

News Release, by BUTTERFIELD.



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Butterfield Reports Second Quarter 2022 Results

Financial highlights for the second quarter of 2022:

- **Net income of \$49.1 million, or \$0.99 per share, and core net income¹ of \$50.2 million, or \$1.01 per share**
- **Return on average common equity of 24.5% and core return on average tangible common equity¹ of 27.8%**
- **Net interest margin of 2.26%, cost of deposits of 0.16%**
- **Board declares dividend for the quarter ended June 30, 2022 of \$0.44 per share**

Hamilton, Bermuda - July 25, 2022: The Bank of N.T. Butterfield & Son Limited ("Butterfield" or the "Bank") (BSX: NTB.BH; NYSE: NTB) today announced financial results for the second quarter ended June 30, 2022.

Net income for the second quarter of 2022 was \$49.1 million or \$0.99 per diluted common share compared to net income of \$44.4 million, or \$0.89 per diluted common share, for the previous quarter and \$39.6 million, or \$0.79 per diluted common share, for the second quarter of 2021. Core net income¹ for the second quarter of 2022 was \$50.2 million, or \$1.01 per diluted common share, compared to \$44.7 million, or \$0.90 per diluted common share, for the previous quarter and \$40.1 million, or \$0.80 per diluted common share, for the second quarter of 2021.

The core return on average tangible common equity¹ for the second quarter of 2022 was 27.8%, compared to 21.9% for the previous quarter and 18.7% for the second quarter of 2021. The core efficiency ratio¹ for the second quarter of 2022 was 60.2% compared with 63.7% in the previous quarter and 66.3% for the second quarter of 2021.

Michael Collins, Butterfield's Chairman and Chief Executive Officer, commented, "Butterfield was able to build on our first quarter momentum with continued strong results in the second quarter of 2022. Revenue generation was robust, with growth in both interest and non-interest income. As anticipated, non-core commercial deposits have moderated due to client investment of cash and the strong US dollar impact on foreign currency deposits. As overall deposit levels normalize further, we expect the Bank to return to an organic deposit growth rate of low single digit percentages annually. Our net interest margin increased 23 basis points and should continue to improve in the rising rate environment.

"I am also pleased to share that Butterfield has recently joined the United Nations Global Compact ("UNGC") – the world's largest corporate sustainability initiative. Participating in the UNGC reinforces our commitment to ethical and responsible business practices and gives us an organizing framework as we continue to develop our environmental and social responsibility programs, aimed at creating shared value for the communities in which we operate."

(1) See table "Reconciliation of US GAAP Results to Core Earnings" below for reconciliation of US GAAP results to non-GAAP measures.

Net interest income (“NII”) for the second quarter of 2022 was \$82.0 million, an increase of \$6.1 million, compared with NII of \$75.9 million in the previous quarter and up \$7.3 million from \$74.7 million in the second quarter of 2021. NII was higher during the second quarter of 2022 compared to the prior quarter primarily due to higher yields on treasury securities, loans and investments, which was slightly moderated by higher deposit costs, particularly in the Channel Islands. Compared to the second quarter of 2021, NII was higher due to increased asset yields, which were partially offset by lower average interest earnings asset volume.

Net interest margin (“NIM”) for the second quarter of 2022 was 2.26%, an increase of 23 basis points from 2.03% in the previous quarter and up 25 basis points from 2.01% in the second quarter of 2021. NIM in the second quarter of 2022 was higher than the prior quarter and second quarter of 2021 primarily due to improved market interest rates and a favorable mix of deployment into higher yielding assets.

Non-interest income for the second quarter of 2022 of \$51.8 million was \$1.9 million higher than the \$49.9 million earned in the previous quarter and \$3.0 million higher than \$48.8 million in the second quarter of 2021. Non-interest income during the second quarter of 2022 increased compared to the prior quarter primarily due to increased Trust revenue from the onboarding of new clients and activity-based revenues, and other non-interest income, consisting of the scheduled recognition of unclaimed assets. Non-interest income was up in the second quarter of 2022 compared to the second quarter of 2021 due to the increased unclaimed assets and increased foreign exchange commissions.

There was a provision for credit losses of \$0.7 million for the second quarter of 2022, compared to a net credit recovery in the previous quarter of \$0.7 million and a net credit recovery of \$1.0 million during the second quarter of 2021. The increase in the provision for credit losses was driven by loan originations and less favorable macroeconomic forecasts.

