



**Butterfield Bank
(Cayman) Limited**

Consolidated Financial Statements

**For the years ended
31 December 2025 and 2024**

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Report of Independent Auditors

To the Board of Directors of Butterfield Bank (Cayman) Limited

Opinion

We have audited the accompanying consolidated financial statements of Butterfield Bank (Cayman) Limited and its subsidiaries (together the "Company"), which comprise the consolidated balance sheets as of 31 December 2025 and 31 December 2024, and the related consolidated statements of operations, of comprehensive income, of changes in shareholder's equity, and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2025 and 31 December 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The logo for PricewaterhouseCoopers, written in a cursive, handwritten style.

13 February 2026

Butterfield Bank (Cayman) Limited Consolidated Balance Sheets

As at 31 December (In thousands of United States dollars)

	2025	2024
Assets		
Cash and demand deposits with banks	85,315	89,063
Cash equivalents	624,844	686,515
Total cash and cash equivalents	710,159	775,578
Short term investments	124,661	68,403
Debt securities		
Available for sale	1,028,293	748,822
Held to maturity	1,449,876	1,565,519
Total investments in debt securities	2,478,169	2,314,341
Loans and participations receivable, net of allowance for credit losses	1,036,982	1,099,521
Premises, equipment and computer software	41,653	42,379
Intangible assets	5,450	6,551
Accrued interest	10,118	8,787
Goodwill	551	551
Other assets	17,370	21,718
Total assets	4,425,113	4,337,829
Liabilities		
Deposits		
Non-interest bearing	1,094,889	1,062,387
Interest bearing	2,970,971	2,909,214
Total deposits	4,065,860	3,971,601
Accrued interest	5,706	9,201
Other liabilities	36,011	55,811
Total other liabilities	41,717	65,012
Total liabilities	4,107,577	4,036,613
Shareholder's equity		
Common share capital (\$1.00 par; authorised shares 16,450,000 (2024: \$1.00 par; authorised shares 16,450,000))	16,450	16,450
Retained earnings	375,550	391,626
Accumulated other comprehensive income (loss)	(74,464)	(106,860)
Total shareholder's equity	317,536	301,216
Total liabilities and shareholder's equity	4,425,113	4,337,829

Signed on behalf of the Board by:

Michael A. McWatt
Managing Director

Mark Dunlop
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

Butterfield Bank (Cayman) Limited Consolidated Statements of Operations

For the year ended 31 December (In thousands of United States dollars)

	2025	2024
Non-interest income		
Asset management	6,156	5,574
Banking	33,790	31,367
Foreign exchange revenue	31,648	30,297
Trust	4,501	4,336
Other non-interest income	919	375
Total non-interest income	77,014	71,949
Interest income		
Interest and fees on loans	67,251	79,140
Investments	62,225	55,829
Cash and cash equivalents and short term investments	29,456	29,415
Total interest income	158,932	164,384
Interest expense		
Deposits	38,331	46,977
Total interest expense	38,331	46,977
Net interest income before provision for credit losses	120,601	117,407
Provision for credit (losses) recoveries	(173)	135
Net interest income after provision for credit losses	120,428	117,542
Net other (losses) gains	(16)	-
Total other (losses) gains	(16)	-
Total net revenue	197,426	189,491
Non-interest expense		
Salaries and other employee benefits	28,647	27,207
Technology and communications	16,461	17,213
Property	4,468	4,426
Professional and outside services	10,688	8,961
Non-income taxes	1,675	1,965
Amortisation of intangible assets	1,101	1,101
Marketing	1,076	1,078
Other expenses	4,386	5,097
Total non-interest expense	68,502	67,048
Net income	128,924	122,443

The accompanying notes are an integral part of these consolidated financial statements.

Butterfield Bank (Cayman) Limited

Consolidated Statements of Comprehensive Income

For the year ended 31 December (In thousands of United States dollars)

Line item in the Consolidated Statement of operations, if any	2025	2024
Comprehensive income		
Net income	128,924	122,443
Unrealised net gains (losses) on available-for-sale investments transferred to held-to-maturity investments, net of amortisation	4,695	4,849
Unrealised net gains (losses) on available-for-sale investments	27,702	(52)
Total comprehensive income	161,321	127,240

Consolidated Statements of Changes in Shareholder's Equity

For the year ended 31 December (In thousands of United States dollars)

	2025	2024
Common share capital issued and outstanding		
Authorised, issued and fully paid (2025: 16,450,000 shares; 2024: 16,450,000 shares)	16,450	16,450
Retained earnings		
Balance at beginning of year	391,626	379,183
Net income for year	128,924	122,443
Cash dividends declared and paid	(145,000)	(110,000)
Balance at end of year	375,550	391,626
Accumulated other comprehensive (loss) income		
Held to maturity investment adjustments		
Balance at beginning of year	(44,651)	(49,500)
Amortisation of net losses (gains) to net income	4,695	4,849
Balance at end of year	(39,956)	(44,651)
Available for sale investment adjustments		
Balance at beginning of year	(62,209)	(62,157)
Net unrealised gains (losses)	27,701	(52)
Balance at end of year	(34,508)	(62,209)
Total balance at end of year - Accumulated other comprehensive (loss) income	(74,464)	(106,860)
Total shareholder's equity	317,536	301,216

The accompanying notes are an integral part of these consolidated financial statements.

