8
Total	5,246.6	2,291.5	6,830.8	282.0	14,651.0

Impairment Provisions

Credit Risk Concentrations

Concentration risk is defined as: any single exposure or group of exposures with the potential to produce losses large enough (relative to the Group's capital, total assets or overall risk level) to threaten the Group's health or ability to maintain core operations. The management of concentration risk is addressed in the first instance by the Group's large exposure policy and related credit guidelines, which require that credit facilities to entities that are affiliated through common ownership or management are aggregated for adjudication and reporting purposes. The policy also defines what constitutes a large exposure and the related reporting requirements. The CRM function also undertakes monitoring and assessment of our exposure to concentration risk, reporting the results of these analyses to the GCC, GRCC and RPCC.

The factors taken into consideration when assessing concentration risk are as follows:

- single or linked counterparty;
- industry or economic sector (e.g., hospitality, property development, commercial office building investment);
- geographic region;
- product type;
- collateral type; and
- maturity date (whether of the facility or of interest rate fixes).

Counterparty Concentrations

Counterparty concentrations is the risk associated with assuming a high level of exposure to a single counterparty, the failure of which could have an adverse impact on the Group.

Large exposures are reviewed quarterly by the GRCC and RPCC for the loan portfolio and the treasury/investment portfolios. Group Market Risk and Treasury work closely together on daily treasury positions and exceptions.

All large exposures and concentrations in the portfolio are reviewed and agreed by the GCC on a quarterly basis and are reported to the Board and the BMA as a part of this process. The review of large exposures considers:

- facility total;
- any link with other facilities;
- total linked facility being within guidelines;
- borrower risk rating;
- security value on the facility; and
- loan-to-value percentage against minimum security covenants.

Industry Concentration

Industry concentration encompasses the scenario that a risk factor inherent within an industry is tied to an entire portfolio of accounts or investments; e.g., a portfolio made up of a large number of small individual loans where all the counterparties are hotel operators. We believe that due to the nature of the Group's client base our exposure to the property, insurance and fund sectors could be classified as industry concentration, although we believe geographic and product concentration are the more appropriate risks to measure.

Geographic Concentration

Geographic concentration of the book is monitored as follows: Reports are generated which provide details of all the property loan exposure of the Group. Through this, loans are subdivided into regional exposure. From this, the percentage breakdown per region of the Group's property exposure is analyzed and reported to the GRCC and RPCC. Assessment of the exposure allows the committees to decide whether the Group should decline further lending in any area in which it is becoming over-weighted.

Product Concentration

Product concentration is defined in the context of credit risk, as an over-weighting in the portfolio to a given product type, making the Group vulnerable to the impact of a variety of external factors that could either reduce demand for the product itself or lead to an increase in the level of default rates experienced. We operate as a full service bank in Bermuda and the Cayman Islands and aim to satisfy the requirements of our customers in these communities through the range of products and services we offer. Accordingly, there is no dependence or concentration on a single product in these markets outside of the residential mortgage portfolios, which comprised 67.8% of the Group's loan book as at December 31, 2024 (compared to 69.2% as at December 31, 2023); in Bermuda, residential mortgage lending made up 54.4% of the Bermuda loan book as at December 31, 2024 (compared to 54.4% as at December 31, 2023), and loans for many purposes (education, business support, family requirements) were made in the form of residential mortgages. Product category analysis confirms that the total lending portfolio is concentrated in the property market; this has been addressed by performing stress testing.

Collateral Concentration

Collateral concentration considers whether the Group's loan book is secured by a limited number of collateral types. An example of this would be when a large value of loans to a diversified group of borrowers is all secured by shares in the same company or by the shares of various companies within the same industry sector. Any decline in the value of these shares or in the performance of the sector as a whole could have an adverse impact on the Group's security position across all affected borrowers. The most relevant example of collateral concentration is the Group's exposure to real estate property values. Ignoring cash-backed facilities, the largest collateral concentrations within the portfolio are to residential and commercial property. The greatest risk with collateral concentration is that the value of the security could be severely reduced. To simulate this, the Group's stress testing process incorporates a scenario in which all real estate collateral is devalued by factors as high as 30%.

Credit Risk Mitigation

The Group uses a wide range of techniques to reduce the credit risk of its lending. The most basic of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing without distress. However, the risk can be further mitigated by obtaining security for the funds advanced.

Residential Mortgages

Residential property is the Group's main source of collateral and means of mitigating credit risk inherent in the residential mortgage portfolio. All mortgage lending activities are supported by underlying assumptions and estimated values received by independent third parties. All residential property must be insured to cover property risks through a third party.

Commercial

Commercial property is one of the Group's primary sources of collateral and means of mitigating credit risk inherent in its commercial portfolios. Collateral for the majority of commercial loans comprises first legal charges over freehold or long leasehold property but the following may also be taken as security: life insurance policies; credit balances assignments; shares; guarantees; equitable charges; debentures; chattel mortgages and charges over residential property.

For property-based lending, supporting information such as professional valuations are an important tool to help determine the suitability of the property offered as security and, in the case of investment lending, generating the cash to cover interest and principal payments. All standard documentation is subject to in-house legal review and sign-off in order to ensure that the Group's legal documentation is robust and enforceable. Documentation for large advances may be specifically prepared by independent solicitors. Insurance requirements are always fully considered as part of the application process and the Group ensures that appropriate insurance is taken out to protect the property against an insurable event.

Treasury

Collateral held as security for treasury assets, including investments, is determined by the nature of the instrument. Loans, debt securities, treasury and other eligible bills are generally unsecured with the exception of asset-backed securities and similar instruments, which are secured by pools of financial assets. The ISDA master agreement is the Group's preferred method of documenting derivative activity. It is common in such cases for a Credit Support Annex to be executed in conjunction with the ISDA master agreement in order to mitigate credit risk on the derivatives portfolio. Valuations are performed, agreed with the relevant counterparties, and collateral is exchanged to bring the credit exposure within agreed tolerances. The EAD value to the counterparty is measured under the standardised approach for measuring counterparty credit risk exposures method and is derived by adding the gross positive fair value of the contract (replacement cost) to the contract's potential future credit exposure, which is derived by applying a multiple base on the contracts residual maturity to the notional value of the contract, and applying an alpha of 1.4 to the sum of these components.

The following table shows the exposures to counterparty credit risk for derivative contracts as at December 31, 2024 and December 31, 2023:

(in millions of \$)	Gross Positive Fair Value of Contracts as at December 31, 2024	Potential Future Credit Exposure as at December 31, 2024	Alpha as at December 31, 2024	EAD Value as at December 31, 2024	Gross Positive Fair Value of Contracts as at December 31, 2023	Potential Future Credit Exposure as at December 31, 2023	Alpha as at December 31, 2023	EAD Value as at December 31, 2023
Spot and forward foreign exchange and currency swap contracts	46.7	23.9	1.4	98.8	12.5	18.4	1.4	43.3

Securitized assets

The Bank has not, to date, securitized assets that it has originated. The Bank's total exposure to purchased securitization positions as at December 31, 2024 was \$4.5 billion by market value (compared to \$4.3 billion as at December 31, 2023), with US government and federal agencies accounting for the majority of this exposure.

The following table provides an analysis of the Bank's investments in securitization positions by exposure type as at December 31, 2024 and December 31, 2023:

Underlying asset type (in millions of \$)	Exposure Value as at December 31, 2024	Exposure Value as at December 31, 2023
US government and federal agencies	4,503.2	4,308.9
Mortgage backed securities — Retail	15.4	17.1
Asset-backed securities — Student loans	0.0	0.0
Total	4,518.7	4,326.1

Operational Risk

In providing our services, we are exposed to operational risk. This is the risk of loss from inadequate or failed internal processes and systems, actions or inactions of people, or from external events. Operational risk is inherent in our activities and can manifest itself in various ways including fraudulent acts, business interruptions, inappropriate behavior of employees, unintentional failure to comply with applicable laws and regulations, cybersecurity incidents and privacy breaches or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to us. Our risk management goal is to keep operational risk at appropriate levels consistent with our risk appetite, financial strength, the characteristics of our businesses, the markets in which we operate and the competitive and regulatory environment to which we are subject.

As we continue to expand our use of technology, we are exposed to various forms of cyber-attacks. We devote significant resources to maintain and regularly upgrade our systems and networks and review the ever changing threat landscape in order to mitigate our exposure to cyber risks. In addition to the policy reviews, we continue to look to implement technology solutions that enhance preventive and detection capabilities and our ability to recover quickly should a successful cyber-attack occur. We assess our third-party vendor controls and have a developed business continuity plan that addresses potential cyber risks. We also maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks. However, such insurance may be insufficient to cover all losses.

Operational risk is mitigated through internal controls embedded in our business activities and our risk management practices, which are designed to continuously reassess the effectiveness of these controls in order to keep the risk we assume at levels appropriate to our risk appetite as approved by the Board. Data on operational losses and any significant control failures incurred are captured through an incident reporting process. These events are reported to both the GRCC and RPCC, which assess the sufficiency of the corrective actions taken by management to prevent recurrence. Both committees also receive regular reporting on actual performance against established risk tolerance metrics.

Regional Conflicts - Russian Invasion of Ukraine and Middle Eastern Conflict

Butterfield maintains robust preventative and detective controls to ensure compliance with international sanctions. Under the Bank's conservative risk appetite, the business maintains very few clients with Russian, Belarusian, Ukrainian, Middle Eastern or other active conflict zones and we therefore do not expect the current geopolitical conflict and related sanctions to present significant reputational or financial exposure for the Bank. The Bank's Group Compliance function continues to monitor for new sanctions, review our client base and ensure our control environment remains appropriately calibrated to manage our reputational and compliance risk as events continue to unfold.

Capital Adequacy Management

Effective January 1, 2015, the BMA adopted capital and liquidity requirements consistent with Basel III. These requirements are contained within the BMA's "Basel III for Bermuda Banks Amended February 2024" document and can be found on its website.

The Group manages its capital both on a total Group basis and, where appropriate, on a legal entity basis. The finance department has the responsibility for measuring, monitoring and reporting capital levels within guidelines and limits established by the RPCC. The management of capital will also involve regional management to ensure compliance with local regulation. In establishing the guidelines and limits for capital, a variety of factors are taken into consideration, including the overall risk of the business in stressed scenarios, regulatory requirements, capital levels relative to our peers, and the impact on our credit ratings.

Capital Assessment and Risk Profiling

Under the requirements of the Basel II Accord as implemented by the BMA, the Group undertakes a CARP process, which is an internal assessment of all material risks to determine our capital needs. This internal assessment takes account of the minimum capital requirement and other risks not covered by the minimum capital requirement (Pillar II). Where capital is deemed as not being able to mitigate a particular risk, alternative management actions are identified and described within the CARP. The CARP is presented to the RPCC before being presented to the Board for challenge and approval and then submission to the BMA. The CARP process is performed annually or more frequently should the need arise.

A SREP is then undertaken biennially by the BMA, which is designed to assess the Group's risk profile as documented in the CARP. This assessment is used to determine and set the Individual Capital Guidance which is the minimum level of capital the Group will be required to hold until the next SREP review is conducted.

B. Liquidity and Capital Resources

Liquidity

We define liquidity as our ability to maintain cash flow that is adequate to fund operations and meet present and future financial obligations through either the sale or maturity of existing assets or by obtaining additional funding through liability management.

Sources and Uses of Cash

Our primary sources of cash are (i) cash obtained from deposits, (ii) long-term debt, and (iii) cash from operations. Our primary uses are (i) the payment of our operating expenses, (ii) payment of dividends on our common shares, (iii) repayment of certain maturing liabilities, (iv) repurchase of our common shares, and (v) extraordinary requirements for cash, such as acquisitions. We had \$2.0 billion of cash and cash equivalents as at December 31, 2024 and \$1.6 billion as at December 31, 2023, as well as \$7.3 billion and \$6.5 billion, respectively, of liquid securities, the balance of which could be sold to meet liquidity requirements. In our opinion, the Bank's working capital is sufficient for the Bank's present requirements.

Liquidity Risk

Our liquidity risk is managed through a comprehensive framework of policies and limits overseen by GALCO. We consider the effective and prudent management of liquidity to be fundamental to our health and strength. Our objective is to manage our cash flow and liquidity reserves so that they are adequate to fund our obligations and other commitments on a timely basis and at a reasonable cost.

We continuously monitor and make adjustments to our liquidity position by adjusting the balance between sources and uses of funds as we deem appropriate. Our primary measures of liquidity include monthly cash flow analysis under ordinary business activities and conditions and under situations simulating a severe run on the Bank. The Bank strives to use a balanced liquidity risk appetite with internal quantitative liquidity risk tolerances more stringent than regulatory requirements. Specifically the Bank manages liquidity against internal limits established by the market risk management policy and its related liquidity risk standard and quarterly stress testing methodology. The results of these measures and analysis are incorporated into our liquidity contingency plan, which provides the basis for the identification of our liquidity needs. For more information, see Item 11 "Operating Results - Liquidity Risk" and Item 3.D Risk Factors - Risks Relating to Our Strategy, Brand, Portfolio and Other Aspects of Our Business - If we are unable to effectively manage our liquidity we may need to seek additional financing and our business, financial condition or results of operations could be adversely affected.

Capital Resources

We have financed our operations, growth and cash needs primarily through income from operations and issuances of debt and equity securities. We believe that our cash on hand and cash flows from operations will be sufficient to repay our outstanding debt as it matures. In the future, we may need to incur additional debt or issue additional equity securities, which we may be unable to do or which may be on less favorable terms.

We manage our capital both on a consolidated basis and, where appropriate, on a legal entity basis. The group finance team has the responsibility for measuring, monitoring and reporting capital levels within guidelines and limits established by the RPCC. The management of capital will also involve jurisdictional management to ensure compliance with local regulations. In establishing the guidelines and limits for capital, a variety of factors are taken into consideration, including the overall risk of the business in stressed scenarios, regulatory requirements, capital levels relative to our peers, and the impact on our credit ratings.

Effective January 1, 2015, the BMA implemented the capital reforms proposed by the BCBS and referred to as the Basel III regulatory framework. Basel III aims to raise the quality, consistency and transparency of the capital base, limit the build-up of excess leverage and increase capital requirements for the banking sector. We are now subject to the following requirements:

- CET1 ratio of at least 7.0% of RWA, inclusive of a minimum CET1 ratio of 4.5% and the new capital conservation buffer of 2.5%, but excluding the D-SIB surcharge described below;
- Tier 1 capital of at least 8.5% of RWA, inclusive of a minimum Tier 1 ratio of 6% and the new capital conservation buffer of 2.5%, but excluding the D-SIB surcharge described below;
- Total capital of at least 10.5% of RWA, inclusive of a minimum total capital ratio of 8% and the new capital conservation buffer of 2.5%, but excluding the D-SIB surcharge described below;
- We are considered to be a D-SIB and are subject to a 3% surcharge composed of CET1-eligible capital implemented by the BMA effective September 30, 2015. This is based upon our assessment of the extent to which we (individually and collectively with the other Bermuda banks) pose a degree of material systemic risk to the economy of Bermuda due to our role in deposit taking, corporate lending, payment systems and other core economic functions;
- Counter-cyclical buffer of up to 2.5% composed of CET1-eligible capital may be implemented by the BMA when macroeconomic indicators provide an assessment of excessive credit or other pressures building in the banking sector, potentially increasing the CET1, Tier 1 and total capital ratios by up to 2.5%. No counter-cyclical buffer has been implemented to date;
- Leverage ratio must be at 5.0% or higher;
- LCR with a minimum requirement of 100%; and
- NSFR with a minimum requirement of 100%.

The minimum capital ratio requirements set forth above do not reflect additional Pillar II add-on requirements that the BMA may impose upon us as a prudential measure from time to time. Our capital requirements remain under continuous review by the BMA pursuant to its prudential supervision and we cannot guarantee that the BMA will not seek higher total capital ratio requirements at any time.

In December 2017, the BCBS published standards that it described as the finalization of the Basel III post-crisis regulatory reforms (the standards are commonly referred to as "Basel IV"). Among other things, these standards revise the BCBS's standardized approach for credit risk (including by recalibrating risk weights and introducing new segmentations for exposures) and provides a new standardized approach for operational risk capital. Under the BCBS framework, these standards became effective on

January 1, 2023², with an aggregate output floor phasing in through January 1, 2028. The BMA adopted BCBS's revised standardized approach for operational and credit risk effective January 1, 2023 and January 1, 2025, respectively.

The following table sets forth our capital adequacy as at December 31, 2024 and 2023 in accordance with the Basel III framework:

(in millions of \$)	As at December 31	
	2024	2023
Capital		
Common Equity Tier 1	1,066.1	1,042.5
Tier 1 capital	1,066.1	1,042.5
Tier 2 capital	107.1	109.4
Total capital	1,173.1	1,151.9
Risk Weighted Assets		
Cash and cash equivalents and investments	1,029.4	937.7
Loans	2,328.1	2,428.5
Other assets	289.7	315.7
Off-balance sheet items	175.2	151.6
Operational risk charge	716.9	707.3
Total risk-weighted assets	4,539.4	4,540.7
Capital Ratios (%)		
Common Equity Tier 1	23.5 %	23.0 %
Tier 1 total	23.5 %	23.0 %
Total capital	25.8 %	25.4 %
Leverage ratio	7.3 %	7.6 %

Overall, capital ratios have increased, driven primarily by earnings accretion and partially offset by dividend payments and share repurchases. Despite the expansion of the balance sheet in 2024, RWAs remained fairly static as depositor funding was placed in low risk density treasuries and agency securities and the higher risk density loan portfolio decreased due to maturities and prepayments being in excess of originations. As at December 31, 2024, we were in compliance with the minimum LCR and NSFR of 100%.

Share Repurchase Program

The Bank repurchases its common shares through share repurchase programs from time to time as a means to improve shareholder liquidity and facilitate growth in share value. In accordance with applicable laws, regulations and listing standards, each program was approved by the Board and repurchases of shares pursuant to each program are subject to a letter of no objection from the BMA. In addition, the BSX is advised monthly of shares purchased pursuant to each program.

On February 14, 2022, the Board approved a new common share repurchase program, authorizing the purchase of up to 2.0 million common shares through to February 28, 2023.

On February 13, 2023, the Board approved a new common share repurchase program, authorizing the purchase of up to 3.0 million common shares through to February 29, 2024.

On December 5, 2023, the Board approved a new common share repurchase program, authorizing the purchase of up to 3.5 million common shares through to December 31, 2024.

On July 22, 2024, the Board approved a new common share repurchase program, authorizing the purchase of up to 2.1 million common shares through to December 31, 2024.

On December 9, 2024, the Board approved a new common share repurchase program, authorizing the purchase of up to 2.7 million common shares through to December 31, 2025.

The timing and amount of repurchase transactions under the new program will be based on market conditions, share price, legal requirements and other factors. No assurances can be given as to the amount of common shares that may actually be repurchased.

Total common share repurchases for the years ending December 31, 2024, 2023 and 2022 are as follows:

	For the year ending December 31		
	2024	2023	2022
Acquired number of shares (to the nearest share)	4,490,940	3,133,717	102,000
Average cost per common share (in \$)	34.58	28.27	38.21
Total cost (in \$)	155,305,756	88,590,240	3,897,268

² In March 2020, in response to the pandemic, the BCBS deferred the implementation timeline from January 1, 2022 to January 1, 2023 and the output floor phasing in from January 1, 2027 to January 1, 2028.

From time to time, our associates, insiders and insiders' associates as defined by the BSX regulations may sell shares which may result in such shares being repurchased pursuant to each program, provided no more than any such person's pro-rata share of the listed securities is repurchased. According to the BSX regulations, all repurchases made by any issuer pursuant to a securities repurchase program must be made: (1) in the open market and not by private agreement; and (2) for a price not higher than the last independent trade for a round lot of the relevant class of securities.

Dividends

During the year ended December 31, 2024, we paid cash dividends totaling \$79.6 million or \$1.76 (2023: \$86.2 million or \$1.76; 2022: \$87.3 million or \$1.76) for each common share on record as of the related record dates. The Board declared these dividends as a quarterly dividend of \$0.44 per common share for each quarter of 2024, 2023 and 2022.

For more information, see Item 3.D. "Risk Factors – Risks Relating to the Common Shares".

Cash Flows

2024 vs. 2023

Cash and cash equivalents was \$2.0 billion as at December 31, 2024, compared to \$1.6 billion as at December 31, 2023. The increase is described below by category of operating, investing and financing activities.

For the year ended December 31, 2024, net cash provided by operating activities totaled \$265.4 million (2023: \$300.3 million). Cash flows from operating activities are generally the cash effects of transactions and other events that enter into the determination of net income. Cash provided by operating activities decreased by \$34.9 million from 2023 to 2024, primarily due to decreased operating results, negative movements in other assets and liabilities and lower dividends received from equity method investments

Net cash used by investing activities for the year ended December 31, 2024 totaled \$581.0 million, compared to net cash provided by investing activities of \$681.8 million in 2023. The \$1.3 billion movement in cash from investing activities from 2023 to 2024 was mainly driven by increased purchases of investments securities as management sought to reinvest funds back into the portfolio to manage interest rate risk, an increase in securities purchased under agreements to resell transactions and reductions in loan balances due to both scheduled maturities and loan repayments outpacing loan originations.

Net cash provided in financing activities totaled \$735.6 million in 2024, compared to net cash used in financing activities \$1,447.9 million in 2023. The \$2.2 billion increase in cash provided in financial activities from 2023 to 2024 was mainly due to increased depositor funding and increases in securities sold under agreements to repurchase and share repurchase transactions.

2023 vs. 2022

Cash and cash equivalents was \$1.6 billion as at December 31, 2023, compared to \$2.1 billion as at December 31, 2022. The decrease is described below by category of operating, investing and financing activities.

For the year ended December 31, 2023, net cash provided by operating activities totaled \$300.3 million (2022: \$219.3 million). Cash flows from operating activities are generally the cash effects of transactions and other events that enter into the determination of net income. Cash provided by operating activities increased by \$81.0 million from 2022 to 2023, primarily due to positive movements in other assets and liabilities, increased operating results and higher dividends received from equity method investments.

Net cash provided by investing activities for the year ended December 31, 2023 totaled \$681.8 million, compared to \$292.0 million in 2022. The \$389.8 million increase in cash provided by investing activities from 2022 to 2023 was mainly driven by reductions in loan balances due to both scheduled maturities and loan repayments outpacing loan originations and reduced purchases of investments in securities due to reduced depositor funding.

Net cash used in financing activities totaled \$1,447.9 million in 2023, compared to \$506.8 million in 2022. The \$941.1 million increase in cash used in financial activities from 2022 to 2023 was mainly due to reduced depositor funding, the early redemption of \$75 million 2018 subordinated notes in June 2023 and increased common share repurchases.

Contractual Obligations

Credit-Related Arrangements

See "Note 12: Credit related arrangements, repurchase agreements and commitments" to our audited consolidated financial statements as at December 31, 2024 for additional information.

Contractual Obligations

The following table presents our outstanding contractual obligations as at December 31, 2024:

(in millions of \$)	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Long term debt ⁽¹⁾	100.0	100.0	—	—	—
Sourcing arrangements ⁽²⁾	20.3	11.2	9.1	—	—
Term deposits	4,478.3	4,394.9	83.4	—	—
Other obligations	69.6	27.7	31.0	10.8	—
Total outstanding contractual obligations	4,668.2	4,533.8	123.5	10.8	—

(1) Long-term debt excludes interest and unamortized debt issuance costs.

(2) We have an outstanding contractual obligation relating to a five-year agreement entered into in November 2021 with DXC to supply portion of the Bank's technology infrastructure and second-tier application support management for our locations in Bermuda and the Cayman Islands. Under our agreement with DXC, hosted server management and maintenance, along with network management functions are managed by DXC.

See "Note 12: Credit related arrangements, repurchase agreements and commitments" to our audited consolidated financial statements as at December 31, 2024 for additional information.

Interest expense on our contractual obligations relates primarily to deposit liabilities and our long-term debt. Interest expense on customer deposits was \$227.0 million for the year-ended December 31, 2024, compared to \$170.5 million and \$45.2 million for the years ended December 31, 2023 and 2022, respectively. Movements in interest expense on deposit liabilities are due primarily to market interest rate movements, with yearly average deposits liabilities of \$12.4 billion, \$12.2 billion and \$13.3 billion for 2024, 2023 and 2022, respectively. The increase in the expense is related primarily to a rapid increase in market interest rates during the year and partially offset by lower average deposit volumes.

Capital Commitments

The Bank continues to embark on its information technology project intended to modernize and upgrade its technology applications and infrastructure. The project is intended to improve the efficiency and stability of the Bank's technology estate and enhance the Bank's ability to provide broader and better digital solutions to its clients.

For more information, see Item 3.D. "Risk Factors - Risks Relating to Operations, Risk Oversight and Internal Controls - Our operations are reliant on effective implementation and use of technology and require us to adapt to new technologies, and a breach, interruption or failure of our technology services or the inability to effectively integrate new technologies could have an adverse effect on our business, financial condition or results of operations."

See also "Note 12: Credit related arrangements, repurchase agreements and commitments" to our audited consolidated financial statements as at December 31, 2024 for additional information.

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information

See discussion in Item 5.A. "Operating Results" for a description of the trend information relevant to us.

E. Critical Accounting Estimates

The Bank's significant accounting policies conform to GAAP and are described in Note 2 of our audited consolidated financial statements. Various elements of our accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. Given the sensitivity of our consolidated financial statements to these critical accounting policies, the use of other judgments, estimates and assumptions could result in material differences in our results of operations or financial condition. Details of certain critical policies and estimates that affect our business results are summarized below:

Allowance for Credit Losses

Accounting for Financial Instruments - Credit losses

The Bank uses a CECL model which is based on expected losses. The CECL model is applied by the Bank to the measurement of credit losses on financial instruments at amortized cost, including loan receivables and HTM debt securities. The Bank also applies the CECL model to certain off-balance sheet credit exposures such as undrawn loan commitments, standby letters of credit, financial guarantees, and other similar instruments. In line with Topic 326, the Bank will present credit losses on AFS securities as a valuation allowance rather than as a direct write-down. Changes in expected credit losses are recorded through the respective credit loss allowances on the consolidated balance sheets as well as in the provision for credit losses (recoveries) in the consolidated statements of operations.

The Bank's PCI loans outstanding were classified as PCD loans and both the amortized cost and an allowance for expected credit losses are disclosed and included with other non-PCD loans figures. The Bank will continue to recognize the amortization of the noncredit discount, if any, as interest income based on the yield of such assets.

Under the CECL model, the Bank collects and maintains attributes as they relate to its financial instruments that are within the scope of CECL including fair value of collateral, expected performance over the lifetime of the instruments and reasonable and supportable assumptions about future economic conditions. The Bank's measurement of expected losses takes into account historical loss information and is primarily based on the product of the respective instrument's PD, LGD and EAD. For AFS securities, any allowance for credit losses is based on an impairment assessment.

The Bank made the accounting policy election to write off accrued interest receivable on loans that are placed on non-accrual status by reversing the then accrued interest balance against interest income revenue.

The Bank maintains an allowance for credit losses, which in management's opinion is adequate to absorb all estimated credit-related losses that are expected in its lending and off-balance sheet credit-related arrangements at the balance sheet date.

Management measures expected credit losses on HTM and AFS debt securities on a collective basis by major security type when similar risk characteristics exist, or failing that, on an individual basis.

For AFS debt securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Losses are charged against the allowance when management believes the uncollectibility of an AFS debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries typically do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts as well as the Bank's internal risk rating framework. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in the current-loan specific risk characteristics such as differences in underwriting practices, vintage, portfolio mix, delinquency level and term as well as changes in environmental conditions, such as changes in macroeconomic factors and collateral values.

The allowance for credit losses is measured on a collective pool basis when similar risk characteristics exist. In each of its jurisdictions, the Bank has identified the following portfolio segments: residential mortgages, consumer loans (including overdrafts), commercial loans, commercial overdrafts, commercial real estate loans and credit cards. For loans and overdrafts, management uses a PD and LGD model to estimate the allowance for credit losses. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. For credit cards, management uses a loss rate to estimate expected credit losses.

Expected credit losses are estimated over the contractual term of the loans. The contractual term excludes potential extensions, renewals and modifications unless management has a reasonable expectation at the reporting date that the extension or renewal options included in the original contract will occur or that a troubled debt restructuring will be executed. Credit card receivables do not have stated maturities, therefore establishing a contractual term is performed by using an analytical approximation of behavior.

Fair Value of financial instruments

The Bank defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Bank determines the fair values of assets and liabilities based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The relevant accounting standard describes three levels of inputs that may be used to measure fair value. Equity securities and debt instruments classified as AFS, and derivative assets and liabilities are recognized in the consolidated balance sheet at fair value.

Fair value inputs are considered Level 1 when based on unadjusted quoted prices in active markets for identical assets.

The Bank determines fair value based on quoted market prices, where available. If quoted prices are not available, fair value is estimated based upon other observable inputs, and may include valuation techniques such as present value cash flow models or other conventional valuation methods. In addition, when estimating the fair value of assets, the Bank may use the quoted price of similar assets, if available.

The Bank uses unobservable inputs when observable inputs are not available. These inputs are based upon our judgments and assumptions, which represent our assessment of the assumptions market participants would use in pricing the asset or liability, which may include assumptions about risk, counterparty credit quality and liquidity and are developed based on the best information available. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on the Bank's results of operations.

Significant assets measured at fair value on a recurring basis include our US government and federal agencies investments, non-US government debt securities, and residential mortgage-backed securities. The fair values of these instruments are generally sourced from an external pricing service and are classified as Level 2 within the fair value hierarchy. The service's pricing models use predominantly observable valuation inputs to measure the fair value of these securities under both the market and income approaches.

Fair value is also used on a nonrecurring basis to evaluate certain assets for impairment or for disclosure purposes. Examples of nonrecurring uses of fair value include OREO, loan impairments for certain loans and goodwill.

The Bank reviews and updates the fair value hierarchy classifications on a quarterly basis. The Bank also verifies the accuracy of the pricing provided by its primary external pricing service on a quarterly basis.

During the year ended December 31, 2024 and December 31, 2023, there were no transfers between Level 1 and Level 2 or Level 2 and Level 3. There was a transfer out of Level 3 and into Level 2 during the year ended December 31, 2022 due to increased price observability.

Refer to "Note 17: Fair value measurements" of the audited consolidated financial statements for further detail on the judgments made in classifying instruments in the fair value hierarchy.

Impairment of Goodwill

We account for acquisitions using the acquisition method of accounting, under which the acquired company's net assets are recorded at fair value at the date of the acquisition and the difference between the fair value of consideration and fair value of the net assets acquired is recorded as goodwill, if positive, and as a bargain purchase gain, if negative.

Goodwill is tested annually in the third quarter for impairment at the reporting unit level, or more frequently if events or circumstances indicate there may be impairment. The goodwill impairment analysis is a two-step test. The first step, used to identify potential impairment, involves comparing each reporting unit's fair value to its carrying value including goodwill. If the fair value of a reporting unit exceeds its carrying value, applicable goodwill is deemed to be not impaired. If the carrying value exceeds fair value, there is an indication of impairment and the second step is performed to measure the amount of impairment.

The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated impairment. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit, as determined in the first step, over the aggregate fair values of the individual assets, liabilities and identifiable intangible assets as if the reporting unit were being acquired in a business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted.

We rely on several assumptions when estimating the fair value of our reporting units using the discounted cash flow method. These assumptions include the estimated future cash flows from operations, required discount rate, as well as projected loan losses, an estimate of terminal value and other inputs. Our estimated future cash flows are largely based on our historical actual cash flows and industry and economic trends, among other considerations. Although management has used the estimates and assumptions it believes to be most appropriate in the circumstances, it should be noted that even relatively minor changes in certain valuation assumptions used in management's calculation would result in significant differences in the results of the impairment test.

The valuation of goodwill is dependent on forward-looking expectations related to nationwide and local economic conditions and our associated financial performance. In the future, if our acquisitions do not yield expected returns or there are changes in discount rates, we may be required to take additional charges to our earnings based on the impairment assessment process, which could harm our business, financial condition, results of operations and prospects. We had \$23.6 million of goodwill as of December 31, 2024 and \$24.1 million as of December 31, 2023, and the results of the impairment analysis for both annual periods resulted in no impairment being required.

Employee Benefit Plans

We maintain trustee pension plans for substantially all employees as either non-contributory defined benefit plans or defined contribution plans. Benefits under the defined benefit plans are primarily based on the employee's years of credited service and average annual salary during the final years of employment as defined in the plans. We also provide post-retirement medical benefits for certain qualifying active and retired Bermuda-based employees.

The calculations of the amounts recorded require the use of various actuarial assumptions, such as discount rates, assumed rates of return on plan assets, compensation increases, and turnover rates. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. We believe that the assumptions used in recording our defined benefit plan obligations are reasonable based on our experience and advice from our actuaries.

The post-retirement medical benefits obligation is determined using our assumptions regarding health care cost trend rates. The health care trend rates are developed based on historical cost data, the near-term outlook on health care trends and the likely long-term trends.

In accordance with GAAP, actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expenses and the recorded obligation of future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the defined benefit obligations and future expense.

See "Note 11: Employee benefit plans" to our audited consolidated financial statements as at December 31, 2024 for more information on our pension plans and post-retirement medical benefit plan, along with the key actuarial assumptions.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Board

Our Board oversees the affairs of the Bank. The current Board is composed of nine members, consisting of our Chairman & Chief Executive Officer, President & Group Chief Risk Officer and seven non-executive independent directors. The Bank's bye-laws provide that the Board shall consist of not less than six and not more than twelve directors. The Board generally holds regular meetings five times per year and ad hoc meetings as necessary.

Persons may be proposed for election or appointed as directors at a general meeting either by the Board or by one or more shareholders holding shares which in the aggregate carry not less than 5% of the voting rights in respect of the election of directors. There is only a single class of director and each director holds office until the next annual general meeting.

As an FPI we are allowed to follow our "home country" corporate governance practices in lieu of the NYSE governance requirements for NYSE-listed US companies. Notwithstanding this, our Board has determined that, under current NYSE listing standards regarding independence (to which we are not currently subject), and taking into account any applicable committee standards, a majority of our Board, including Alastair Barbour, Sonia Baxendale, Mark T. Lynch, Ingrid Pierce, Jana R. Schreuder, Stephen E. Cummings and John Wright, are independent directors.

As the regulatory environment in which we operate becomes more complex, our governance practices and the structures and methodology we use to operate the Bank continue to be of key strategic significance. With the exception of the Chairman & Chief Executive Officer and the President & Group Chief Risk Officer, our Board is comprised of Directors who are not employees of the Bank. Our Board reviews and oversees the Bank's implementation of corporate governance policies and practices in accordance with prevailing standards. The following table lists the names, positions and ages of the Directors of the Bank:

Name	Age	Position
Michael Weld Collins	61	Chairman & Chief Executive Officer
Alastair Barbour	72	Lead Independent Director
Sonia Baxendale	62	Non-Executive Director
Stephen E. Cummings	69	Non-Executive Director
Mark T. Lynch	63	Non-Executive Director
Ingrid Pierce	55	Non-Executive Director
Jana R. Schreuder	66	Non-Executive Director
Michael Schrum	56	President & Group Chief Risk Officer
John Wright	83	Non-Executive Director

Each of our directors may be reached at our registered office at: 65 Front Street, Hamilton, HM 12, Bermuda, or by postal mail at P.O. Box HM 195, Hamilton HM AX, Bermuda.