Non-interest expenses were \$83.0 million in the second quarter of 2022, compared to \$82.0 million in the previous quarter and \$84.8 million in the second quarter of 2021. Core non-interest expenses¹ increased to \$81.9 million in the second quarter of 2022, compared to \$81.6 million the previous quarter and lower than the \$83.4 million incurred in the second quarter of 2021. Core non-interest expenses¹ were relatively consistent in the second quarter of 2022 versus the previous quarter. Compared to the second quarter of 2021, non-interest expenses were lower due to a one-time program in the prior period that allowed employees to receive payment for unused vacation time during the pandemic, which was not repeated in the current quarter.

Period end deposit balances were lower at \$13.1 billion, compared to December 31, 2021 at \$13.9 billion due to the anticipated normalization of pandemic-related elevated deposit levels, as well as the impact of foreign exchange translation from non-US dollar deposits following the strengthening of the US dollar. Deposits continued to remain elevated across all jurisdictions.

The Bank maintained its balanced capital return policy. The Board again declared a quarterly dividend of \$0.44 per common share to be paid on August 22, 2022 to shareholders of record on August 8, 2022.

The current total regulatory capital ratio as at June 30, 2022 was 21.4% as calculated under Basel III, compared to 21.2% as at December 31, 2021. Both of these ratios remain significantly above the minimum Basel III regulatory requirements applicable to the Bank.

(1) See table "Reconciliation of US GAAP Results to Core Earnings" below for reconciliation of US GAAP results to non-GAAP measures.

ANALYSIS AND DISCUSSION OF SECOND QUARTER RESULTS

Income statement (in \$ millions)	Three months ended (Unaudited)		
	June 30, 2022	March 31, 2022	June 30, 2021
Non-interest income	51.8	49.9	48.8
Net interest income before provision for credit losses	82.0	75.9	74.7
Total net revenue before provision for credit losses and other gains (losses)	133.8	125.8	123.5
Provision for credit recoveries (losses)	(0.7)	0.7	1.0
Total other gains (losses)	0.1	0.8	0.7
Total net revenue	133.2	127.3	125.2
Non-interest expenses	(83.0)	(82.0)	(84.8)
Total net income before taxes	50.2	45.3	40.4
Income tax benefit (expense)	(1.1)	(1.0)	(0.8)
Net income	49.1	44.4	39.6
Net earnings per share			
Basic	0.99	0.90	0.80
Diluted	0.99	0.89	0.79
Per diluted share impact of other non-core items ¹	0.02	0.01	0.01
Core earnings per share on a fully diluted basis ¹	1.01	0.90	0.80
Adjusted weighted average number of participating shares on a fully diluted basis (in thousands of shares)	49,772	49,829	49,946
Key financial ratios			
Return on common equity	24.5 %	19.7 %	16.7 %
Core return on average tangible common equity ¹	27.8 %	21.9 %	18.7 %
Return on average assets	1.3 %	1.2 %	1.0 %
Net interest margin	2.26 %	2.03 %	2.01 %
Core efficiency ratio ¹	60.2 %	63.7 %	66.3 %

(1) See table "Reconciliation of US GAAP Results to Core Earnings" below for reconciliation of US GAAP results to non-GAAP measures.

Balance Sheet (in \$ millions)	As at	
	June 30, 2022	December 31, 2021
Cash due from banks	1,340	2,180
Securities purchased under agreements to resell	265	96
Short-term investments	1,252	1,199
Investments in securities	5,970	6,237
Loans, net of allowance for credit losses	5,139	5,241
Premises, equipment and computer software, net of accumulated depreciation	142	139
Goodwill and intangibles, net	77	86
Accrued interest and other assets	167	158
Total assets	14,350	15,335
Total deposits	13,075	13,870
Accrued interest and other liabilities	300	316
Long-term debt	172	172
Total liabilities	13,547	14,358
Common shareholders' equity	802	977
Total shareholders' equity	802	977
Total liabilities and shareholders' equity	14,350	15,335