Butterfield Bank (Cayman) Limited Consolidated Statements of Cash Flows

For the year ended 31 December (In thousands of United States dollars)

	2025	2024
Cash flows from operating activities		
Net income	128,924	122,443
Adjustments to reconcile net income to operating cash flows:		
Depreciation and amortisation	9,201	8,858
Provision for credit losses (recoveries)	173	(135)
Net realised losses (gains) on sale of premises, equipment and computer software	16	-
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(1,331)	2,861
Decrease (increase) in other assets	4,262	(574)
(Decrease) increase in accrued interest payable	(3,495)	(945)
(Decrease) increase in other liabilities	(19,800)	14,247
Cash provided by (used in) operating activities	117,950	146,755
Cash flows from investing activities		
Short term investments other than restricted cash: proceeds from maturities and sales	237,853	197,733
Short term investments other than restricted cash: purchases	(282,128)	(260,384)
Net additions to premises, equipment and computer software	(3,796)	(2,358)
Net decrease (increase) in loans and participations receivable	62,587	107,722
Held to maturity investments: proceeds from maturities and pay downs	117,340	124,375
Held to maturity investments: purchases	-	(37,712)
Available for sale investments: proceeds from sales	40	-
Available for sale investments: proceeds from maturities and pay downs	96,610	181,150
Available for sale investments: purchases	(349,356)	(257,370)
Cash (used in) provided by investing activities	(120,850)	53,156
Cash flows from financing activities		
Net increase (decrease) in demand and term deposit liabilities	88,879	(30,127)
Cash dividends paid	(145,000)	(110,000)
Cash (used in) provided by financing activities	(56,121)	(140,127)
Net (decrease) increase in cash, cash equivalents and restricted cash	(59,021)	59,784
Cash, cash equivalents and restricted cash at beginning of year	785,039	725,255
Cash, cash equivalents and restricted cash at end of year	726,018	785,039
Components of cash, cash equivalents and restricted cash at end of year		
Cash and cash equivalents	710,159	775,578
Restricted cash included in short-term investments on the consolidated balance sheets	15,859	9,461
Total cash, cash equivalents and restricted cash at end of year	726,018	785,039
Supplemental disclosure of cash flow information		
Cash interest paid	(41,826)	(47,922)

The accompanying notes are an integral part of these consolidated financial statements.

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements

(In thousands of United States dollars)

Note 1: Nature of business

Butterfield Bank (Cayman) Limited (the "Bank") is a full service community bank and a provider of specialised wealth management services. Services offered include retail, private & corporate banking, treasury, asset management and personal & institutional trust services in the Cayman Islands.

The Bank was incorporated on 22 November 1967 under the acts of the Cayman Islands and is a wholly-owned subsidiary of The Bank of N.T. Butterfield & Son Limited ("Butterfield"), a company incorporated in Bermuda. Butterfield is a publicly traded corporation with shares listed on the New York Stock Exchange and the Bermuda Stock Exchange. The Butterfield Group is regulated by the Bermuda Monetary Authority (BMA), while the Bank is regulated by the Cayman Islands Monetary Authority (CIMA). Both regulators operate in accordance with Basel principles.

The Bank holds a category 'A' banking licence and a trust licence under the Banks and Trust Companies Act of the Cayman Islands. In addition, the Bank is licenced under the Securities and Investment Business Act.

The Bank owns directly and indirectly the following subsidiaries:

Field Directors (Cayman) Limited	Field Secretaries (Cayman) Limited	Field Nominees (Cayman) Limited
Butterfield Trust (Cayman) Limited	Butterfield Fiduciary Services (Cayman) Limited	

The Bank has structured its operations in order that it will not be deemed to be engaged in trade or business within the U.S. for purposes of U.S. federal tax acts, or subject to taxation in any jurisdiction.