Michael Weld Collins joined the Board in 2015 when he was named Chief Executive Officer of the Bank. He was named Chairman in July of 2017. Prior to this appointment, Mr. Collins was Senior Executive Vice President with responsibility for all of the Bank's client businesses in Bermuda, including Corporate, Private and Retail Banking, as well as the Operations, Custody and Marketing functions in Bermuda and the Cayman Islands. Mr. Collins has 40 years of experience in financial services, having held progressively senior positions at Morgan Guaranty Trust Company in New York and later at Bank of Bermuda and HSBC in Bermuda. Before joining the Bank in 2009, Mr. Collins was Chief Operating Officer at HSBC Bank Bermuda. Mr. Collins holds a BA in Economics from Brown University.

Alastair Barbour joined the Board in 2012 and was named Lead Independent Director in 2021. He is a Chartered Accountant with more than 25 years of experience providing auditing and advisory services to publicly traded companies, primarily in the financial services industry. Mr. Barbour was employed with KPMG from 1978 until his retirement in 2011. During his time there, he held various positions both locally and overseas. In 1985, he was named Partner at KPMG (Bermuda). Mr. Barbour's most recent position was head of KPMG's Financial Services Group in Scotland. Currently, Mr. Barbour serves on the Boards of Directors of Markel CATCo Reinsurance Fund Limited and The Prudential Assurance Company Limited. Mr. Barbour trained with Peat, Marwick, Mitchell & Co. in London and holds a Bachelor of Science from the University of Edinburgh. He is a Fellow of the Institute of Chartered Accountants in England & Wales.

Sonia Baxendale joined the Board in 2020. She is currently the President and CEO of the Global Risk Institute, a government, industry and academic partnership. From 1992 to 2011, Ms. Baxendale held senior leadership roles within Canadian Imperial Bank of Commerce ("CIBC"), including six years as Senior Executive Vice President and President of Retail Banking and Wealth Management. Prior to joining CIBC, Ms. Baxendale held progressively senior positions with Saatchi & Saatchi and American Express Canada. Ms. Baxendale serves on the Boards of several public and private companies, including Foresters Financial, Laurentian Bank of Canada, Definity Financial and Intermediate Capital Group plc. She holds a Bachelor of Arts in Political Science and Economics from Victoria College, University of Toronto.

Stephen E. Cummings joined the Board in 2024. He is currently the Secretary of Finance for the Commonwealth of Virginia. He had a long and successful career in banking and finance, most recently serving as President and Chief Executive Officer of Mitsubishi UFJ Financial Group (MUFG) in the Americas. Prior to his role at MUFG, he was the Chairman of UBS's Investment Banking division in the Americas, was Global Head of Corporate and Investment Banking at Wachovia Bank, and served as Chairman and Chief Executive Officer at Bowles Hollowell Conner & Co. Mr. Cummings has an MBA from Columbia University Graduate School of Business and a Bachelor of Arts degree from Colby College.

Mark T. Lynch joined the Board in 2019. Until June 30, 2019, he was a partner of Boston-based Wellington Management Co., where he served as the firm's senior financial services analyst since 1994 and a partner since 1996. He was also a portfolio manager of mutual funds, hedge funds, and institutional portfolios over that period. Mr. Lynch also serves as a director of Chromatic 3D Materials and of Dads' Resource Center in State College, Pennsylvania. Prior to joining Wellington, Mr. Lynch was a US regional bank analyst with Lehman Brothers and Bear Stearns. He holds a degree in European History from Harvard College.

Ingrid Pierce joined the Board in 2022. She is the Global Managing Partner of Walkers, a leading international law firm that provides legal, corporate, fiduciary and compliance services to global corporations, financial institutions, capital markets participants and investment fund managers. Recognized as one of the world's leading

investment funds lawyers, she acts for major institutions, asset managers, insurers, reinsurers, trustees and other fiduciaries. Ms. Pierce was made a partner of Walkers in 2008 having joined the firm in 2002. Prior to Walkers, Ms. Pierce spent nearly a decade working as a Barrister in London in the commercial chancery field. Ms. Pierce serves as a member of the Board of Directors of Lex Mundi, the world's leading network of independent law firms, and is a member of the Society of Trust and Estate Practitioners (STEP). She holds a Bachelor of Laws from University College London, a certificate in Company Direction from the Institute of Directors and a certificate in Bank Risk Management from the Chartered Institute of Bankers and was admitted to the Bar of England and Wales (1992) (not practicing), the Cayman Islands (2002) and the British Virgin Islands (2002).

Jana R. Schreuder joined the Board in 2020. She is an experienced executive who most recently served as Executive Vice President and Chief Operating Officer of Northern Trust Corporation, a role from which she retired in 2018. Ms. Schreuder joined Northern Trust in 1980 and during her tenure held multiple roles as a member of the executive management team, including: the President of Wealth Management from 2011 through 2014; President of Operations & Technology from 2007 through 2010; and Chief Risk Officer from 2005 through 2006. Ms. Schreuder currently serves as a Director and Chair of the Compensation Committees of Kyndryl Holdings Inc. and Entrust Corporation. Ms. Schreuder received her Bachelor of Business Administration degree from Southern Methodist University and a Master's degree in finance and marketing management from Northwestern University's Kellogg Graduate School of Management. Ms. Schreuder is a member of the New York Chapter of Women Corporate Directors and the National Association of Corporate Directors, from which she has received the NACD Directorship Certification.

Michael Schrum was appointed President and Group Chief Risk Officer in 2022. He joined the Board in 2020 and served as Group Chief Financial Officer from 2015. He was previously Chief Financial Officer at HSBC Bank Bermuda. Mr. Schrum has more than 25 years of financial services experience in London, New York and Bermuda, mainly in banking, insurance and tax. He joined HSBC in Bermuda in 2001 and held progressively more senior positions within the bank's Commercial Banking, Strategy, and Finance divisions. He is a CFA Charterholder (CFA Institute), and a Fellow Chartered Accountant (Institute of Chartered Accountants in England and Wales). Mr. Schrum holds a Master's (University of London) and Bachelor's (Southern Denmark Business School) degree in Economics.

John Wright joined the Board in 2002. Mr. Wright retired as chief executive of Clydesdale & Yorkshire Banks in 2001. Mr. Wright's career in commercial banking spans over 43 years and includes assignments in the UK, India, Sri Lanka, West Africa, Canada, Hong Kong and the United States. He is a visiting Professor at Heriot-Watt University Business School, a past President of the Irish Institute of Bankers and a past Vice President of the Chartered Institute of Bankers in Scotland. Mr. Wright serves on the Boards of Directors of several private UK and overseas companies, including XMI International, Drivewise Trust and First Carbon International. Mr. Wright was educated at Daniel Stewart's College Edinburgh.

Executive Management Team

The Group's current executive management team is as follows:

Name	Age	Position
Michael Weld Collins	61	Chairman & Chief Executive Officer
Craig Bridgewater	55	Group Chief Financial Officer
Andrew Burns	46	Chief Risk Officer, Cayman
Kevin Dallas	46	Group Chief Experience Officer and Head of Marketing and Communications
Simon Des-Etages	60	General Counsel & Group Chief Legal Officer
Jody Feldman	45	Managing Director, Bermuda
Bri Hidalgo	45	Group Head of Compliance and Operational Risk
Sean Lee	60	Group Head of Human Resources
Michael McWatt	59	Managing Director, Cayman
Michael Neff	61	Group Chief Operating Officer
Jane Pearce	55	Group Head of Trust
Richard Saunders	55	Managing Director, Channel Islands and the UK
Michael Schrum	56	President & Group Chief Risk Officer

Each member of our executive management team may be reached at our registered office at 65 Front Street, Hamilton, HM 12, Bermuda, or by postal mail at P.O. Box HM 195, Hamilton HM AX, Bermuda.

Craig Bridgewater was appointed Group Chief Financial Officer in 2022 having served as Group Head of Finance since 2019. Prior to joining Butterfield, Mr. Bridgewater was a Partner at KPMG where he spent 18 years working in both Bermuda and the US with responsibility for clients in banking, asset management and insurance-linked securities in addition to prominent local industries including retail and hospitality. Before KPMG, Mr. Bridgewater worked at Orbis Investment Management Limited and Price Waterhouse (now PricewaterhouseCoopers) where he began his career. He is a Fellow of the Chartered Professional Accountants of Bermuda and Canada. He holds a Bachelor of Arts (Honours) degree (Carleton University, Ottawa) in Economics.

Andrew Burns was named Chief Risk Officer, Cayman Islands in 2024. Prior to his appointment as Chief Risk Officer for the Cayman Islands, Mr. Burns served as the Group Head of Human Resources (from 2020) and as Group Head of Internal Audit (from 2016-2020). He became a member of the Executive Committee in October 2017. Mr. Burns has more than 20 years of progressive leadership experience in the financial services sector, having begun his career with PricewaterhouseCoopers' financial services group in Australia. He first joined the Butterfield Group of companies in the Fund Services subsidiary in Bermuda before transferring to the Internal Audit team in 2007, where he held progressively senior management roles. Mr. Burns is a Chartered Accountant (CA ANZ) and a Certified Internal Auditor. He holds a Bachelor of Commerce degree from the University of Melbourne, Australia.

Kevin Dallas is the Group Chief Experience Officer, responsible for overseeing the overall client experience, as well as the Group Head of Marketing & Communications, a position he has held since 2020. Mr. Dallas has extensive experience in marketing strategy and customer-led growth. Prior to joining Butterfield, Mr. Dallas worked as a strategy consultant, was a Partner at Bain & Company, and spent time as Chief Product & Marketing Officer at Worldpay plc in London before he returned home to Bermuda to lead the Bermuda Tourism Authority. Mr. Dallas holds a Bachelor's degree in Economics from Brown University.

Simon Des-Etages joined the Group as General Counsel and Group Chief Legal Officer in 2024. He has more than 30 years of legal experience working in London, New York, Bermuda and the Cayman Islands, primarily within the banking industry. Mr. Des-Etages started his career in private practice as a solicitor in the London offices of

Slaughter and May, followed by Baker & McKenzie, before joining American Express to support the securities, treasury and trade finance teams. Mr. Des-Etages then moved to Merrill Lynch, where he spent eight years working as a senior counsel in the Global Private Client Group. Prior to joining Butterfield, he was the Global Head of Legal for HSBC's Global Private Banking and Wealth Management business, having worked at HSBC since 2004. He holds a Master of Laws (LLM) from University College London and a Bachelor of Laws from the University of Essex, UK.

Jody Feldman was appointed Managing Director, Bermuda in 2024 and served as Head of Corporate Banking in Bermuda from 2020 where his responsibilities included leading the strategic direction, development and delivery of Butterfield's Corporate Banking services. Prior to joining Butterfield, Mr. Feldman was Managing Director and Head of Financial Institutions (North America) for the Corporate Banking Coverage team at Deutsche Bank in New York. Mr. Feldman started his career at HSBC where he spent 15 years working with financial institution clients. He holds the Chartered Financial Analyst designation and is a graduate of Lafayette College in Easton, Pennsylvania.

Bri Hidalgo joined Butterfield as Group Head of Compliance and Operational Risk in 2020. Before joining Butterfield, Ms. Hidalgo spent 14 years with Wells Fargo Bank in compliance and risk management roles, with her most recent role having been Chief Risk Officer, Wealth & Investment Management. Prior to joining Wells Fargo, she worked in senior risk management and compliance roles at Wachovia Securities and First State Investments in the US and the UK. Ms. Hidalgo holds a Bachelor of Science degree from San Francisco State University.

Sean Lee was appointed Group Head of Human Resources in 2024. Mr. Lee is an experienced leader who has spent nearly 20 years working in financial services with a focus on retail banking. He served previously as the Executive Vice President and Head of Retail Banking at Butterfield in the Cayman Islands and, before that, was Head of Business Banking at HSBC Bermuda. Before joining the banking industry, Mr. Lee served in the US Navy for over 20 years. He holds an MBA from Baker University and an undergraduate degree from Connecticut College.

Michael McWatt currently serves as Managing Director for Butterfield Bank (Cayman) Limited, with responsibility for the overall operations of the bank in the Cayman Islands. Mr. McWatt joined the Group in 1999 and was appointed Managing Director in 2016. He has held progressively senior leadership positions with the Group, including Deputy Managing Director, Group Head of Community Banking and Group Chief Credit Officer. Mr. McWatt is a career banker with more than 30 years of experience in Canada, Bermuda and the Cayman Islands. Prior to joining the Group, he held progressively senior positions in Corporate Banking and Risk Management in Canada. Mr. McWatt holds a BA in Economics from McMaster University, an Honors Commerce Degree from University of Windsor and is a graduate of the Ivey Executive Program at Western University. He is a Director and past president of the Cayman Islands Bankers' Association and is a Director of Cayman Finance.

Michael Neff was appointed as the Bank's Group Chief Operating Officer in 2024. Prior to that role, he served as Managing Director, Bermuda and International Wealth from 2018. He previously served as the Bank's Group Head of Wealth Management. Mr. Neff has over 30 years' experience in financial services, having held senior roles in wealth management, commercial banking, and financial risk management. He began his career at Chemical Bank's Private Banking Group rising to serve on the Group's Executive Committee and leading relationship management across the group. Later, Mr. Neff moved to Citibank's Private Banking Group, where he led the design and implementation of a global client relationship framework before leaving to found a financial and investment planning technology consultancy. The firm grew to be a leading provider of financial and investment planning software for financial institutions in the U.S. and Europe. It was acquired in 2004 by RiskMetrics Group, a JPMorgan risk advisory spinoff. There he initially served as Global Head of Wealth Management rising to become Co-Head of the firm's Global Financial Risk Management business. Mr. Neff currently serves on the Council of the Bermuda Stock Exchange and the Board of Trustees of the Bermuda Institute of Ocean Sciences. Mr. Neff holds a Bachelor of Arts from Middlebury College and a Master of Business Administration from Columbia Business School.

Jane Pearce joined Butterfield as Group Head of Trust in 2020 with responsibility for the delivery of the Group Trust strategy and value proposition across all jurisdictions. Prior to joining Butterfield, she was Regional Managing Director of Vistra's UK, Ireland and Channel Islands businesses. She has worked previously in senior positions at several Jersey-based firms, including EY, Deutsche Bank, Kleinwort Benson, and Ogier. Ms. Pearce is a regular speaker at industry events and has been named to the Citywealth Leaders List and the IFC Powerwomen Top 200. She is a Fellow of the Association of Chartered Certified Accountants, and holds degrees from Teesside University and the Scottish School of Physical Education.

Richard Saunders currently serves as Managing Director, Channel Islands, with responsibility for Butterfield Bank (Guernsey) Limited and its Jersey Branch and Butterfield Mortgages Limited in London. Mr. Saunders joined the Group in 2001 and was appointed Managing Director in 2015. He has held progressively senior leadership positions with the Group, including Head of European Asset Management. Mr. Saunders joined the Butterfield Group Executive Committee in July 2018. He has more than 25 years of progressive management experience, having begun his career at Royal Bank of Canada in Guernsey. Mr. Saunders is a Chartered Member of the London-based Chartered Institute for Securities & Investment (CISI) and holds a Bachelor's degree in Mathematics and Sports Science from Loughborough University, England.

B. Compensation

Senior Management and Director Compensation

In 2024, senior management included the following executives: Michael Weld Collins, Craig Bridgewater, Andrew Burns, Kevin Dallas, Simon Des-Etages, Jody Feldman, Bri Hidalgo, Sean Lee, Michael McWatt, Michael Neff, Jane Pearce, Richard Saunders and Michael Schrum. Our compensation program is designed to reward and retain senior management and includes base salary, annual short-term cash and equity incentive compensation, long-term equity incentive compensation, and miscellaneous employee benefits and fringe benefits (including, among others, executive medical benefits). In 2024, our compensation program for directors was comprised of an annual cash retainer and an equity grant. Directors can elect to receive the annual cash retainer in common shares. None of our directors have entered into service contracts with the Group that provide for benefits upon the termination of their service as a director.

The CEO is required to own a minimum aggregate value of our common shares equal to five times base salary. Eligible stock includes vested shares, unvested restricted stock and restricted stock units, and other stock held by the CEO. The intrinsic value of vested or unvested stock options is not considered eligible stock. The CEO is in compliance with this requirement. If the market value of the CEO's common stock falls below the requirements, the CEO must retain 50% of the shares he receives as compensation until he achieves the specified ownership level.

Effective April 2020, senior management are required to own a minimum aggregate value of our common shares equal to two times base salary by December 31, 2022, or within five years following first appointment. Eligible stock includes vested shares, unvested restricted stock and restricted stock units, and other stock held by senior management. The intrinsic value of vested or unvested stock options is not considered eligible stock. If the market value of senior management's common stock falls below the required threshold, senior management must retain 50% of the shares they receive as compensation until they achieve the specified ownership level. All members of senior management are currently in compliance with this requirement.

The aggregate amount of compensation, including the value of in-kind benefits, accrued and/or paid to our directors and senior management during the fiscal year 2024 was \$29.2 million, including the value of in-kind benefits and amounts deferred under deferred compensation plans.

Short-Term Incentive Compensation

Senior management participates in our annual discretionary bonus program. Our Compensation & Human Resources Committee annually establishes a bonus pool based on overall company-wide performance during the applicable fiscal year. Once the Compensation & Human Resources Committee has approved the pool, it is allocated to eligible employees, including senior management, based on the employee's achievement of pre-established performance goals during the applicable fiscal year. Annual bonuses for executives are paid 60% in cash and 40% in the form of restricted stock unit awards that vest in three equal installments on the first three anniversaries of the date of grant. The plan under which such equity awards are granted is described below.

Equity Compensation

The Group currently sponsors an equity incentive plan, the Amended and Restated 2020 Omnibus Share Incentive Plan (the "2020 Plan"), in which our senior management and directors are eligible to participate. The Group currently grants both time-vesting and performance-vesting restricted stock unit awards to employees under the 2020 Plan. As at December 31, 2024, in the aggregate, our members of senior management held 1,386,577 restricted stock units and no options.

Senior management participates in our long-term equity incentive compensation program. During 2024, our compensation committee granted time-vesting and performance-vesting restricted stock unit awards under our 2020 Plan. Awards in 2022, 2023 and 2024 were granted (i) as part of our long-term equity incentive compensation program in the form of performance-based restricted stock units, generally vesting upon the achievement of certain performance targets in the three-year period from the effective grant date, and (ii) as part of our annual bonus program in the form of time-based restricted stock units, generally vesting in three equal installments on the first three anniversaries of the date of grant.

During calendar year 2024, our Compensation & Human Resources Committee granted senior management, and in the case of the Chairman & Chief Executive Officer, recommended that the Board grant and the Board granted, in the aggregate, 488,689 restricted stock units (which includes restricted stock unit awards granted under both the annual bonus program and the long-term equity incentive compensation program, and assumes that performance with respect to performance-vesting restricted stock unit awards will be satisfied at target levels).

C. Board Practices

The Bank's bye-laws authorize the Board to delegate certain of its duties to committees of directors. The principal board committees are the: (1) Audit Committee, (2) Risk Policy & Compliance Committee, (3) Corporate Governance Committee, and (4) Compensation & Human Resources Committee. Members of committees are appointed by, from and among the non-executive members of the Board. The responsibilities and compositions of these committees are described below.

Audit Committee

Our Audit Committee, on behalf of the Board, monitors: (1) the integrity of the financial reports and other financial information provided by the Group to any governmental body or the public; (2) the independent auditor's qualifications and independence; (3) the performance of the Group's internal audit function and the independent auditors; (4) compliance with legal and regulatory requirements with respect to financial reporting (including but not limited to those related to environmental, social and governance matters); (5) the Group's system of internal controls regarding finance and accounting as established by management and the Board; and (6) the Group's auditing, accounting and financial reporting processes generally. Subject to shareholder approval, the Audit Committee has responsibility for the appointment or replacement of the independent auditor and for the compensation and oversight of the work of the independent auditor. In addition, the Audit Committee is responsible for approving all audit services, internal control-related services and permitted non-audit services. With respect to internal controls, the Audit Committee reviews and evaluates any major issues as to the adequacy of the Bank's internal controls, and any major control deficiencies or changes in internal controls over financial reporting are discussed with the Bank's management and the independent auditor. With respect to financial reporting, the Audit Committee consults with management and the independent auditor about the integrity of the financial reporting process, reviews significant financial reporting risk exposure and management's responses, reviews significant auditor findings and establishes and reviews procedures for the receipt, retention and treatment of complaints about accounting and auditing matters, and reviews and recommends for the Board's approval the Group's financial reports.

Our Audit Committee consists of four directors that are independent under the NYSE requirements. Each member of the Audit Committee also meets the additional criteria for independence of Audit Committee members set forth in Rule 10A-3(b)(1) under the Exchange Act.

The members of the Audit Committee are appointed by the Board upon the recommendation of the Corporate Governance Committee. The Audit Committee's membership is as follows:

Name	Position
Alastair Barbour	Chairperson
Sonia Baxendale	Member
Mark T. Lynch	Member
John Wright	Member

Mr. Barbour qualifies as the Audit Committee financial expert.

Risk Policy & Compliance Committee

The Risk Policy & Compliance Committee, on behalf of the Board, acts as the oversight function in respect of those activities throughout the Group that give rise to credit, market, liquidity, interest rate, operational, cybersecurity and reputational risks, and reviews compliance with laws and regulations. Specifically, the Risk Policy & Compliance Committee assists the Board in fulfilling its responsibilities by overseeing the Group's risk profile and its performance against approved risk appetites and tolerance thresholds. It approves and ensures compliance with the capital allocation model and approves overall insurance coverage for the Group. The Risk Policy & Compliance Committee also reviews the credit risk of the Group with respect to country and financial institution risk, large exposures, reserves and provisioning, off-balance sheet risk and related capital needs, as well as market, interest rate and liquidity risks. The Risk Policy & Compliance Committee monitors operational risks, including cybersecurity risks, material breaches of agreed risk limits, appropriate product risk profiles and management policies for the identification and management of risk. In doing so, the Risk Policy & Compliance Committee seeks to ensure compliance with all applicable policies and establishes the Group's risk appetite and tolerance.

The Risk Policy & Compliance Committee's membership is as follows:

Name	Position
Mark T. Lynch	Chairperson
Stephen E. Cummings	Member
Ingrid Pierce	Member
Jana R. Schreuder	Member

Corporate Governance Committee

The Corporate Governance Committee, on behalf of the Board, reviews the effectiveness and performance of the Directors, the Board as a whole, and each Board committee, as well as the boards and board committees of the Bank's subsidiaries through its oversight of the corporate governance guidelines and policies of the Group. This committee acts as the nomination committee for the Board. The principal duties of the Corporate Governance Committee include reviewing and recommending to the Board membership criteria and director nominees, membership of the Board's committees and matters relating to the performance and independence of directors. The Corporate Governance Committee oversees questions of director independence and conflicts of interest, induction and ongoing training for directors and the Board's corporate governance-related policies and procedures. The Corporate Governance Committee also recommends director compensation and reviews and approves related-party transactions.

The Corporate Governance Committee's membership is as follows:

Name	Position
Sonia Baxendale	Chairperson
Alastair Barbour	Member
John Wright	Member

Compensation & Human Resources Committee

The Compensation & Human Resources Committee, on behalf of the Board, reviews and approves executive compensation, employee salary ranges, levels and degrees of participation in incentive compensation programs (including bonuses and equity-based incentive plans) and oversees employee development, relations and succession. Specifically, the Compensation & Human Resources Committee evaluates the fairness and effectiveness of the compensation practices implemented by the Group, approves overall compensation packages for executives, provides regular updates on executive compensation to the Board, approves changes in employee salary ranges for employees, approves the criteria and design of the Group's incentive bonus plans and approves changes to the other employee benefit plans. The Compensation & Human Resources Committee also recommends to the Board changes in the Group's equity-based incentive plans and the granting of awards under such plans, reviews and approves changes to our pension plans, reviews periodic management reports on our compensation and benefits, as well as other matters bearing on the relationship between management and employees, while making recommendations to the Board concerning our senior level organization structure and staffing, training and employee development programs. The Compensation & Human Resources Committee is also responsible for administering the Group's compensation clawback policy for executive officers.

The Compensation & Human Resources Committee's membership is as follows:

Name	Position
Jana R. Schreuder	Chairperson
Alastair Barbour	Member
Stephen E. Cummings	Member
John Wright	Member

Governance of Geographical Segments

Our banking business operates in three geographical segments — Bermuda, Cayman, and the Channel Islands and the UK— and each geographical segment utilizes operating subsidiary companies of the Bank within these jurisdictions. See Item 4.B. "Business Overview - Our International Network and Group Structure", which presents the corporate structure chart of our principal subsidiaries as at December 31, 2024. Our principal operating subsidiaries are each regulated by their respective geographical regulator and are fully capitalized as stand-alone operating companies, each with its own board of directors consisting of both executive and non-executive independent directors where required by the relevant regulatory body and applicable rules and regulations. Guidance on general corporate governance, board sub-committee structuring, and the various governance policies and procedures of the operating subsidiaries is determined at the Group level.

Board Leadership Structure and Qualifications

The Bank must comply with the BMA Corporate Governance Policy, which requires the Bank to appoint board members who have appropriate experience, competencies and personal qualities, including professionalism and personal integrity.

It is the Bank's policy to ensure that all companies within the Group have board members who are fit and proper persons to direct the Bank's business with prudence, integrity and professional skills. The Boards of the Bank and the Bank's subsidiaries are composed of individuals who possess diverse skills, experience and knowledge that are key to understanding the Bank's business and the execution of the Bank's strategies.

The Bank has established guidelines that address the size and composition of its own Board and those of its subsidiaries, and for identifying and selecting suitable candidates for appointment to these boards. The Corporate Governance Committee approves the appointments of both executive and non-executive directors to the subsidiary boards. With respect to the Bank's Board, the Corporate Governance Committee makes appointment recommendations to the Board and the appointment procedure is formal, rigorous and transparent. Each of the Bank and the Bank's subsidiary boards are reviewed as appropriate in order to assess whether the Board composition is commensurate with the Bank's strategic objectives and corporate governance principles.

In assessing continuity of service on the Board there is a general presumption that individuals should serve for a maximum of 15 years in order that the Board tenure be refreshed. Non-executive directors who have served for a period of more than 15 years are subject to an independent assessment in accordance with applicable legal requirements and regulatory and listing standards.

Board Oversight of Risk Management

The Board believes that effective risk management and control processes are critical to our safety and soundness, our ability to predict and manage the challenges that we face and, ultimately, our long-term corporate success. The Board, both directly and through its committees, is responsible for overseeing our risk management processes, with each of the committees of the Board assuming a different and important role in overseeing the management of the risks we face.

The Risk Policy & Compliance Committee oversees our enterprise-wide risk management framework, which establishes our overall risk appetite and risk management strategy and enables our management to understand, manage and report on the risks we face. The Risk Policy & Compliance Committee also reviews and oversees policies and practices established by management to identify, assess, measure and manage key risks we face, including the risk appetite metrics developed by management and approved by the Board. The Audit Committee of the Board is responsible for overseeing risks associated with financial, accounting and legal matters (particularly financial reporting, accounting practices and policies, disclosure controls and procedures and internal control over financial reporting), reviewing and discussing generally the identification, assessment, management and control of our risk exposures on an enterprise-wide basis and engaging as appropriate with the Risk Policy & Compliance Committee to assess our enterprise-wide risk framework. The Compensation & Human Resources Committee of the Board has primary responsibility for risks and exposures associated with our compensation policies, plans and practices, regarding both executive compensation and the compensation structure generally. In particular, our Compensation & Human Resources Committee, in conjunction with our Chairman & Chief Executive Officer, Group Head of Human Resources and President & Group Chief Risk Officer and other members of our management as appropriate, reviews our incentive compensation arrangements to ensure these programs are consistent with applicable laws and regulations, including safety and soundness requirements, and do not encourage imprudent or excessive risk-taking by our employees. The Corporate Governance Committee of the Board oversees risks associated with the independence of the Board and potential conflicts of interest.

Our senior management is responsible for implementing and reporting to the Board regarding our risk management processes, including by assessing and managing the risks we face, including strategic, operational, cybersecurity, regulatory, investment and execution risks, on a day-to-day basis. Our senior management is also responsible for creating and recommending to the Board for approval appropriate risk appetite metrics reflecting the aggregate levels and types of risk we are willing to accept in connection with the operation of our business and pursuit of our business objectives.

The role of the Board in our risk oversight is consistent with our leadership structure, with our Chairman & Chief Executive Officer and the other members of senior management having responsibility for assessing and managing our risk exposure, and the Board and its committees providing oversight in connection with those efforts. We believe this division of risk management responsibilities presents a consistent, systemic and effective approach for identifying, managing and mitigating risks throughout our operations.

D. Employees

As at December 31, 2024, 2023 and 2022, we had the following employees:

	As at December 31		
	2024	2023	2022
Per segment:			
Bermuda	356	387	413
Cayman	221	235	244
Channel Islands and the UK	334	348	379
Other Segment	395	364	305
Total per full-time equivalency basis	1,306	1,334	1,341
Of which:			
Full-time and part-time employees	1,295	1,259	1,261
Temporary employees	11	75	80
Total per full-time equivalency basis	1,306	1,334	1,341

The decrease in 2024 from 2023 was mainly due to the impact of the implementation of the group-wide restructuring as previously announced in 2023 which was expected to reduce the Bank's global workforce by 9% in several phases. The restructuring was partially offset by the continued onboarding of staff related to the asset acquisition from Credit Suisse as well as the expansion of our Halifax Service Center.

We have not experienced any material employment-related issues or interruptions of services due to labor disagreements and are not a party to any collective bargaining agreements.

E. Share Ownership

See Items 6.B. "Compensation - Equity Compensation" and 7.A. "Major Shareholders".

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

For the year-ended December 31, 2024 and up to the date of this report, the Bank was not required to prepare an accounting restatement that required recovery of erroneously awarded compensation pursuant to the Bank's Clawback Policy. Please refer to Exhibit 97: Clawback Policy: Recovery of Erroneously Awarded Incentive-Based Compensation.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED-PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our common shares as at February 10, 2025, unless noted otherwise, in each case by: each person or entity known by us to beneficially own 5% or more of our issued and outstanding common shares; each of our directors and executive officers individually; and all of our directors and executive officers as a group. As at February 10, 2025, we had approximately 43 million common shares issued and outstanding. The percentage of beneficial ownership for the following table is based on the amount of common shares issued and outstanding as of February 10, 2025

Under the rules of the Securities and Exchange Commission, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed to be a beneficial owner of such securities as to which such person has voting or investment power. Except as described in the footnotes below, to our knowledge, each of the persons named in the table below has sole voting and investment power with respect to the common shares beneficially owned, subject to community property laws where applicable.

Unless otherwise noted, the address for each shareholder listed on the table below is: c/o The Bank of N.T. Butterfield & Son Limited, 65 Front Street, Hamilton, HM 12, Bermuda.

Name of beneficial owner	Number of common shares beneficially owned	Beneficial ownership percentage
Major Shareholders:		
Blackrock, Inc. ⁽¹⁾	2,802,975	6.5 %
FMR LLC ⁽²⁾	2,717,903	6.3 %
Directors and Executive Officers:		
Alastair Barbour	23,220	*
Sonia Baxendale	19,227	*
Craig Bridgewater ⁽³⁾	26,040	*
Andrew Burns ⁽⁴⁾	13,741	*
Michael Weld Collins ⁽⁵⁾	104,307	*
Stephen E. Cummings ⁽⁶⁾	1,651	*
Kevin Dallas ⁽⁷⁾	9,396	*
Simon Des-Etages	—	*
Jody Feldman ⁽⁸⁾	7,003	*
Bri Hidalgo ⁽⁹⁾	13,911	*
Sean Lee	25,700	*
Mark T. Lynch ⁽¹⁰⁾	223,887	*
Michael McWatt ⁽¹¹⁾	28,408	*
Michael Neff ⁽¹²⁾	33,114	*
Jane Pearce ⁽¹³⁾	11,720	*
Ingrid Pierce	4,832	*
Richard Saunders ⁽¹⁴⁾	13,033	*
Jana Schreuder	11,528	*
Michael Schrum ⁽¹⁵⁾	225,582	*
John R. Wright ⁽¹⁶⁾	10,102	*
All directors and executive officers as a group (19 persons)	806,402	*

* Indicates less than 1%

- (1) Based on the Schedule 13G filed on February 5, 2024 by Blackrock, Inc. ("Blackrock"), which reported that as at December 31, 2023, Blackrock beneficially owned 2,802,975 common shares, with sole voting power over 2,731,796 common shares and sole dispositive power over 2,802,975 common shares. The business address of Blackrock is 50 Hudson Yards, New York, NY 10001.
- (2) Based on the Schedule 13G/A filed on February 9, 2024 by FMR LLC, which reported that as at December 31, 2023, FMR LLC beneficially owned 2,731,903 common shares, with sole voting power over 2,717,888 of such shares and sole dispositive power over 2,717,903 shares. FMR is a parent holding company and other entities that beneficially hold the shares pursuant to their Schedule 13G/A include FIAM LLC, Fidelity Institutional Asset Management Trust Company, Fidelity Management & Research Company LLC, and Strategic Advisors LLC. The business address of FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.
- (3) Consists of (i) 14,178 ordinary shares and (ii) 11,862 ordinary shares underlying restricted stock units that will vest within 60 days of February 10, 2025.
- (4) Consists of (i) 68 ordinary shares and (ii) 13,673 ordinary shares underlying restricted stock units that will vest within 60 days of February 10, 2025.
- (5) Consists of 104,307 ordinary shares underlying restricted stock units that will vest within 60 days of February 10, 2025.
- (6) Consists of 1,651 deferred stock units.
- (7) Consists of 9,396 ordinary shares underlying restricted stock units that will vest within 60 days of February 10, 2025.
- (8) Consists of 7,003 ordinary shares underlying restricted stock units that will vest within 60 days of February 10, 2025.
- (9) Consists of (i) 88 ordinary shares and (ii) 13,823 ordinary shares underlying restricted stock units that will vest within 60 days of February 10, 2025.
- (10) Consists of (i) 223,087 ordinary shares held by Mr. Lynch directly and (ii) 800 ordinary shares held by a family member over which Mr. Lynch exercises voting and dispositive control.
- (11) Consists of (i) 9,189 ordinary shares and (ii) 19,219 ordinary shares underlying restricted stock units that will vest within 60 days of February 10, 2025.
- (12) Consists of (i) 16,931 ordinary shares and (ii) 16,183 ordinary shares underlying restricted stock units that will vest within 60 days of February 10, 2025.
- (13) Consists of 11,720 ordinary shares underlying restricted stock units that will vest within 60 days of February 10, 2025.
- (14) Consists of 13,033 ordinary shares underlying restricted stock units that will vest within 60 days of February 10, 2025.

