



Butterfield

Company:	<u>Bank of N.T. Butterfield and Son Ltd</u>
Ticker:	NTB
P/E:	8.33
Industry & Sector:	Banking
Industry P/E:	12.04
Current Price:	\$28.98
Target Price:	\$48.64
Buy/Hold/Sell:	HOLD

Company Summary:

The Bank of N.T. Butterfield & Son was founded in 1858 and is headquartered in Hamilton, Bermuda. This bank functions through several different geographic segments based in Bermuda, The Cayman Islands, Guernsey, Jersey, The Bahamas, Switzerland, Singapore, and The United Kingdom. In their Bermuda, Cayman Islands and Guernsey locations, they offer banking and wealth management. In the Bahamas, Singapore, and Switzerland, they offer select wealth management. In the UK, Butterfield offers residential property lending. Lastly, in Jersey, they offer select banking and wealth management services.

Industry Outlook:

Using data gathered from IBISWorld, we created a chart that shows the relationship between the 3 external drivers for regional banks. First, Aggregate household debt represents all outstanding credit market debt held by consumers, including credit card debt, mortgages, personal loans and more. This generally rises when consumers are optimistic about the economic future and vice versa. It impacts our holdings through a macro-economic effect: when household debt increases, output growth stalls, unemployment rises, and there becomes a greater probability of a future banking crisis in the form of massive default risk regardless of the mix of loans a bank has. Secondly, the Prime Rate (represented by the green line) is typically set near the federal funds rate which is the interest rate charged by banks for loaning excess funds to banks needing to meet reserve requirements. This impacts our holdings as they should have a significantly lower Net Interest Margin on their loans that will be refinanced during this time of economic distress. Meanwhile, the current prime rate is 3.25% compared to 5.00% a year ago. So, as the prime rate falls, the banking sector as a whole will end up with lower Net Income. Finally, the 30-Year fixed rate mortgage is the most common type of loan for home buying in the U.S. This is represented in all of our holdings as they all have some portion of mortgage loans outstanding. As COVID-19 took its toll on the U.S. in the first half of this year, unemployment skyrocketed leading to increased risk of default. In an attempt to save higher risk loans from default, banks have been willing to renegotiate outstanding loans with lower interest rates and delaying payments. Our forward projection shows that there will be minimal percentage

change in the prime rate and 30-year conventional mortgage rate. Leading us to believe that the economic recovery from COVID-19 will rely on consumer aggregate household debt to remain low. However, this does not mean that consumers should stop spending and save. Simply, this means that consumers should refrain from overextending credit on large purchases.