Note 2: Significant accounting policies

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 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 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 Bank's 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

b. Basis of Consolidation

The consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiaries. 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 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 Remeasurement and Translation

Assets and liabilities arising from foreign currency transactions are translated into United States dollars at the rates of exchange prevailing at the balance sheet date while associated revenues and expenses are translated to United States dollars at the rates of exchange prevailing throughout the year. The resulting gains or losses are included in foreign exchange revenue in the consolidated statements of operations.

d. Assets Held in Trust or Custody

Securities and properties (other than cash and deposits held with the Bank) 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.

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 2: Significant accounting policies (continued)

f. Short Term Investments

Short-term investments have maturities of less than one year from the date of acquisition, are only subject to an insignificant risk of change in fair value and comprise (1) restricted demand deposits, and (2) unrestricted term deposits and treasury bills with a maturity greater than three months from the date of acquisition.

g. Investments

Debt securities are classified as available for sale ("AFS") or held to maturity ("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 unrealised gains and losses reported as net increase or decrease to accumulated other comprehensive income (loss) ("AOCIL"), net of 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 amortised cost in the consolidated balance sheets, net of allowance for credit losses. Unrecognised gains and losses on HTM securities are disclosed in the notes to the consolidated financial statements.

The specific identification method is used to determine realised gains and losses on AFS investments, which are included in net realised gains (losses) on AFS investments in the consolidated statements of operations.

Interest income, including amortisation 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 amortised 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 amortised cost, it recognises an impairment loss equal to the full difference between the amortised cost basis and the fair value of those securities through the consolidated statement of operations. Following the recognition of impairment, the security's new amortised 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 amortised cost, management determines whether any credit losses exist. See Note 2.i : Allowance for Credit Losses.

h. Loans

Loans are reported at the principal amount outstanding, net of allowance for credit losses and net deferred loan fees. Interest income is recognised 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 recognised upon receipt of payment. Prepayment penalties, if applicable under the terms of the specific loan agreement, are recognised 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 purchased credit-deteriorated ("PCD") loans. PCD loans are recorded at their purchase price plus an allowance for expected credit losses at the time of acquisition.

Changes in estimates of expected credit losses after acquisition are recognised as a movement in provision for credit recoveries (losses) in the consolidated statements of operations. Generally, acquired loans that meet the Bank's definition for non-accrual status are considered to be PCD loans.

The Bank's purchased credit-impaired ("PCI") loans outstanding as at 1 January 2020 are now classified as PCD loans and both the amortised cost and an allowance for expected credit losses are disclosed and included with other non-PCD loans' figures. The Bank will continue to recognise the amortisation of the non-credit 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 statements 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 realisable 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 unamortised premium or discount), impairment is recognised through an allowance estimate. If the Bank determines that part of the allowance is uncollectible that amount is charged off.

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements *(continued)*

(In thousands of United States dollars)

Note 2: Significant accounting policies (continued)

h. Loans (continued)

Non-accrual

Commercial, commercial real estate and consumer loans (excluding credit card consumer loans) are placed on non-accrual status immediately 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
- 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 recognised 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) 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 derecognise the existing loan and recognise 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.

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 30 days or more past due.

Charge-offs

The Bank recognises 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 and consumer real estate secured loans and residential mortgages that are in excess of the estimated property value, less cost 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.

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 2: Significant accounting policies (continued)

i. Allowance for Credit Losses

Accounting for Financial Instruments - Credit losses

The Bank uses a current expected credit loss model ("CECL") which is based on expected losses. The CECL model is applied by the Bank to the measurement of credit losses on financial instruments at amortised 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. Credit losses on AFS securities are presented 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 amortised cost and an allowance for expected credit losses were disclosed and included with other non-PCD loans' figures. The Bank will continue to recognise the amortisation 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 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 probability of default ("PD"), loss given default ("LGD") and exposure at default ("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 unrealised 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 amortised cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortised 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 amortised 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 amortised cost basis of the security. If the present value of cash flows expected to be collected is less than the amortised 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 amortised cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognised in other comprehensive income.

Losses are charged against the allowance when management believes the uncollectibility of an AFS 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' amortised 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. 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.

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 2: Significant accounting policies (continued)

j. Business Combinations, Goodwill and Intangible Assets

All business combinations are accounted for using the acquisition method. Identifiable intangible assets (mostly customer relationships) are recognised separately from goodwill and are initially valued at fair value using discounted cash flow calculations and other recognised 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.

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 amortised 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 an event or change in circumstances indicate that the asset group's carrying amount may not be recoverable. If an impairment test is required and the carrying value of the asset group is assessed as being irrecoverable, the asset group is subsequently compared to its fair value to calculate the impairment.

k. 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 generally computes depreciation using the straight-line method over the estimated useful life of an asset, which is 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 capitalises certain 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 amortised on a straight-line basis over the software's expected useful life, which is between 5 and 10 years. The Bank capitalises certain implementation costs for cloud computing arrangements, which includes infrastructure as a service, and these costs are then amortised 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 out 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 recognised as a loss.

l. Leases

In the normal course of operation, the Bank enters into leasing agreements either as the lessee or the lessor. The Bank recognises 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, unamortised lease incentive received, unamortised 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 recognise 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").

m. Derivatives

All derivatives are recognised 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 recognised 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 recognised asset or liability (a cash flow hedge); or an instrument that is held for trading or non-hedging purposes (a trading or non-hedging instrument).