(15) Consists of (i) 173,224 ordinary shares held jointly with his spouse and (ii) 52,358 ordinary shares underlying restricted stock units that will vest within 60 days of February 10, 2025.

(16) Consists of 10,102 ordinary shares held jointly with his spouse.

The shareholders listed above do not have voting rights that are different from those held by any other holder of common shares of the Bank. As at January 30, 2025, approximately 87% of our common shares were held by holders and/or Custodians of record located in the United States, and there were approximately 208 holders of record of our common shares located in the United States. As at January 30, 2025, approximately 12% of our common shares were held by holders of record located in Bermuda, and there were approximately 3,655 holders of record of our common shares located in Bermuda.

B. Related Party Transactions

See "Note 26: Related party transactions" to our audited consolidated financial statements as at December 31, 2024 for information on transactions with related parties and with directors and executive officers.

Employment Agreements

The Group has entered into employment agreements with senior management. The compensation paid in 2024 to senior management under the employment agreements is described above under Item 6.B. "Compensation". The senior management employment agreements generally provide for terms and conditions of employment, including the payment of a base salary, participation in the Group's short and long-term incentive compensation programs, notice provisions, severance benefits, change in control, double-trigger equity award vesting and participation in the Group's health, welfare and retirement programs available to all senior executives. For certain members of senior management, the employment agreements also provide for executive life insurance and participation in the Group's share purchase programs.

Related-Party Transaction Policy

The Board has adopted a written policy governing the review, approval or ratification of transactions between the Bank or any of its subsidiaries and any "related party," which is a person or entity: (1) that controls, is controlled by, or is under common control with the Bank; (2) that is an associate of the Bank; (3) that is a shareholder of the Bank that has significant influence by virtue of its ownership of the Bank; (4) that is a director, executive officer or other key management person at the Bank; or (5) in which a substantial interest in its voting power is held by the persons described in (3) or (4) above. The policy calls for the related-person transactions to be reviewed and, if deemed appropriate, approved or ratified by our Corporate Governance Committee. In determining whether or not to approve or ratify a related-person transaction, our Corporate Governance Committee takes into account, among other factors it deems important, whether the related-person transaction is in our best interests and whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances. In the event that a member of our Corporate Governance Committee is not disinterested with respect to the related-person transaction under review, that member may not participate in the review, approval or ratification of that related-person transaction. Approval of the disclosure of any related party transaction included in our financial statements or any other SEC filing is the responsibility of the Audit Committee.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

Refer to Part III, Item 17 for the Consolidated Financial Statements and Notes to the Consolidated Financial Statements

A. Consolidated Statements and Other Financial Information

Refer to Part III, Item 17 for the Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

Legal Proceedings

From time to time we are a party to various litigation matters incidental to the conduct and in the ordinary course of our business.

As publicly announced, in November 2013, the US Attorney's Office for the Southern District of New York applied for and secured the issuance of so-called John Doe Summonses to six US financial institutions with which the Bank had correspondent bank relationships in connection with a US cross border tax investigation. On August 3, 2021, the Bank announced it had reached a resolution with the United States Department of Justice concerning this inquiry. The resolution is in the form of a non-prosecution agreement with a three-year term. The non-prosecution agreement concluded in July 2024. The Bank paid \$5.6 million in respect of Forfeiture and Tax Restitution Amounts which is consistent with that previously provisioned for.

Dividend Policy

It is our intention to pay a quarterly dividend subject to the requisite approvals. There can be no assurance, however, that we will pay any dividend for any given period, and the declaration of dividends remains subject to the approval of our Board and receipt of a letter of no objection from the BMA.

Although we currently expect to pay dividends according to our dividend policy, we may elect not to pay dividends. Any declarations of dividends will be at the discretion of the Board and will be subject to the receipt of a letter of no objection from the BMA. Such dividends may be declared and paid by the Board only as permitted under applicable law. In determining the amount of any future dividends, the Board may take into account: (1) our financial results; (2) our available cash, as well as anticipated cash requirements (including debt servicing); (3) our capital requirements, including the capital requirements of our subsidiaries; (4) contractual, legal, tax and regulatory restrictions on, and implications of, the payment of dividends by us to our shareholders; (5) general economic and business conditions; (6) restrictions applicable to us and our subsidiaries under Bermuda and other applicable laws, regulations and policies, including the requirement to obtain a letter of no objection from the BMA for the payment of dividends on our common shares; and (7) any other factors that the Board may deem relevant. Therefore, there can be no assurance that we will declare or pay any dividends to holders of the common shares, or as to the amount of any such dividends. See Item 3.D "Risk Factors - Risks Relating to the Common Shares".

Our Historical Dividends

Since 2013 we have declared and paid dividends on a quarterly basis. For the year ended December 31, 2024, we declared four quarterly dividends of \$0.44 per quarter totaling \$1.76 for each common share held on record as of the applicable record dates.

The following table sets forth dividends paid per common share during the periods indicated.

	Year ended December 31		
	2024	2023	2022
(in \$, unless otherwise indicated)			
Period			
First Quarter	0.44	0.44	0.44
Second Quarter	0.44	0.44	0.44
Third Quarter	0.44	0.44	0.44
Fourth Quarter	0.44	0.44	0.44
Total dividends per common share	1.76	1.76	1.76
Total dividends per common share as a percentage of earnings per share (in %)	36.7 %	38.1 %	40.7 %

On February 10, 2025, the Board of Directors declared an interim dividend of \$0.44 per common share to be paid on March 10, 2025 to shareholders of record on February 24, 2025.

B. Significant Changes

Except as otherwise disclosed in this annual report, no significant change has occurred since December 31, 2024.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

The Bank's common shares trade on the New York Stock Exchange under the symbol "NTB" and on the Bermuda Stock Exchange ("BSX") under the symbol "NTB.BH".

B. Plan of Distribution

Not applicable.

C. Markets

The Bank's common shares began trading on the New York Stock Exchange under the symbol "NTB" on September 21, 2016 and on the Bermuda Stock Exchange under the symbol "NTB.BH" on February 2, 1971.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Incorporation

Information can be found in the following Exhibits:

- 1.1 Amended and Restated Bye-laws of The Bank of N.T. Butterfield & Son Limited
- 1.2 The N.T. Butterfield & Son Bank Act, 1904 (incorporated by reference to Exhibit 3.2 to the registrant's registration statement on Form F-1, filed on August 4, 2016)
- 2.2 Description of Securities

C. Material Contracts

We have not entered into any material contracts outside the ordinary course of business within the last two years.

D. Exchange Controls

Refer to Item 4.B. "Business Overview - Supervision and Regulation".

E. Taxation

Bermuda Tax Considerations

Under Bermuda law, there are currently no stamp or documentary taxes, duties or similar taxes in connection with a conveyance or transfer on sale, or a conveyance or transfer to effect or having the effect of a voluntary disposition inter vivos or any agreement for the lending and borrowing of the Bank's shares which are listed on the BSX or NYSE. We are not required by any Bermuda law or regulation to make any deductions or withholdings in Bermuda from any payment we may make in respect of the Bank's shares.

On December 27, 2023, Bermuda enacted the CIT Act 2023 ("CIT Act"), which provides for the taxation of in scope entities in respect of tax years beginning on or after January 1, 2025. The CIT Act was passed in response to the OECD Pillar Two initiative on global minimum tax, and largely mirrors the OECD's Global Anti-Base Erosion Model rules. The Bermuda CIT will be charged on corporate profits at 15%, for Bermuda resident entities which are part of a multinational group with consolidated annual revenue in excess of €750m for at least two of the last four fiscal years. As defined under the CIT Act, the Bank (and each of its Bermuda subsidiaries) is a Bermuda constituent entity of a multi-national group. Based on our consolidated financial statements for the years ended December 2024, 2023, 2022 and 2021, and applying the relevant average exchange rate for BMD to EUR, our consolidated annual revenues are less than the €750 million threshold. However, given our consolidated annual revenues are sensitive to interest and foreign exchange rates, to the extent raised interest rates persist for an extended period, we may, in the future, become subject to tax in Bermuda under the CIT Act.

Material US Federal Income Tax Consequences

This section describes the material US federal income tax consequences of owning and disposing of common shares of the Bank. It applies solely to US shareholders (as defined below) that hold shares as capital assets for US federal income tax purposes. This section does not describe the tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax or all the tax consequences that may apply to members of a special class of holders subject to special rules, including:

- a dealer in securities or foreign currencies;
- a regulated investment company;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a bank, an insurance company, or any other financial institution;
- a person that actually or constructively owns 10% or more, by vote or value, of the Bank;
- a person that holds the Bank's common shares as part of a straddle or a hedging, conversion, or other risk reduction transaction for US federal income tax purposes;
- a person that purchases or sells common shares as part of a wash sale for tax purposes;
- an entity classified as a partnership for US federal income tax purposes; or
- a person whose functional currency is not the US Dollar.

This section is based on the IRC of 1986, as amended, its legislative history, existing and proposed Treasury regulations, published rulings and court decisions, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis.

If an entity treated as a partnership for US federal income tax purposes holds common shares, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in an entity treated as a partnership for US federal income tax purposes holding common shares should consult its tax advisers with regard to the US federal income tax treatment of the ownership and disposition of the Bank's common shares.

Shareholders should consult their own tax advisers regarding the US federal, state, local and foreign and other tax consequences of owning and disposing of the Bank's common shares in their particular circumstances.

Special adverse US federal income tax rules apply if a US shareholder owns shares of a company that is or was treated as a PFIC for US federal income tax purposes for any taxable year during which the US shareholder held such shares. US shareholders should consult their own tax advisers as to the potential application of the PFIC rules to their ownership and disposition of the Bank's common shares.

US Shareholders

For the purposes of this discussion, a "US shareholder" is a beneficial owner of common shares that is:

- an individual that is a citizen or resident of the United States,
- a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States, any state therein or the District of Columbia,
- an estate whose income is subject to US federal income tax regardless of its source, or
- a trust if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorized to control all substantial decisions of the trust.

Passive Foreign Investment Company Considerations

Special adverse US federal income tax rules apply if a US shareholder holds shares of a company that is treated as a PFIC for any taxable year during which the US shareholder held such shares. This conclusion is a factual determination that is made annually and thus may be subject to change. A foreign corporation will be considered a PFIC with respect to a US shareholder for any taxable year if (i) at least 75% of its gross income for the taxable year is passive income, or (ii) at least 50% of the value, determined on the basis of a quarterly average, of its assets is attributable to assets that produce or are held for the production of passive income (the "asset test"). Passive income for this purpose generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% (by value) of the shares or stock of another corporation, the foreign corporation is treated, for purposes of the PFIC tests, as owning a proportionate share of the other corporation's assets and receiving its proportionate share of the other corporation's income.

Banks generally derive a substantial part of their income from assets that are interest bearing or that otherwise could be considered passive under the PFIC rules. The IRS has issued a notice, and has proposed regulations, that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank.

Based upon the proportion of our income derived from activities that are "bona fide" banking activities for US federal income tax purposes, we believe that we were not a PFIC for the taxable year ending December 31, 2024 (the latest period for which the determination can be made) and, based further on our present regulatory status under local laws, the present nature of our activities, and the present composition of our assets and sources of income, we do not expect to be a PFIC for the current year or any future years. However, PFIC status is a factual determination and there are uncertainties in the application of the relevant rules. Moreover, the IRS may issue guidance in the future with different requirements to be a qualified foreign bank, which we may not satisfy. Accordingly, there can be no assurances that we will not be a PFIC for any particular year. In addition, our current position that we are not a PFIC is based in part upon the value of our goodwill which is based on the market value for our shares. Accordingly, we could become a PFIC in the future if there is a substantial decline in the value of our shares.

If the Bank were a PFIC in any taxable year during which a US shareholder owns the Bank's common shares and the US shareholder does not make a "mark-to-market" election, as discussed below, or a special "purging" election, the Bank generally would continue to be treated as a PFIC with respect to such US shareholder in all succeeding taxable years, regardless of whether the Bank continues to meet the income or asset test discussed above. US shareholders are urged to consult their own tax advisers with respect to the tax consequences to them if the Bank were to become a PFIC for any taxable year in which they own the common shares.

If the Bank is a PFIC for any taxable year during which a US shareholder holds the common shares and the US shareholder does not make a mark-to-market election, as described below, the US shareholder will be subject to special rules with respect to:

- any gain realized on the sale or other disposition of its common shares; and
- any "excess distribution" that the Bank makes to the US shareholder (generally, any distributions to the US shareholder during a single taxable year that are greater than 125% of the average annual distributions received by the US shareholder in respect of its common shares during the three preceding taxable years or, if shorter, the portion of the US shareholder's holding period for the common shares that preceded the current taxable year).

Under these rules:

- the gain or excess distribution will be allocated ratably over the US shareholder's holding period for the common shares;
- the amount allocated to the taxable year in which the US shareholder realized the gain or excess distribution and to years before the Bank became a PFIC will be taxed as ordinary income; and
- the amount allocated to each other taxable year, with certain exceptions, will be subject to additional tax calculated by multiplying the amount allocated to such other taxable year by the highest tax rate in effect for that taxable year for individuals or corporations, as appropriate, and the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Alternatively, if a US shareholder owns shares in a PFIC that are treated as "marketable stock," the US shareholder may make a mark-to-market election. The common shares will be treated as marketable stock if they are regularly traded on a "qualified exchange." For these purposes, the common shares will be considered regularly traded during any calendar year during which it is traded, other than in negligible quantities, on a qualified exchange, which includes the NYSE, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded.

A US shareholder that makes a mark-to-market election will not be subject to the PFIC rules described above. Instead, the US shareholder will include as ordinary income each year that the Bank is a PFIC the excess, if any, of the fair market value of its common shares at the end of the taxable year over its adjusted basis in the common shares. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains discussed above. The US shareholder will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of its common shares over their fair market value at the end of the taxable year that the Bank is a PFIC (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). The US shareholder's basis in its common shares will be adjusted to reflect any such income or loss amounts recognized. Any gain recognized on the sale or other disposition of the common shares in a taxable year when the Bank is a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). Distributions paid on the common shares will be treated as discussed below under "- Taxation of Dividends".

A mark-to-market election will continue to be in effect for all taxable years in which the Bank is a PFIC and the common shares are treated as marketable stock, and may not be revoked without the consent of the IRS. If the US shareholder makes a mark-to-market election with respect to its common shares, it will be treated as having a new holding period in its common shares beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies. The application of the mark-to-market rules to an investment in a PFIC with a subsidiary that is also a PFIC is not entirely clear; however, there is a significant risk that some or all of such an investment will be subject to the special rules described above that apply if a mark-to-market election is not made, even if a mark-to-market election is made with respect to the parent PFIC. In the event that the Bank is a PFIC, US shareholders are urged to consult their tax advisers regarding the availability of the mark-to-market election, and whether the election would be advisable in the holder's particular circumstances.

The PFIC rules outlined above would also not apply to a US shareholder if such holder were to elect to treat us as a QEF. An election to treat us as a QEF will not be available, however, if the Bank does not provide the information necessary to make such an election. The Bank will not provide US shareholders with the information necessary to make a QEF election, and thus, the QEF election will not be available with respect to the common shares.

Notwithstanding any election made with respect to the common shares, dividends received with respect to the common shares will not constitute "qualified dividend income" if we are a PFIC (or are treated as a PFIC with respect to the relevant US shareholder) in either the taxable year of the distribution or the preceding taxable year. Dividends that do not constitute qualified dividend income are not eligible for taxation at the reduced tax rate available to certain non-corporate holders described below in "Taxation of Dividends". Instead, such dividends would be subject to tax at ordinary income rates.

If a US shareholder owns common shares during any taxable year in which we are a PFIC, the US shareholder generally must file annual tax returns (including on Form 8621), for each taxable year that the US shareholder owns the common shares, unless its ownership satisfies a *de minimis* test.

Taxation of Dividends

Subject to the preceding discussion under the heading "— Passive Foreign Investment Company Considerations" above, a US shareholder must include in its gross income as dividends the gross amount of any distribution paid by the Bank to the extent that it is paid out of the Bank's current or accumulated earnings and profits as determined for US federal income tax purposes. Distributions in excess of current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the US shareholder's basis in the common shares of the Bank, causing a reduction in the US shareholder's adjusted basis in such common shares, and thereafter as a capital gain. Because the Bank does not maintain calculations of its earnings and profits under US federal income tax principles, it is expected that distributions generally will be reported to US shareholders as dividends.

Dividends paid to certain non-corporate US shareholders by a "qualified foreign corporation" that constitute qualified dividend income are taxable to the shareholder at the preferential rates applicable to long-term capital gains provided that the shareholder holds the shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. For this purpose, common shares of the Bank will be treated as stock of a "qualified foreign corporation" if the Bank was not a PFIC for the taxable year in which the dividend was paid, or the preceding taxable year and if such common shares are listed on an established securities market in the United States, such as the NYSE. The common shares of the Bank are listed on the NYSE. Accordingly, subject to the preceding discussion under the heading "— Passive Foreign Investment Company Considerations", dividends the Bank pays with respect to the common shares will constitute qualified dividend income, assuming the holding period requirements are met.

The dividend will not be eligible for the dividends-received deduction allowed to US corporations in respect of dividends received from other US corporations.

Dividends generally will be treated as foreign source income for US foreign tax credit purposes. Under Section 904(h) of the IRC, however, dividends paid by a foreign corporation that is treated as 50% or more owned, by vote or value, by US persons for US federal income tax purposes may be treated as US source income (rather than foreign source income) for foreign tax credit purposes, to the extent the foreign corporation earns US source income. In general, therefore, the application of Section 904(h) of the IRC may adversely affect a US shareholder's ability to use foreign tax credits. As a result of the listing of the common shares of the Bank on the NYSE, the Bank may be treated as 50% or more owned by US persons for purposes of Section 904(h) of the IRC. US shareholders are strongly urged to consult their own tax advisers regarding the possible impact if Section 904(h) of the IRC should apply.

Taxation of Capital Gains

Subject to the preceding discussion under the heading "— Passive Foreign Investment Company Considerations", a US shareholder that sells or otherwise disposes of common shares of the Bank will recognize a capital gain or loss for US federal income tax purposes equal to the difference between the amount that the US shareholder realizes and the US shareholder's tax basis in those common shares. The capital gain of a non-corporate US shareholder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will be US source income or loss for foreign tax credit limitation purposes. The deduction of capital losses is subject to limitations.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

As an FPI, we are also exempt from the requirements of Regulation FD (Fair Disclosure) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. We are, however, still subject to the anti-fraud and anti-manipulation rules of the SEC, such as Rule 10b-5 under the Securities Act. Since many of the disclosure obligations required of us as an FPI are different than those required by other United States domestic reporting companies, the Bank's shareholders, potential shareholders and the investing public in general should not expect to receive information about us in the same amount, and at the same time, as information is received from, or provided by, other United States domestic reporting companies. We are liable for violations of the rules and regulations of the SEC which do apply to us as an FPI, see "Implications of Being a Foreign Private Issuer".

The SEC maintains an internet site at <https://www.sec.gov> that contains reports and other information regarding issuers that file electronically with the SEC. These SEC filings are also available to the public from commercial document retrieval services.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

The Bank is not required to provide an annual report to security holders in response to the requirements of Form 6-K.

K. Shareholder Information & Directory

DIRECTORS' AND EXECUTIVE OFFICERS' SHARE INTERESTS AND DIRECTORS' SERVICE CONTRACTS

In accordance with Regulation 6.8(3) of Section IIA of the Bermuda Stock Exchange Listing Regulations, the total interests in common shares of the Bank held by all Directors and Executive Officers as listed in Item 6.A. "Directors and Senior Management" are noted in Item 7.A. "Major Shareholders". For information on equity compensation for Directors and Executive Officers, please see Item 6.B. "Compensation".

Save for those arrangements described in Note 26 to the Bank's December 31, 2024 consolidated financial statements, there are no contracts of significance subsisting during or at the end of the financial year ended December 31, 2024 in which a Director of the Bank is or was materially interested, either directly or indirectly.

WRITTEN NOTICE OF SHARE REPURCHASE PROGRAM — BSX REGULATION 6.38

On December 9, 2024, the Board approved, with effect from January 1, 2025 through to December 31, 2025, a common share repurchase program, authorizing the purchase for treasury of up to 2.7 million common shares.

The repurchase of shares pursuant to the repurchase program was confirmed by way of non-objection from the Bermuda Monetary Authority. The timing and amount of repurchase transactions will be based on market conditions, share price, legal requirements and other factors. No assurances can be given as to the amount of common shares that may actually be repurchased.

Under the Bank's share repurchase programs, the total shares acquired or purchased for cancellation during the year ended December 31, 2024 amounted to 4,490,940 common shares to be held as treasury shares or cancelled.

From time to time, the Bank's associates, insiders and insiders' associates as defined by the BSX regulations may sell shares, which may result in such shares being repurchased pursuant to the program, but under BSX regulations, such trades must not be pre-arranged and all repurchases must be made in the open market. Prices paid by the Bank must not, according to BSX regulations, be higher than the last independent trade for a "round lot" defined as 100 shares or more.

The Bank will advise the BSX monthly of the number of shares repurchased by the Bank.

LARGE SHAREHOLDERS

See Item 7.A. "Major Shareholders" for a listing of registered holders of 5% or more of the issued share capital as at February 10, 2025.

EXCHANGE LISTING

The Bank's shares are listed on the following stock exchanges:

BERMUDA STOCK EXCHANGE

110 Pitts Bay Road
4th Floor
Pembroke, HM 08
Bermuda Tel: (441) 292 7212
Fax: (441) 292 7619
www.bsx.com

NEW YORK STOCK EXCHANGE

11 Wall Street
New York, NY 10005
United States of America
Tel: (212) 656 3000
www.nyse.com

SHARE DEALING SERVICE

Butterfield Securities (Bermuda) Limited
65 Front Street
Hamilton, HM 12
Bermuda
Tel: (441) 299 3972
Fax: (441) 292 9947
E-mail: info@butterfieldgroup.com

REGISTRAR AND TRANSFER AGENT

For Bermuda-registered securities:
(Effective February 1, 2025)
Artex Fund Services Ltd.
3rd Floor, Wessex House
45 Reid Street
Hamilton, HM 12
Bermuda
Tel: (441) 295 8478
E-mail: investorservices@artexrisk.com

For US-registered securities:

Computershare
462 South 4th Street
Suite 1600
Louisville, KY 40202
United States of America
Tel: (800) 736 3001
(781) 575 3100

MEDIA RELATIONS / PUBLICATION REQUESTS

Nicky Stevens
Group Strategic Marketing & External Communications
Tel: (441) 299 1624
E-mail: nicky.stevens@butterfieldgroup.com

INVESTOR RELATIONS

Noah Fields
Head of Investor Relations
Tel: (441) 299 3816
E-mail: noah.fields@butterfieldgroup.com

DIRECTORY

PRINCIPAL OFFICES & SUBSIDIARIES

This list does not include all companies in the Group.

The Bank of N.T. Butterfield & Son Limited

Group Parent Company, Community Banking, Corporate Banking, Private Banking, Credit and Treasury Services, Custody

Head Office

65 Front Street
Hamilton, HM 12
Bermuda

Tel: (441) 295 1111

Fax: (441) 292 4365

E-mail: info@butterfieldgroup.com

Mailing Address:

P.O. Box HM 195
Hamilton, HM AX
Bermuda

BERMUDA

Managing Director: Jody Feldman

Butterfield Asset Management Limited

Asset Management

Head Asset Management, Bermuda:

Jeffrey Abbott
65 Front Street
Hamilton, HM 12
Bermuda

Tel: (441) 299 3817

Fax: (441) 292 9947

E-mail: info@butterfieldgroup.com

Butterfield Securities (Bermuda) Limited

Brokerage Services

65 Front Street
Hamilton, HM 12
Bermuda

Tel: (441) 299 3972

Fax: (441) 292 9947

E-mail: info@butterfieldgroup.com

Bermuda Trust Company Limited Butterfield

Trust (Bermuda) Limited Grosvenor Trust

Company Limited

Trust and Fiduciary Services

Managing Director: John Richmond

Rosebank Centre
11 Bermudiana Road
Hamilton, HM 08 Bermuda

Tel: (441) 299 3980

Fax: (441) 292 1258

E-mail: info@butterfieldgroup.com

THE BAHAMAS

Butterfield Trust (Bahamas) Limited

Trust and Fiduciary Services

Managing Director: Craig Barley
3rd Floor, Montague Sterling Centre
East Bay Street
P.O. Box N-3242
Nassau, N.P.

The Bahamas

Tel: (242) 393 8622

Fax: (242) 393 3772

E-mail: bahamas@butterfieldgroup.com

CAYMAN ISLANDS

Butterfield Bank (Cayman) Limited

Community Banking, Corporate Banking, Private Banking, Asset Management, Credit and Treasury Services, Custody

Managing Director: Michael McWatt

Butterfield Place
12 Albert Panton Street
P.O. Box 705

Grand Cayman KY1-1107

Cayman Islands

Tel: (345) 949 7055

Fax: (345) 949 7004

E-mail: info.cayman@butterfieldgroup.com

Butterfield Trust (Cayman) Limited

Trust and Fiduciary Services

Managing Director: Andrew Leggatt

68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107

Cayman Islands

Tel: (345) 949 7055

Fax: (345) 949 7004

E-mail: trust.cayman@butterfieldgroup.com

GUERNSEY

Butterfield Bank (Guernsey) Limited

Community Banking, Corporate and Intermediary Banking, Private Banking, Credit and Treasury Services, Custody

Managing Director: Richard Saunders

Martello Court
Admiral Park
P.O. Box 253

St. Peter Port

Guernsey GY1 3QJ

Channel Islands

Tel: (44) 1481 711 521

Fax: (44) 1481 714 533

E-mail: guernsey@butterfieldgroup.com

Butterfield Trust (Guernsey) Limited

Trust and Fiduciary Services

Managing Director: Mandy Langmead

P.O. Box 25
Regency Court
Gategny Esplanade

St Peter Port

Guernsey GY1 3AP

Channel Islands

Tel: (44) 1481 711 521

Fax: (44) 1481 728 665

E-mail: guernsey@butterfieldgroup.com

JERSEY

Butterfield Bank (Guernsey) Limited, Jersey Branch

Community Banking, Corporate and Intermediary Banking, Private Banking, Credit and Treasury Services, Custody

Branch Manager: Michelle Le Blond

P.O. Box 250

IFC6

IFC Jersey

St. Helier

Jersey JE4 5PU

Channel Islands

Tel: (44) 1534 843 333

Fax: (44) 1534 843 334

E-mail: jersey@butterfieldgroup.com

SINGAPORE

Butterfield Trust (Asia) Limited

Trust and Fiduciary Services

Managing Director: Mark Florance

#14 02-04

6 Battery Road

Singapore 049909

Tel: (65) 6916 3636

E-mail: singapore@butterfieldgroup.com

SWITZERLAND

Butterfield Trust (Switzerland) Limited

Trust and Fiduciary Services

Managing Director: Phil Lenz

Boulevard des Tranchées 16

1206 Geneva

Switzerland

Tel: (41) 22 839 0000

Fax: (41) 22 839 0099

E-mail: switzerland@butterfieldgroup.com

UNITED KINGDOM

Butterfield Mortgages Limited

UK Residential Property Lending

Chief Executive Officer: Alpa Bhakta

Sun Court 6

6-67 Cornhill

London EC3V 3NB

United Kingdom

Tel: (44) 020 3871 6900

Fax: (44) 020 3871 6901

E-mail: ukmortgages@butterfieldgroup.com

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to Risk Management discussion in Item 5.A. "Operating Results".

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDENDS ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, Butterfield carried out an evaluation, under the supervision and with the participation of Butterfield's management, including our Chairman & Chief Executive Officer and Group Chief Financial Officer, of the effectiveness of the design and operation of Butterfield's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), to ensure that information required to be disclosed by Butterfield in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Butterfield's management, including its Chairman & Chief Executive Officer and Group Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. Based upon that evaluation, Butterfield's Chairman & Chief Executive Officer and Group Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective, in all material respects, as of the end of the period covered by this report.

Reports Regarding Internal Controls

Management's Annual Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm are included on pages F-2 and F-3, respectively.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Refer to Item 6.A. "Directors and Senior Management".

ITEM 16B. CODE OF ETHICS

Code of Conduct and Ethics and Whistleblower Policy

The Board has adopted a Group Code of Conduct and Ethics (the "Code") based upon recommended principles of corporate governance. The Code sets out the guidelines and procedures for establishing a high standard of ethical conduct, accountability and transparency to which all of our employees are expected to comply and which are consistent with our high standards of ethics and core values. The Board, in conjunction with the Corporate Governance Committee, is responsible for administering the Code. The Code is available on our website at www.butterfieldgroup.com.

The Board has adopted a Whistleblower Policy which augments the Code. The policy is designed to serve as a tool to assist employees who believe they have or may have discovered illegal, unethical, or questionable practices to communicate their concerns confidentially and without fear of reprisals. It is also designed to protect the integrity of the Bank's financial reporting and its business dealings.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth for the fiscal years indicated the fees charged by our principal accountant and its associated entities for various services provided during those periods:

In millions of \$	Fiscal Year Ended		Description of Service
	December 31, 2024	December 31, 2023	
Audit services	5.5	5.4	(1)
Audit-related services	0.3	0.2	(1)
Other services	0.1	0.1	(2)
Total	5.9	5.7	

(1) Professional services rendered for the audit and review of the consolidated financial statements of The Bank of N.T. Butterfield & Son Limited and statutory audits of the financial statements of The Bank of N.T. Butterfield & Son Limited and its subsidiaries, compliance with local regulations, review of documents filed with the BMA and the SEC (including services provided by independent experts to the audit firms in connection with the audit).

(2) The non-audit services required during the years disclosed above were subject to the Audit Committee's pre-approval process pursuant to paragraph (c) (7)(i)(C) of Rule 2-01 of Regulation S-X.

Pre-approval Procedures

To help ensure PwC's independence, all services provided by PwC have to be pre-approved by the Audit Committee. A pre-approval may be granted either for a specific mandate or in the form of a blanket pre-approval authorizing a limited and well-defined type and amount of services. The Audit Committee reviews and approves a list of blanket pre-approvals annually.

The Audit Committee has delegated pre-approval authority to its Chairman up to a maximum of \$500,000 for any engagement, and the Group Chief Financial Officer submits all proposals for services by PwC to the Chairman of the Audit Committee, unless there is a blanket pre-approval in place. The Audit Committee is informed of the approvals granted by its Chairman on a quarterly basis.

ITEM 16D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASES

The below details purchases made by or on behalf of the issuer or any "affiliated purchaser," as defined in §240.10b-18(a)(3), of shares or other units of any class of the issuer's equity securities that are registered by the issuer pursuant to section 12 of the Exchange Act (15 U.S.C. 78l) during the year ended December 31, 2024.

From time to time, the Bank, may seek to repurchase and retire equity securities of the Bank, through cash purchase, privately negotiated transactions, or otherwise. Such transactions, if any, depend on prevailing market conditions, our liquidity and capital requirements, contractual restrictions, and other factors. The amounts involved may be material.

On February 14, 2022, the Board approved a new common share repurchase program, authorizing the purchase of up to 2.0 million common shares through to February 28, 2023.

On February 13, 2023, the Board approved a new common share repurchase program, authorizing the purchase of up to 3.0 million common shares through to February 29, 2024.

On December 5, 2023, the Board approved a new common share repurchase program, authorizing the purchase of up to 3.5 million common shares through to December 31, 2024.

On July 22, 2024, the Board approved a new common share repurchase program, authorizing the purchase of up to 2.1 million common shares through to December 31, 2024.

On December 9, 2024, the Board approved a new common share repurchase program, authorizing the purchase of up to 2.7 million common shares through to December 31, 2025.

In the year ended December 31, 2024, the Bank retired 4,490,940 shares which were previously held as treasury shares as a result of these repurchases.

The following table summarizes our repurchases of our common shares during the year ended December 31, 2024.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of a publicly announced program	Maximum number of shares that may yet be purchased under the program
January 1, 2024				3,360,072
January 1 to 31, 2024	418,208	30.98	418,208	2,941,864
February 1 to 29, 2024	399,269	29.87	817,477	2,542,595
March 1 to 31, 2024	338,313	30.22	1,155,790	2,204,282
April 1 to 30, 2024	438,390	31.87	1,594,180	1,765,892
May 1 to 31, 2024	404,066	35.04	1,998,246	1,361,826
June 1 to 30, 2024	237,074	33.65	2,235,320	1,124,752
July 1 to 31, 2024	320,088	37.52	2,555,408	804,664
August 1 to 7, 2024	62,207	35.16	2,617,615	742,457
August 8, 2024				2,100,000
August 8 to 31, 2024	288,903	36.36	288,903	1,811,097
September 1 to 30, 2024	322,005	37.33	610,908	1,489,092
October 1 to 31, 2024	432,876	37.31	1,043,784	1,056,216
November 1 to 30, 2024	339,014	37.81	1,382,798	717,202
December 1 to 31, 2024	490,527	37.24	1,873,325	226,675

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

The listing rules of the NYSE include certain accommodations with respect to corporate governance requirements that allow FPIs, such as us, to follow "home country" corporate governance practices in lieu of otherwise applicable NYSE corporate governance standards for listed US companies. However, FPIs are required to have an audit committee that satisfies certain of the NYSE standards, including the requirements of the SEC's Rule 10A-3. Our Audit Committee satisfies such requirements. The NYSE also requires an FPI to provide certain written affirmations and notices to the NYSE.

SEC rules require FPIs to disclose the significant ways in which their corporate governance practices differ from NYSE listing standards. A description of how our corporate governance practices compare to NYSE listing standards is set forth below:

- *A Majority of Independent Directors.* The NYSE requires the majority of the board of directors of a listed US company to be independent directors pursuant to applicable NYSE standards. As required by our Corporate Governance Guidelines, a majority of our Board is independent according to the NYSE's standards.
- *A Nominating/Corporate Governance Committee.* The NYSE requires a listed US company to have a nominating/corporate governance committee consisting of independent directors as well as a written charter specifying the purpose and responsibilities of the committee. We currently have a Corporate Governance Committee, and the composition of this committee and its written charter are determined pursuant to the NYSE standards. A copy of the charter is available on our website at www.butterfieldgroup.com.
- *A Compensation Committee.* The NYSE requires a listed US company to have a compensation committee consisting of independent directors that also meet additional independence requirements as set forth in the NYSE rules as well as a committee charter specifying the purpose and responsibilities of the committee. We currently have a Compensation & Human Resources Committee, and the composition of this committee and its written charter are determined pursuant to the NYSE standards. A copy of the charter is available on our website at www.butterfieldgroup.com.
- *Executive Sessions.* The NYSE requires that non-management directors meet regularly in executive sessions without management. The NYSE also requires that all independent directors meet in an executive session at least once a year. Our non-management directors meet regularly in executive sessions without management present. In 2024, the Board held five executive sessions with only our independent directors present.
- *Company Policies.* The NYSE requires a listed US company to adopt and disclose a code of business conduct and corporate governance guidelines that address certain governance standards. As noted above, the Board has adopted the Code. In addition, the Board has adopted Corporate Governance Guidelines that address Board composition and qualifications, director responsibilities, director access to management, director orientation and continuing education, succession planning and management development and Board assessments. The Code and the Corporate Governance Guidelines are available on our website at www.butterfieldgroup.com.
- *Shareholder Approval of Equity Compensation Plans.* The NYSE requires a listed US company to receive shareholder approval of any equity compensation plans. The Bank does not submit its equity compensation plans to shareholders for approval.