Key Balance Sheet Ratios:	June 30, 2022	December 31, 2021
Common equity tier 1 capital ratio ¹	17.7 %	17.6 %
Tier 1 capital ratio ¹	17.7 %	17.6 %
Total capital ratio ¹	21.4 %	21.2 %
Leverage ratio ¹	5.8 %	5.6 %
Risk-Weighted Assets (in \$ millions)	4,854	5,101
Risk-Weighted Assets / total assets	33.8 %	33.3 %
Tangible common equity ratio	5.1 %	5.8 %
Book value per common share (in \$)	16.17	19.83
Tangible book value per share (in \$)	14.61	18.08
Non-accrual loans/gross loans	1.2 %	1.2 %
Non-performing assets/total assets	0.5 %	0.5 %
Allowance for credit losses/total loans	0.5 %	0.5 %

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

QUARTER ENDED JUNE 30, 2022 COMPARED WITH THE QUARTER ENDED MARCH 31, 2022

Net Income

Net income for the quarter ended June 30, 2022 was \$49.1 million, up \$4.8 million from \$44.4 million in the prior quarter.

The \$4.8 million increase in net income in the quarter ended June 30, 2022 compared to the previous quarter was due principally to the following:

- \$6.1 million increase in net interest income before provision for credit losses, driven by the impact of higher market interest rates across the yield curve, which was partially offset by higher deposit costs, predominantly in the Channel Islands;
- \$1.9 million increase in non-interest income due to an increase in long-held unclaimed customer check and draft balances being recognized in revenue;
- \$1.4 million increase in provision for credit losses driven by the extension of a large, long-term government facility in the Cayman Islands as well as a lower incremental improvement in macroeconomic forecasts impacting future expected credit loss estimates; and
- \$1.3 million increase in salaries and other employee benefits primarily due to costs associated with the departure of a senior executive and recorded as a non-core item.

Non-Core Items¹

Non-core items resulted in a net expense of \$1.1 million in the second quarter of 2022. Non-core items for the quarter mainly relate to the costs associated with the departure of a senior executive.

Management does not believe that comparative period expenses, gains or losses identified as non-core are indicative of the results of operations of the Bank in the ordinary course of business.

(1) See table "Reconciliation of US GAAP Results to Core Earnings" below for reconciliation of US GAAP results to non-GAAP measures.

BALANCE SHEET COMMENTARY AT JUNE 30, 2022 COMPARED WITH DECEMBER 31, 2021

Total Assets

Total assets of the Bank were \$14.3 billion at June 30, 2022, a decrease of \$1.0 billion from December 31, 2021. The Bank maintained a highly liquid position at June 30, 2022, with its \$8.8 billion of cash and demand deposits with banks, reverse repurchase agreements and liquid investments representing 61.5% of total assets, compared with 63.3% at December 31, 2021.

Loans Receivable

The loan portfolio totaled \$5.1 billion at June 30, 2022, which was \$0.1 billion lower than December 31, 2021 balances. The decrease was driven by the Channel Islands and UK segment as a result of facility repayments and a decrease in the GBP/USD foreign exchange rate and partially offset by the extension of a government facility in the Cayman Islands.

Allowance for credit losses at June 30, 2022 totaled \$25.0 million, a decrease of \$3.1 million from \$28.1 million at December 31, 2021. The movement was driven by a decrease in non-accrual loans, net paydowns in the portfolio and the positive economic forecasts and partially offset by the extension of a large, long-term government facility in the Cayman Islands.

The loan portfolio represented 35.8% of total assets at June 30, 2022 (December 31, 2021: 34.2%), while loans as a percentage of total deposits increased to 39.3% at June 30, 2022 from 37.8% at December 31, 2021. The increase in both ratios were attributable principally to a decrease in deposit balances at June 30, 2022 driven by the expected withdrawal of some pandemic-related deposits as well as the impact of the strengthening US dollar on non-US dollar denominated balances.

As of June 30, 2022, the Bank had gross non-accrual loans of \$62.2 million, representing 1.2% of total gross loans, an increase of \$1.2 million from \$61.0 million, or 1.2% of total loans, at December 31, 2021. The increase in non-accrual loans was driven by a few residential mortgages in the Channel Islands and UK segment moving into non-accrual and partially offset by a number of Bermuda residential mortgages improving to current status.

Other real estate owned ("OREO") increased by \$0.1 million from December 31, 2021 to \$0.7 million due to the foreclosure of a loan in the Channel Islands and UK segment and which was partially offset by the sale of a property in Bermuda.