All instruments utilised 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.

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 other comprehensive income ("OCI") and the ineffective portion is recorded in the consolidated statements 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 undercompensates 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. 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 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.

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (*continued*)

(In thousands of United States dollars)

Note 2: Significant accounting policies (*continued*)

n. Collateral

The Bank pledges assets as collateral as required for various transactions involving 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.

o. Employee Benefit Plan

The Bank maintains a trusteed defined contribution pension plan for substantially all employees. The Bank and participating employees provide an annual contribution based on each participating employee's pensionable earnings. Amounts paid are expensed in the period and are included in Salaries and other employee benefits in the consolidated statements of operations.

p. Share-Based Compensation

Butterfield 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 allocated to the Bank by Butterfield and recognised in Salaries and other employee benefits in the consolidated statements of operations over the shorter of the vesting or service period.

q. Revenue Recognition

Trust and corporate services fees include fees for private and institutional trust, executorships, corporate and managed bank accounts. Asset management fees include fees for investment management, investment advice and brokerage services. Fees are recognised as revenue over the period of the relationship or when the Bank has rendered all services to the clients 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 recognised 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 recognised in the period in which the service is provided.

Foreign exchange revenue includes fees earned on currency exchange transactions which are recognised when such transactions occur, as well as gains and losses recognised 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 recognised in revenues over time and includes the amortisation of deferred non-refundable loan origination and commitment fees. These fees are recognised 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 amortised into interest income.

Interest income, including amortisation of premiums and discounts, on debt 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 are accounted for under the cost recovery method, whereby all principal and interest payments received are applied as a reduction of the amortised cost and carrying amount.

Interest income on cash and cash equivalents and short term investments is accrued and recognised in revenues over time and includes the amortisation of premiums and discounts on short term investments.

r. 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 maximise the use of observable inputs and minimise 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. Investments classified as AFS, and derivative assets and liabilities are recognised in the consolidated balance sheets at fair value.

Level 1, 2 and 3 valuation inputs

Management classifies items that are recognised 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:

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 2: Significant accounting policies (continued)

r. Fair Values (continued)

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 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.

Investments

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 utilise 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 prioritise 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 modelled 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 utilise 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 utilised by brokers may be difficult to corroborate with observable market data, or sufficient information regarding the specific inputs utilised 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.

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.

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 2: Significant accounting policies (continued)

r. Fair Values (continued)

Derivatives

Derivative contracts can be exchange traded or over-the-counter (“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 utilised 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 recognised 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.

s. Impairment or Disposal of Long-Lived Assets

Impairment tests are carried out if an event or change in circumstances indicate that an asset group's carrying amount may not be recoverable. 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 recognised 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.

t. 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 sheets, 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
- Documentary and commercial letters of credit, related primarily to the import of goods into the Cayman Islands by customers, which represent agreements to honour 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, purchase 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 collateralised, the contractual amounts do not necessarily represent future cash requirements. The Bank does not carry any liability for these obligations. The Bank applies the CECL model to undrawn loan commitments, standby letters of credit, financial guarantees, and other similar instruments and accordingly, the Bank maintains a related allowance for credit losses.

u. Consolidated Statements of Cash Flows

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include 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.

v. New Accounting Pronouncements

There were no accounting developments during the year ended 31 December 2025.

The following accounting developments were issued during the year ended December 31, 2025 or are accounting standards pending adoption:

In September 2025, the FASB published ASU 2025-06 Intangibles—Goodwill and Other - Internal-Use Software (Subtopic 350-40) Targeted Improvements to the Accounting for Internal-Use Software. The amendments in this Update remove all references to prescriptive and sequential software development stages (referred to as “project stages”) throughout Subtopic 350-40. Therefore, an entity is required to start capitalizing software costs when both of the following occur: (1) Management has authorized and committed to funding the software project. (2) It is probable that the project will be completed and the software will be used to perform the function intended (referred to as the “probable-to-complete recognition threshold”). The amendments in this Update are effective for all entities for annual reporting periods beginning after December 15, 2027. Early adoption is permitted as of the beginning of an annual reporting period. The Bank is still evaluating the impact of this ASU.