We believe that our established corporate governance practice satisfies the NYSE listing standards applicable to FPIs. If at any time we cease to be a "foreign private issuer" under the rules of the NYSE and no other exemptions apply, or if we otherwise so elect, the Board will take any additional actions necessary to comply with NYSE corporate governance rules applicable to listed US companies, subject to a permitted "phase-in" period.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

The Bank is committed to promoting standards of ethical business conduct and compliance with applicable laws, rules and regulations. As part of this commitment, the Bank has adopted a Group Insider Trading Policy governing the purchase, sale, and/or other dispositions of the Bank's securities by persons designated by management as likely to be in possession of material non-public information (directors, officers, designated employees and designated contractors and close family members of such persons ("Covered Persons")) as well as the Bank itself. We believe this policy is reasonably designed to promote compliance with insider trading laws, rules and regulations, and the exchange listing standards applicable to the Bank. In order to ensure that the Group Insider Trading Policy remains fit for purpose this policy is presented to the Bank's Corporate Governance Committee for annual review and recommendation to the Board for approval. A copy of our Group Insider Trading Policy is filed as Exhibit 11 to this annual report and is published on the Bank's website.

ITEM 16K. CYBERSECURITY

The Bank recognizes the importance of assessing, identifying, and managing material risks associated with cybersecurity threats to safeguard our organization, its assets and the sensitive data entrusted to us. We define cybersecurity risks as risks resulting from the failure of, or insufficiency in, information technology (for example a system outage) or intentional or accidental unauthorized access, disclosure, removal, tampering or disposal of company and customer data and records

The Bank maintains a cyber risk management framework which forms part of our overall enterprise risk management framework as described above and has adopted a conservative risk posture. This means we have developed processes and controls that are designed to be defensive and focus on detection and prevention as we seek to mitigate against the likelihood of circumstances or events which may occur causing an impact on the confidentiality, integrity or availability of our information assets. This includes regular training to help employees recognize information and cybersecurity concerns and respond accordingly, measures to ensure data security (cryptography and encryption, database security, data erasure, and media disposal, etc.) and regular data backups and restoration processes.

Our crisis response structure consists of frameworks, policies and handbooks that work together to manage cybersecurity risks. This structure is intended to coordinate the activities we take to prepare for, detect, respond to and recover from cybersecurity incidents. This includes processes to triage, assess severity of, escalate, contain, investigate, and remediate the incident, as well as to comply with potentially applicable legal obligations and mitigate brand and reputational damage. The program is regularly reviewed and updated by the CISO through the Group Risk and Compliance Committee to address emerging threats and industry best practices.

As part of our cybersecurity program, our enterprise risk professionals collaborate with third-party subject matter specialists as necessary to gather insights for identifying and assessing material cybersecurity risks, their severity, and potential mitigations, as well as identifying areas for continued focus, improvement and/or compliance. We employ a range of tools and services, including regular network and endpoint monitoring, vulnerability assessments, penetration testing, and tabletop exercises to inform our professionals' risk identification and assessment. We also have a cybersecurity-specific risk assessment process in place, which helps identify our cybersecurity risks by comparing our processes to standards set by the National Institute of Standards and Technology and the Center for Internet Security, as well as by engaging experts to attempt to infiltrate our information systems. As part of this process, we regularly have third-party experts review our cybersecurity program, which evaluates our preparedness to respond to crisis-level events, including cybersecurity incidents. The Bank also maintains a third-party risk management program responsible for the oversight of outsourced operations, which enables us to oversee and identify risks related to engaging third-party service providers, including risks from cybersecurity threats to these providers. Management conducts due diligence using a risk-based approach in selecting and monitoring third-party service providers. The Bank obtains contractual assurances from third-party service providers relating to their security responsibilities, controls, reporting, and roles and responsibilities as it pertains to cybersecurity incident response policies and notification requirements. The Bank obtains independent reviews of the third parties' security through audit reports and testing and conducts verification and validation with third parties to confirm cybersecurity and information security risks are appropriately identified, measured, mitigated, monitored, and reported by the third party to us.

We have experienced, and will continue to experience, cyber incidents in the normal course of our business. These cyberattacks are often intended to disrupt the operations of financial institutions or obtain confidential, proprietary, or other information or assets of the Bank, our customers, employees, or other third parties with whom we transact. Failures or disruptions to these systems, including cloud-based services, or infrastructure from cyberattacks or other events may impede our ability to conduct business and operations and may result in business, reputational, financial, regulatory, or other harm. To date, prior cybersecurity incidents have not had a material adverse effect on our business, financial condition, results of operations, or cash flows. See Item 3.D. "Risk Factors - Cyber-attacks, distributed denial of service attacks and other cybersecurity matters, if successful, could have an adverse effect on our business, financial condition or results of operations" and Item 6.A. "Risk Management - Operational Risk".

Governance

The Risk Policy and Compliance Committee of the Board of Directors oversees Butterfield's cybersecurity risk exposures and the steps taken by management to monitor and mitigate cybersecurity risks. The committee is supported in the execution of its mandate by management's Group Risk and Compliance Committee. The cybersecurity team briefs the Risk Policy and Compliance Committee on the effectiveness of the Bank's cyber risk management program, typically on a quarterly basis. In addition, the Board of Directors reviews the Bank's cybersecurity risks, at least annually, as part of the Company's corporate risk mapping exercise, and evaluates whether management has reasonable risk management and control processes in place to address those risks.

The Bank's CISO is the head of the Bank's cybersecurity team and reports directly to the President and Group Chief Risk Officer. The CISO is responsible for assessing and managing our cyber risk management program, informing senior management regarding the prevention, detection, mitigation, and remediation of cybersecurity incidents and supervising such efforts. The CISO has more than 20 years' experience in the field of information technology, cyber security and adjacent roles and is supported by a cybersecurity team that has decades of experience in selecting, deploying, and operating cybersecurity technologies, initiatives, and processes. The CISO reports regularly on the Bank's cybersecurity program to the President & Group Chief Risk Officer as well as the Group Head of Compliance and Operational Risk, and presents information quarterly to the Group Risk and Compliance Committee.

PART III

ITEM 17. FINANCIAL STATEMENTS

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Management's Annual Report on Internal Control over Financial Reporting

Management of The Bank of N.T. Butterfield & Son Limited ("Butterfield" or the "Bank") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Bank's principal executive and principal financial officers, or persons performing similar functions, and effected by Butterfield's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Butterfield's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Bank's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of Butterfield's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management has completed an assessment of the effectiveness of Butterfield's internal control over financial reporting as at December 31, 2024. In making the assessment, management used the "Internal Control - Integrated Framework (2013)" promulgated by the Committee of Sponsoring Organizations of the Treadway Commission.

Based upon the assessment performed, management concluded that as at December 31, 2024, Butterfield's internal control over financial reporting was effective. There have been no changes in Butterfield's internal control over financial reporting that occurred during the period covered by this report which have materially affected or are reasonably likely to materially affect Butterfield's internal control over financial reporting.

The Bank's internal control over financial reporting as at December 31, 2024, has been audited by PricewaterhouseCoopers Ltd., an independent registered public accounting firm, as stated in their report on page F-3 of this annual report.

/s/ Michael Collins

Michael Collins

Chairman & Chief Executive Officer

/s/ Craig Bridgewater

Craig Bridgewater

Group Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
The Bank of N.T. Butterfield & Son Limited

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Bank of N.T. Butterfield & Son Limited and its subsidiaries (the “Company”) as of December 31, 2024 and 2023, and the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2024, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses for Loans

As described in Notes 2 and 6 to the consolidated financial statements, management's measurement of the allowance for credit losses for the Company's loans takes into account historical loss information and is primarily based on the product of probability of default, loss given default and exposure at default (the "measurement approach"). At December 31, 2024, the allowance for credit losses for loans was \$25.7 million on total loans of \$4.5 billion. Management estimates the allowance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts, as well as the Company's internal risk rating framework. Historical credit loss experience provides the basis for the estimation of expected credit losses. Management makes adjustments to historical loss information for differences in the current-loan specific risk characteristics such as changes in underwriting practices, vintage, portfolio mix, delinquency level, term, as well as changes in environmental conditions, such as changes in macroeconomic factors and collateral values. The allowance for credit losses for loans is measured on a collective pool basis when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis.

The principal consideration for our determination that performing procedures relating to the allowance for credit losses for loans is a critical audit matter is the high degree of auditor effort in performing procedures in evaluating management's estimate of the allowance for credit losses for loans.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's measurement approach for the allowance for credit losses for loans, including controls over i) management's consideration of the appropriateness of the measurement approach and models used, including model validation; ii) the completeness and accuracy of significant data used in the models; and iii) management's determination and selection of significant assumptions used in the models. These procedures also included, among others i) testing management's process for determining the allowance for credit losses for loans ii) evaluating the appropriateness of management's measurement approach and models; iii) testing the completeness, accuracy, relevance and reliability of the underlying data used in the models; and iii) evaluating the reasonableness of management's significant assumptions, including probability of default and loss given default assumptions, used in the models.

/s/PricewaterhouseCoopers Ltd.
Hamilton, Bermuda
February 19, 2025

We have served as the Company's auditor since 1961.

The Bank of N.T. Butterfield & Son Limited
Consolidated Balance Sheets
(In thousands of US dollars, except share and per share data)

	As at	
	December 31, 2024	December 31, 2023
Assets		
Cash and demand deposits with banks - Non-interest bearing	93,145	91,826
Demand deposits with banks - Interest bearing	165,741	151,104
Cash equivalents - Interest bearing	1,739,226	1,403,718
Cash and cash equivalents	1,998,112	1,646,648
Securities purchased under agreements to resell	1,205,373	187,274
Short-term investments	580,026	1,038,037
Investment in securities		
Available-for-sale at fair value (including assets pledged that secured parties are permitted to sell or repledge: \$93,468 (2023: nil) (amortized cost: \$2,435,752 (2023: \$1,995,050))	2,272,486	1,831,129
Held-to-maturity (fair value: \$2,671,040 (2023: \$2,976,709))	3,240,290	3,461,097
Total investment in securities	5,512,776	5,292,226
Loans		
Loans	4,499,300	4,771,608
Allowance for credit losses	(25,709)	(25,759)
Loans, net of allowance for credit losses	4,473,591	4,745,849
Premises, equipment and computer software, net	153,782	154,362
Goodwill	23,617	24,107
Other intangible assets, net	65,992	74,800
Equity method investments	6,594	7,063
Other real estate owned, net	—	450
Accrued interest and other assets	211,533	203,204
Total assets	14,231,396	13,374,020
Liabilities		
Deposits		
Non-interest bearing	2,687,877	2,656,659
Interest bearing	10,058,032	9,330,049
Total deposits	12,745,909	11,986,708
Securities sold under agreements to repurchase	92,562	—
Employee benefit plans	83,589	88,694
Accrued interest and other liabilities	189,799	196,531
Total other liabilities	365,950	285,225
Long-term debt	98,725	98,490
Total liabilities	13,210,584	12,370,423
Commitments, contingencies and guarantees (Note 12)		
Shareholders' equity		
Common share capital (BMD 0.01 par; authorized voting ordinary shares 2,000,000,000 and non-voting ordinary shares 6,000,000,000) issued and outstanding: 43,537,979 (2023: 47,529,045)	435	475
Additional paid-in capital	916,394	988,904
Retained earnings	422,461	342,520
Less: treasury common shares, at cost: 619,212 (2023: 619,212)	(23,063)	(18,104)
Accumulated other comprehensive income (loss)	(295,415)	(310,198)
Total shareholders' equity	1,020,812	1,003,597
Total liabilities and shareholders' equity	14,231,396	13,374,020

The accompanying notes are an integral part of these consolidated financial statements.

/s/ Michael Collins

Michael Collins

Chairman of the Board

The Bank of N.T. Butterfield & Son Limited
Consolidated Statements of Operations
(In thousands of US dollars, except per share data)

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Non-interest income			
Asset management	36,329	32,468	29,727
Banking	63,682	58,818	57,120
Foreign exchange revenue	51,248	46,132	47,831
Trust	61,329	57,768	52,312
Custody and other administration services	13,815	13,319	13,626
Other non-interest income	3,612	3,831	5,971
Total non-interest income	230,015	212,336	206,587
Interest income			
Interest and fees on loans	304,112	317,361	249,390
Investments (none of the investment securities are intrinsically tax-exempt)			
Available-for-sale	48,892	35,589	38,939
Held-to-maturity	75,638	80,533	76,853
Cash and cash equivalents, securities purchased under agreements to resell and short-term investments	157,075	112,147	33,201
Total interest income	585,717	545,630	398,383
Interest expense			
Deposits	227,001	170,504	45,176
Long-term debt	5,485	8,091	9,601
Securities sold under agreements to repurchase	2,028	75	22
Total interest expense	234,514	178,670	54,799
Net interest income before provision for credit losses	351,203	366,960	343,584
Provision for credit (losses) recoveries	(1,662)	(4,452)	(2,396)
Net interest income after provision for credit losses	349,541	362,508	341,188
Net gains (losses) on equity securities	—	43	14
Net realized gains (losses) on available-for-sale investments	—	(14)	(19)
Net gains (losses) on other real estate owned	50	(40)	448
Net other gains (losses)	327	3,764	1,079
Total other gains (losses)	377	3,753	1,522
Total net revenue	579,933	578,597	549,297
Non-interest expense			
Salaries and other employee benefits	174,024	177,939	166,189
Technology and communications	66,057	61,979	56,740
Professional and outside services	22,694	21,056	19,640
Property	34,081	31,374	31,442
Indirect taxes	22,672	21,457	21,982
Non-service employee benefits expense	3,929	5,590	3,775
Marketing	6,530	6,456	6,357
Amortization of intangible assets	8,006	5,728	5,680
Other expenses	21,093	20,759	19,790
Total non-interest expense	359,086	352,338	331,595
Net income before income taxes	220,847	226,259	217,702
Income tax benefit (expense)	(4,531)	(767)	(3,682)
Net income	216,316	225,492	214,020
Earnings per common share			
Basic earnings per share	4.80	4.62	4.32
Diluted earnings per share	4.71	4.58	4.29

The accompanying notes are an integral part of these consolidated financial statements.

The Bank of N.T. Butterfield & Son Limited
Consolidated Statements of Comprehensive Income
(In thousands of US dollars)

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Net income	216,316	225,492	214,020
Other comprehensive income (loss), net of taxes			
Unrealized net gains (losses) on translation of net investment in foreign operations	(713)	222	(4,787)
Net changes on investments transferred to held-to-maturity	8,148	9,145	(91,303)
Unrealized net gains (losses) on available-for-sale investments	635	57,435	(198,363)
Employee benefit plans adjustments	6,713	452	41,918
Other comprehensive income (loss), net of taxes	14,783	67,254	(252,535)
Total comprehensive income (loss)	231,099	292,746	(38,515)

The accompanying notes are an integral part of these consolidated financial statements.

The Bank of N.T. Butterfield & Son Limited
Consolidated Statements of Changes in Shareholders' Equity

	Year ended					
	December 31, 2024		December 31, 2023		December 31, 2022	
	Number of shares	In thousands of US dollars	Number of shares	In thousands of US dollars	Number of shares	In thousands of US dollars
Common share capital issued and outstanding						
Balance at beginning of year	47,529,045	475	50,277,466	503	49,911,351	499
Retirement of shares	(4,490,940)	(45)	(3,133,717)	(32)	(102,000)	(1)
Issuance of common shares	499,874	5	385,296	4	468,115	5
Balance at end of year	43,537,979	435	47,529,045	475	50,277,466	503
Additional paid-in capital						
Balance at beginning of year		988,904		1,032,632		1,017,640
Share-based compensation		20,448		20,232		16,441
Share-based settlements		554		580		636
Retirement of shares		(93,507)		(64,536)		(2,080)
Issuance of common shares, net of underwriting discounts and commissions		(5)		(4)		(5)
Balance at end of year		916,394		988,904		1,032,632
Retained earnings						
Balance at beginning of year		342,520		229,732		104,329
Net Income for the year		216,316		225,492		214,020
Common share cash dividends declared and paid, \$1.76 per share (2023: \$1.76 per share)		(79,581)		(86,186)		(87,343)
Retirement of shares		(56,794)		(26,518)		(1,274)
Balance at end of year		422,461		342,520		229,732
Treasury common shares						
Balance at beginning of year	619,212	(18,104)	619,212	(20,600)	619,212	(20,058)
Purchase of treasury common shares	4,490,940	(155,305)	3,133,717	(88,590)	102,000	(3,897)
Retirement of shares	(4,490,940)	150,346	(3,133,717)	91,086	(102,000)	3,355
Balance at end of year	619,212	(23,063)	619,212	(18,104)	619,212	(20,600)
Accumulated other comprehensive income (loss)						
Balance at beginning of year		(310,198)		(377,452)		(124,917)
Other comprehensive income (loss), net of taxes		14,783		67,254		(252,535)
Balance at end of year		(295,415)		(310,198)		(377,452)
Total shareholders' equity		1,020,812		1,003,597		864,815

The accompanying notes are an integral part of these consolidated financial statements.

The Bank of N.T. Butterfield & Son Limited
Consolidated Statements of Cash Flows
(In thousands of US dollars)

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Cash flows from operating activities			
Net income	216,316	225,492	214,020
Adjustments to reconcile net income to operating cash flows			
Depreciation, accretion and amortization	42,158	36,212	40,177
Provision for credit losses (recoveries)	1,662	4,452	2,396
Share-based payments and settlements	21,002	20,812	17,077
Net change in equity securities at fair value	—	236	(14)
Net realized (gains) losses on available-for-sale investments	—	14	19
Net (gains) losses on other real estate owned	(50)	40	(448)
(Increase) decrease in carrying value of equity method investments	334	165	(39)
Dividends received from equity method investments	135	5,256	169
Net other non-cash movements	—	1,089	—
Changes in operating assets and liabilities			
(Increase) decrease in accrued interest receivable and other assets	(10,011)	4,623	(54,021)
Increase (decrease) in employee benefit plans, accrued interest payable and other liabilities	(6,114)	1,899	(65)
Cash provided by (used in) operating activities	265,432	300,290	219,271
Cash flows from investing activities			
Net (increase) decrease in securities purchased under agreements to resell	(1,040,931)	(127,403)	36,236
Short-term investments other than restricted cash: proceeds from maturities and sales	2,232,366	1,960,286	2,745,132
Short-term investments other than restricted cash: purchases	(1,764,289)	(2,057,132)	(2,548,734)
Available-for-sale investments: proceeds from sale	—	5,586	7,631
Available-for-sale investments: proceeds from maturities and pay downs	507,014	292,049	230,718
Available-for-sale investments: purchases	(951,990)	(71,859)	(83,900)
Held-to-maturity investments: proceeds from maturities and pay downs	258,489	276,606	403,424
Held-to-maturity investments: purchases	(37,712)	—	(383,332)
Net (increase) decrease in loans	236,975	457,295	(90,185)
Additions to premises, equipment and computer software	(21,049)	(26,932)	(26,876)
Proceeds from sale of other real estate owned	588	646	1,909
Purchase of intangible assets	(481)	(27,341)	—
Cash provided by (used in) investing activities	(581,020)	681,801	292,023

The Bank of N.T. Butterfield & Son Limited
Consolidated Statements of Cash Flows
(In thousands of US dollars)

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Cash flows from financing activities			
Net increase (decrease) in deposits	873,120	(1,198,146)	(415,566)
Net increase (decrease) in securities sold under agreements to repurchase	97,326	—	—
Repayment of long-term debt	—	(75,000)	—
Common shares repurchased	(155,305)	(88,590)	(3,897)
Cash dividends paid on common shares	(79,581)	(86,186)	(87,343)
Cash provided by (used in) financing activities	735,560	(1,447,922)	(506,806)
Net effect of exchange rates on cash, cash equivalents and restricted cash	(3,690)	21,545	(91,439)
Net increase (decrease) in cash, cash equivalents and restricted cash	416,282	(444,286)	(86,951)
Cash, cash equivalents and restricted cash: beginning of year	1,672,260	2,116,546	2,203,497
Cash, cash equivalents and restricted cash: end of year	2,088,542	1,672,260	2,116,546
Components of cash, cash equivalents and restricted cash at end of year			
Cash and cash equivalents	1,998,112	1,646,648	2,100,787
Restricted cash included in short-term investments on the consolidated balance sheets	90,430	25,612	15,759
Total cash, cash equivalents and restricted cash at end of year	2,088,542	1,672,260	2,116,546
Supplemental disclosure of cash flow information			
Cash interest paid	235,514	162,394	48,643
Cash income taxes paid	2,227	1,928	4,818
Supplemental disclosure of non-cash items			
Transfer to (out of) other real estate owned	87	336	1,603
Transfer of available-for-sale investments to held-to-maturity investments	—	—	998,157
Initial recognition of right-of-use assets and operating lease liabilities	2,068	3,268	3,476

The accompanying notes are an integral part of these consolidated financial statements.

Note 1: Nature of business

The Bank of N.T. Butterfield & Son Limited ("Butterfield", the "Bank" or the "Company") is incorporated under the laws of Bermuda and has a banking license under the Banks and Deposit Companies Act, 1999 ("the Act"). Butterfield is regulated by the Bermuda Monetary Authority ("BMA"), which operates in accordance with Basel principles.

Butterfield is a full service bank and wealth manager headquartered in Hamilton, Bermuda. The Bank operates its business through three geographic segments: Bermuda, Cayman, and the Channel Islands and the UK, where its principal banking operations are located and where it offers specialized financial services. Butterfield offers banking services, comprised of retail and corporate banking, and wealth management, which consists of trust, private banking, and asset management. In the Bermuda, Cayman, and Channel Islands and the UK segments, Butterfield offers both banking and wealth management services. Butterfield also has operations in the jurisdictions of The Bahamas, Canada, Mauritius, Singapore and Switzerland, which are included in our Other segment.

The Bank's common shares trade on the New York Stock Exchange under the symbol "NTB" and on the Bermuda Stock Exchange ("BSX") under the symbol "NTB.BH".

Note 2: Significant accounting policies

The Bank's reporting currency is US dollars and the functional currency is BMD dollars. Assets, liabilities, revenues and expenses denominated in Bermuda dollars are translated to US dollars at par.

A. Basis of Presentation and Use of Estimates and Assumptions

The accounting and financial reporting policies of the Bank and its subsidiaries conform to generally accepted accounting principles in the United States of America ("GAAP"). The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year, and actual results could differ from those estimates.

Critical accounting estimates are those that require management to make subjective or complex judgments about the effect of matters that are inherently uncertain and may change in subsequent periods. Changes that may be required in the underlying assumptions or estimates in these areas could have a material impact on the future financial condition and results of operations. Management believes that the most critical accounting estimates upon which the financial condition depends, and which involve the most complex or subjective decisions or assessments, are as follows:

- Allowance for credit losses
- Fair value of financial instruments
- Impairment of goodwill
- Employee benefit plans

B. Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (collectively the "Bank"). Intercompany accounts and transactions have been eliminated.

The Bank consolidates entities where it holds, directly or indirectly, more than 50% of the voting rights or where it otherwise exercises control. Entities where the Bank holds 20% to 50% of the voting rights and/or has the ability to exercise significant influence are accounted for under the equity method, and the pro rata share of their income (loss) is included in other non-interest income.

C. Foreign Currency Translation

Assets, liabilities, revenues and expenses denominated in Bermuda dollars are translated to US dollars at par. Assets and liabilities of the parent company arising from other foreign currency transactions are remeasured into Bermuda dollars at the rates of exchange prevailing at the balance sheet date and then translated into US dollars at par. The resulting gains or losses are included in foreign exchange revenue in the consolidated statements of operations.

The assets and liabilities of foreign currency-based subsidiaries are translated at the rate of exchange prevailing on the balance sheet date, while associated revenues and expenses are translated to US dollars at the average rates of exchange prevailing throughout the year. Unrealized translation gains or losses on investments in foreign currency-based subsidiaries are recorded as a separate component of Shareholders' equity within AOCIL. Gains and losses on foreign currency-based subsidiaries are recorded in the consolidated statements of operations when the Bank ceases to have a controlling financial interest in a foreign currency-based subsidiary.

D. Assets Held in Trust or Custody

Securities and properties (other than cash and deposits held with the Bank and its subsidiaries) held in trust, custody, agency or fiduciary capacity for customers are not included in the consolidated balance sheets because the Bank is not the beneficiary of these assets.

E. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash items in the process of collection, amounts due from correspondent banks and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value. Such investments are those with a maturity of three months or less from the date of acquisition and include unrestricted term deposits, certificates of deposit and treasury bills.

F. Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell are treated as collateralized lending transactions. The obligation to resell is recorded at the amount at which the securities will be subsequently sold.

G. Short-Term Investments

Short-term investments have maturities of one year or less from the date of acquisition, are only subject to an insignificant risk of change in fair value and comprise (1) restricted term and demand deposits, and (2) unrestricted term deposits, certificate of deposits and treasury bills with a maturity greater than three months from the date of acquisition.

H. Investments

Investments are reported on the consolidated balance sheets at their trade date.

Equity method investments which include investments whereby the Bank has the ability to influence, but not control, the financial or operating policies of such entities, are accounted for using the equity method of accounting.

Equity securities with readily determinable fair values are carried at fair value in the consolidated balance sheets, with unrealized gains and losses included in the consolidated statements of operations as net gains (losses) on equity securities.

Contained within accrued interest and other assets are investments in private equity for which the Bank does not have sufficient rights or ownership interests to follow the equity method of accounting. Unquoted equity investments which are held directly by the Bank and which do not have readily determinable fair values are recorded at cost, less impairment, plus or minus observable price changes from transactions of identical or similar securities.

Debt securities are classified as AFS or HTM.

Investments are classified primarily as AFS when used to manage the Bank's exposure to interest rate and liquidity movements, as well as to make strategic longer-term investments. AFS investments are carried at fair value in the consolidated balance sheets with unrealized gains and losses reported in AOCIL, net of the allowance for credit losses. Investments that the Bank has the positive intent and ability to hold to maturity are classified as HTM and are carried at amortized cost in the consolidated balance sheets, net of the allowance for credit losses. Unrecognized gains and losses on HTM securities are disclosed in the notes to the consolidated financial statements.

The specific identification method is used to determine realized gains and losses on investments, which are included in net gains (losses) on equity securities and net realized gains (losses) on AFS investments respectively, in the consolidated statements of operations.

Dividend and interest income, including amortization of premiums and discounts, on securities for which cash flows are not considered uncertain are included in interest income in the consolidated statements of operations.

Impairment and credit losses

For debt securities, where management does not expect to recover the entire amortized cost basis of the security and intends to sell such securities or it is more likely than not that the Bank will be required to sell the securities before recovering the amortized cost, the Bank recognizes an impairment loss equal to the full difference between the amortized cost basis and the fair value of those securities through the statement of operations. Following the recognition of impairment, the security's new amortized cost basis is the previous basis less impairment.

When management does not intend to sell or it is more likely than not that the Bank will hold such securities until recovering the amortized cost, management determines whether any credit losses exist. See "Note 2.J: Allowance for Credit Losses".

I. Loans

Loans are reported as the principal amount outstanding, net of allowance for credit losses, fair value adjustments arising from hedge accounting and net deferred loan fees. Interest income is recognized over the term of the loan using the effective interest method, or on a basis approximating a level rate of return over the term of the loan, except for loans classified as non-accrual. Prepayments are treated as a reduction of principal outstanding which is recognized upon receipt of payment. Prepayment penalties, if applicable under the terms of the specific loan agreement, are recognized also upon receipt of payment.

Acquired loans

Acquired loans that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, are accounted for as PCD loans. PCD loans are recorded at their purchase price with an adjustment to the amortized cost basis for the initial expected credit losses at the time of acquisition, i.e. via a balance sheet gross-up. Changes in estimates of expected credit losses after acquisition are recognized as a movement in provision for credit recoveries (losses) in the statement of operations. Generally, acquired loans that meet the Bank's definition for non-accrual status are considered to be PCD loans.

The amortized cost and an allowance for expected credit losses related to PCD loans are disclosed and included with other non-PCD loans' figures. The Bank will continue to recognize the amortization of the noncredit discount, if any, as interest income based on the yield of such assets as at the date of purchase.

Participated or Assigned Loans

The Bank may act as lead lender on large loans from time to time and may for strategic or commercial reasons, assign portions of such loans to other market participants. Such assignments are without full right of recourse to the Bank as the lead lender and participants/assignees accept all risks and obligations of the ultimate borrower associated with their proportional participation and assignment in such loans. The Bank records the unassigned portion of the principal outstanding in such loans on the consolidated balance sheets and records only its proportional share of interest income on the unassigned portion of the loan in the consolidated statement of operations.

Impaired loans

A loan is considered to be impaired when, based on current information and events, the Bank determines that it will not be able to collect all amounts due according to the original loan contract, including scheduled interest payments. Impaired loans include all non-accruing loans and all loans modified in a troubled debt restructuring even if full collectability is expected following the restructuring.

If the Bank determines that the expected realizable value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate. If the Bank determines that part of the allowance is uncollectible, that amount is charged-off.

Non-accrual

Commercial, commercial real estate and consumer loans (excluding credit card consumer loans) are placed on non-accrual status if:

- in the opinion of management, full payment of principal or interest is in doubt; or
- principal or interest is 90 days past due.

Residential mortgages are placed on non-accrual status immediately if:

- in the opinion of management, full payment of principal or interest is in doubt; or

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(In thousands of US dollars, unless otherwise stated)

- when principal or interest is 90 days past due, unless the loan is well secured and any ongoing collection efforts are reasonably expected to result in repayment of all amounts due under the contractual terms of the loan.

Cash received on non-accrual loans is applied firstly against the past due principal amount of the loan and secondly to past due interest and fees. Interest income on these loans is recognized only after the entire past due principal balance receivable is recovered and only to the extent that interest payments are received in cash.

Loans are returned to accrual status when:

- none of the principal or accrued interest is past due (with certain exceptions as noted below) and the Bank expects repayment of the remaining contractual obligation; or
- when the loan becomes well secured and in the process of collection.

Loan Modifications

The Bank evaluates whether a modified loan represents a new loan or a continuation of an existing loan. If the effective yield on the restructured loan is at least equal to the effective yield for comparable loans with similar collection risks and the modifications to the original loan are more than minor, the Bank will derecognize the existing loan and recognize the restructured loan as a new loan. If a loan restructuring does not meet these conditions, the Bank will account for the modification as a continuation of the existing loan. See Note 6: Loans for the new required disclosures.

Delinquencies

The entire balance of an account is contractually delinquent if the minimum payment of principal or interest is not received by the specified due date. Delinquency is reported on loans that are more than 30 days past due.

Charge-offs

The Bank recognizes charge-offs when it determines that loans are uncollectible, and this generally occurs when all commercially reasonable means of recovering the loan balance have been exhausted.

Commercial and consumer loans are either fully or partially charged-off down to the fair value of collateral securing the loans when:

- management judges the loan to be uncollectible;
- repayment is expected to be protracted beyond reasonable time frames;
- the asset has been classified as a loss by either the Bank's internal loan review process or third party appraisers; or
- the customer has filed bankruptcy and the loss becomes evident owing to a lack of assets or cash flow.

The outstanding balance of commercial real estate loans and residential mortgages that are in excess of the estimated property value, less costs to sell, is charged-off once there is reasonable assurance that such excess outstanding balance is not recoverable.

Credit card consumer loans that are contractually 180 days past due and other consumer loans with an outstanding balance under \$100,000 that are contractually 180 days past due are generally written off and reported as charge-offs.

J. Allowance for Credit Losses

Accounting for Financial Instruments - Credit losses

The Bank uses a current expected credit loss model which is based on expected losses. The CECL model is applied by the Bank to the measurement of credit losses on financial instruments at amortized cost, including loan receivables and HTM debt securities. The Bank also applies the CECL model to certain off-balance sheet credit exposures such as undrawn loan commitments, standby letters of credit, financial guarantees, and other similar instruments. In line with Topic 326, the Bank will present credit losses on AFS securities as a valuation allowance rather than as a direct write-down. Changes in expected credit losses are recorded through the respective credit loss allowances on the consolidated balance sheets as well as in the provision for credit losses (recoveries) in the consolidated statements of operations.

The Bank's PCI loans outstanding were classified as PCD loans and both the amortized cost and an allowance for expected credit losses were disclosed and included with other non-PCD loans' figures. The Bank will continue to recognize the amortization of the noncredit discount, if any, as interest income based on the yield of such assets.

Under the CECL model, the Bank collects and maintains attributes as they relate to its financial instruments that are within the scope of CECL including fair value of collateral, expected performance over the lifetime of the instruments and reasonable and supportable assumptions about future economic conditions. The Bank's measurement of expected losses takes into account historical loss information and is primarily based on the product of: the respective instrument's PD, LGD and EAD. For AFS securities, any allowance for credit losses is based on an impairment assessment.

The Bank made the accounting policy election to write off accrued interest receivable on loans that are placed on non-accrual status by reversing the then accrued interest balance against interest income revenue.

The Bank maintains an allowance for credit losses, which in management's opinion is adequate to absorb all estimated credit-related losses that are expected in its lending and off-balance sheet credit-related arrangements at the balance sheet date.

Management measures expected credit losses on HTM and AFS debt securities on a collective basis by major security type when similar risk characteristics exist, or failing that, on an individual basis.

For AFS debt securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any change in fair value that has not been recorded through an allowance for credit losses and that is not accounted for as being hedged is recognized in other comprehensive income.

Losses are charged against the allowance when management believes the uncollectibility of an AFS debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries typically do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts as well as the Bank's internal risk rating framework. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in the current-loan specific risk characteristics such as differences in underwriting practices, vintage, portfolio mix, delinquency level, term as well as changes in environmental conditions, such as changes in macroeconomic factors and collateral values.

The allowance for credit losses is measured on a collective pool basis when similar risk characteristics exist. In each of its jurisdictions, the Bank has identified the following portfolio segments: Residential mortgages, Consumer loans (including overdrafts), Commercial loans, Commercial overdrafts, Commercial real estate loans and Credit cards. For loans and overdrafts, management uses a PD and LGD model to estimate the allowance for credit losses. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. For Credit cards, management uses a loss rate to estimate expected credit losses.