Investment in Securities

The investment portfolio was \$6.0 billion at June 30, 2022, down \$0.3 billion from \$6.2 billion at December 31, 2021. The movement was driven by the increase in total net unrealized losses on the available-for-sale portfolio that is carried at fair value.

The investment portfolio is made up of high quality assets with 100% invested in A-or-better-rated securities. The investment book yield increased to 1.89% during the quarter ended June 30, 2022 from 1.79% during the previous quarter. Total net unrealized losses on the available-for-sale portfolio increased to \$152.0 million, compared with total net unrealized losses of \$21.8 million at December 31, 2021, as a result of rising long-term US dollar interest rates. No credit losses have been noted as at June 30, 2022.

Deposits

Average deposits were \$13.6 billion for the quarter ended June 30, 2022, a decrease of \$0.5 billion compared to the previous quarter, while period end balances as at June 30, 2022 were \$13.1 billion, a decrease of \$0.8 billion compared to December 31, 2021.

Average Balance Sheet²

(in \$ millions)	For the three months ended								
	June 30, 2022			March 31, 2022			June 30, 2021		
	Average balance (\$)	Interest (\$)	Average rate (%)	Average balance (\$)	Interest (\$)	Average rate (%)	Average balance (\$)	Interest (\$)	Average rate (%)
Assets									
Cash due from banks and short-term investments	3,364.5	4.2	0.50	3,809.2	1.0	0.11	4,181.6	0.2	0.02
Investment in securities	6,143.9	29.0	1.89	6,226.5	27.4	1.79	5,514.7	25.0	1.82
Available-for-sale	2,759.9	9.6	1.40	3,352.8	11.9	1.44	2,996.4	12.2	1.63
Held-to-maturity	3,384.0	19.3	2.29	2,873.6	15.6	2.20	2,518.4	12.8	2.04
Loans	5,066.9	56.5	4.48	5,144.3	54.1	4.26	5,205.1	55.5	4.28
Commercial	1,455.3	17.3	4.76	1,454.2	16.3	4.56	1,610.7	18.2	4.54
Consumer	3,611.6	39.3	4.36	3,690.1	37.7	4.14	3,594.4	37.2	4.16
Interest earning assets	14,575.4	89.7	2.47	15,180.0	82.5	2.20	14,901.4	80.7	2.17
Other assets	359.1			367.2			362.1		
Total assets	14,934.5			15,547.1			15,263.5		
Liabilities									
Deposits	10,590.3	(5.4)	(0.20)	11,070.5	(4.3)	(0.16)	10,925.6	(3.6)	(0.13)
Long-term debt	172.0	(2.4)	(5.60)	171.9	(2.4)	(5.66)	171.6	(2.4)	(5.61)
Interest bearing liabilities	10,762.3	(7.8)	(0.29)	11,242.4	(6.7)	(0.24)	11,097.2	(6.0)	(0.22)
Non-interest bearing current accounts	2,997.8			3,024.3			2,853.1		
Other liabilities	300.8			323.3			326.1		
Total liabilities	14,061.0			14,589.9			14,276.4		
Shareholders' equity	873.6			957.2			987.1		
Total liabilities and shareholders' equity	14,934.5			15,547.1			15,263.6		
Non-interest-bearing funds net of non-interest earning assets (free balance)	3,813.1			3,937.6			3,804.3		
Net interest margin		82.0	2.26		75.9	2.03		74.7	2.01

⁽²⁾ Averages are based upon a daily averages for the periods indicated.

Assets Under Administration and Assets Under Management

Total assets under administration for the trust and custody businesses were \$101.7 billion and \$32.8 billion, respectively, at June 30, 2022, while assets under management were \$5.0 billion at June 30, 2022. This compares with \$106.4 billion, \$36.8 billion and \$5.5 billion, respectively, at December 31, 2021.

Reconciliation of US GAAP Results to Core Earnings

The table below shows the reconciliation of net income in accordance with US GAAP to core earnings, a non-GAAP measure, which excludes certain significant items that are included in our US GAAP results of operations. We focus on core net income, which we calculate by adjusting net income to exclude certain income or expense items that are not representative of our business operations, or “non-core”. Core net income includes revenue, gains, losses and expense items incurred in the normal course of business. 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. 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 management.