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 2: Significant accounting policies (continued)

In November 2025, the FASB published ASU 2025-08 Financial Instruments—Credit Losses (Topic 326): Purchased Loans. The amendments in this Update require that purchased seasoned loans be accounted for using the gross-up approach, which will enhance comparability and consistency in the accounting for acquired financial assets. The amendments in this Update are effective for all entities for annual reporting periods beginning after December 15, 2026. The amendments in this Update should be applied prospectively to loans that are acquired on or after the initial application date. Early adoption is permitted in an interim or annual reporting period in which financial statements have not yet been issued or made available for issuance. The Bank is still evaluating the impact of this ASU.

In November 2025, the FASB published ASU 2025-09 Derivatives and Hedging (Topic 815) Hedge Accounting Improvements. The amendments in this Update, consistent with the original objective of Update 2017-12, are to more closely align hedge accounting with the economics of an entity's risk management activities. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2026. For entities other than public business entities, the amendments are effective for annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Bank is still evaluating the impact of this ASU.

Note 3: Cash and cash equivalents

	31 December 2025	31 December 2024
Unrestricted		
Non-interest bearing		
Cash and demand deposits with banks	31,946	32,894
Interest bearing¹		
Demand deposits with banks	53,369	56,169
Cash equivalents	624,844	686,515
Sub-total - Interest bearing	678,213	742,684
Total cash and cash equivalents	710,159	775,578

¹ Interest bearing cash and cash equivalents includes certain demand deposits with banks as at 31 December 2025 in the amount of \$35.9 million (2024: \$53.7 million) that are earning interest at a negligible rate.

Note 4: Short term investments

	31 December 2025	31 December 2024
Unrestricted		
Interest earning		
Maturing within three months	72,571	58,942
Maturing between three and six months	36,231	-
Total unrestricted short term investments	108,802	58,942
Affected by drawing restrictions related to minimum reserve and derivative margin requirements		
Interest earning demand deposits	15,859	9,461
Total restricted cash included in short term investments	15,859	9,461
Total short term investments	124,661	68,403

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 5: Investments in debt securities

Amortised Cost, Carrying Amount and Fair Value

On the consolidated balance sheets, AFS investments are carried at fair value and HTM investments are carried at amortised cost.

	31 December 2025				31 December 2024			
	Amortised cost	Gross unrealised gains	Gross unrealised losses	Carrying amount/ Fair value	Amortised cost	Gross unrealised gains	Gross unrealised losses	Carrying amount/ Fair value
Available for sale								
US government and federal agencies	1,059,467	5,175	(39,414)	1,025,228	807,328	589	(62,394)	745,523
Asset-backed securities - Student loans	-	-	-	-	40	-	-	40
Residential mortgage-backed securities	3,333	-	(268)	3,065	3,663	-	(404)	3,259
Total available for sale	1,062,800	5,175	(39,682)	1,028,293	811,031	589	(62,798)	748,822

	31 December 2025				31 December 2024			
	Amortised cost/ Carrying amount	Gross unrealised gains	Gross unrealised losses	Fair value	Amortised cost/ Carrying amount	Gross unrealised gains	Gross unrealised losses	Fair value
Held to maturity ⁽¹⁾								
US government and federal agencies	1,449,876	857	(205,730)	1,245,003	1,565,519	-	(274,808)	1,290,711
Total held to maturity	1,449,876	857	(205,730)	1,245,003	1,565,519	-	(274,808)	1,290,711

⁽¹⁾ For the periods ended 31 December 2025 and 31 December 2024 non-credit impairments recognised in AOCIL for HTM investments were nil.

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 5: Investments in debt securities (continued)

Investments with unrealised loss positions

In the following tables, debt securities with unrealised losses that are not deemed to be credit impaired and for which an allowance for credit losses has not been recorded are categorised 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 amortised cost basis.

31 December 2025	Less than 12 months		12 months or more			
	Fair value	Gross unrealised losses	Fair value	Gross unrealised losses	Total fair value	Total gross unrealised losses
Available for sale						
US government and federal agencies	45,173	(48)	473,479	(39,366)	518,652	(39,414)
Residential mortgage-backed securities	-	-	3,065	(268)	3,065	(268)
Total available for sale securities with unrealised losses	45,173	(48)	476,544	(39,634)	521,717	(39,682)
Held to maturity						
US government and federal agencies	-	-	1,209,171	(205,730)	1,209,171	(205,730)
Total held to maturity securities with unrealised losses	-	-	1,209,171	(205,730)	1,209,171	(205,730)
31 December 2024						
	Less than 12 months		12 months or more			
	Fair value	Gross unrealised losses	Fair value	Gross unrealised losses	Total fair value	Total gross unrealised losses
Available for sale						
US government and federal agencies	157,192	(1,253)	477,083	(61,141)	634,275	(62,394)
Asset-backed securities - Student loans	-	-	40	-	40	-
Residential mortgage-backed securities	-	-	3,259	(404)	3,259	(404)
Total available for sale securities with unrealised losses	157,192	(1,253)	480,382	(61,545)	637,574	(62,798)
Held to maturity						
US government and federal agencies	36,713	(476)	1,253,997	(274,332)	1,290,710	(274,808)
Total held to maturity securities with unrealised losses	36,713	(476)	1,253,997	(274,332)	1,290,710	(274,808)