Expected credit losses are estimated over the contractual term of the loans. The contractual term excludes potential extensions, renewals and modifications unless management has a reasonable expectation at the reporting date that the extension or renewal options included in the original contract will occur or that a troubled debt restructuring will be executed. Credit card receivables do not have stated maturities, therefore establishing a contractual term is performed by using an analytical approximation of behavior.

K. Business Combinations, Goodwill and Intangible Assets

All business combinations are accounted for using the acquisition method. Identifiable intangible assets (mostly customer relationships) are recognized separately from goodwill and are initially valued at fair value using discounted cash flow calculations and other recognized valuation techniques. Goodwill represents the excess of the fair value of the consideration paid for the acquisition of a business over the fair value of the net assets acquired. A contingent purchase consideration is measured at its fair value and recorded on the purchase date. Any subsequent changes in the fair value of a contingent consideration liability will be recorded through the consolidated statements of operations. Goodwill is tested annually for impairment at the reporting unit level, or more frequently if events or circumstances indicate there may be impairment. If the carrying amount of a reporting unit, including the allocated goodwill, exceeds its fair value, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's allocated goodwill over the implied fair value of the goodwill. Other acquired intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, not exceeding 15 years. Intangible assets' estimated lives are re-evaluated annually and an impairment test is carried out if certain indicators of impairment exist.

L. Premises, Equipment and Computer Software

Land is carried at cost. Buildings, equipment and computer software, including leasehold improvements, are carried at cost less accumulated depreciation. The Bank computes depreciation using the straight-line method over the estimated useful life of an asset, which is up to 50 years for buildings, and 3 to 10 years for other equipment. For leasehold improvements the Bank uses the straight-line method over the lesser of the remaining term of the leased facility or the estimated economic life of the improvement. The Bank capitalizes certain costs, including interest costs incurred during the development phase, associated with the acquisition or development of internal use software. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life, which is between 5 and 10 years. The Bank capitalizes certain implementation costs for cloud computing arrangements, which includes infrastructure as a service, and these costs are then amortized on a straight-line basis over the term of the arrangement. Management reviews the recoverability of the carrying amount of premises, equipment and computer software when indicators of impairment exist and an impairment charge is recorded when the carrying amount of the reviewed asset is deemed not recoverable by future expected cash flows to be derived from the use and disposition of the asset. If there is a disposition of premises, equipment and computer software, a gain is recorded if the difference of the proceeds on disposition is in excess of the asset's carrying value. Otherwise, a loss is recorded. If there is an abandonment out of premises, equipment and computer software, the full carrying value of the asset is recognized as a loss.

M. Other Real Estate Owned

OREO comprises real estate property held for sale and commercial and residential real estate properties acquired in partial or total satisfaction of loans acquired through foreclosure proceedings, acceptance of a deed-in-lieu of foreclosure or by taking possession of assets that were used as loan collateral. These properties are initially recorded at fair value less estimated costs to sell the property. If the recorded investment in the loan exceeds the property's fair value at the time of acquisition, a charge-off is recorded against the specific allowance. If the carrying value of the real estate exceeds the property's fair value at the time of reclassification, an impairment charge is recorded in the consolidated statements of operations. Subsequent decreases in the property's fair value below the new cost basis are recorded through the use of a valuation allowance. Subsequent increases in the fair value of a property may be used to reduce the allowance but not below zero. Any operating expenses of the property are recognized through charges to non-interest expense.

N. Leases

In the normal course of operations, the Bank enters into leasing agreements either as the lessee or the lessor. The Bank recognizes right-of-use assets and lease liabilities for operating leases. Lease liabilities are measured as the present value of future lease payments, including term renewals that are reasonably certain to occur, discounted using the Bank's incremental borrowing interest rate. Right-of-use assets are measured as the carrying amount of the related lease liabilities adjusted for prepaid or accrued lease payments, unamortized lease incentive received, unamortized initial direct costs and any impairment of the right-of-use asset.

The Bank made accounting policy elections not to separate lease components from non-lease components for all classes of underlying assets; and not to recognize a right-of-use asset and a lease liability for leases with a term at inception of 12 months or less, including renewal options that are reasonably certain to be exercised (referred to as "short term leases").

O. Segment Information

Beginning January 1, 2024, the Bank adopted Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU provides amendments to improve reportable segment disclosure requirements. The Bank is required to adopt these amendments for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024 on a retrospective basis.

Accordingly, from the date of adoption, on an annual and interim basis, significant expenses that are regularly provided to the CODM, the title and position of the CODM, the description of expenses included in "Other expenses", and the measures used by the CODM in assessing segment performance are disclosed.

P. Derivatives

All derivatives are recognized on the consolidated balance sheets at their fair value. On the date that the Bank enters into a derivative contract, it designates the derivative as either: a hedge of the fair value of a recognized asset or liability (a fair value hedge); a hedge of a forecasted transaction or the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a cash flow hedge); a hedge of an exposure to foreign currency risk of a net investment in a foreign operation (a net investment hedge); or, an instrument that is held for trading or non-hedging purposes (a trading or non-hedging derivative instrument).

All instruments utilized as a hedging instrument in a fair value hedge or cash flow hedge must have one or more underlying notional amounts, no or a minimal net initial investment and a provision for net settlement in the contract to meet the definition of a derivative instrument. Instruments utilized as a hedging instrument in a hedge of a net investment in foreign operations may be derivative instruments or non-derivatives.

The changes in the fair value of a derivative that is designated and qualifies as a fair value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, are recorded in the consolidated statements of operations.

The changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge, to the extent that the hedge is effective, are recorded in OCI and the ineffective portion is recorded in the statement of operations. That is, ineffectiveness from a derivative that overcompensates for changes in the hedged cash flows is recorded in the consolidated statements of operations. However, the ineffectiveness from a derivative that under compensates is not recorded in the consolidated statements of operations.

The changes in the fair value of a derivative that is designated and qualifies as a foreign currency hedge is recorded in either current year earnings or OCI, depending on whether the hedging relationship satisfies the criteria for a fair value or cash flow hedge. If, however, a derivative is used as a hedge of a net investment in a foreign operation, the changes in the derivative's fair value, to the extent that the derivative is effective as a hedge, are recorded in the CTA account within OCI.

Changes in the fair value of trading and non-hedging derivative instruments are reported in the consolidated statements of operations.

The Bank formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value, cash flow, or foreign currency hedges to specific assets and liabilities on the consolidated balance sheets or specific firm commitments or forecasted transactions.

The Bank also formally assesses whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods.

For those hedge relationships that are terminated, hedge designations that are elected to be removed, forecasted transactions that are no longer expected to occur, or where the hedge relationship ceases to be highly effective, the hedge accounting treatment described in the paragraphs above is no longer applied and the end-user derivative is terminated or transferred to the trading designation. For fair value hedges, any changes to the carrying value of the hedged item prior to the discontinuance remain as part of the basis of the asset or liability. When a cash flow hedge is discontinued, the net derivative gain (loss) remains in AOCIL unless it is probable that the forecasted transaction will not occur in the originally specified time period.

Q. Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase (securities financing agreements) are treated as collateralized financing transactions. The obligation to repurchase is recorded at the amount at which the securities will be subsequently repurchased.

R. Collateral

The Bank pledges assets as collateral as required for various transactions involving security repurchase agreements, deposit products and derivative financial instruments. Assets that have been pledged as collateral, including those that can be sold or repledged by the secured party, continue to be reported on the Bank's consolidated balance sheets under the same line items as non-pledged assets of the same type.

S. Employee Benefit Plans

The Bank maintains trustee pension plans for substantially all employees as either non-contributory defined benefit plans or defined contribution plans. Benefits under the defined benefit plans are based primarily on the employee's years of credited service and average annual salary during the final years of employment as defined in the plans. The Bank also provides post-retirement medical benefits for certain qualifying active and retired Bermuda-based employees.

Expense for the defined benefit pension plans and the post-retirement medical benefits plan is composed of (a) the actuarially determined benefits for the current year's service, (b) imputed interest on the actuarially determined liability of the plan, (c) in the case of the defined benefit pension plans, the expected investment return on the fair value of plan assets and (d) amortization of certain items over the expected average remaining service life of employees in the case of the active defined benefit pension plans, estimated average remaining life expectancy of the inactive participants in the case of the inactive defined benefit pension plans and the expected average remaining service life to full eligibility age of employees covered by the plan in the case of the post-retirement medical benefits plan. The items amortized are amounts arising as a result of experience gains and losses, changes in assumptions, plan amendments and the change in the net pension asset or post-retirement medical benefits liability arising on adoption of revised accounting standards.

For each of the defined benefit pension plans and for the post-retirement medical benefits plan, the assets and liabilities recognized for accounting purposes are reported in other assets and employee benefit plans respectively. The actuarial gains and losses, transition obligation and prior service costs of the defined pension plans and post-retirement medical benefits plan are recognized in OCI net of tax and amortized to net income over the average service period for the active defined benefit pension plans and post-retirement medical benefits plan and average remaining life expectancy for the inactive defined benefit pension plans.

For the defined contribution pension plans, the Bank and participating employees provide an annual contribution based on each participating employee's pensionable earnings. Amounts accrued are expensed in the period.

T. Share-Based Compensation

The Bank engages in equity settled share-based payment transactions in respect of services received from eligible employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognized in the consolidated statements of operations over the shorter of the vesting or service period.

The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk-free interest rate, expected dividend rate, the expected volatility of the share price over the life of the option and other relevant factors. The fair value of unvested share awards is deemed to be the closing price of the publicly traded Bank shares on grant date. The fair value of time vesting conditions is taken into account by adjusting the number of shares or share options included in the measurement of the costs of employee services so that ultimately, the amount recognized in the consolidated statements of operations reflects the number of vested shares or share options. The Bank recognizes compensation cost for awards with performance conditions if and when the Bank concludes that it is probable that the performance condition will be achieved, net of an estimate of pre-vesting forfeitures (e.g., due to termination of employment prior to vesting).

U. Revenue Recognition

Trust, custody and other administration services fees include fees for private and institutional trust, executorship, and custody services. Asset management fees include fees for investment management, investment advice and brokerage services. Fees are recognized as revenue over the period of the relationship or when the Bank has rendered all services to the client and is entitled to collect the fee from the client, as long as there are no contingencies associated with the fees.

Banking services fees primarily include fees for letters of credit and other financial guarantees, compensating balances, overdraft facilities and other financial services-related products as well as credit card fees. Letters of credit and other financial guarantees fees are recognized as revenue over the period in which the related guarantee is outstanding. Credit card fees are comprised of merchant discounts, late fees and membership fees, net of interchange and rewards costs. Credit card fees and other fees are recognized in the period in which the service is provided.

Foreign exchange revenue includes fees earned on currency exchange transactions which are recognized when such transactions occur, as well as gains and losses recognized when translating financial instruments held or due in currencies other than the local functional currency at the rates of exchange prevailing at the balance sheet date.

Loan interest income is accrued and recognized in revenues over time and also includes the amortization of deferred non-refundable loan origination and commitment fees. These fees are recognized as an adjustment of yield over the life of the related loan. Loan origination and commitment fees are offset by their related direct costs and only the net amounts are deferred and amortized into interest income.

Dividend and interest income, including amortization of premiums and discounts, on securities for which cash flows are not considered uncertain are included in interest income in the consolidated statements of operations. Loans placed on non-accrual status and investments with uncertain cash flows are accounted for under the cost recovery method, whereby all principal, dividends, interest and coupon payments received are applied as a reduction of the amortized cost and carrying amount.

V. Fair Values

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Bank determines the fair values of assets and liabilities based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The relevant accounting standard describes three levels of inputs that may be used to measure fair value. Equity securities and debt investments classified as AFS, and derivative assets and liabilities, are recognized in the consolidated balance sheets at fair value.

Level 1, 2 and 3 valuation inputs

Management classifies items that are recognized at fair value on a recurring basis based on the level of inputs used in their respective fair value determination as described below.

Fair value inputs are considered Level 1 when based on unadjusted quoted prices in active markets for identical assets.

Fair value inputs are considered Level 2 when based on inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Fair value inputs are considered Level 3 when based on internally developed models using significant unobservable assumptions involving management's estimations or non-binding bid quotes from brokers.

The following methods and assumptions were used in the determination of the fair value of financial instruments:

Cash and cash equivalents

The carrying amount of cash and demand deposits with banks, being short-term in nature, is deemed to approximate fair value.

Cash equivalents include unrestricted term deposits, certificates of deposits and treasury bills with a maturity of less than three months from the date of acquisition and the carrying value at cost is considered to approximate fair value because they are short-term in nature, bear interest rates that approximate market rates, and generally have negligible credit risk.

Short-term investments

Short-term investments comprise restricted term and demand deposits and unrestricted term deposits, certificates of deposit and treasury bills with less than one year but greater than three months' maturity from the date of acquisition. The carrying value at cost is considered to approximate fair value because they are short-term in nature, bear interest rates that approximate market rates, and generally have negligible credit risk.

Equity securities, defined benefit pension plan equity securities, and mutual funds

The fair value of listed equity securities is based upon quoted market values. Investments in actively traded mutual funds are based on their published net asset values.

AFS and HTM investments and defined benefit pension plan fixed income securities

The fair values for AFS investments are generally sourced from third parties. The fair value of fixed income securities is based upon quoted market values where available, "evaluated bid" prices provided by third party pricing services ("pricing services") where quoted market values are not available, or by reference to broker or underwriter bid indications where pricing services do not provide coverage for a particular security. To the extent the Bank believes current trading conditions represent distressed transactions, the Bank may elect to utilize internally generated models. The pricing services typically use market approaches for valuations using primarily Level 2 inputs (in the vast majority of valuations), or some form of discounted cash flow analysis.

Pricing services indicate that they will only produce an estimate of fair value if there is objectively verifiable information available to produce a valuation. Standard inputs to the valuations provided by the pricing services listed in approximate order of priority for use when available include: reported trades, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data. The pricing services may prioritize inputs differently on any given day for any security, and not all inputs listed are available for use in the evaluation process on any given day for each security evaluation. However, the pricing services also monitor market indicators and industry and economic events. When these inputs are not available, pricing services identify "buckets" of similar securities (allocated by asset class types, sectors, sub-sectors, contractual cash flows/structure, and credit rating characteristics) and apply some form of matrix or other modeled pricing to determine an appropriate security value which represents their best estimate as to what a buyer in the marketplace would pay for a security in a current sale.

It is common industry practice to utilize pricing services as a source for determining the fair values of investments where the pricing services are able to obtain sufficient market corroborating information to allow them to produce a valuation at a reporting date. In addition, in the majority of cases, although a value may be obtained from a particular pricing service for a security or class of similar securities, these values are corroborated against values provided by other pricing services. While the Bank receives values for the majority of the investment securities it holds from pricing services, it is ultimately management's responsibility to determine whether the values received and recorded in the financial statements are representative of appropriate fair value measurements.

Broker/dealer quotations are used to value investments with fixed maturities where prices are unavailable from pricing services due to factors specific to the security such as limited liquidity, lack of current transactions, or trades only taking place in privately negotiated transactions. These are considered Level 3 valuations, as significant inputs utilized by brokers may be difficult to corroborate with observable market data, or sufficient information regarding the specific inputs utilized by the broker was not available to support a Level 2 classification.

For disclosure purposes, HTM investments are fair valued using the same methods described above.

Loans

Variable rate loans re-price in response to changes in market rates and hence management estimates that the fair value of variable rate loans is not significantly different than their carrying amount. For significant fixed-rate loan exposures, fair value is estimated by discounting the future cash flows, using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, of such loans. Management includes the effects of any credit losses recorded against individual loans, which factors in a loan's credit quality, as well as accrued interest in determining the fair value of loans.

Accrued interest

The carrying amounts of accrued interest receivable and payable are assumed to approximate their fair values given their short-term nature.

OREO

OREO assets are carried at the lower of cost or fair value less estimated costs to sell. The determination of fair value, which aims at estimating the realizable value of the properties, is based either on third-party appraisals, when available, or on internal valuation models. Appraisals of OREO properties are updated on an annual basis. Where the fair value of the related property is based on an unadjusted appraised value, the OREO is generally classified as Level 2. Where significant adjustments are made to the appraised value, or based on an internally generated valuation model, the OREO is generally classified as Level 3.

Deposits

The fair value of fixed-rate deposits has been estimated by discounting the contractual cash flows, using market interest rates offered at the balance sheet date for deposits of similar terms. The carrying amount of deposits with no stated maturity date is deemed to equate to the fair value.

Long-term debt

The fair value of the long-term debt has been estimated by discounting the contractual cash flows, using current market interest rates.

Derivatives

Derivative contracts can be exchange traded or OTC derivative contracts and may include forward, swap and option contracts relating to interest rates or foreign currencies. Exchange-traded derivatives typically fall within Level 1 of the fair value hierarchy depending on whether they are deemed to be actively traded or not. OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources where an understanding of the inputs utilized in arriving at the valuations is obtained.

Where models are used, the selection of a particular model to value an OTC derivative depends upon the contractual terms and specific risks inherent in the instrument as well as the availability of pricing information in the market. The Bank generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, interest rate swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment.

Goodwill

The fair value of reporting units for which goodwill is recognized is determined when an impairment assessment is performed by discounting estimated future cash flows using discount rates reflecting valuation-date market conditions and risks specific to the reporting unit.

W. Impairment or Disposal of Long-Lived Assets

Potential impairment losses are initially assessed by comparing the carrying amount of an asset group to the sum of the undiscounted cash flows expected from its use and disposal. The impairment recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets that are to be disposed of other than by sale are classified and accounted for as held for use until the date of disposal or abandonment. Assets that meet certain criteria are classified as held for sale and are measured at the lower of their carrying amounts or fair value less estimated costs to sell.

X. Credit-Related Arrangements

In the normal course of business, the Bank enters into various commitments to meet the credit requirements of its customers. Such commitments, which are not included in the consolidated balance sheet, include:

- commitments to extend credit, which represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions;
- standby letters of credit, which represent irrevocable obligations to make payments to third parties in the event that the customer is unable to meet its financial obligations; and,

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- documentary and commercial letters of credit, related primarily to the import of goods by customers, which represent agreements to honor drafts presented by third parties upon completion of specific activities.

These credit arrangements are subject to the Bank's normal credit standards and collateral is obtained where appropriate. The contractual amounts for these commitments set out in the table in Note 12: Credit related arrangements, repurchase agreements and commitments represent the maximum payments the Bank would have to make should the contracts be fully drawn, the counterparty default, and any collateral held prove to be of no value. As many of these arrangements will expire or terminate without being drawn upon or are fully collateralized, the contractual amounts do not necessarily represent future cash requirements. The Bank applies the CECL model to undrawn loan commitments, standby letters of credit, financial guarantees, and other similar instruments and accordingly, the Bank maintain a related allowance for credit losses.

Y. Income Taxes

The Bank uses the asset and liability method of accounting for income taxes. Under this method, deferred income taxes reflect the net tax effect of temporary differences between the consolidated financial statements' carrying amounts of assets and liabilities and their respective tax bases. Accordingly, a deferred income tax asset or liability is determined for each temporary difference based on the enacted tax rates to be in effect on the expected reversal date of the temporary difference. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Bank records net deferred tax assets to the extent the Bank believes these assets will more likely than not be realized. Net deferred income tax assets or liabilities accumulated as a result of temporary differences are included in other assets or other liabilities, respectively. A valuation allowance is established to reduce deferred income tax assets to the amount more likely than not to be realized. In making such a determination, the Bank considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. In the event the Bank were to determine that it would be able to realize the deferred income tax assets in the future in excess of their net recorded amount, the Bank would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Bank records uncertain tax positions on the basis of a two-step process whereby (1) the Bank determines whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position; and (2) where those tax positions that meet the more-likely-than-not recognition threshold, the Bank recognizes the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Income taxes on the consolidated statements of operations include the current and deferred portions of the income taxes. The Bank recognizes accrued interest and penalties related to income taxes on operating expenses. Income taxes applicable to items charged or credited directly to shareholders' equity are included in such items.

Z. Consolidated Statements of Cash Flows

For the purposes of the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, cash items in the process of collection, amounts due from correspondent banks and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value, and restricted cash included in short-term investments on the consolidated balance sheets.

AA. Earnings Per Share

Earnings per share have been calculated using the weighted average number of common shares outstanding during the year (see also Note 20: Earnings per share). In periods when basic earnings per share is positive, the dilutive effect of share-based compensation plans is calculated using the treasury stock method, whereby the proceeds received from the exercise of share-based awards are assumed to be used to repurchase outstanding common shares, using the quarterly average market price of the Bank's shares for the period.

AB. New Accounting Pronouncements

The following accounting developments were issued during the year ended December 31, 2024 or are accounting standards pending adoption:

In November 2024, the FASB published ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40). The new guidance requires additional disclosure of the nature of expenses included in the income statement. The new standard requires disclosures about specific types of expenses included in the expense captions presented. The ASU is effective for all public entities with fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The amendments in this ASU should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this ASU or (2) retrospectively to any or all prior periods presented in the financial statements. Early adoption is permitted. The Bank has determined that this ASU will not have a material impact on its consolidated financial statements.

Note 3: Cash and cash equivalents

	<u>December 31, 2024</u>	December 31, 2023
Non-interest bearing		
Cash and demand deposits with banks	93,145	91,826
Interest bearing		
Demand deposits with banks	165,741	151,104
Cash equivalents	1,739,226	1,403,718
Sub-total - Interest bearing	1,904,967	1,554,822
Total cash and cash equivalents	1,998,112	1,646,648

Note 4: Short-term investments

	December 31, 2024	December 31, 2023
Unrestricted		
Maturing within three months	415,072	639,133
Maturing between three to six months	74,524	321,850
Maturing between six to twelve months	—	51,442
Total unrestricted short-term investments	489,596	1,012,425
Affected by drawing restrictions related to minimum reserve and derivative margin requirements		
Interest earning demand and term deposits	90,430	25,612
Total restricted short-term investments	90,430	25,612
Total short-term investments	580,026	1,038,037

Note 5: Investment in securities

Amortized Cost, Carrying Amount and Fair Value

On the consolidated balance sheets AFS investments are carried at fair value and HTM investments are carried at amortized cost.

	December 31, 2024				December 31, 2023			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale								
US government and federal agencies	2,324,841	1,451	(162,673)	2,163,619	1,721,278	1,382	(158,875)	1,563,785
Non-US governments debt securities	93,803	—	(335)	93,468	254,532	—	(4,355)	250,177
Asset-backed securities - Student loans	40	—	—	40	40	—	—	40
Residential mortgage-backed securities	17,068	—	(1,709)	15,359	19,200	—	(2,073)	17,127
Total available-for-sale	2,435,752	1,451	(164,717)	2,272,486	1,995,050	1,382	(165,303)	1,831,129
Held-to-maturity¹								
US government and federal agencies	3,240,290	—	(569,250)	2,671,040	3,461,097	—	(484,388)	2,976,709
Total held-to-maturity	3,240,290	—	(569,250)	2,671,040	3,461,097	—	(484,388)	2,976,709

¹ For the years ended December 31, 2024, 2023 and 2022, impairments recognized in other comprehensive income for HTM investments were nil.

Investments with Unrealized Loss Positions

The Bank does not believe that the AFS debt securities that were in an unrealized loss position as of December 31, 2024, comprising 184 securities representing 87.7% of the AFS portfolios' carrying value (December 31, 2023: 163 and 96.2%), represent credit losses. Total gross unrealized AFS losses were 8.3% of the fair value of the affected securities (December 31, 2023: 9.4%).

The Bank's HTM debt securities are comprised of US government and federal agencies securities and have a zero credit loss assumption under the CECL model. HTM debt securities that were in an unrealized loss position as of December 31, 2024, were comprised of 220 securities representing 100.0% of the HTM portfolios' carrying value (December 31, 2023: 219 and 100%). Total gross unrealized HTM losses were 21.3% of the fair value of affected securities (December 31, 2023: 16.3%).

Management does not intend to sell and it is likely that management will not be required to sell the securities prior to the anticipated recovery of the cost of these securities. Unrealized losses were attributable primarily to changes in market interest rates, relative to when the investment securities were purchased, and not due to a decrease in the credit quality of the investment securities. The issuers continue to make timely principal and interest payments on the securities. The following describes the processes for identifying credit impairment in security types with the most significant unrealized losses as shown in the preceding tables.

Management believes that all the **US government and federal agencies securities** do not have any credit losses, given the explicit and implicit guarantees provided by the US federal government.

Management believes that all the **Non-US governments debt securities** do not have any credit losses, given the explicit guarantee provided by the issuing government.

Investments in **Asset-backed securities - Student loans** are composed primarily of securities collateralized by FFELP loans. FFELP loans benefit from a US federal government guarantee of at least 97% of defaulted principal and accrued interest, with additional credit support provided in the form of over-collateralization, subordination and excess spread, which collectively total in excess of 100%. Accordingly, the vast majority of FFELP loan-backed securities are not exposed to traditional consumer credit risk.

Investments in **Residential mortgage-backed securities** relate to 13 securities (December 31, 2023: 13) which are rated AAA and possess similar significant credit enhancement as described above. No credit losses were recognized on these securities as the weighted average credit support and the weighted average loan-to-value ratios range from 16% - 50% and 44% - 52%, respectively. Current credit support is significantly greater than any delinquencies experienced on the underlying mortgages.

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In the following tables, debt securities with unrealized losses that are not deemed to be credit impaired and for which an allowance for credit losses has not been recorded are categorized as being in a loss position for "less than 12 months" or "12 months or more" based on the point in time that the fair value most recently declined below the amortized cost basis.

	Less than 12 months		12 months or more		Total fair value	Total gross unrealized losses
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses		
December 31, 2024						
Available-for-sale securities with unrealized losses						
US government and federal agencies	696,835	(7,922)	1,187,094	(154,751)	1,883,929	(162,673)
Non-US governments debt securities	—	—	93,468	(335)	93,468	(335)
Asset-backed securities - Student loans	—	—	40	—	40	—
Residential mortgage-backed securities	—	—	15,359	(1,709)	15,359	(1,709)
Total available-for-sale securities with unrealized losses	696,835	(7,922)	1,295,961	(156,795)	1,992,796	(164,717)
Held-to-maturity securities with unrealized losses						
US government and federal agencies	36,713	(476)	2,634,326	(568,774)	2,671,039	(569,250)
December 31, 2023						
Available-for-sale securities with unrealized losses						
US government and federal agencies	7,855	(137)	1,486,104	(158,738)	1,493,959	(158,875)
Non-US governments debt securities	—	—	250,177	(4,355)	250,177	(4,355)
Asset-backed securities - Student loans	—	—	40	—	40	—
Residential mortgage-backed securities	—	—	17,127	(2,073)	17,127	(2,073)
Total available-for-sale securities with unrealized losses	7,855	(137)	1,753,448	(165,166)	1,761,303	(165,303)
Held-to-maturity securities with unrealized losses						
US government and federal agencies	—	—	2,976,709	(484,388)	2,976,709	(484,388)

Investment Maturities

The following table presents the remaining term to contractual maturity of the Bank's securities. The actual maturities may differ as certain securities offer prepayment options to the borrowers.

	Remaining term to maturity						Carrying amount
	Within 3 months	3 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	No specific or single maturity	
December 31, 2024							
Available-for-sale							
US government and federal agencies	—	15,004	976,353	—	—	1,172,262	2,163,619
Non-US governments debt securities	93,468	—	—	—	—	—	93,468
Asset-backed securities - Student loans	—	—	—	—	—	40	40
Residential mortgage-backed securities	—	—	—	—	—	15,359	15,359
Total available-for-sale	93,468	15,004	976,353	—	—	1,187,661	2,272,486
Held-to-maturity							
US government and federal agencies	—	—	—	—	—	3,240,290	3,240,290

Pledged Investments

The Bank pledges certain US government and federal agencies investment securities to further secure the Bank's issued customer deposit products. The secured party does not have the right to sell or repledge the collateral.

	December 31, 2024		December 31, 2023	
	Amortized cost	Fair value	Amortized cost	Fair value
Pledged Investments - secured customer deposit product				
Available-for-sale	22,888	21,062	27,459	25,785
Held-to-maturity	95,588	84,003	96,952	88,399

The Bank also pledges certain non-US governments debt investment securities to secure the Bank's repurchase agreements. Where the secured party has the right to sell or repledge the collateral, the Bank discloses such pledged financial assets separately in the accompanying consolidated balance sheets.

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Sale Proceeds and Realized Gains and Losses of AFS Securities

	Year ended									
	December 31, 2024			December 31, 2023			December 31, 2022			
	Sale proceeds	Gross realized gains	Transfers of HTM	Sale proceeds	Gross realized gains	Gross realized (losses)	Sale proceeds	Gross realized gains	Gross realized (losses)	Transfers of HTM ¹
US government and federal agencies	—	—	—	—	—	—	—	—	—	998,157
Asset-backed securities - Student loans	—	—	—	5,586	—	(14)	7,631	—	(19)	—
Total	—	—	—	5,586	—	(14)	7,631	—	(19)	998,157

¹During the year ended December 31, 2022, certain investments were transferred out of the AFS categorization and into HTM. The transfers were recorded at the fair value of the securities on the date of transfer. The related net unrealized losses of \$99.1 million that were recorded in AOCIL will be accreted into net income over the remaining life of the transferred investments using the effective interest rate method.

Taxability of Interest Income

None of the investments' interest income have received a specific preferential income tax treatment in any of the jurisdictions in which the Bank owns investments.

Note 6: Loans

The principal means of securing residential mortgages, personal, credit card and business loans are entitlements over assets and guarantees. Mortgage loans are generally repayable over periods of up to thirty years and personal and business loans are generally repayable over terms not exceeding five years. Government loans are repayable over a variety of terms which are individually negotiated. Amounts owing on credit cards are revolving and typically a minimum amount is due within 30 days from billing. The credit card portfolio is managed as a single portfolio and includes consumer and business cards. The effective yield on total loans as at December 31, 2024 is 6.29% (December 31, 2023: 6.46%). The interest receivable on total loans as at December 31, 2024 is \$8.0 million (December 31, 2023: \$23.1 million). The interest receivable is included in Accrued interest and other assets on the consolidated balance sheets and is excluded from all loan amounts disclosed in this note.

Loans' Credit Quality

The four credit quality classifications set out in the following tables are defined below and describe the credit quality of the Bank's lending portfolio. These classifications each encompass a range of more granular internal credit rating grades. Loans' internal credit ratings are assigned by the Bank's customer relationship managers as well as members of the Bank's jurisdictional and Group Credit Committees. The borrowers' financial condition is documented at loan origination and maintained periodically thereafter at a frequency which can be up to monthly for certain loans. The loans' performing status, as well as current economic trends, are continuously monitored. The Bank's jurisdictional and Group Credit Committees meet on a monthly basis. The Bank also has a Group Provisions and Impairments Committee which is responsible for approving significant provisions and other impairment charges.

A **pass** loan shall mean a loan that is expected to be repaid as agreed. A loan is classified as pass where the Bank is not expected to face repayment difficulties because the present and projected cash flows are sufficient to repay the debt and the repayment schedule as established by the agreement is being followed. Loans in this category are reviewed by the Bank's management on at least an annual basis.

A **special mention** loan shall mean a loan under close monitoring by the Bank's management on at least a quarterly basis. Loans in this category are currently still performing, but are potentially weak and present an undue credit risk exposure, but not to the point of justifying a classification of substandard.

A **substandard** loan shall mean a loan whose evident unreliability makes repayment doubtful and there is a threat of loss to the Bank unless the unreliability is averted. Loans in this category are under close monitoring by the Bank's management on at least a quarterly basis.

A **non-accrual** loan shall mean either management is of the opinion full payment of principal or interest is in doubt or that the principal or interest is 90 days past due unless it is a residential mortgage loan which is well secured and collection efforts are reasonably expected to result in amounts due. Loans in this category are under close monitoring by the Bank's management on at least a quarterly basis.

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The amortized cost of loans by credit quality classification and allowance for expected credit losses by class of loans is as follows:

December 31, 2024	Pass	Special mention	Substandard	Non-accrual	Total amortized cost	Allowance for expected credit losses	Total net loans
Commercial loans							
Government	266,303	—	—	—	266,303	(462)	265,841
Commercial and industrial	210,911	347	778	18,026	230,062	(11,147)	218,915
Commercial overdrafts	115,558	1,896	—	1	117,455	(75)	117,380
Total commercial loans	592,772	2,243	778	18,027	613,820	(11,684)	602,136
Commercial real estate loans							
Commercial mortgage	572,875	858	2,301	17,520	593,554	(3,267)	590,287
Construction	48,484	—	—	—	48,484	—	48,484
Total commercial real estate loans	621,359	858	2,301	17,520	642,038	(3,267)	638,771
Consumer loans							
Automobile financing	18,010	—	6	164	18,180	(34)	18,146
Credit card	90,433	—	244	—	90,677	(1,919)	88,758
Overdrafts	37,110	—	—	38	37,148	(378)	36,770
Other consumer ¹	45,180	—	832	733	46,745	(923)	45,822
Total consumer loans	190,733	—	1,082	935	192,750	(3,254)	189,496
Residential mortgage loans	2,849,805	23,619	137,093	40,175	3,050,692	(7,504)	3,043,188
Total	4,254,669	26,720	141,254	76,657	4,499,300	(25,709)	4,473,591

¹ Other consumer loans' amortized cost includes \$10 million of cash and portfolio secured lending and \$27 million of lending secured by buildings in construction or other collateral.

December 31, 2023	Pass	Special mention	Substandard	Non-accrual	Total amortized cost	Allowance for expected credit losses	Total net loans
Commercial loans							
Government	274,854	—	—	—	274,854	(848)	274,006
Commercial and industrial	258,325	626	853	18,392	278,196	(10,133)	268,063
Commercial overdrafts	116,859	1,689	159	87	118,794	(267)	118,527
Total commercial loans	650,038	2,315	1,012	18,479	671,844	(11,248)	660,596
Commercial real estate loans							
Commercial mortgage	590,276	1,484	1,842	3,133	596,735	(1,441)	595,294
Construction	10,981	—	—	—	10,981	—	10,981
Total commercial real estate loans	601,257	1,484	1,842	3,133	607,716	(1,441)	606,275
Consumer loans							
Automobile financing	18,823	—	—	139	18,962	(59)	18,903
Credit card	85,242	—	392	—	85,634	(1,744)	83,890
Overdrafts	42,673	—	—	42	42,715	(379)	42,336
Other consumer ¹	41,901	—	1,682	839	44,422	(914)	43,508
Total consumer loans	188,639	—	2,074	1,020	191,733	(3,096)	188,637
Residential mortgage loans	3,105,085	16,084	140,761	38,385	3,300,315	(9,974)	3,290,341
Total	4,545,019	19,883	145,689	61,017	4,771,608	(25,759)	4,745,849

¹ Other consumer loans' amortized cost includes \$8 million of cash and portfolio secured lending and \$27 million of lending secured by buildings in construction or other collateral.