Core Earnings (in \$ millions except per share amounts)	Three months ended		
	June 30, 2022	March 31, 2022	June 30, 2021
Net income	49.1	44.4	39.6
Non-core items			
<i>Non-core (gains) losses</i>			
Gain on disposal of Visa Inc. Class B shares	—	—	(0.9)
Total non-core (gains) losses	—	—	(0.9)
<i>Non-core expenses</i>			
Early retirement program, voluntary separation, redundancies and other non-core compensation costs	1.0	—	1.4
Tax compliance review costs	—	0.1	—
Settlement of client related tax inquiry	—	0.2	—
Total non-core expenses	1.1	0.3	1.4
Total non-core items	1.1	0.3	0.5
Core net income	50.2	44.7	40.1
Average common equity	804.6	912.8	950.6
Less: average goodwill and intangible assets	(80.0)	(84.7)	(91.4)
Average tangible common equity	724.6	828.1	859.2
Core earnings per share fully diluted	1.01	0.90	0.80
Return on common equity	24.5 %	19.7 %	16.7 %
Core return on average tangible common equity	27.8 %	21.9 %	18.7 %
Shareholders' equity	802.4	841.8	966.6
Less: goodwill and intangible assets	(77.5)	(82.9)	(90.2)
Tangible common equity	725.0	758.9	876.4
Basic participating shares outstanding (in millions)	49.6	49.6	49.6
Tangible book value per common share	14.61	15.30	17.67
Non-interest expenses	83.0	82.0	84.8
Less: non-core expenses	(1.1)	(0.3)	(1.4)
Less: amortization of intangibles	(1.4)	(1.5)	(1.5)
Core non-interest expenses before amortization of intangibles	80.5	80.1	81.9
Core revenue before other gains and losses and provision for credit losses	133.8	125.8	123.5
Core efficiency ratio	60.2 %	63.7 %	66.3 %

Conference Call Information:

Butterfield will host a conference call to discuss the Bank's results on Tuesday, July 26, 2022 at 10:00 a.m. Eastern Time. Callers may access the conference call by dialing +1 (844) 855 9501 (toll-free) or +1 (412) 858 4603 (international) ten minutes prior to the start of the call. A live webcast of the conference call, including a slide presentation, will be available in the investor relations section of Butterfield's website at www.butterfieldgroup.com. A replay of the call will be archived on the Butterfield website thereafter.

About Non-GAAP Financial Measures:

Certain statements in this release involve the use of non-GAAP financial measures. We believe such measures provide useful information to investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with US GAAP; however, our non-GAAP financial measures have a number of limitations. As such, investors should not view these disclosures as a substitute for results determined in accordance with US GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. See "Reconciliation of US GAAP Results to Core Earnings" for additional information.

Forward-Looking Statements:

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

All forward-looking statements in this disclosure are expressly qualified in their entirety by this cautionary notice, including, without limitation, those risks and uncertainties described in our SEC reports and filings, including under the caption "Risk Factors" in our most recent Form 20-F. Such reports are available upon request from Butterfield, or from the Securities and Exchange Commission ("SEC"), including through the SEC's website at <https://www.sec.gov>. Any forward-looking statements made by Butterfield are current views as at the date they are made. Except as otherwise required by law, Butterfield assumes no obligation and does not undertake to review, update, revise or correct any of the forward-looking statements included in this disclosure, whether as a result of new information, future events or other developments. You are cautioned not to place undue reliance on the forward-looking statements made by Butterfield in this disclosure. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, and should only be viewed as historical data. BF-ALL

About Butterfield:

Butterfield is a full-service bank and wealth manager headquartered in Hamilton, Bermuda, providing services to clients from Bermuda, the Cayman Islands, Guernsey and Jersey, where our principal banking operations are located, and The Bahamas, Switzerland, Singapore and the United Kingdom, where we offer specialized financial services. Banking services comprise deposit, cash management and lending solutions for individual, business and institutional clients. Wealth management services are composed of trust, private banking, asset management and custody. In Bermuda, the Cayman Islands and Guernsey, we offer both banking and wealth management. In The Bahamas, Singapore and Switzerland, we offer select wealth management services. In the UK, we offer residential property lending. In Jersey, we offer select banking and wealth management services. Butterfield is publicly traded on the New York Stock Exchange (symbol: NTB) and the Bermuda Stock Exchange (symbol: NTB.BH). Further details on the Butterfield Group can be obtained from our website at: www.butterfieldgroup.com.

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