The Bank does not believe that the AFS debt securities that were in an unrealised loss position as of 31 December 2025 comprising 66 securities representing 50.74% of the AFS portfolio's carrying value (2024: 74 and 85.14%), represent credit losses. Total gross unrealised AFS losses were 7.61% of the fair value of the affected securities (2024: 9.85%).

The Bank's HTM debt securities are comprised of US government and federal agencies securities and have a zero credit loss assumption under the Current Expected Credit Loss ("CECL") model. There were 97 HTM debt securities in an unrealised loss position as of 31 December 2025 (2024: 99). These securities represent 97.12% of the HTM portfolio's carrying value as at 31 December 2025 (2024: 100%). Total gross unrealised HTM losses were 17.01% (2024: 21.29%) of the fair value of affected securities at 31 December 2025.

Management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery of the cost of these securities. Unrealised 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 unrealised 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.

Investments in **Asset-backed securities - Student loans** were composed of securities collateralised by Federal Family Education Loan Program loans ("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-collateralisation, subordination and excess spread, which collectively total in excess of 100%.

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 5: Investments in debt securities (continued)

Investments with unrealised loss positions (continued)

Investments in **Residential mortgage-backed securities** relate to 4 US prime securities (2024: 4) which are rated and may possess structural features of securitisation, such as subordination, excess spread, over collateralisation or other forms of credit enhancement. No credit losses were recognised on these securities as the weighted average credit support and the weighted average loan-to-value ratios range from 19% to 50% and 42% to 51%, respectively. Current credit support is significantly greater than any delinquencies experienced on the underlying mortgages.

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.

	31 December 2025					Carrying amount
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	No specific or single maturity	
Available for sale						
US government and federal agencies	266,594	200,070	-	-	558,564	1,025,228
Residential mortgage-backed securities	-	-	-	-	3,065	3,065
Total available for sale	266,594	200,070	-	-	561,629	1,028,293
Held to maturity						
US government and federal agencies	-	-	-	-	1,449,876	1,449,876
Total held to maturity securities	-	-	-	-	1,449,876	1,449,876
Total investments	266,594	200,070	-	-	2,011,505	2,478,169
Total by currency						
US dollars	266,594	200,070	-	-	2,011,505	2,478,169
Total investments	266,594	200,070	-	-	2,011,505	2,478,169

	31 December 2024					Carrying amount
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	No specific or single maturity	
Available for sale						
US government and federal agencies	15,004	279,567	-	-	450,952	745,523
Asset-backed securities - Student loans	-	-	-	-	40	40
Residential mortgage-backed securities	-	-	-	-	3,259	3,259
Total available for sale	15,004	279,567	-	-	454,251	748,822
Held to maturity						
US government and federal agencies	-	-	-	-	1,565,519	1,565,519
Total held to maturity securities	-	-	-	-	1,565,519	1,565,519
Total investments	15,004	279,567	-	-	2,019,770	2,314,341
Total by currency						
US dollars	15,004	279,567	-	-	2,019,770	2,314,341
Total investments	15,004	279,567	-	-	2,019,770	2,314,341

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 5: Investments in debt securities (continued)

Sale Proceeds and Realised Gains and Losses of AFS Securities

AFS securities sold	31 December 2025			31 December 2024		
	Sale proceeds	Gross realised gains	Gross realised (losses)	Sale proceeds	Gross realised gains	Gross realised (losses)
Asset-backed securities - Student loans	40	-	-	-	-	-
Total	40	-	-	-	-	-

Note 6: Loans and participations receivable

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 five years and personal and business loans are generally repayable over terms not exceeding twenty 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 effective yield on total loans as at 31 December 2025 is 6.03% (2024: 6.48%). The interest receivable on total loans as at 31 December 2025 is \$2.3 million (2024: \$2.6 million). The interest receivable is included in Accrued interest 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 Group Credit Committee is also responsible for approving the allowance for expected credit losses 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.

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 protected and 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 when 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.