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Based on the most recent analysis performed, the amortized cost of loans by year of origination and credit quality classification is as follows:

December 31, 2024	Pass	Special mention	Substandard	Non-accrual	Total amortized cost
Loans by origination year					
2024	497,053	—	267	—	497,320
2023	366,278	—	506	51	366,835
2022	759,398	888	750	4	761,040
2021	422,496	781	—	13	423,290
2020	270,060	451	32,733	7,503	310,747
Prior	1,690,525	22,704	106,754	69,047	1,889,030
Overdrafts and credit cards	248,859	1,896	244	39	251,038
Total amortized cost	4,254,669	26,720	141,254	76,657	4,499,300

December 31, 2023	Pass	Special mention	Substandard	Non-accrual	Total amortized cost
Loans by origination year					
2023	446,889	—	—	—	446,889
2022	868,598	141	—	1,024	869,763
2021	522,169	146	—	—	522,315
2020	364,225	457	25,534	12	390,228
2019	526,356	339	272	8,979	535,946
Prior	1,559,264	17,110	119,332	50,872	1,746,578
Overdrafts and credit cards	257,518	1,690	551	130	259,889
Total amortized cost	4,545,019	19,883	145,689	61,017	4,771,608

Age Analysis of Past Due Loans (Including Non-Accrual Loans)

The following tables summarize the past due status of the loans. The aging of past due amounts are determined based on the contractual delinquency status of payments under the loan and this aging may be affected by the timing of the last business day at period end. Loans less than 30 days past due are included in current loans.

December 31, 2024	30 - 59 days	60 - 89 days	90 days or more	Total past due loans	Total current	Total amortized cost
Commercial loans						
Government	—	—	—	—	266,303	266,303
Commercial and industrial	217	—	17,227	17,444	212,618	230,062
Commercial overdrafts	—	—	1	1	117,454	117,455
Total commercial loans	217	—	17,228	17,445	596,375	613,820
Commercial real estate loans						
Commercial mortgage	346	—	17,520	17,866	575,688	593,554
Construction	—	—	—	—	48,484	48,484
Total commercial real estate loans	346	—	17,520	17,866	624,172	642,038
Consumer loans						
Automobile financing	83	35	153	271	17,909	18,180
Credit card	514	280	244	1,038	89,639	90,677
Overdrafts	—	—	38	38	37,110	37,148
Other consumer	739	31	733	1,503	45,242	46,745
Total consumer loans	1,336	346	1,168	2,850	189,900	192,750
Residential mortgage loans	17,520	5,797	106,965	130,282	2,920,410	3,050,692
Total amortized cost	19,419	6,143	142,881	168,443	4,330,857	4,499,300

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December 31, 2023	30 - 59 days	60 - 89 days	90 days or more	Total past due loans	Total current	Total amortized cost
Commercial loans						
Government	—	—	—	—	274,854	274,854
Commercial and industrial	—	—	18,392	18,392	259,804	278,196
Commercial overdrafts	—	—	87	87	118,707	118,794
Total commercial loans	—	—	18,479	18,479	653,365	671,844
Commercial real estate loans						
Commercial mortgage	—	355	3,133	3,488	593,247	596,735
Construction	—	—	—	—	10,981	10,981
Total commercial real estate loans	—	355	3,133	3,488	604,228	607,716
Consumer loans						
Automobile financing	124	42	112	278	18,684	18,962
Credit card	902	255	392	1,549	84,085	85,634
Overdrafts	—	—	42	42	42,673	42,715
Other consumer	—	89	2,296	2,385	42,037	44,422
Total consumer loans	1,026	386	2,842	4,254	187,479	191,733
Residential mortgage loans	23,483	17,559	102,224	143,266	3,157,049	3,300,315
Total amortized cost	24,509	18,300	126,678	169,487	4,602,121	4,771,608

Changes in Allowances For Credit Losses

The allowance for expected credit losses remained flat as at December 31, 2024 compared to December 31, 2023. As disclosed in Note 2: Significant accounting policies, the Bank continuously collects and maintains attributes related to financial instruments within the scope of CECL, including current conditions, and reasonable and supportable assumptions about future economic conditions.

	Year ended December 31, 2024				
	Commercial	Commercial real estate	Consumer	Residential mortgage	Total
Balance at the beginning of period	11,248	1,441	3,096	9,974	25,759
Provision increase (decrease)	887	2,214	933	(2,160)	1,874
Recoveries of previous charge-offs	—	—	1,154	227	1,381
Charge-offs, by origination year					
2024	—	—	—	—	—
2023	—	—	(20)	—	(20)
2022	—	—	—	—	—
2021	—	(180)	—	—	(180)
2020	—	(180)	(5)	—	(185)
Prior	(427)	(28)	(100)	(533)	(1,088)
Overdrafts and credit cards	(24)	—	(1,801)	—	(1,825)
Other	—	—	(3)	(4)	(7)
Allowances for expected credit losses at end of year	11,684	3,267	3,254	7,504	25,709

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	Year ended December 31, 2023				
	Commercial	Commercial real estate	Consumer	Residential mortgage	Total
Balance at the beginning of period	12,143	884	2,696	9,238	24,961
Provision increase (decrease)	570	566	1,223	2,066	4,425
Recoveries of previous charge-offs	70	—	975	612	1,657
Charge-offs, by origination year					
2023	—	—	(4)		(4)
2022	—	—	(52)		(52)
2021	—	—	(31)		(31)
2020	—	—	(33)		(33)
2019	—	—	(2)		(2)
Prior	(1,474)	(8)	(122)	(2,128)	(3,732)
Overdrafts and credit cards	(66)	—	(1,536)		(1,602)
Other	5	(1)	(18)	186	172
Allowances for expected credit losses at end of year	11,248	1,441	3,096	9,974	25,759

Collateral-dependent loans

Management identified that the repayment of certain commercial and consumer mortgage loans is expected to be provided substantially through the operation or the sale of the collateral pledged to the Bank ("collateral-dependent loans"). The Bank believes that for the vast majority of loans identified as collateral-dependent, the sale of the collateral will be sufficient to fully reimburse the loan's carrying amount.

Non-Performing Loans

During the year ended December 31, 2024, no interest was recognized on non-accrual loans. No credit deteriorated loans were purchased during the period.

	December 31, 2024				December 31, 2023			
	Non-accrual loans with an allowance	Non-accrual loans without an allowance	Past due 90 days or more and accruing	Total non-performing loans	Non-accrual loans with an allowance	Non-accrual loans without an allowance	Past due 90 days or more and accruing	Total non-performing loans
Commercial loans								
Commercial and industrial	17,209	817	—	18,026	18,086	306	—	18,392
Commercial overdrafts	—	1	—	1	—	88	—	88
Total commercial loans	17,209	818	—	18,027	18,086	394	—	18,480
Commercial real estate loans								
Commercial mortgage	17,410	110	—	17,520	1,958	1,175	—	3,133
Total commercial real estate loans	17,410	110	—	17,520	1,958	1,175	—	3,133
Consumer loans								
Automobile financing	126	38	—	164	124	15	—	139
Credit card	—	—	244	244	—	—	392	392
Overdrafts	—	38	—	38	—	42	—	42
Other consumer	528	205	—	733	512	327	1,682	2,521
Total consumer loans	654	281	244	1,179	636	384	2,074	3,094
Residential mortgage loans	22,630	17,545	72,693	112,868	20,059	18,326	70,325	108,710
Total non-performing loans	57,903	18,754	72,937	149,594	40,739	20,279	72,399	133,417

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Loan Modifications Made to Borrowers Experiencing Financial Difficulty

The following table summarizes the amortized cost basis of loan modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2024.

December 31, 2024	Amortized cost basis				In % of the class of loans	Weighted average financial effects		
	Term extension and interest rate reduction	Payments delay in # of months	Term extension	Interest rate reduction		Months of payment delay	Months of term extension	Interest rate reduction
Commercial mortgage	—	—	—	636	0.1 %	0	0	3.0 %
Other consumer	—	—	56	782	1.8 %	0	34	4.0 %
Residential mortgage loans	3,823	750	7,490	5,230	0.6 %	6	31	3.1 %

December 31, 2023	Amortized cost basis			In % of the class of loans	Weighted average financial effects	
	Term extension and interest rate reduction	Term extension	Interest rate reduction		Months of term extension	Interest rate reduction
Commercial mortgage	472	—	—	0.1 %	22	1.8 %
Residential mortgage loans	2,938	3,499	7,428	0.4 %	35	3.3 %

Age analysis and subsequent default of modified loans.

As at December 31, 2024 all loans for which a concession was granted during the preceding 12 months are current, except for the following:

Residential mortgage loans

- \$0.5 million (2023: Nil) of residential mortgages for which a reduction in interest rate was granted are 30 to 59 days past due;
- Nil (2023: \$0.3 million) of residential mortgages for which a reduction in interest rate was granted are 60 to 89 days past due; and
- Nil (2023: \$0.8 million) of residential mortgages for which a reduction in interest rate was granted had a payment default and are 90 days or more past due.

Note 7: Credit risk concentrations

Concentrations of credit risk in the lending and off-balance sheet credit-related arrangements portfolios arise when a number of customers are engaged in similar business activities, are in the same geographic region, or when they have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. The Bank regularly monitors various segments of its credit risk portfolio to assess potential concentrations of risks and to obtain collateral when deemed necessary. In the Bank's commercial portfolio, risk concentrations are evaluated primarily by industry and by geographic region of loan origination. In the consumer portfolio, concentrations are evaluated primarily by products. Credit exposures include loans, guarantees and acceptances, letters of credit and commitments for undrawn lines of credit. Unconditionally cancellable credit cards and overdraft lines of credit are excluded from the tables below.

The following table summarizes the credit exposure of the Bank by geographic region. The exposure amounts disclosed below do not include accrued interest and are gross of allowances for credit losses and gross of collateral held.

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Geographic region	December 31, 2024				December 31, 2023			
	Cash and cash equivalents, resell agreements and short-term investments	Loans	Off-balance sheet	Total credit exposure	Cash and cash equivalents, resell agreements and short-term investments	Loans	Off-balance sheet	Total credit exposure
Belgium	2,478	—	—	2,478	2,815	—	—	2,815
Bermuda	37,227	1,631,461	186,210	1,854,898	39,843	1,772,429	189,190	2,001,462
Canada	1,417,882	—	—	1,417,882	1,198,290	—	—	1,198,290
Cayman Islands	40,675	1,068,142	218,817	1,327,634	46,870	1,171,213	197,333	1,415,416
France	207,687	—	—	207,687	—	—	—	—
Germany	1,178	—	—	1,178	1,637	—	—	1,637
Guernsey	1	552,994	103,979	656,974	1	630,157	180,179	810,337
Ireland	8,672	—	—	8,672	13,849	—	—	13,849
Japan	121,862	—	—	121,862	15,831	—	—	15,831
Jersey	—	223,964	68,217	292,181	—	181,647	17,514	199,161
Mauritius	1,055	—	—	1,055	994	—	—	994
Norway	100,148	—	—	100,148	94,698	—	—	94,698
Switzerland	3,377	—	—	3,377	1,952	—	—	1,952
The Bahamas	184	3,791	—	3,975	990	5,625	—	6,615
United Kingdom	1,240,116	1,018,948	137,654	2,396,718	558,724	1,010,537	162,002	1,731,263
United States	599,264	—	—	599,264	894,259	—	—	894,259
Other	1,705	—	—	1,705	1,206	—	—	1,206
Total gross exposure	3,783,511	4,499,300	714,877	8,997,688	2,871,959	4,771,608	746,218	8,389,785

Note 8: Premises, equipment and computer software

Category	December 31, 2024			December 31, 2023		
	Cost	Accumulated depreciation	Net carrying value	Cost	Accumulated depreciation	Net carrying value
Land	8,333	—	8,333	8,333	—	8,333
Buildings	204,473	(91,401)	113,072	198,692	(88,670)	110,022
Equipment	27,128	(19,304)	7,824	26,583	(19,730)	6,853
Computer hardware and software in use	100,630	(78,012)	22,618	164,231	(136,804)	27,427
Computer software in development	1,935	—	1,935	1,727	—	1,727
Total	342,499	(188,717)	153,782	399,566	(245,204)	154,362

During the year ended December 31, 2023, the Bank completed the upgrade of its core banking systems and online platforms in Bermuda and Cayman and concurrently decommissioned the legacy systems that were fully depreciated in the amount of \$54.8 million. During the same year, the Bank inaugurated its new flagship retail banking center in Bermuda which formed part of the multi-year Bermuda Head Office renovation project.

Depreciation charged to operating expenses	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Buildings (included in Property expense)	9,202	7,334	5,963
Equipment (included in Property expense)	2,384	2,389	2,390
Computer hardware and software (included in Technology and communication expense)	9,768	10,044	10,124
Total depreciation charged to operating expenses	21,354	19,767	18,477

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Note 9: Goodwill and other intangible assets

Goodwill

	Segment			Total
	Cayman	Channel Islands and the UK	Other	
Balance at December 31, 2021	551	22,738	2,067	25,356
Foreign exchange translation adjustment	—	(2,466)	2	(2,464)
Balance at December 31, 2022	551	20,272	2,069	22,892
Foreign exchange translation adjustment	—	1,143	72	1,215
Balance at December 31, 2023	551	21,415	2,141	24,107
Foreign exchange translation adjustment	—	(396)	(94)	(490)
Balance at December 31, 2024	551	21,019	2,047	23,617

Customer Relationship Intangible Assets

Segment	December 31, 2024			December 31, 2023		
	Cost	Accumulated amortization	Net carrying amount	Cost	Accumulated amortization	Net carrying amount
Bermuda	29,785	(20,727)	9,058	29,785	(19,297)	10,488
Cayman	16,517	(9,967)	6,550	16,517	(8,865)	7,652
Channel Islands and the UK	97,860	(67,760)	30,100	97,760	(63,746)	34,014
Other	24,923	(4,639)	20,284	24,540	(1,894)	22,646
Total	169,085	(103,093)	65,992	168,602	(93,802)	74,800

Customer relationships are initially valued based on the present value of net cash flows expected to be derived solely from the recurring customer base existing as at the date of acquisition. Customer relationship intangible assets may or may not arise from contracts.

On September 6, 2022, the Bank announced that it has entered into an agreement to acquire the global trust business of Credit Suisse in Guernsey, Singapore and The Bahamas. The onboarding of selected trust customers relating to this asset acquisition was completed in December 2023.

During the year ended December 31, 2024, no new customer intangible assets were acquired. During the year ended December 31, 2023, the Bank acquired \$27.3 million of new customer relationship intangible assets with an estimated useful life of 15 years via the aforementioned asset acquisition. During the year ended December 31, 2024, no amounts were written off (December 31, 2023: Nil). The amortization expense amounted to \$8.0 million (December 31, 2023: \$5.7 million, December 31, 2022: \$5.7 million) and the foreign exchange translation adjustment decreased the net carrying amount by \$1.3 million (December 31, 2023: increased by \$1.7 million, December 31, 2022: decreased by \$3.6 million). The estimated aggregate amortization expense for each of the succeeding five years is \$7.6 million.

Note 10: Deposits

By Maturity

December 31, 2024	Demand		Total demand deposits	Term				Total term deposits	Total deposits
	Non-interest bearing	Interest bearing		Within 3 months	3 to 6 months	6 to 12 months	After 12 months		
Demand or less than \$100k ¹	2,687,877	5,579,775	8,267,652	51,608	18,035	19,912	10,395	99,950	8,367,602
Term - \$100k or more	N/A	N/A	—	3,540,636	416,374	348,301	72,996	4,378,307	4,378,307
Total deposits	2,687,877	5,579,775	8,267,652	3,592,244	434,409	368,213	83,391	4,478,257	12,745,909

December 31, 2023	Demand		Total demand deposits	Term				Total term deposits	Total deposits
	Non-interest bearing	Interest bearing		Within 3 months	3 to 6 months	6 to 12 months	After 12 months		
Demand or less than \$100k ¹	2,656,659	5,602,255	8,258,914	42,571	15,177	18,877	10,360	86,985	8,345,899
Term - \$100k or more	N/A	N/A	—	2,633,800	474,034	459,325	73,650	3,640,809	3,640,809
Total deposits	2,656,659	5,602,255	8,258,914	2,676,371	489,211	478,202	84,010	3,727,794	11,986,708

¹ The weighted-average interest rate on interest-bearing demand deposits as at December 31, 2024 is 0.87% (December 31, 2023: 0.81%).

By Type and Segment

	December 31, 2024			December 31, 2023		
	Payable on demand	Payable on a fixed date	Total	Payable on demand	Payable on a fixed date	Total
Bermuda	3,535,770	1,245,294	4,781,064	3,487,911	985,180	4,473,091
Cayman	2,793,194	1,177,909	3,971,103	2,971,581	1,033,515	4,005,096
Channel Islands and the UK	1,938,688	2,055,054	3,993,742	1,799,422	1,709,099	3,508,521
Total deposits	8,267,652	4,478,257	12,745,909	8,258,914	3,727,794	11,986,708

Note 11: Employee benefit plans

The Bank maintains trustee pension plans including non-contributory defined benefit plans and a number of defined contribution plans, and provides post-retirement medical benefits to its qualifying retirees. The defined benefit provisions under the pension plans are generally based upon years of service and average salary during the relevant years of employment. The defined benefit and post-retirement medical plans are not open to new participants and are non-contributory and the funding required is provided by the Bank, based upon the advice of independent actuaries. The defined benefit pension plans are in the Bermuda, Guernsey and UK jurisdictions, and the defined benefit post-retirement medical plan is in Bermuda. The Bank has a residual obligation on top of its defined contribution plan in Mauritius.

Bermuda Defined Benefit and Post-Retirement Medical Benefit Plan

The Bank amortizes prior service credit resulting from plan amendments that occurred when plan members were active employees, on a linear basis over the expected average remaining service period (to full eligibility) of active members expected to receive benefits under the plan. Such remaining service periods are as follows: 3.1 years for the 2010 plan amendments and 4.6 years for the 2011 plan amendments. Plan amendments occurring in 2014 and 2019 resulted in the recognition of new prior service costs on December 31, 2014 and December 31, 2019 on a plan for which substantially all members are now inactive. The Bank has elected to amortize these new prior service costs on a linear basis over 21 years and 16 years, respectively, which was the average remaining life expectancy of members eligible for benefits under the plan at the time of the amendments.

Guernsey Defined Benefit Pension Plan

Effective October 2014, all the participants of the Guernsey defined benefit pension plan became inactive and in accordance with GAAP, the net actuarial loss of the Guernsey defined benefit pension plan is amortized over the then estimated average remaining life expectancy of the inactive participants of 39 years. Prior to all of the Guernsey participants being inactive, the net actuarial loss of the Guernsey defined benefit pension plan was amortized to net income over the estimated average remaining service period for active members of 15 years.

UK Defined Benefit Pension Plan

The UK defined benefit pension plan closed to new members effective April 1, 2002 and subsequently closed to further accrual of new benefits effective October 1, 2012. During the years ended December 31, 2018 and 2017, the pension plan settled in cash the liability of several plan members and an insurance policy was purchased in the name of the trustees of the plan to match the liabilities of remaining members who were pensioners as at March 31, 2016.

Mauritius Portable Retirement Gratuity Fund

Under the Mauritius Workers' Right Act of 2019, the Portable Retirement Gratuity Fund (the "Fund") was established for the purpose of providing for the payment of a gratuity on the death or retirement of an employee and came into effect on January 1, 2020. The Fund operates as a centralized defined contribution scheme with employers required to make upfront contributions at prescribed rates based on employees' monthly remuneration. Any shortfall in this lump sum gratuity in an employees accumulated fund upon death or retirement, is to be funded by the Bank. Accordingly, the Bank recognizes the related service and net interest costs as well as the related net actuarial liability.

The following table presents the financial position of the Bank's defined benefit pension plans and the Bank's post-retirement medical benefit plan, which is unfunded. The Bank measures the benefit obligations and plan assets annually on each December 31 and therefore, the most recent measurement date is December 31, 2024.

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	December 31, 2024		December 31, 2023		December 31, 2022	
	Pension plans	Post-retirement medical benefit plan	Pension plans	Post-retirement medical benefit plan	Pension plans	Post-retirement medical benefit plan
Accumulated benefit obligation at end of year	99,013	83,578	110,004	88,682	106,748	91,983
Change in projected benefit obligation						
Projected benefit obligation at beginning of year	110,004	88,682	106,748	91,983	157,478	125,968
Service cost	—	54	—	76	—	130
Interest cost	5,134	4,385	5,367	4,786	3,026	3,114
Benefits paid	(7,961)	(3,324)	(7,829)	(3,244)	(9,153)	(5,774)
Actuarial (gain) loss	(7,453)	(6,219)	3,368	(4,919)	(37,425)	(31,455)
Foreign exchange translation adjustment	(711)	—	2,350	—	(7,178)	—
Projected benefit obligation at end of year	99,013	83,578	110,004	88,682	106,748	91,983
Change in plan assets						
Fair value of plan assets at beginning of year	136,653	—	137,294	—	179,025	—
Actual return on plan assets	(1,501)	—	3,725	—	(24,574)	—
Employer contribution	153	3,324	386	3,244	207	5,774
Benefits paid	(7,961)	(3,324)	(7,829)	(3,244)	(9,153)	(5,774)
Foreign exchange translation adjustment	(925)	—	3,077	—	(8,211)	—
Fair value of plan assets at end of year	126,419	—	136,653	—	137,294	—
Amounts recognized in the consolidated balance sheets consist of:						
Prepaid benefit cost included in accrued interest and other assets	27,417	—	26,661	—	30,581	—
Accrued pension benefit cost included in employee benefit plans liability	(11)	(83,578)	(12)	(88,682)	(35)	(91,983)
Surplus (deficit) of plan assets over projected benefit obligation at measurement date	27,406	(83,578)	26,649	(88,682)	30,546	(91,983)

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	Year ended					
	December 31, 2024		December 31, 2023		December 31, 2022	
	Pension plans	Post- retirement medical benefit plan	Pension plans	Post- retirement medical benefit plan	Pension plans	Post- retirement medical benefit plan
Amounts recognized in accumulated other comprehensive income (loss) consist of:						
Net actuarial gain (loss), excluding deferred taxes	(48,969)	22,022	(51,165)	18,114	(47,452)	14,528
Net prior service credit (cost)	(313)	(5,770)	(398)	(6,294)	(453)	(6,818)
Net amount recognized in accumulated other comprehensive income (loss)	(49,282)	16,252	(51,563)	11,820	(47,905)	7,710

Annual benefit expense

Expense component	Line item in the consolidated statements of operations						
Service cost	Salaries and other employee benefits	—	54	—	76	—	130
Interest cost	Non-service employee benefits expense	5,134	4,385	5,367	4,786	3,026	3,114
Expected return on plan assets	Non-service employee benefits expense	(6,240)	—	(6,117)	—	(6,632)	—
Amortization of net actuarial (gains) losses	Non-service employee benefits expense	2,358	524	2,284	524	2,218	1,444
Amortization of prior service (credit) loss	Non-service employee benefits expense	79	(2,311)	79	(1,333)	81	524
(Gain) loss on settlement	Net other gains (losses)/Non-service employee benefits expense	—	—	—	—	(907)	—
Defined benefit (income) expense		1,331	2,652	1,613	4,053	(2,214)	5,212
Defined contribution expense		8,363	—	8,525	—	7,825	—
Total benefit (income) expense		9,694	2,652	10,138	4,053	5,611	5,212

The components of benefit expense (income) other than the service cost component are included in the line item non-service employee benefits expense in the consolidated statements of operations.

Other changes recognized in other comprehensive income (loss)

Net gain (loss) arising during the year	(288)	6,219	(5,762)	4,919	6,218	31,455
Net loss (gain) on settlement reclassified to net income	—	—	—	—	(907)	—
Amortization of net actuarial (gains) losses	2,358	524	2,284	524	2,218	1,444
Amortization of prior service (credit) cost	79	(2,311)	79	(1,333)	81	524
Foreign exchange adjustment	132	—	(259)	—	885	—
Total changes recognized in other comprehensive income (loss)	2,281	4,432	(3,658)	4,110	8,495	33,423

To develop the expected long-term rate of return on the plan assets assumption for each plan, the Bank considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocations of the assets. The weighted average discount rate used to determine benefit obligations at the end of the year is derived from interest rates on high quality corporate bonds with maturities that match the expected benefit payments.

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Actuarial Assumptions

	December 31, 2024		Year ended December 31, 2023		December 31, 2022	
	Pension plans	Post-retirement medical benefit plan	Pension plans	Post-retirement medical benefit plan	Pension plans	Post-retirement medical benefit plan
Actuarial assumptions used to determine annual benefit expense						
Weighted average discount rate	4.85 %	5.16 %	5.20 %	5.37 %	2.30 %	2.88 %
Weighted average rate of compensation increases ¹	3.20 %	N/A	3.00 %	N/A	3.00 %	N/A
Weighted average expected long-term rate of return on plan assets	5.80 %	N/A	6.30 %	N/A	4.45 %	N/A
Weighted average annual medical cost increase rate	N/A	6.8% to 4.5% in 2040	N/A	6.9% to 4.5% in 2040	N/A	7.0% to 4.5% in 2040
Actuarial assumptions used to determine benefit obligations at end of year						
Weighted average discount rate	5.55 %	5.67 %	4.85 %	5.16 %	5.20 %	5.37 %
Weighted average rate of compensation increases ¹	3.20 %	N/A	3.00 %	N/A	3.00 %	N/A
Weighted average annual medical cost increase rate	N/A	6.6% to 4.5% in 2040	N/A	6.8% to 4.5% in 2040	N/A	6.9% to 4.5% in 2040

¹Only the UK subsidiary plan is impacted by potential future compensation increases.

Investments Policies and Strategies

The pension plans' assets are managed according to each plan's investment policy statement, which outlines the purpose of the plan, statement of objectives and guidelines and investment policy. The asset allocation is diversified and any use of derivatives is limited to hedging purposes only.

Weighted average actual and target asset allocations of the pension plans by asset category	December 31, 2024		December 31, 2023	
	Actual allocation	Target allocation	Actual allocation	Target allocation
Debt securities (including debt mutual funds)	70 %	74 %	70 %	74 %
Equity securities (including equity mutual funds)	20 %	9 %	20 %	9 %
Other	10 %	17 %	10 %	17 %
Total	100 %	100 %	100 %	100 %

Fair Value Measurements of Pension Plans' Assets

The following table presents the fair value of the plans' assets by category and level of inputs used in their respective fair value determination as described in "Note 2: Significant accounting policies", except the level 3 security, for which the valuation determination is described following the below table:

	December 31, 2024				December 31, 2023			
	Fair value determination				Fair value determination			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
US government and federal agencies	—	30,748	—	30,748	—	34,278	—	34,278
Non-US governments debt securities	—	39,127	—	39,127	—	44,383	—	44,383
Corporate debt securities	—	19,137	—	19,137	—	17,604	—	17,604
Equity securities and mutual funds	1,066	24,790	—	25,856	926	25,986	—	26,912
Other	497	833	10,221	11,551	410	1,244	11,822	13,476
Total fair value of plans' assets	1,563	114,635	10,221	126,419	1,336	123,495	11,822	136,653

The Level 3 assets consist of insured annuity policies covering the full pension benefits of certain plan members. The fair value of these policies is deemed equal to the actuarial value of the projected benefit obligation for the insured benefits. At December 31, 2024, 19.5% (December 31, 2023: 19.1%) of the assets of the pension plans were mutual funds and equity securities managed or administered by wholly-owned subsidiaries of the Bank. At December 31, 2024, 0.8% (December 31, 2023: 0.7%) of the plans' assets were invested in common shares of the Bank.

The investments of the pension funds are diversified across a range of asset classes and are diversified within each asset class. The assets are generally actively managed with the goal of adding some incremental value through security selection and asset allocation.

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Estimated 2025 Bank contribution to and estimated benefit payments for the next ten years under the pension and post-retirement medical benefit plans are as follows:

	Pension plans	Post- retirement medical benefit plan
Estimated Bank contributions for the full year ending December 31, 2025	—	5,323
Estimated benefit payments by year:		
2025	7,400	5,323
2026	7,300	5,544
2027	7,900	5,744
2028	7,400	5,905
2029	7,500	6,054
2030-2034	36,200	31,721

Note 12: Credit related arrangements, repurchase agreements and commitments

Commitments

As at December 31, 2024, the Bank was committed to expenditures under contract for information technology services sourcing of \$20.3 million (December 31, 2023: \$32.1 million). The Bank funded its expenditures with its own resources and plans to fund those currently in progress with its own resources, which may be obtained through cash on hand, cash flows from operations and issuances of debt and equity securities.

The following table summarizes the Bank's commitments for sourcing and other agreements:

Year ending December 31	Sourcing	Other	Total
2025	11,233	27,700	38,933
2026	9,092	18,122	27,214
2027	—	12,896	12,896
2028	—	7,549	7,549
2029	—	3,292	3,292
2030 & thereafter	—	19	19
Total commitments	20,325	69,578	89,903

The Bank enters into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of the Bank's commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for expected credit losses.

The Bank has a facility with one of its custodians, whereby the Bank may offer up to \$200 million of standby letters of credit to its customers on a fully secured basis. Under the standard terms of the facility, the custodian has the right to set-off against securities held of 110% of the utilized facility. At December 31, 2024, \$138.4 million (December 31, 2023: \$120.0 million) of standby letters of credit were issued under this facility.

Outstanding unfunded commitments to extend credit	December 31, 2024	December 31, 2023
Commitments to extend credit	475,289	496,577
Documentary and commercial letters of credit	1,576	1,824
Total unfunded commitments to extend credit	476,865	498,401
Allowance for credit losses	(90)	(302)

Credit-Related Arrangements

Standby letters of credit and letters of guarantee are issued at the request of a Bank customer in order to secure the customer's payment or performance obligations to a third party. These guarantees represent an irrevocable obligation of the Bank to pay the third party beneficiary upon presentation of the guarantee and satisfaction of the documentary requirements stipulated therein, without investigation as to the validity of the beneficiary's claim against the customer. Generally, the term of the standby letters of credit does not exceed one year, while the term of the letters of guarantee does not exceed four years. The types and amounts of collateral security held by the Bank for these standby letters of credit and letters of guarantee are generally represented by deposits with the Bank or a charge over assets held in mutual funds.

The Bank considers the fees collected in connection with the issuance of standby letters of credit and letters of guarantee to be representative of the fair value of its obligation undertaken in issuing the guarantee. In accordance with applicable accounting standards related to guarantees, the Bank defers fees collected in connection with the issuance of standby letters of credit and letters of guarantee. The fees are then recognized in income proportionately over the life of the credit agreements. The following table presents the outstanding financial guarantees. Collateral is shown at estimated market value less selling cost. Where the collateral is cash, it is shown gross including accrued income.

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Outstanding financial guarantees	December 31, 2024			December 31, 2023		
	Gross	Collateral	Net	Gross	Collateral	Net
Standby letters of credit	236,220	207,267	28,953	244,288	237,139	7,149
Letters of guarantee	1,792	1,756	36	3,529	3,493	36
Total	238,012	209,023	28,989	247,817	240,632	7,185

Repurchase agreements

The Bank utilizes repurchase agreements and resell agreements (reverse repurchase agreements) to manage liquidity that are carried at the amounts at which the securities will be subsequently sold or repurchased. The risks of these transactions include changes in the fair value of the securities posted or received as collateral and other credit related events. The Bank manages these risks by ensuring that the collateral involved is appropriate and by monitoring the value of the securities posted or received as collateral on a daily basis.

As at December 31, 2024, the Bank had 15 open positions (December 31, 2023: 5) in resell agreements with a remaining maturity of less than 120 days involving pools of mortgages issued by US federal agencies and non-US government debt securities. The carrying value of these resell agreements is \$1.2 billion (December 31, 2023: \$187.3 million) and are included in securities purchased under agreements to resell on the consolidated balance sheets. As at December 31, 2024, there were no positions (December 31, 2023: no positions) which were offset on the consolidated balance sheets to arrive at the carrying value, and there was no collateral amount which was available to offset against the future settlement amount.

As at December 31, 2024, the Bank had one open position (December 31, 2023: nil) in a repurchase agreement with a remaining maturity of less than 30 days involving one non-US government debt security, with the carrying value of the repurchase agreement being \$92.6 million (December 31, 2023: nil).

Legal Proceedings

There are actions and legal proceedings pending against the Bank and its subsidiaries which arose in the normal course of its business. Management, after reviewing all actions and proceedings pending against or involving the Bank and its subsidiaries, considers that the resolution of these matters would in the aggregate not be material to the consolidated financial position of the Bank, except as noted in the following paragraph.

As publicly announced, in November 2013, the US Attorney's Office for the Southern District of New York applied for and secured the issuance of so-called John Doe Summonses to six US financial institutions with which the Bank had correspondent bank relationships in connection with a US cross border tax investigation. On August 3, 2021, the Bank announced it had reached a resolution with the United States Department of Justice concerning this inquiry. The resolution was in the form of a non-prosecution agreement with a three-year term which concluded in July 2024. The Bank paid \$5.6 million in respect of Forfeiture and Tax Restitution Amounts which is consistent with that previously provisioned for.

Note 13: Leases

The Bank enters into operating lease agreements either as the lessee or the lessor, mostly for office and parking spaces as well as for small office equipment. The terms of the existing leases, including renewal options that are reasonably certain to be exercised, extend up to the year 2038. Certain lease payments will be adjusted during the related lease's term based on movements in the relevant consumer price index.

	Year ended	
	December 31, 2024	December 31, 2023
Lease costs		
Operating lease costs	7,685	7,673
Short-term lease costs	1,645	2,490
Sublease income	(580)	(1,126)
Total net lease cost	8,750	9,037
Operating lease income	1,362	1,200
Other information for the period		
Right-of-use assets related to new operating lease liabilities	2,068	3,268
Operating cash flows from operating leases	6,903	7,808

Other information at end of period	Year ended	
	December 31, 2024	December 31, 2023
Operating leases right-of-use assets (included in other assets on the balance sheets)	35,347	33,445
Operating lease liabilities (included in other liabilities on the balance sheets)	35,604	33,014
Weighted average remaining lease term for operating leases (in years)	11.87	9.52
Weighted average discount rate for operating leases	5.93 %	5.60 %

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The following table summarizes the maturity analysis of the Bank's commitments for long-term leases as at December 31, 2024:

Year ending December 31	Operating Leases
2025	5,249
2026	4,910
2027	4,911
2028	4,909
2029	3,667
2030 & thereafter	16,746
Total commitments	40,392
Less: effect of discounting cash flows to their present value	(4,788)
Operating lease liabilities	35,604

Note 14: Loan interest income

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Contractual interest earned	298,975	312,256	243,115
Amortization			
Amortization of fair value hedge	(202)	(232)	(259)
Amortization of loan origination fees (net of amortized costs)	4,953	5,015	6,026
Amortization of fair value adjustment on purchased loans	386	322	508
Total loan interest income	304,112	317,361	249,390
Balance of unamortized fair value hedge included in loans as at year end	402	604	836
Balance of unamortized loan fees included in loans as at year end	9,373	10,822	11,878

Note 15: Segmented information

The Bank is managed by the Chairman & CEO, its CODM, on a geographic basis. The Bank presents four reportable segments, three geographical and one other: Bermuda, Cayman, Channel Islands and the UK, and Other. The Other segment is composed of several non-reportable operating segments that have been aggregated in accordance with GAAP. Each reportable segment has a managing director who reports to the Chairman & CEO. The Chairman & CEO and the segment managing director have final authority over resource allocation decisions and performance assessment.