Consolidated Statements of Operations - USD (\$)	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2024	
Non-interest income											ST Growth Rate
Asset management	\$18,910	\$21,106	\$24,711	\$25,603	\$28,721	\$30,861	\$31,929	\$32,650	\$32,972	\$34,205	LT Growth Rate
Banking	35,221	39,342	43,772	45,010	49,347	55,414	56,919	57,659	58,181	60,397	2.90%
Foreign exchange revenue	31,896	30,606	32,222	32,895	37,001	43,271	43,011	43,283	43,870	45,807	Forward PE Ratio
Trust	40,264	44,060	44,936	51,004	51,220	60,508	61,562	61,871	63,043	64,877	9.53
Custody and other administration services	9,522	8,883	8,149	9,262	12,868	12,688	12,557	12,659	13,202	13,947	Cost of Equity
Other non-interest income	4,359	3,476	4,035	4,912	4,818	5,644	5,543	5,731	5,879	6,009	13.99%
Total non-interest income	140,172	147,478	157,825	168,580	183,973	208,387	211,524	213,841	217,146	225,242	Market Price
Interest income											\$
Interest and fees on loans	186,486	188,000	187,020	218,495	234,032	264,941	266,226	268,375	275,809	285,014	27.63
Investments (none of the investment securities are intrinsically tax-exempt)											
Trading	5894	1725	0	0	0	2394,30718	1030,978477	719,2134923	888,0848203	1096,6072136	
Available-for-sale	51,077	53,184	65,299	68,936	60,686	78,277	79,970	81,672	81,442	83,037	
Held-to-maturity	12,607	22,761	36,132	55,327	68,735	47,301	54,289	59,889	63,213	63,988	
Deposits with banks	6,517	9,759	17,178	24,830	41,625	23,911	27,397	30,696	32,799	34,186	
Total interest income	262,581	274,929	305,628	367,588	405,078	416,825	428,913	441,352	454,151	467,321	
Interest expense											
Deposits	18,446	11,831	10,931	17,617	51,486	27,017	27,334	29,953	33,738	37,180	
Long term debt	4,861	4,500	4,954	6,949	7,876	7,456	7,619	7,963	8,360	8,556	
Securities sold under agreement to repurchase	8	118	0	33	14	48,685,5388	57,503,38173	33,119,93584	40,895,843	42,107,4713	
Total interest expense	23,315	16,449	15,885	24,599	59,376	83,523	35,010	37,949	42,139	45,728	
Net interest income before provision for credit losses	239,266	258,480	289,743	342,989	345,702	382,302	393,903	403,403	412,012	421,593	
Provision for credit recoveries (losses)	-5,741	-4,399	5,837	6,991	184	50	1,940	3,818	2,980	1,900	
Net interest income after provision for credit losses	233,525	254,081	295,581	349,980	345,886	382,352	395,853	407,221	414,992	423,423	
Net gains (losses) on equity securities	-562	715	511	-329	923	293,5140365	946,0310236	444,676967	397,2225395	574,143118	
Net realized gains (losses) on available-for-sale investments	-4,407	1,546	4,186	1,100	1,624	795	2,422	2,494	1,835	1,986	
Net gains (losses) on other real estate owned	277	-440	-2,383	-322	-5	-769,5310947	-1040,710181	-1143,799921	-704,1580907	-787,6215294	
Impairment of fixed assets	-5,083	0	0	0	0	1613,767033	-332,1132554	-410,0934478	-506,3838894	-625,2822092	
Net other gains (losses)	338	807	1,045	1,304	221	672	941	962	894	661	
Total other gains (losses)	-6,437	1014	1,269	855	2767	1966,936693	654,2020494	482,2479362	218,344303	487,0069283	
Total net revenue	364,260	402,568	454,675	517,811	532,628	588,763	608,029	621,544	632,357	649,170	
Non-interest expense											
Salaries and other employee benefits	134,917	139,967	145,138	159,778	183,659	198,897	201,522	203,900	208,643	217,006	
Technology and communications	57,069	57,441	53,999	60,280	62,633	76,826	76,221	75,675	77,395	80,241	
Professional and outside services	27,638	18,831	27,181	26,034	27,952	33,563	32,413	33,971	33,869	35,202	
Property	21,539	21,043	19,878	21,825	24,181	28,567	28,238	28,152	28,805	30,020	
Indirect taxes	19,882	16,352	18,050	19,485	21,109	23,052	23,934	24,298	24,639	25,474	
Non-service employee benefits expense	0	0	8,090	5,570	5,649	4,632	5,720	7,063	6,317	6,383	
Marketing	3,919	4,513	5,739	6,116	8,050	7,222	7,637	7,981	8,150	8,508	
Amortization of intangible assets	4,424	4,514	4,210	5,091	5,451	6,198	6,208	6,216	6,425	6,639	
Restructuring costs	2,183	6,266	1,772	0	0	3076,40745	3085,583216	1798,27903	1693,892569	2091,618544	
Other expenses	19,674	16,952	16,279	17,164	18,240	23,473	22,411	22,835	23,833	23,833	
Total non-interest expense	285,245	285,899	300,336	321,343	356,924	405,505	407,531	411,427	419,773	431,309	
Net income before income taxes	79,015	116,669	154,339	196,468	175,704	183,278	200,498	210,117	213,584	213,779	
Income tax benefit (expense)	-1,276	-727	-1,087	-1,284	-1,371	-931	-733	-672	-506	-299	
Net income	\$77,739	\$115,942	\$153,252	\$195,184	\$177,075	\$182,347	\$199,765	\$209,445	\$213,078	\$213,480	

Cash from Operations	155,539	178,195	242,121	296,345	249,647	288,042	305,861	319,230	322,228	322,538	
Capex	6,128	9,804	14,777	19,837	22,777	18,135	20,392	22,032	22,813	23,126	
New Debt Issued	115,535	0	0	73,218	0	53,285	28,053	34,640	42,773	34,199	
Debt repayments	90,000	0	0	47,000	0	39,233	19,042	23,513	29,034	23,901	
FFO	174,946	168,391	227,344	302,726	226,870	281,959	294,860	308,326	311,154	309,710	TV
				Valuation	249,102	225,850	208,147	185,457	160,902	\$ 1,587,063.40	\$
										Price Per Share	48.64
										Number of Shares	53,790,000
										Multi-Stage valuation	\$ 2,616,320,846.48
										% Over/Under Valuation	76.05%

		Sensitivity Analysis					
		ST Growth Rate					
	\$	48.64	0.90%	1.90%	2.90%	3.90%	4.90%
Cost of Equity		11.99%	\$ 55.16	\$ 57.52	\$ 59.96	\$ 62.49	\$ 65.12
		12.99%	\$ 49.48	\$ 51.56	\$ 53.72	\$ 55.95	\$ 58.26
		13.99%	\$ 44.89	\$ 46.74	\$ 48.66	\$ 50.65	\$ 52.70
		14.99%	\$ 41.08	\$ 42.75	\$ 44.48	\$ 46.27	\$ 48.12
		15.99%	\$ 37.89	\$ 39.40	\$ 40.97	\$ 42.59	\$ 44.26