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 6: Loans and participations receivable (continued)

The amortised cost of loans by credit quality classifications and allowance for expected credit losses by class of loans is as follows:

31 December 2025	Pass	Special Mention	Substandard	Non- accrual	Total amortised cost	Allowance for expected credit losses	Total net loans
Commercial loans							
Governments	209,287	-	-	-	209,287	(189)	209,098
Commercial and industrial	16,932	-	667	-	17,599	(14)	17,585
Commercial overdrafts	2,098	-	-	-	2,098	(8)	2,090
Total commercial loans	228,317	-	667	-	228,984	(211)	228,773
Commercial real estate loans							
Commercial mortgage	72,961	-	178	468	73,607	(57)	73,550
Construction	69,470	-	-	-	69,470	-	69,470
Total commercial real estate loans	142,431	-	178	468	143,077	(57)	143,020
Consumer loans							
Automobile financing	7,122	-	-	-	7,122	(4)	7,118
Credit card	33,686	-	271	-	33,957	(938)	33,019
Overdrafts	11,555	-	-	-	11,555	(330)	11,225
Other consumer ¹	11,339	-	47	152	11,538	(33)	11,505
Total consumer loans	63,702	-	318	152	64,172	(1,305)	62,867
Residential mortgage loans	595,240	-	5,231	1,928	602,399	(77)	602,322
Total gross recorded loans	1,029,690	-	6,394	2,548	1,038,632	(1,650)	1,036,982

¹ Other consumer loans' amortised cost includes \$1.6 million of cash-secured lending and \$8.9 million of lending secured by buildings in construction or other collateral.

31 December 2024	Pass	Special Mention	Substandard	Non- accrual	Total amortised cost	Allowance for expected credit losses	Total net loans
Commercial loans							
Governments	230,007	-	-	-	230,007	(353)	229,654
Commercial and industrial	21,026	-	718	-	21,744	(24)	21,720
Commercial overdrafts	2,708	-	-	-	2,708	(13)	2,695
Total commercial loans	253,741	-	718	-	254,459	(390)	254,069
Commercial real estate loans							
Commercial mortgage	102,142	-	223	-	102,365	(70)	102,295
Construction	46,032	-	-	-	46,032	-	46,032
Total commercial real estate loans	148,174	-	223	-	148,397	(70)	148,327
Consumer loans							
Automobile financing	6,844	-	-	-	6,844	(5)	6,839
Credit card	32,674	-	-	-	32,674	(723)	31,951
Overdrafts	13,237	-	-	-	13,237	(347)	12,890
Other consumer ¹	12,675	-	50	-	12,725	(55)	12,670
Total consumer loans	65,430	-	50	-	65,480	(1,130)	64,350
Residential mortgage loans	624,732	-	6,514	1,636	632,882	(107)	632,775
Total gross recorded loans	1,092,077	-	7,505	1,636	1,101,218	(1,697)	1,099,521

¹ Other consumer loans' amortised cost includes \$1.1 million of cash-secured lending and \$10.4 million of lending secured by buildings in construction or other collateral.

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 6: Loans and participations receivable (continued)

Based on the most recent analysis performed, the amortised cost of loans by year of origination and credit quality indicator is as follows:

31 December 2025	Pass	Special Mention	Substandard	Non- accrual	Total amortised cost
Loans by origination year					
2025	134,892	-	-	-	134,892
2024	122,873	-	247	127	123,247
2023	99,643	-	541	-	100,184
2022	260,828	-	-	25	260,853
2021	99,440	-	-	250	99,690
Prior	264,676	-	5,336	2,146	272,158
Overdrafts and credit cards	47,338	-	270	-	47,608
Total amortised cost	1,029,690	-	6,394	2,548	1,038,632

31 December 2024	Pass	Special Mention	Substandard	Non- accrual	Total amortised cost
Loans by origination year					
2024	132,579	-	267	-	132,846
2023	135,926	-	-	-	135,926
2022	276,230	-	-	-	276,230
2021	127,947	-	-	-	127,947
2020	53,946	-	50	-	53,996
Prior	316,831	-	7,188	1,636	325,655
Overdrafts and credit cards	48,618	-	-	-	48,618
Total amortised cost	1,092,077	-	7,505	1,636	1,101,218

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 6: Loans and participations receivable (continued)

Age analysis of past due loans (including non-accrual loans)

The following table summarises 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.