The geographic segments reflect this management structure and the manner in which financial information is currently evaluated by the Chairman & CEO in assessing operating performance. Segment results are determined based on the Bank's management reporting system, which assigns balance sheet and statement of operations items to each of the geographic segments. The process is designed around the Bank's organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions. A description of each reportable segment and table of financial results is presented below.

Accounting policies of the reportable segments are the same as those described in Note 2: Significant accounting policies. Transactions between segments are accounted for on an accrual basis and are all eliminated upon consolidation. The Bank generally does not allocate assets, revenues and expenses among its business segments, with the exception of certain corporate overhead expenses and loan participation revenue and expenses. Loan participation revenue and expenses are allocated pro-rata based upon the percentage of the total loan funded by each jurisdiction participating in the loan. Other expenses are comprised of marketing, non-service employee benefits and other non-interest expenses.

The **Bermuda** segment provides a comprehensive range of retail, commercial and private banking services. Retail services are offered to individuals and small to medium-sized businesses through three branch locations and through internet banking, mobile banking, automated teller machines and debit cards. Retail services include deposit services, consumer and mortgage lending, credit cards and personal insurance products. Commercial banking includes commercial lending and mortgages, cash management, payroll services, remote banking and letters of credit. Treasury services include money market and foreign exchange activities. Bermuda's wealth management offering consists of Butterfield Asset Management Limited, which provides investment management, advisory and brokerage services and Butterfield Trust (Bermuda) Limited, which provides trust, estate, company management and custody services. Bermuda is also the location of the Bank's head offices and accordingly, retains the unallocated corporate overhead expenses.

The **Cayman** segment provides a comprehensive range of retail, commercial and private banking services. Retail services are offered to individuals and small to medium-sized businesses through three branch locations and through internet banking, mobile banking, ATMs and debit cards. Retail services include deposit services, consumer and mortgage lending, credit cards and property/auto insurance. Commercial banking includes commercial lending and mortgages, cash management, payroll services, remote banking and letters of credit. Treasury services include money market and foreign exchange activities. Cayman's wealth management offering comprises investment management, advisory and brokerage services and Butterfield Trust (Cayman) Limited, which provides trust, estate and company management.

The **Channel Islands and the UK** segment includes the jurisdictions of Guernsey and Jersey (Channel Islands), and the UK. In the Channel Islands, a broad range of services are provided to individuals, private clients, trusts, financial institutions and funds including deposit services, mortgage lending and credit card services, private and corporate banking, treasury services, internet banking, wealth management and fiduciary services. In 2023, the segment began issuing credit cards to local residents of Guernsey and Jersey. The UK jurisdiction provides mortgage services for high-value residential properties.

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The **Other** segment includes the jurisdictions of The Bahamas, Canada, Mauritius, Singapore and Switzerland. These operating segments individually and collectively do not meet the quantitative threshold for segmented reporting and are therefore aggregated as non-reportable operating segments.

Total Assets by Segment	December 31, 2024	December 31, 2023
Bermuda	5,438,279	5,181,431
Cayman	4,337,829	4,341,739
Channel Islands and the UK	4,526,623	4,204,561
Other	62,682	63,470
Total assets before inter-segment eliminations	14,365,413	13,791,201
Less: inter-segment eliminations	(134,017)	(417,181)
Total	14,231,396	13,374,020

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2024	Bermuda	Cayman	Channel Islands and the UK	Other	Total before eliminations	Inter-segment eliminations	Total
Year ended December 31							
Interest income							
Interest income	222,674	159,109	203,696	238	585,717	—	585,717
Interest income - Inter-segment	7,140	5,275	1,048	—	13,463	(13,463)	—
Interest income Total	229,814	164,384	204,744	238	599,180	(13,463)	585,717
Interest expense							
Interest expense	53,559	46,948	134,007	—	234,514	—	234,514
Interest expense - Inter-segment	6,290	29	7,144	—	13,463	(13,463)	—
Interest expense Total	59,849	46,977	141,151	—	247,977	(13,463)	234,514
Net interest income							
Net interest income	169,115	112,161	69,689	238	351,203	—	351,203
Net interest income - Inter-segment	850	5,246	(6,096)	—	—	—	—
Net interest income Total	169,965	117,407	63,593	238	351,203	—	351,203
Non-interest income	93,733	71,949	44,366	42,361	252,409	(22,394)	230,015
Allowance for credit losses	(1,834)	135	37	—	(1,662)	—	(1,662)
Net revenue before gains and losses	261,864	189,491	107,996	42,599	601,950	(22,394)	579,556
Gains and losses	88	—	289	—	377	—	377
Total net revenue	261,952	189,491	108,285	42,599	602,327	(22,394)	579,933
Expenses							
Salaries and other employee benefits	74,985	27,207	45,617	26,215	174,024	—	174,024
Technology and communications	30,866	14,196	9,823	1,404	56,289	—	56,289
Non-income taxes	17,231	1,965	2,225	1,251	22,672	—	22,672
Professional and outside services	14,033	2,135	5,581	945	22,694	—	22,694
Property	9,015	2,925	8,085	2,469	22,494	—	22,494
Amortisation of intangible assets	1,429	1,101	3,456	2,020	8,006	—	8,006
Depreciation	13,174	4,517	3,078	585	21,354	—	21,354
Income tax benefit (expense)	—	—	3,337	1,194	4,531	—	4,531
Other expenses	37,885	13,002	(54)	3,114	53,947	(22,394)	31,553
Expenses Total	198,618	67,048	81,148	39,197	386,011	(22,394)	363,617
Net income	63,334	122,443	27,137	3,402	216,316	—	216,316

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2023	Bermuda	Cayman	Channel Islands and the UK	Other	Total before eliminations	Inter- segment eliminations	Total
Year ended December 31							
Interest income							
Interest income	220,946	159,043	165,558	83	545,630	—	545,630
Interest income - Inter-segment	1,925	6,908	1,358	—	10,191	(10,191)	—
Interest income Total	222,871	165,951	166,916	83	555,821	(10,191)	545,630
Interest expense							
Interest expense	36,511	31,214	110,945	—	178,670	—	178,670
Interest expense - Inter-segment	5,699	1,050	3,442	—	10,191	(10,191)	—
Interest expense Total	42,210	32,264	114,387	—	188,861	(10,191)	178,670
Net interest income							
Net interest income	184,435	127,829	54,613	83	366,960	—	366,960
Net interest income - Inter-segment	(3,774)	5,858	(2,084)	—	—	—	—
Net interest income Total	180,661	133,687	52,529	83	366,960	—	366,960
Non-interest income	89,948	66,891	39,074	35,801	231,714	(19,378)	212,336
Allowance for credit losses	(4,755)	61	242	—	(4,452)	—	(4,452)
Net revenue before gains and losses	265,854	200,639	91,845	35,884	594,222	(19,378)	574,844
Gains and losses	4,011	(4)	(253)	(1)	3,753	—	3,753
Total net revenue	269,865	200,635	91,592	35,883	597,975	(19,378)	578,597
Expenses							
Salaries and other employee benefits	78,573	30,067	46,272	23,027	177,939	—	177,939
Technology and communications	29,232	12,556	8,670	1,476	51,934	—	51,934
Non-income taxes	16,769	1,817	1,821	1,050	21,457	—	21,457
Professional and outside services	14,006	1,815	4,301	934	21,056	—	21,056
Property	9,116	2,882	7,239	2,414	21,651	—	21,651
Amortisation of intangible assets	1,430	1,101	2,821	376	5,728	—	5,728
Depreciation	11,390	3,677	4,018	682	19,767	—	19,767
Income tax benefit (expense)	—	—	1,278	(511)	767	—	767
Other expenses	38,343	10,596	1,511	1,734	52,184	(19,378)	32,806
Expenses Total	198,859	64,511	77,931	31,182	372,483	(19,378)	353,105
Net income	71,006	136,124	13,661	4,701	225,492	—	225,492

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2022	Bermuda	Cayman	Channel Islands and the UK	Other	Total before eliminations	Inter-segment eliminations	Total
Year ended December 31							
Interest income							
Interest income	180,663	118,898	98,797	25	398,383	—	398,383
Interest income - Inter-segment	1,734	2,641	3,630	—	8,005	(8,005)	—
Interest income Total	182,397	121,539	102,427	25	406,388	(8,005)	398,383
Interest expense							
Interest expense	15,333	5,597	33,869	—	54,799	—	54,799
Interest expense - Inter-segment	5,122	48	2,835	—	8,005	(8,005)	—
Interest expense Total	20,455	5,645	36,704	—	62,804	(8,005)	54,799
Net interest income							
Net interest income	165,330	113,301	64,928	25	343,584	—	343,584
Net interest income - Inter-segment	(3,388)	2,593	795	—	—	—	—
Net interest income Total	161,942	115,894	65,723	25	343,584	—	343,584
Non-interest income	87,855	66,696	40,485	29,425	224,461	(17,874)	206,587
Allowance for credit losses	(1,226)	(573)	(597)	—	(2,396)	—	(2,396)
Net revenue before gains and losses	248,571	182,017	105,611	29,450	565,649	(17,874)	547,775
Gains and losses	23	(19)	1,503	15	1,522	—	1,522
Total net revenue	248,593	181,998	107,114	29,466	567,171	(17,874)	549,297
Expenses							
Salaries and other employee benefits	75,216	28,600	42,769	19,604	166,189	—	166,189
Technology and communications	26,145	10,680	8,932	859	46,616	—	46,616
Non-income taxes	17,195	2,080	1,780	927	21,982	—	21,982
Professional and outside services	12,222	1,709	4,455	1,254	19,640	—	19,640
Property	9,544	4,458	6,945	2,141	23,088	—	23,088
Amortisation of intangible assets	1,430	1,101	2,790	359	5,680	—	5,680
Depreciation	10,339	3,469	4,033	636	18,477	—	18,477
Income tax benefit (expense)	—	—	3,213	469	3,682	—	3,682
Other expenses	36,585	10,023	(962)	2,151	47,797	(17,874)	29,923
Expenses Total	188,676	62,120	73,955	28,400	353,151	(17,874)	335,277
Net income	59,917	119,878	33,159	1,066	214,020	—	214,020

Note 16: Derivative instruments and risk management

The Bank uses derivatives for risk management purposes and to meet the needs of its customers. The Bank's derivative contracts principally involve over-the-counter transactions that are negotiated privately between the Bank and the counterparty to the contract and include interest rate contracts and foreign exchange contracts.

The Bank may pursue opportunities to reduce its exposure to credit losses on derivatives by entering into ISDAs. Depending on the nature of the derivative transaction, bilateral collateral arrangements may be used, as well. When the Bank is engaged in more than one outstanding derivative transaction with the same counterparty, and also has a legally enforceable master netting agreement with that counterparty, the net marked-to-market exposure represents the netting of the positive and negative exposures with that counterparty. When there is a net negative exposure, the Bank regards its credit exposure to the counterparty as being zero. The net marked-to-market position with a particular counterparty represents a reasonable measure of credit risk when there is a legally enforceable master netting agreement between the Bank and that counterparty.

Certain of these agreements contain credit risk-related contingent features in which the counterparty has the option to accelerate cash settlement of the Bank's net derivative liabilities with the counterparty in the event the Bank's credit rating falls below specified levels or the liabilities reach certain levels.

All derivative financial instruments, whether designated as hedges or not, are recorded on the consolidated balance sheets at fair value within other assets or other liabilities. These amounts include the effect of netting. The accounting for changes in the fair value of a derivative in the consolidated statements of operations depends on whether the contract has been designated as a hedge and qualifies for hedge accounting.

Notional Amounts

The notional amounts are not recorded as assets or liabilities on the consolidated balance sheets as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged. Notional amounts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with market risk or credit risk of such instruments. Credit risk is limited to the positive fair value of the derivative instrument, which is significantly less than the notional amount.

Fair Value

Derivative instruments, in the absence of any compensating up-front cash payments, generally have no market value at inception. They obtain value, positive or negative, as relevant interest rates, exchange rates, equity or commodity prices or indices change. The potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk. Market risk is managed within clearly defined parameters as prescribed by senior management of the Bank. The fair value is defined as the profit or loss associated with replacing the derivative contracts at prevailing market prices.

Risk Management Derivatives

The Bank enters into interest derivative contracts as part of its overall interest rate risk management strategy to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The Bank's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain consolidated balance sheet assets and liabilities so that movements in interest rates do not adversely affect the net interest margin. Derivative instruments that are used as part of the Bank's risk management strategy include interest rate swap contracts that have indices related to the pricing of specific consolidated balance sheet assets and liabilities. Interest rate swaps generally involve the exchange of fixed and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date. The Bank uses foreign currency derivative instruments to hedge its exposure to foreign currency risk. Certain hedging relationships are formally designated and qualify for hedge accounting as fair value or net investment hedges. Risk management derivatives comprise fair value hedges, net investment hedges and derivatives not formally designated as hedges as described below.

Fair value hedges include designated currency swaps that are used to minimize the Bank's exposure to variability in the fair value of AFS investments due to movements in foreign exchange rates. The effective portion of changes in the fair value of the hedged items attributable to foreign exchange rates is recognized in current year earnings consistent with the related change in fair value of the hedging instrument. For fair value hedges, hedging effectiveness of the hedged item and the hedging instrument are assessed and managed at inception and on an ongoing basis using a partial-term method.

Net investment hedges include designated currency swaps and qualifying non-derivative instruments and are used to minimize the Bank's exposure to variability in the foreign currency translation of net investments in foreign operations. The effective portion of changes in the fair value of the hedging instrument is recognized in AOCIL consistent with the related translation gains and losses of the hedged net investment. For net investment hedges, all critical terms of the hedged item and the hedging instrument are matched at inception and on an ongoing basis to minimize the risk of hedge ineffectiveness.

For derivatives designated as net investment hedges, the Bank follows the method based on changes in spot exchange rates. Accordingly:

- The change in the fair value of the derivative instrument that is reported in AOCIL (i.e., the effective portion) is determined by the changes in spot exchange rates.
- The change in the fair value of the derivative instrument attributable to changes in the difference between the forward rate and spot rate are excluded from the measure of the hedge ineffectiveness and that difference is reported directly in the consolidated statements of operations under foreign exchange revenue.

Amounts recorded in AOCIL are reclassified to earnings only upon the sale or substantial liquidation of an investment in a foreign subsidiary.

For foreign-currency-denominated financial instruments that are designated as hedges of net investments in foreign operations, the translation gain or loss that is recorded in AOCIL is based on the spot exchange rate between the reporting currency of the Bank and the functional currency of the respective subsidiary. See "Note 23: Accumulated other comprehensive income (loss)" for details on the amount recognized into AOCIL during the current period from translation gain or loss.

Derivatives not formally designated as hedges are entered into to manage the foreign exchange risk of the Bank's exposure. Changes in the fair value of derivative instruments not formally designated as hedges are recognized in foreign exchange revenue.

Client service derivatives

The Bank enters into foreign exchange contracts primarily to meet the foreign exchange needs of its customers. Foreign exchange contracts are agreements to exchange specific amounts of currencies at a future date at a specified rate of exchange. Changes in the fair value of client services derivative instruments are recognized in foreign exchange revenue.

The following table shows the aggregate notional amounts of derivative contracts outstanding listed by type and respective gross positive or negative fair values and classified by those used for risk management (sub-classified as hedging and those that do not qualify for hedge accounting), client services and credit derivatives. Fair value of derivatives is recorded in the consolidated balance sheets in other assets and other liabilities. Gross positive fair values are recorded in other assets and gross negative fair values are recorded in other liabilities, subject to netting when master netting agreements are in place.

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December 31, 2024	Derivative instrument	Number of contracts	Notional amounts	Gross positive fair value	Gross negative fair value	Net fair value
Risk management derivatives						
Net investment hedges	Currency swaps	1	23,235	986	—	986
Fair value hedges	Currency swaps	3	139,512	—	(4,496)	(4,496)
Derivatives not formally designated as hedging instruments	Currency swaps	54	2,008,630	44,038	(7,181)	36,857
Subtotal risk management derivatives			2,171,377	45,024	(11,677)	33,347
Client services derivatives	Spot and forward foreign exchange	145	217,490	1,681	(1,589)	92
Total derivative instruments			2,388,867	46,705	(13,266)	33,439

December 31, 2023	Derivative instrument	Number of contracts	Notional amounts	Gross positive fair value	Gross negative fair value	Net fair value
Risk management derivatives						
Net investment hedges	Currency swaps	5	97,194	18	(267)	(249)
Fair value hedges	Currency swaps	3	150,826	5,361	—	5,361
Derivatives not formally designated as hedging instruments	Currency swaps	57	1,368,006	5,350	(22,206)	(16,856)
Subtotal risk management derivatives			1,616,026	10,729	(22,473)	(11,744)
Client services derivatives	Spot and forward foreign exchange	99	220,292	1,761	(1,646)	115
Total derivative instruments			1,836,318	12,490	(24,119)	(11,629)

In addition to the above, as at December 31, 2024 foreign denominated deposits of £277.1 million (December 31, 2023: £240.3 million), SGD1.5 million (December 31, 2023: Nil) and CHF 0.4 million (December 31, 2023: CHF 0.4 million) were designated as a hedge of foreign exchange risk associated with the net investment in foreign operations.

We manage derivative exposure by monitoring the credit risk associated with each counterparty using counterparty specific credit risk limits, using master netting arrangements where appropriate and obtaining collateral. The Bank elected to offset in the consolidated balance sheets certain gross derivative assets and liabilities subject to netting agreements.

The Bank also elected not to offset certain derivative assets or liabilities and all collateral received or paid that the Bank or the counterparties could legally offset in the event of default. In the tables below, these positions are deducted from the net fair value presented in the consolidated balance sheets in order to present the net exposures. The collateral values presented in the following table are limited to the related net derivative asset or liability balance and, accordingly, do not include excess collateral received or paid.

December 31, 2024	Gross fair value recognized	Less: offset applied under master netting agreements	Net fair value presented in the consolidated balance sheets	Less: positions not offset in the consolidated balance sheets		Net exposures
				Gross fair value of derivatives	Cash collateral received / paid	
Derivative assets						
Spot and forward foreign exchange and currency swaps	46,705	(11,227)	35,478	—	(250)	35,228
Derivative liabilities						
Spot and forward foreign exchange and currency swaps	13,266	(11,227)	2,039	—	(682)	1,357
Net positive fair value			33,439			

December 31, 2023	Gross fair value recognized	Less: offset applied under master netting agreements	Net fair value presented in the consolidated balance sheets	Less: positions not offset in the consolidated balance sheets		Net exposures
				Gross fair value of derivatives	Cash collateral received / paid	
Derivative assets						
Spot and forward foreign exchange and currency swaps	12,490	(10,148)	2,342	—	(368)	1,974
Derivative liabilities						
Spot and forward foreign exchange and currency swaps	24,119	(10,148)	13,971	—	(8,401)	5,570
Net negative fair value			(11,629)			

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The following tables show the location and amount of gains (losses) recorded in either the consolidated statements of operations or consolidated statements of comprehensive income on derivative instruments outstanding.

Derivative instrument	Consolidated statements of operations line item	Year ended		
		December 31, 2024	December 31, 2023	December 31, 2022
Spot and forward foreign exchange	Foreign exchange revenue	(24)	(47)	28
Currency swaps, not designated as hedge	Foreign exchange revenue	53,714	(14,639)	(7,188)
Currency swaps - fair value hedges	Foreign exchange revenue	(9,857)	2,837	3,842
Total net gains (losses) recognized in net income		43,833	(11,849)	(3,318)

Derivative instrument	Consolidated statements of comprehensive income line item	Year ended		
		December 31, 2024	December 31, 2023	December 31, 2022
Currency swaps - net investment hedge	Unrealized net gains (losses) on translation of net investment in foreign operations	1,235	(35)	(1,123)
Total net gains (losses) recognized in comprehensive income		1,235	(35)	(1,123)

Note 17: Fair value measurements

The following table presents the financial assets and liabilities that are measured at fair value on a recurring basis. Management classifies these items based on the type of inputs used in their respective fair value determination as described in "Note 2: Significant accounting policies".

Management reviews the price of each security monthly, comparing market values to expectations and to the prior month's price. Management's expectations are based upon knowledge of prevailing market conditions and developments relating to specific issuers and/or asset classes held in the investment portfolio. Where there are unusual or significant price movements, or where a certain asset class has performed out-of-line with expectations, the matter is reviewed by management.

Financial instruments in Level 1 include US and UK Government Treasury notes.

Financial instruments in Level 2 include government debt securities, mortgage-backed securities, other asset-backed securities, forward foreign exchange contracts and securities sold under agreements to repurchase.

There were no Level 3 investments as at December 31, 2024 and December 31, 2023.

During the year ended December 31, 2024 and December 31, 2023, there were no transfers between Level 1 and Level 2 or Level 2 and Level 3.

	December 31, 2024			Total carrying amount / fair value	December 31, 2023			Total carrying amount / fair value
	Fair value				Fair value			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	

Items that are recognized at fair value on a recurring basis:

Financial assets

Available-for-sale investments								
US government and federal agencies	991,357	1,172,262	—	2,163,619	715,965	847,820	—	1,563,785
Non-US governments debt securities	93,468	—	—	93,468	250,177	—	—	250,177
Asset-backed securities - Student loans	—	40	—	40	—	40	—	40
Residential mortgage-backed securities	—	15,359	—	15,359	—	17,127	—	17,127
Total available-for-sale	1,084,825	1,187,661	—	2,272,486	966,142	864,987	—	1,831,129
Other assets - Derivatives	—	35,478	—	35,478	—	2,342	—	2,342

Financial liabilities								
Other liabilities - Derivatives	—	2,039	—	2,039	—	13,971	—	13,971

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Level 3 Reconciliation

The Level 3 financial instrument was a federal family education loan program guaranteed student loan security and was valued using a non-binding quote from an external security pricing service. During the year ended December 31, 2022, this instrument was transferred to Level 2 due to increased price observability.

The table below summarizes realized and unrealized gains and losses for Level 3 assets still held at the reporting date.

	December 31, 2024	December 31, 2023	December 31, 2022
	Available- for-sale investments	Available- for-sale investments	Available- for-sale investments
Carrying amount at beginning of year	—	—	13,174
Proceeds from sales, paydowns and maturities	—	—	(7,631)
Change in unrealized gains (losses) recognized in other comprehensive income	—	—	102
Realized and unrealized gains recognized in net income	—	—	(19)
Transfers in (out of) Level 3 out of (into) Level 2 - AFS	—	—	(5,626)
Carrying amount at end of year	—	—	—
Cumulative gain (loss) recognized in other comprehensive income	—	—	(14)

Items Other Than Those Recognized at Fair Value on a Recurring Basis:

	Level	December 31, 2024			December 31, 2023		
		Carrying amount	Fair value	Appreciation / (depreciation)	Carrying amount	Fair value	Appreciation / (depreciation)
Financial assets							
Cash and cash equivalents	Level 1	1,998,112	1,998,112	—	1,646,648	1,646,648	—
Securities purchased under agreements to resell	Level 2	1,205,373	1,205,373	—	187,274	187,274	—
Short-term investments	Level 1	580,026	580,026	—	1,038,037	1,038,037	—
Investments held-to-maturity	Level 2	3,240,290	2,671,040	(569,250)	3,461,097	2,976,709	(484,388)
Loans, net of allowance for credit losses	Level 2	4,473,591	4,433,872	(39,719)	4,745,849	4,700,532	(45,317)
Other real estate owned ¹	Level 2	—	—	—	450	450	—
Financial liabilities							
Term deposits	Level 2	4,478,257	4,482,978	(4,721)	3,727,794	3,732,610	(4,816)
Securities sold under agreements to repurchase	Level 2	92,562	92,562	—	—	—	—
Long-term debt	Level 2	98,725	98,361	364	98,490	96,145	2,345

¹ The current carrying value of OREO is adjusted to fair value only when there is devaluation below carrying value.

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Note 18: Interest rate risk

The following tables set out the assets, liabilities and shareholders' equity on the date of the earlier of contractual maturity, expected maturity or repricing date. Use of these tables to derive information about the Bank's interest rate risk position is limited by the fact that customers may choose to terminate their financial instruments at a date earlier than the contractual maturity or repricing date. Examples of this include fixed-rate mortgages, which are shown at contractual maturity but which may be subject to early prepayment, and certain term deposits, which are shown at contractual maturity but which may be withdrawn before their contractual maturity subject to prepayment penalties. Investments are shown based on remaining contractual maturities. The remaining contractual principal maturities for mortgage-backed securities (primarily US government agencies) do not consider prepayments. Remaining expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations before the underlying mortgages mature.

(in \$ millions)	Earlier of contractual maturity or repricing date					Non-interest bearing funds	Total
	Within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	After 5 years		
Assets							
Cash and cash equivalents	1,905	—	—	—	—	93	1,998
Securities purchased under agreements to resell	1,142	63	—	—	—	—	1,205
Short-term investments	505	75	—	—	—	—	580
Investments	93	6	22	1,097	4,294	—	5,512
Loans	2,398	104	229	1,407	283	53	4,474
Other assets	—	—	—	—	—	462	462
Total assets	6,043	248	251	2,504	4,577	608	14,231
Liabilities and shareholders' equity							
Shareholders' equity	—	—	—	—	—	1,021	1,021
Demand deposits	5,580	—	—	—	—	2,688	8,268
Term deposits	3,593	434	368	83	—	—	4,478
Securities sold under agreements to repurchase	93	—	—	—	—	—	93
Other liabilities	—	—	—	—	—	273	273
Long-term debt	—	98	—	—	—	—	98
Total liabilities and shareholders' equity	9,266	532	368	83	—	3,982	14,231
Interest rate sensitivity gap	(3,223)	(284)	(117)	2,421	4,577	(3,374)	—
Cumulative interest rate sensitivity gap	(3,223)	(3,507)	(3,624)	(1,203)	3,374	—	—

(in \$ millions)	Earlier of contractual maturity or repricing date					Non-interest bearing funds	Total
	Within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	After 5 years		
Assets							
Cash and cash equivalents	1,555	—	—	—	—	92	1,647
Securities purchased under agreement to resell	187	—	—	—	—	—	187
Short-term investments	665	322	51	—	—	—	1,038
Investments	174	52	156	765	4,145	—	5,292
Loans	2,378	114	330	1,548	338	38	4,746
Other assets	—	—	—	—	—	464	464
Total assets	4,959	488	537	2,313	4,483	594	13,374
Liabilities and shareholders' equity							
Shareholders' equity	—	—	—	—	—	1,004	1,004
Demand deposits	5,602	—	—	—	—	2,657	8,259
Term deposits	2,676	489	479	84	—	—	3,728
Other liabilities	—	—	—	—	—	285	285
Long-term debt	—	—	—	98	—	—	98
Total liabilities and shareholders' equity	8,278	489	479	182	—	3,946	13,374
Interest rate sensitivity gap	(3,319)	(1)	58	2,131	4,483	(3,352)	—
Cumulative interest rate sensitivity gap	(3,319)	(3,320)	(3,262)	(1,131)	3,352	—	—

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Note 19: Long-term debt

On May 24, 2018, the Bank issued US \$75 million of Subordinated Lower Tier II capital notes. The notes were issued at par and due on June 1, 2028. The issuance was by way of a registered offering with US institutional investors. The notes are listed on the BSX in the specialist debt securities category. The proceeds of the issue were used, among others, to repay the entire amount of the US \$47 million outstanding subordinated notes Series 2003-B. The notes issued pay a fixed coupon of 5.25% until June 1, 2023 when they become redeemable in whole at the option of the Bank. The notes were priced at a spread of 2.27% over the 10-year US Treasury yield. The Bank incurred \$1.8 million of costs directly related to the issuance of these capital notes. These costs have been capitalized directly against the carrying value of these notes on the balance sheet, and were amortized over the life of the notes. These notes were redeemed at face value in June 2023 at which time, unamortized issuance costs were fully recognized in the Consolidated Statements of Operations as part of interest expense.

On June 11, 2020, the Bank issued US \$100 million of Subordinated Lower Tier II capital notes. The notes were issued at par and due on June 15, 2030. The issuance was by way of a registered offering with US institutional investors. The notes are listed on the BSX in the specialist debt securities category. The proceeds of the issue were used, among others, to repay the entire amount of the US \$45 million outstanding subordinated notes Series 2005-B which matured on July 2, 2020. The notes issued pay a fixed coupon of 5.25% until June 15, 2025 when they become redeemable in whole at the option of the Bank. The notes were priced at a spread of 4.43% over the 10-year US Treasury yield. The Bank incurred \$2.3 million of costs directly related to the issuance of these capital notes. These costs have been capitalized directly against the carrying value of these notes on the balance sheet, and will be amortized over the life of the notes.

No interest was capitalized during the years ended December 31, 2024, 2023 and 2022.

In the event the Bank would be in a position to redeem long-term debt, priority would go to the redemption of the higher interest-bearing Series, subject to availability relative to the earliest date the Series is redeemable at the Bank's option.

The following table presents the contractual maturity and interest payments for long-term debt issued by the Bank as at December 31, 2024. The interest payments are calculated until contractual maturity using the SOFR as outlined below.

Long-term debt	Earliest date redeemable at the Bank's option	Contractual maturity date	Interest rate until date redeemable	Interest rate from earliest date redeemable to contractual maturity	Principal Outstanding	Interest payments until contractual maturity		
						Within 1 year	1 to 5 years	After 5 years
Bermuda								
2020 issuance	June 15, 2025	June 15, 2030	5.25 %	3 months US\$ SOFR + 5.060%	100,000	7,480	38,757	4,828
Total					100,000	7,480	38,757	4,828
Unamortized debt issuance costs					<u>(1,275)</u>			
Long-term debt less unamortized debt issuance costs					<u>98,725</u>			

Note 20: Earnings per share

Earnings per share have been calculated using the weighted average number of common shares outstanding during the year after deduction of the shares held as treasury stock. The dilutive effect of share-based compensation plans was calculated using the treasury stock method, whereby the proceeds received from the exercise of share-based awards are assumed to be used to repurchase outstanding shares, using the average market price of the Bank's shares for the year. Numbers of shares are expressed in thousands.

During the year ended December 31, 2024, there were no options to purchase common shares outstanding (December 31, 2023: nil, December 31, 2022: nil). During the year ended December 31, 2024, the average number of outstanding awards of unvested common shares was 1.7 million (December 31, 2023: 1.5 million, December 31, 2022: 1.1 million). Only awards for which the sum of 1) the expense that will be recognized in the future (i.e., the unrecognized expense) and 2) its exercise price, if any, was lower than the average market price of the Bank's common shares were considered dilutive and, therefore, included in the computation of diluted earnings per share.

An award's unrecognized expense is also considered to be the proceeds the employees would need to pay to purchase accelerated vesting of the awards. For purposes of calculating dilution, such proceeds are assumed to be used by the Bank to buy back common shares at the average market price. The weighted-average number of outstanding awards, net of the assumed weighted-average number of common shares bought back, is included in the number of diluted participating shares.

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	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Net income	216,316	225,492	214,020
Basic Earnings Per Share			
Weighted average number of common shares issued	45,701	49,423	50,214
Weighted average number of common shares held as treasury stock	(619)	(619)	(619)
Weighted average number of common shares (in thousands)	45,082	48,804	49,595
Basic Earnings Per Share	4.80	4.62	4.32
Diluted Earnings Per Share			
Weighted average number of common shares	45,082	48,804	49,595
Net dilution impact related to awards of unvested common shares	817	473	265
Weighted average number of diluted common shares (in thousands)	45,899	49,277	49,860
Diluted Earnings Per Share	4.71	4.58	4.29

Note 21: Share-based payments

The common shares transferred to employees under all share-based payments are either taken from the Bank's common treasury shares or from newly issued shares. All share-based payments are settled by the ultimate parent company which, pursuant to Bermuda law, is not taxed on income. There are no income tax benefits in relation to the issue of such shares as a form of compensation.

In May 2020, the Board of Directors approved the 2020 Omnibus Plan (the "2020 Plan"). Under the 2020 Plan, 3.0 million shares are initially available for grant to employees in the form of stock options or unvested share awards. Both types of awards are detailed below.

Stock Option Awards

2020 Plan

Under the 2020 Plan, options are awarded to Bank employees and executive management, based on predetermined vesting conditions that entitle the holder to purchase one common share at a subscription price usually equal to the price of the most recently traded common share when granted and have a term of 10 years. The subscription price is reduced for all special dividends declared by the Bank. Stock option awards granted under the 2020 Plan vest based on two specific types of vesting conditions, i.e., time and performance conditions, as detailed below:

Time vesting condition

50% of each option award was granted in the form of time vested options and vested 25% on each of the second, third, fourth and fifth anniversaries of the effective grant date.

In addition to the time vesting conditions noted above, the options will generally vest immediately:

- by reason of the employee's death or disability,
- upon termination, by the Bank, of the holder's employment, unless if in relation with the holder's misconduct, or
- in limited circumstances and specifically approved by the Board, as stipulated in the holder's employment contract.

In the event of the employee's resignation, any unvested portion of the awards shall generally be forfeited and any vested portion of the options shall generally remain exercisable during the 90-day period following the termination date or, if earlier, until the expiration date, and any vested portion of the options not exercised as of the expiration of such period shall be forfeited without any consideration therefore.

Performance vesting condition

50% of each option award was granted in the form of performance options and would vest (partially or fully) on a "valuation event" date (the date that any of the March 2, 2010 new investors transfers at least 5% of the total number of common shares or the date that there is a change in control and any of the new investors realize a predetermined multiple of invested capital). On September 21, 2016, it was determined that a valuation event occurred during which a new investor realized a MOIC of more than 200% of the original invested capital of \$12.09 per share and accordingly, all outstanding unvested performance options vested.

There were no stock options outstanding as at December 31, 2024 and December 31, 2023.

Share-Based Incentive Programs

Recipients of unvested share awards are entitled to the related common shares at no cost, at the time the award vests. Recipients of unvested shares may be entitled to receive additional unvested shares having a value equal to the cash dividends that would have been paid had the unvested shares been issued and vested. Such additional unvested shares granted as dividend equivalents are subject to the same vesting schedule and conditions as the underlying unvested shares.

Unvested shares subject only to the time vesting condition generally vest upon retirement, death, disability or upon termination, by the Bank, of the holder's employment unless if in connection with the holder's misconduct. Unvested shares subject to both time vesting and performance vesting conditions remain outstanding and unvested upon retirement and will vest only if the performance conditions are met. Unvested shares can also vest in limited circumstances and if specifically approved by the Board, as stipulated in the holder's employment contract. In all other circumstances, unvested shares are generally forfeited when employment ends.

The grant date weighted average fair value (which equals the actual trading price prevailing on grant date) of unvested share awards granted in the years ended December 31, 2024, 2023 and 2022 was \$30.11, \$32.89 and \$35.05, respectively. The Bank expects to settle these awards by issuing new shares.

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Employee Deferred Incentive Program

Under the Bank's EDIP, shares are awarded to Bank employees and executive management based on the time vesting condition, which states that the shares will vest equally over a three-year period from the effective grant date.

Executive Long-Term Incentive Share Program

Under the Bank's ELTIP, performance shares as well as time-vesting shares were awarded to employees and executive management. The performance shares will generally vest upon the achievement of certain performance targets in the three-year period from the effective grant date. The time-vesting shares will generally vest over the three-year period from the effective grant date.

Employee Share Purchase Plan

The Bank's ESPP was approved in July 2021 and registered in November 2021. The first offering period started in May 2022. Under the Bank's ESPP, eligible employees may elect to contribute up to 15% of their regular compensation toward the purchase of Bank's shares at a 10% discount from market price on the closing date of each offering period. The ESPP specifies two consecutive six month offering periods per year. In the case of termination of employment or voluntary partial or full withdrawal from the plan, the related current offering period ESPP contributions are refunded to the employee and thus cannot be used to purchase shares under the ESPP. During the year ended December 31, 2024, 16,762 shares (December 31, 2023: 26,551 shares) were issued under the ESPP.

Changes in Outstanding ELTIP and EDIP awards (in thousands of shares transferable upon vesting)

	Year ended					
	December 31, 2024		December 31, 2023		December 31, 2022	
	EDIP	ELTIP	EDIP	ELTIP	EDIP	ELTIP
Outstanding at beginning of year	665	915	621	705	297	704
Granted	105	573	199	395	486	280
Vested (fair value in 2024: \$14.2 million, 2023: \$11.2 million; 2022: \$17.3 million)	(139)	(333)	(155)	(185)	(162)	(279)
Forfeitures and cancellations	(3)	(4)	—	—	—	—
Outstanding at end of year	628	1,151	665	915	621	705

Share-based Compensation Cost Recognized in Net Income

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
	EDIP and ELTIP	EDIP and ELTIP	EDIP and ELTIP
Cost recognized in net income	19,971	19,676	16,215

	Year ended			
	December 31, 2024		December 31, 2023	
	Unrecognized cost	Weighted average years over which it is expected to be recognized	Unrecognized cost	Weighted average years over which it is expected to be recognized
EDIP	8,829	1.88	11,774	2.66
ELTIP				
Time vesting shares	66	1.12	118	2.12
Performance vesting shares	15,877	1.79	12,416	1.76
Total unrecognized expense	24,772		24,308	

Note 22: Share repurchase programs

From time to time, the Bank may seek to repurchase and retire equity securities of the Bank, through cash purchase, privately negotiated transactions, or otherwise. Such transactions, if any, depend on prevailing market conditions, liquidity and capital requirements, contractual restrictions, and other factors.

Common Share Repurchase Program

On February 10, 2021, the Board approved a new common share repurchase program, authorizing the purchase of up to 2.0 million common shares through to February 28, 2022.

On February 14, 2022, the Board approved a new common share repurchase program, authorizing the purchase of up to 2.0 million common shares through to February 28, 2023.

On February 13, 2023, the Board approved a new common share repurchase program, authorizing the purchase of up to 3.0 million common shares through to February 29, 2024.

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On December 5, 2023, the Board approved a new common share repurchase program, authorizing the purchase of up to 3.5 million common shares through to December 31, 2024.

On July 22, 2024, the Board approved a new common share repurchase program, authorizing the purchase of up to 2.1 million common shares through to December 31, 2024.

On December 9, 2024, the Board approved a new common share repurchase program, authorizing the purchase of up to 2.7 million common shares through to December 31, 2025.

In the year ended December 31, 2024, the Bank repurchased and retired 4,490,940 shares.

	Year ended December 31		
	2024	2023	2022
Common share repurchases			
Acquired number of shares (to the nearest 1)	4,490,940	3,133,717	102,000
Average cost per common share	34.58	28.27	38.21
Total cost (in US dollars)	155,305,756	88,590,240	3,897,268

Note 23: Accumulated other comprehensive income (loss)

	Unrealized net gains (losses) on translation of net investment in foreign operations	Unrealized net gains (losses) on HTM investments	Unrealized net gains (losses) on AFS investments	Employee benefit plans adjustments			Total AOCIL
				Pension	Post-retirement healthcare	Subtotal - employee benefits plans	
Year ended December 31, 2024							
Balance at beginning of year	(25,478)	(82,067)	(162,910)	(51,563)	11,820	(39,743)	(310,198)
Other comprehensive income (loss), net of taxes	(713)	8,148	635	2,281	4,432	6,713	14,783
Balance at end of year	(26,191)	(73,919)	(162,275)	(49,282)	16,252	(33,030)	(295,415)

	Unrealized net gains (losses) on translation of net investment in foreign operations	Unrealized net gains (losses) on HTM investments	Unrealized net gains (losses) on AFS investments	Employee benefit plans adjustments			Total AOCIL
				Pension	Post-retirement healthcare	Subtotal - employee benefits plans	
Year ended December 31, 2023							
Balance at beginning of year	(25,700)	(91,212)	(220,345)	(47,905)	7,710	(40,195)	(377,452)
Other comprehensive income (loss), net of taxes	222	9,145	57,435	(3,658)	4,110	452	67,254
Balance at end of year	(25,478)	(82,067)	(162,910)	(51,563)	11,820	(39,743)	(310,198)

	Unrealized net gains (losses) on translation of net investment in foreign operations	Unrealized net gains (losses) on HTM investments	Unrealized net gains (losses) on AFS investments	Employee benefit plans adjustments			Total AOCIL
				Pension	Post-retirement healthcare	Subtotal - employee benefits plans	
Year ended December 31, 2022							
Balance at beginning of year	(20,913)	91	(21,982)	(56,400)	(25,713)	(82,113)	(124,917)
Transfer of AFS investments to HTM investments	—	(99,143)	99,143	—	—	—	—
Other comprehensive income (loss), net of taxes	(4,787)	7,840	(297,506)	8,495	33,423	41,918	(252,535)
Balance at end of year	(25,700)	(91,212)	(220,345)	(47,905)	7,710	(40,195)	(377,452)

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Net Change of AOCIL Components

Year ended

	Line item in the consolidated statements of operations, if any	December 31, 2024	December 31, 2023	December 31, 2022
Net unrealized gains (losses) on translation of net investment in foreign operations adjustments				
Foreign currency translation adjustments	N/A	(8,876)	19,420	(38,925)
Gains (losses) on net investment hedge	N/A	8,163	(19,198)	34,138
Net change		(713)	222	(4,787)
Held-to-maturity investment adjustments				
Net unamortized gains (losses) transferred from AFS	N/A	—	—	(99,143)
Amortization of net gains (losses) to net income	Interest income on investments	8,148	9,145	7,840
Net change		8,148	9,145	(91,303)
Available-for-sale investment adjustments				
Gross unrealized gains (losses)	N/A	355	60,199	(298,768)
Net unrealized (gains) losses transferred to HTM	N/A	—	—	99,143
Transfer of realized (gains) losses to net income	Net realized gains (losses) on AFS investments	—	14	19
Foreign currency translation adjustments of related balances	N/A	280	(2,778)	1,243
Net change		635	57,435	(198,363)
Employee benefit plans adjustments				
Defined benefit pension plan				
Net actuarial gain (loss)	N/A	(288)	(5,762)	6,218
Net loss (gain) on settlement reclassified to net income	Net other gains (losses)	—	—	(907)
Amortization of net actuarial (gains) losses	Non-service employee benefits expense	2,358	2,284	2,218
Change in deferred taxes	N/A	—	—	—
Amortization of prior service (credit) cost	Non-service employee benefits expense	79	79	81
Foreign currency translation adjustments of related balances	N/A	132	(259)	885
Net change		2,281	(3,658)	8,495
Post-retirement healthcare plan				
Net actuarial gain (loss)	N/A	6,219	4,919	31,455
Amortization of net actuarial (gains) losses	Non-service employee benefits expense	524	524	1,444
Amortization of prior service (credit) cost	Non-service employee benefits expense	(2,311)	(1,333)	524
Net change		4,432	4,110	33,423
Other comprehensive income (loss), net of taxes		14,783	67,254	(252,535)

Note 24: Capital structure

Authorized Capital

The par value of each issued common share and each authorized but unissued common share is BM\$0.01 and the authorized share capital of the Bank comprises 2,000,000,000 common shares of par value BM\$0.01 each, 6,000,000,000 non-voting ordinary shares of par value BM\$0.01 each, 110,200,001 preference shares of par value US\$0.01 each and 50,000,000 preference shares of par value £0.01 each.

Dividends Declared

During the year ended December 31, 2024, the Bank declared and paid cash dividends of \$1.76 (December 31, 2023: \$1.76, December 31, 2022: \$1.76) for each common share as of the related record dates. On February 10, 2025, the Board of Directors declared an interim dividend of \$0.44 per common share to be paid on March 10, 2025 to shareholders of record on February 24, 2025.

The Bank is required to comply with Section 54 of the Companies Act 1981 issued by the Government of Bermuda (the "Companies Act") each time a dividend is declared or paid by the Bank and also obtain a letter of no objection from the BMA pursuant to the Banks and Deposit Companies Act 1999 for any dividends declared. The Bank has complied with Section 54 and has obtained the BMA's letter of no objection for all dividends declared during the periods presented.

The Bank of N.T. Butterfield & Son Limited
Notes to the Consolidated Financial Statements (continued)
(In thousands of US dollars, unless otherwise stated)

Regulatory Capital

The Bank's regulatory capital is determined in accordance with current Basel III guidelines as issued by the BMA. The Bank is fully compliant with all regulatory capital requirements to which it is subject, and it maintains capital ratios in excess of regulatory minimums as at December 31, 2024 and 2023. The following table sets forth the Bank's capital adequacy in accordance with the Basel III framework:

	December 31, 2024		December 31, 2023	
	Actual	Regulatory minimum	Actual	Regulatory minimum
Capital				
CET 1 capital	1,066,058	N/A	1,042,506	N/A
Tier 1 capital	1,066,058	N/A	1,042,506	N/A
Tier 2 capital	107,061	N/A	109,423	N/A
Total capital	1,173,119	N/A	1,151,929	N/A
Risk Weighted Assets	4,539,376	N/A	4,540,745	N/A
Leverage Ratio Exposure Measure	14,679,662	N/A	13,777,771	N/A
Capital Ratios (%)				
CET 1 capital	23.5 %	10.0 %	23.0 %	10.0 %
Tier 1 capital	23.5 %	11.5 %	23.0 %	11.5 %
Total capital	25.8 %	13.5 %	25.4 %	13.5 %
Leverage ratio	7.3 %	5.0 %	7.6 %	5.0 %

Note 25: Income taxes

The Bank is incorporated in Bermuda, and pursuant to Bermuda law is not taxed on either income or capital gains. The Bank's subsidiaries in the Cayman Islands and The Bahamas are not subject to any taxes in their respective jurisdictions on either income or capital gains under current law applicable in the respective jurisdictions. The Bank's subsidiaries in Canada, the United Kingdom, Guernsey, Jersey, Switzerland, Singapore and Mauritius are subject to the tax laws of those jurisdictions.

For the years ended December 31, 2024, 2023, and 2022, the Bank had no uncertain tax positions.

The Bank records income taxes based on the enacted tax laws and rates applicable in the relevant jurisdictions for the years ended December 31, 2024, 2023, and 2022. For the years ended December 31, 2024, 2023, and 2022, the Bank did not incur any interest or pay any penalties.

Income taxes in consolidated statements of operations	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Current tax expense	3,949	1,909	3,223
Deferred tax (recovery) expense	582	(1,142)	459
Total tax (benefit) expense	4,531	767	3,682

Reconciliation between the Effective Income Tax Rate and the Statutory Income Tax Rate

	Year ended					
	December 31, 2024		December 31, 2023		December 31, 2022	
	\$	%	\$	%	\$	%
Income tax expense in international offices taxed at different rates	4,440	2.0	2,814	1.2	4,349	2.0
Expenses not deductible for tax purposes	864	0.4	454	0.2	283	0.1
Prior year tax adjustments	(196)	(0.1)	45	—	83	—
Effect of change in tax rate	(117)	(0.1)	(76)	—	125	0.1
Change in valuation allowance	(566)	(0.3)	(2,192)	(1.0)	(1,364)	(0.6)
Other - net	106	—	(278)	(0.1)	206	0.1
Income tax (benefit) expense at effective tax rate	4,531	1.9	767	0.3	3,682	1.7

The Bank of N.T. Butterfield & Son Limited
Notes to the Consolidated Financial Statements (continued)
(In thousands of US dollars, unless otherwise stated)

Deferred income taxes

December 31, 2024 December 31, 2023

Deferred income tax asset		
Tax loss carried forward	3,783	5,058
Allowance for compensated absence	23	23
Deferred income tax asset before valuation allowance	3,806	5,081
Less: valuation allowance	(721)	(1,287)
Deferred income tax asset after valuation allowance	3,085	3,794
Deferred income tax liability		
Fixed assets	(531)	(595)
Total deferred income tax liability	(531)	(595)
Net deferred income tax assets	2,554	3,199

Management assesses the available positive and negative evidence to evaluate if sufficient future taxable income will be generated to use the existing deferred tax assets. On the basis of this evaluation, as at December 31, 2024, a valuation allowance of \$0.7 million (December 31, 2023: \$1.3 million) has been recognized to record only the portion of the deferred tax asset that more likely than not will be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carry-forward period change, or if there are changes in the available positive and negative evidence.

The Bank has net taxable loss carry forwards related to the Bank's international operations of approximately \$16.9 million (December 31, 2023: \$22.8 million). Of these losses available to carry forward, \$16.2 million (December 31, 2023: \$21.1 million) have an indefinite life.

Note 26: Related party transactions

Financing Transactions

Certain directors and executives of the Bank, companies in which they are principal owners and/or members of the board, and trusts in which they are involved, have deposits with the Bank, have loans and/or are guarantors for loans with the Bank. Loans to directors were made in the ordinary course of business at normal credit terms, including interest rate and collateral requirements. Loans to executives may be eligible for preferential rates. All of these loans were considered performing loans as at December 31, 2024 and December 31, 2023. Loan balances with directors and executives of the Bank, companies in which they are principal owners and/or members of the board, and trusts in which they are involved were as follows:

Balance at December 31, 2022	20,393
Net loans issued (repaid) during the year	(658)
Balance at December 31, 2023	19,735
Net loans issued (repaid) during year	(1,081)
Effect of changes in the composition of related parties	983
Balance at December 31, 2024	19,637

Consolidated balance sheets	<u>December 31, 2024</u>	December 31, 2023
Deposits	92,182	100,364

Consolidated statement of operations	Year ended December 31		
	2024	2023	2022
Interest and fees on loans	1,244	1,149	900
Total non-interest expense	188	202	—
Other non-interest income	269	230	—

The Bank of N.T. Butterfield & Son Limited
Notes to the Consolidated Financial Statements
(In thousands of US dollars, unless otherwise stated)

Certain affiliates of the Bank have loans and deposits with the Bank which were made and are maintained in the ordinary course of business on normal commercial terms. Balances with these parties were as follows:

Consolidated balance sheets	December 31, 2024	December 31, 2023
Loans	9,056	9,801
Deposits	811	288
Accrued interest and other liabilities	167	305

Consolidated statement of operations	Year ended December 31		
	2024	2023	2022
Interest and fees on loans	780	827	669
Total non-interest expense	1,562	1,573	1,720
Other non-interest income	252	242	242

Investments

As at December 31, 2024, several Butterfield mutual funds which are managed by a wholly-owned subsidiary of the Bank, had loan balances and deposit balances held with the Bank. The Bank also earned asset management revenue and custody and other administration services revenue from funds managed by a wholly-owned subsidiary of the Bank and from directors and executives, companies in which they are principal owners and/or members of the board and trusts in which they are involved, as well as other income from other related parties.

Consolidated balance sheets	December 31, 2024	December 31, 2023
Deposits	9,441	4,633

Consolidated statement of operations	Year ended December 31		
	2024	2023	2022
Asset management	11,003	9,461	7,379
Custody and other administration services	1,385	1,163	839
Interest expense - deposits	—	489	—

The Bank of N.T. Butterfield & Son Limited
Notes to the Consolidated Financial Statements (continued)
(In thousands of US dollars, unless otherwise stated)

Note 27: Condensed financial statements of the parent company only

Condensed financial statements of the Bank of N.T. Butterfield & Son Limited (the ultimate parent company) without consolidation of its subsidiaries were as follows:

The Bank of N.T. Butterfield & Son Limited (parent company only)

Condensed Balance Sheets

(In thousands of US dollars)

	As at	
	December 31, 2024	December 31, 2023
Assets		
Cash and demand deposits with banks - Non-interest-bearing	36,383	40,436
Demand deposits with banks - Interest-bearing	37,645	64,273
Cash equivalents - Interest-bearing	725,121	265,775
Cash and cash equivalents	799,149	370,484
Securities purchased under agreements to resell	90,674	187,274
Short-term investments	220,055	599,156
Investments (none of the investment securities are intrinsically tax-exempt)		
Available-for-sale (amortized cost: \$1,391,401 (2023: 853,864))	1,323,837	786,903
Held-to-maturity (fair value: \$1,015,441 (2023: \$1,148,103))	1,210,265	1,309,659
Total investment in securities	2,534,102	2,096,562
Net assets of subsidiaries - Banks	588,843	597,724
Net assets of subsidiaries - Non-banks	63,169	52,265
Loans to third parties, net of allowance for credit losses	1,578,547	1,716,803
Loans to subsidiaries - Non-banks	31,847	34,541
Other assets, including accrued interest, premises, equipment and computer software, equity method investments, receivables from subsidiaries and other real estate owned	229,716	229,234
Total assets	6,136,102	5,884,043
Liabilities		
Deposits		
Non-interest bearing	1,600,902	1,610,269
Interest bearing	3,272,022	3,008,750
Total deposits	4,872,924	4,619,019
Employee benefit plans	83,578	88,682
Other liabilities, including accrued interest and payables to subsidiaries	60,063	74,255
Total other liabilities	143,641	162,937
Long-term debt	98,725	98,490
Total liabilities	5,115,290	4,880,446
Total shareholders' equity	1,020,812	1,003,597
Total liabilities and shareholders' equity	6,136,102	5,884,043

The Bank of N.T. Butterfield & Son Limited
Notes to the Consolidated Financial Statements (continued)
(In thousands of US dollars, unless otherwise stated)

The Bank of N.T. Butterfield & Son Limited (parent company only)

Condensed Statements of Operations

(In thousands of US dollars)

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Non-interest income			
Banking	28,480	26,242	26,116
Foreign exchange revenue	10,699	11,253	11,858
Custody and other administration services	7,256	6,830	6,869
Other non-interest income	829	1,345	1,269
Dividends from subsidiaries - Banks	154,111	100,000	72,268
Dividends from subsidiaries - Non-banks	20,521	22,973	21,318
Total non-interest income	221,896	168,643	139,698
Interest income			
Interest and fees on loans	121,204	129,626	118,829
Investments (none of the investment securities are intrinsically tax-exempt)	56,279	50,219	49,790
Cash and cash equivalents, securities purchased under agreements to resell and short-term investments	52,935	43,690	14,499
Total interest income	230,418	223,535	183,118
Interest expense			
Deposits	54,271	34,064	10,834
Long-term debt	5,485	8,091	9,601
Securities sold under agreements to repurchase	106	66	22
Total interest expense	59,862	42,221	20,457
Net interest income before provision for credit losses	170,556	181,314	162,661
Provision for credit (losses) recoveries	(1,834)	(4,755)	(1,226)
Net interest income after provision for credit losses	168,722	176,559	161,435
Net gains (losses) on equity securities	—	46	14
Net gains (losses) on other real estate owned	50	(40)	9
Net other gains (losses)	35	4,005	—
Total other gains (losses)	85	4,011	23
Total net revenue	390,703	349,213	301,156
Non-interest expense			
Salaries and other employee benefits	65,372	68,779	65,789
Technology and communications	34,073	32,241	29,551
Professional and outside services	33,488	32,959	29,744
Property	11,300	10,831	10,232
Indirect taxes	15,768	15,269	15,714
Non-service employee benefits expense	3,972	5,645	4,845
Marketing	3,606	3,194	3,629
Amortization of intangible assets	169	169	169
Other expenses	9,466	10,049	9,613
Total non-interest expense	177,214	179,136	169,286
Net income before equity in undistributed earnings of subsidiaries	213,489	170,077	131,870
Equity in undistributed earnings of subsidiaries	2,827	55,415	82,150
Net income	216,316	225,492	214,020
Other comprehensive income, net of tax	14,783	67,254	(252,535)
Total comprehensive income	231,099	292,746	(38,515)

The Bank of N.T. Butterfield & Son Limited
Notes to the Consolidated Financial Statements (continued)
(In thousands of US dollars, unless otherwise stated)

The Bank of N.T. Butterfield & Son Limited (parent company only)

Condensed Statements of Cash Flows

(In thousands of US dollars)

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Cash flows from operating activities			
Net income	216,316	225,492	214,020
Adjustments to reconcile net income to operating cash flows			
Depreciation and amortization	16,628	14,792	14,922
Provision for credit losses (recoveries)	1,834	4,755	1,226
Share-based payments and settlements	21,003	20,812	17,077
Net change in equity securities at fair value	—	236	(14)
Net (gains) losses on other real estate owned	(50)	40	(9)
(Increase) decrease in carrying value of equity method investments	483	313	120
Dividends received from equity method investments	—	5,096	12
Equity in undistributed earnings of subsidiaries	(2,827)	(55,415)	(82,150)
Changes in operating assets and liabilities			
(Increase) decrease in accrued interest receivable and other assets	(2,549)	10,626	(25,888)
Increase (decrease) in employee benefit plans, accrued interest payable and other liabilities	(13,456)	10,955	15,386
Cash provided by (used in) operating activities	237,382	237,702	154,702
Cash flows from investing activities			
(Increase) decrease in securities purchased under agreements to resell	96,600	(127,403)	36,236
Short-term investments other than restricted cash: proceeds from maturities and sales	781,459	357,451	821,645
Short-term investments other than restricted cash: purchases	(417,695)	(869,466)	(666,837)
Available-for-sale investments: proceeds from maturities and pay downs	156,134	131,261	112,274
Available-for-sale investments: purchases	(694,620)	(41,426)	(44,504)
Held-to-maturity investments: proceeds from maturities and pay downs	99,962	112,348	158,665
Held-to-maturity investments: purchases	—	—	(203,867)
Net (increase) decrease in loans to third parties	136,147	117,772	125,215
Net (increase) decrease in loans to bank subsidiaries	—	—	13,534
Net (increase) decrease in loans to non-bank subsidiaries	2,693	23,515	3,845
Additions to premises, equipment and computer software	(8,937)	(13,267)	(20,567)
Proceeds from sale of other real estate owned	588	646	730
Injection of capital in subsidiary	—	(58,477)	(6,083)
Return of capital from a subsidiary	(1,878)	—	—
Cash provided by (used in) investing activities	150,453	(367,046)	330,286

The Bank of N.T. Butterfield & Son Limited
Notes to the Consolidated Financial Statements (continued)
(In thousands of US dollars, unless otherwise stated)

The Bank of N.T. Butterfield & Son Limited (parent company only)

Condensed Statements of Cash Flows

(In thousands of US dollars)

	Year ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Cash flows from financing activities			
Net increase (decrease) in deposits	281,518	(147,941)	(265,270)
Repayment of long-term debt	—	(75,000)	—
Common shares repurchased	(155,305)	(88,590)	(3,897)
Cash dividends paid on common shares	(79,581)	(86,186)	(87,343)
Cash provided by (used in) financing activities	46,632	(397,717)	(356,510)
Net increase (decrease) in cash, cash equivalents and restricted cash	434,467	(527,061)	128,478
Cash, cash equivalents and restricted cash: beginning of year	383,832	910,893	782,415
Cash, cash equivalents and restricted cash: end of year	818,299	383,832	910,893
Components of cash, cash equivalents and restricted cash at end of year			
Cash and cash equivalents	799,149	370,484	904,371
Restricted cash included in short-term investments on the consolidated balance sheets	19,150	13,348	6,522
Total cash, cash equivalents and restricted cash at end of year	818,299	383,832	910,893
Supplemental disclosure of cash flow information			
Cash interest paid	58,864	39,412	18,680
Supplemental disclosure of non-cash items			
Transfer to (out of) other real estate owned	87	336	830
Transfer of available-for-sale investments to held-to-maturity investments	—	—	364,983

Note 28: Subsequent events

On February 10, 2025, the Board of Directors declared an interim dividend of \$0.44 per common share to be paid on March 10, 2025 to shareholders of record on February 24, 2025.

ITEM 18. FINANCIAL STATEMENTS

Not applicable.

ITEM 19. EXHIBITS

The SEC maintains an internet site at <https://www.sec.gov> that contains reports and other information regarding issuers that file electronically with the SEC. These SEC filings are also available to the public from commercial document retrieval services.

(a) The following documents are filed as exhibits hereto:

<u>Exhibit No.</u>	<u>Description</u>
1.1	Amended and Restated Bye-laws of The Bank of N.T. Butterfield & Son Limited (incorporated by reference to Exhibit 1.1 to the registrant's Annual Report on Form 20-F for the year ended December 31, 2022)
1.2	The N.T. Butterfield & Son Bank Act, 1904 (incorporated by reference to Exhibit 3.2 to the registrant's registration statement on Form F-1, filed on August 4, 2016)
2.1	Form of Specimen of Common Registered Share Certificate (incorporated by reference to Exhibit 4.1 to the registrant's registration statement on Form F-1/A, filed on August 30, 2016)
2.2	Description of Securities
4.1	Purchase Agreement, dated April 24, 2019, by and among Bank of N.T. Butterfield & Son Limited, Butterfield Bank (Guernsey) Limited and ABN AMRO (Channel Islands) Limited (incorporated by reference to Exhibit 2.1 to the registrant's report on Form 6-K filed on April 25, 2019)
4.2	Amended and Restated 2020 Omnibus Share Incentive Plan of The Bank of N.T. Butterfield & Son Limited (incorporated by reference to Exhibit 4.4 to the registrant's registration statement on Form S-8, filed on February 11, 2025)
4.3	Subordinated Debt Securities Indenture between The Bank of N.T. Butterfield & Son Limited and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as at May 24, 2018 (incorporated by reference to Exhibit 4.1 to the registrant's report on Form 6-K filed on May 24, 2018)
4.4	Second Supplemental Indenture, between The Bank of N.T. Butterfield & Son Limited and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as at June 11, 2020, to Subordinated Debt Securities Indenture, dated as at May 24, 2018 (incorporated by reference to Exhibit 4.1 to the registrant's report on Form 6-K filed on June 11, 2020)
4.5	The Bank of N.T. Butterfield & Son Limited 2021 Employee Share Purchase Plan (incorporated by reference to Exhibit 4.4 to the registrant's registration statement on Form S-8, filed on November 2, 2021)
8	List of Subsidiaries
11	Insider Trading Policy
12.1	Certification of the Chairman & Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934
12.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934
13.1	Certification of the Chairman & Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of PricewaterhouseCoopers Ltd.
97	Clawback Policy: Recovery of erroneously awarded incentive-based compensation
101	The following materials from our annual report on Form 20-F for the year ended December 31, 2024 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Financial Statements and (ii) the Notes to the Consolidated Financial Statements, tagged as blocks of text and in detail.
104	Cover page interactive data file (formatted as Inline XBRL and included in Exhibit 101)

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

The Bank of N.T. Butterfield & Son Limited

By: /s/ Michael Collins
Name: Michael Collins
Title: Chairman & Chief Executive
Officer
Date: February 19, 2025

Glossary of abbreviations and defined terms

2020 AMLA	Anti-Money Laundering Act of 2020	FCA	Financial Conduct Authority
AFS	Available-for-sale	FCRA	Fair Credit Reporting Act
AMLA	Swiss Federal Act on Combating Money Laundering and Terrorist Financing of 10 October 1997	FFELP	Federal Family Education Loan Program
AOCIL	Accumulated other comprehensive income (loss)	FinIA	Swiss Federal Financial Institutions Act
ASU	Accounting Standards Update	FinIO	Swiss Federal Financial Institutions Act
AT1	Additional Tier 1 capital	FINMA	Swiss Financial Market Supervisory Authority
ATM	Automated Teller Machines	FINRA	Financial Industry Regulatory Authority
AUA	Assets Under Administration	FPI	Foreign Private Issuer
AUC	Assets Under Custody	FRA	Financial Reporting Authority of the Cayman Islands
AUM	Assets Under Management	FSMA	Financial Services and Markets Act 2000
Basel III	Basel III Accord	GAAP	Generally Accepted Accounting Principles in the United States of America
BATCA	Banks & Trust Companies Act (as revised)	GALCO	Group Asset and Liability Committee
BBH	Brown Brothers Harriman	GBP	Great British Pound
BBL	Banking Business (Jersey) Law 1991	GCC	Group Credit Committee
BCBS	Basel Committee on Banking Supervision	GDPR	EU General Data Protection Regulation (EU) 2016/679
BDCA	Banks and Deposit Companies Act 1999	GDP	Gross Domestic Product
BMA	Bermuda Monetary Authority	GFSC	Guernsey Financial Services Commission
BMD	Bermuda Dollar	GRCC	Group Risk and Compliance Committee
BNYM	Bank of New York Mellon	GTS	Global Trust Solutions
Board	Board of Directors	Guernsey DCS	Guernsey Deposit Compensation Scheme
BRR	Borrower Risk Ratings	HTM	Held-to-maturity
BSL	Banking Supervision (Bailiwick of Guernsey) Law, 2020	IA	Insurance Act, 2010 (as revised)
BSX Act	Bermuda Stock Exchange Company Act 1992	IGAs	Intergovernmental Agreements
BSX	Bermuda Stock Exchange	IRC	Internal Revenue Code of 1986,
CAGR	Compound annual growth rates	IRR	Interest Rate Risk
CARP	Capital Assessment and Risk Profile	IRS	US Internal Revenue Service
CCR	Counterparty Credit Risk	IRRBB	Interest Rate Risk in the Banking Book
CD	Certificates of Deposit	ISDA	International Swaps and Derivatives Association
CEACS	Core net income attributable to common shareholders	IT	Information Technology
CECL	Current Expected Credit Loss Model	Jersey DCS	Jersey Bank Deposit Compensation Scheme
CEO	Chairman & Chief Executive Officer	JFSC	Jersey Financial Services Commission
CET1	Common Equity Tier 1 capital	JOIC	Jersey Office of the Information Commissioner
CFO	Chief Financial Officer	KBRA	Kroll Bond Rating Agency
CIMA	Cayman Islands Monetary Authority	KYC	Know your customer
CISO	Chief Information Security Officer	LCF	Lending, Credit and Finance (Bailiwick of Guernsey) Law
CIT	Corporate Income Tax Act 2023	LCR	Liquidity Coverage Ratio
CODM	Chief Operating Decision Maker	LIBOR	London Interbank Offered Rate
CORC	Compliance and Operational Risk Committee	LGD	Loss-Given Default
Core ROATA	Core return on average tangible assets	LTV	Loan-to-Value
Core ROATCE	Core return on average tangible common equity	MAS	Monetary Authority of Singapore
CP	Commercial Paper	MIPRU	Mortgage and Home Finance Firms and Insurance Intermediaries
CRM	Credit Risk Management	MLRs 2017	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended)
CSPB	Corporate Service Provider Business Act 2012	Moody's	Moody's Investor Service
CTA	Cumulative translation adjustment	MOIC	Multiple of invested capital
DCS	Depositors Compensation Scheme	NACL	Non-Accrual Loan
DIS	Deposit Insurance Scheme	NCO	Net Charge-Off
DPA	Data Protection Act	NII	Net Interest Income
	Revised Swiss Federal Act on Data Protection of September 25, 2020	NIM	Net interest margin
DPAJL	Data Protection Authority (Jersey) Law, 2018	NPA	Non-Performing Assets
DPJL	Data Protection (Jersey) Law, 2018	NPL	Non-Performing Loan
DPL 2017	Data Protection (Bailiwick of Guernsey) Law, 2017	NRSROs	Nationally recognized statistical rating organizations
DPO	Ordinance to the Federal Data Protection of August 31, 2022	NSFR	Net Stable Funding Ratio
D-SIB	Domestic Systemically Important Bank	NRSROs	Nationally recognized statistical rating organizations
DXC	DXC Technologies	NYSE	New York Stock Exchange
EAD	Exposure at Default	OCI	Other comprehensive income
ECAIs	External Credit Assessment Institutions	OCL	Other comprehensive loss
ECOFIN	EU's Economic and Financial Affairs Council	OECD	Organization for Economic Cooperation and Development
EDIP	Employee Deferred Incentive Program	OFAC	US Treasury Department's Office of Foreign Assets Control
ELTIP	Executive Long-Term Incentive Share Program	OREO	Other Real Estate Owned
ESG	Environmental, Social and Governance	OTC	Over-the-counter
ESPP	Employee Share Purchase Plan	PCD	Purchased Credit-Deteriorated
EU	European Union	PCI	Purchased Credit-Impaired
EVE	Economic Value of Equity	PCL	Proceeds of Crime Act (as revised, the "PCA")
Exchange Act	Securities Exchange Act of 1934		
FASB	Financial Accounting Standards Board		
FATCA	Foreign Account Tax Compliance Act		
FATF	Financial Action Task Force		

PD	Probability of Default
PFIC	Passive Foreign Investment company
PIPA	Personal Information Protection Act 2016
POI	Protection of Investors
PwC	PricewaterhouseCoopers Ltd., Bermuda
Regulation FD	Regulation Fair Disclosure
QEF	Qualified electing fund
ROA	Return on average assets
ROE	Return on average common shareholders' equity
RPCC	Risk Policy and Compliance Committee
RWA	Risk-weighted Assets
S&P	Standard & Poor's
SA-CCR	Standardised Approach for measuring Counterparty Credit Risk exposures
SEC	Securities and Exchange Commission
SIBA	Securities Investment Business Act (as revised)
SO-FIT	Organisme de Surveillance pour Intermédiaires Financiers & Trustees
SOFR	Secured Overnight Financing Rate
SREP	Supervisory Review and Evaluation Process
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TCA	Trust Companies Act 2005
TCE/TA	Tangible Common Equity/Tangible Assets
TE/TA	Tangible total Equity/Tangible Assets
USAO	U.S Attorney's Office for the Southern District of New York
UK	United Kingdom
US	United States