31 December 2025	30 – 59 days	60 – 89 days	90 days or more	Total past due loans	Total Current	Total amortised cost
Commercial loans						
Governments	-	-	-	-	209,287	209,287
Commercial and industrial	-	-	-	-	17,599	17,599
Commercial overdrafts	-	-	-	-	2,098	2,098
Total commercial loans	-	-	-	-	228,984	228,984
Commercial real estate loans						
Commercial mortgage	328	174	468	970	72,637	73,607
Construction	-	-	-	-	69,470	69,470
Total commercial real estate loans	328	174	468	970	142,107	143,077
Consumer loans						
Automobile financing	75	13	-	88	7,034	7,122
Credit card	135	79	57	271	33,686	33,957
Overdrafts	-	-	-	-	11,555	11,555
Other consumer	160	16	-	176	11,362	11,538
Total consumer loans	370	108	57	535	63,637	64,172
Residential mortgage loans	3,439	2,562	2,177	8,178	594,221	602,399
Total amortised cost	4,137	2,844	2,702	9,683	1,028,949	1,038,632

31 December 2024	30 – 59 days	60 – 89 days	90 days or more	Total past due loans	Total Current	Total amortised cost
Commercial loans						
Governments	-	-	-	-	230,007	230,007
Commercial and industrial	-	-	-	-	21,744	21,744
Commercial overdrafts	-	-	-	-	2,708	2,708
Total commercial loans	-	-	-	-	254,459	254,459
Commercial real estate loans						
Commercial mortgage	346	-	-	346	102,019	102,365
Construction	-	-	-	-	46,032	46,032
Total commercial real estate loans	346	-	-	346	148,051	148,397
Consumer loans						
Automobile financing	59	-	-	59	6,785	6,844
Credit card	-	-	-	-	32,674	32,674
Overdrafts	-	-	-	-	13,237	13,237
Other consumer	162	30	-	192	12,533	12,725
Total consumer loans	221	30	-	251	65,229	65,480
Residential mortgage loans	1,869	137	4,178	6,184	626,698	632,882
Total amortised cost	2,436	167	4,178	6,781	1,094,437	1,101,218

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 6: Loans and participations receivable (continued)

Changes in Allowances for Credit Losses

The allowance for expected credit losses decreased slightly as at 31 December 2025 compared to 31 December 2024 due to net charge-offs during the year. 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.

Loan allowances	31 December 2025				Total
	Commercial	Commercial real estate	Consumer	Residential mortgage	
Allowances at beginning of period	390	70	1,130	107	1,697
Provision increase (decrease)	(163)	(13)	384	(31)	177
Recoveries of previous write-offs	-	-	319	1	320
Charge-offs, by origination year	-	-	(5)	-	(5)
2025	-	-	-	-	-
2024	-	-	(5)	-	(5)
2023	-	-	-	-	-
2022	-	-	-	-	-
2021	-	-	-	-	-
Prior	-	-	-	-	-
Overdrafts and credit cards	(16)	-	(518)	-	(534)
Allowances for expected credit losses at end of year	211	57	1,305	77	1,650

Loan allowances	31 December 2024				Total
	Commercial	Commercial real estate	Consumer	Residential mortgage	
Allowances at beginning of period	862	127	975	193	2,157
Provision increase (decrease)	(463)	(57)	486	(99)	(133)
Recoveries of previous write-offs	-	-	249	13	262
Charge-offs, by origination year	-	-	-	-	-
2024	-	-	-	-	-
2023	-	-	-	-	-
2022	-	-	-	-	-
2021	-	-	-	-	-
2020	-	-	-	-	-
Prior	-	-	-	-	-
Overdrafts and credit cards	(9)	-	(580)	-	(589)
Allowances for expected credit losses at end of year	390	70	1,130	107	1,697

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.

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 6: Loans and participations receivable (continued)

Non-Performing Loans

During the year ended 31 December 2025 and 31 December 2024, no interest was recognised on non-accrual loans. No credit deteriorated loans were purchased during the year. All loans which are defined as past due 90 days and are well secured continue to accrue interest.

	31 December 2025				31 December 2024			
	Non-accrual loans with an allowance	Non-accrual loans without an allowance	Accruing loans past due 90 days	Total non-performing loans	Non-accrual loans with an allowance	Non-accrual loans without an allowance	Accruing loans past due 90 days	Total non-performing loans
Commercial loans								
Governments	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-
Total commercial loans	-	-	-	-	-	-	-	-
Commercial real estate loans	-	468	-	468	-	-	-	-
Consumer loans								
Automobile financing	-	-	-	-	-	-	-	-
Credit cards	-	-	58	58	-	-	-	-
Overdrafts	-	-	-	-	-	-	-	-
Other consumer	-	152	-	152	-	-	-	-
Total consumer loans	-	152	58	210	-	-	-	-
Residential mortgage loans	-	1,928	483	2,411	-	1,636	2,542	4,178
Total non-performing loans	-	2,548	541	3,089	-	1,636	2,542	4,178

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

The following table summarises the amortised cost basis of loan modifications as at 31 December 2025 and 31 December 2024, made to borrowers experiencing financial difficulty during the year ended 31 December 2025 and 31 December 2024.

	Amortised cost basis			Weighted average financial effects		
	Term extension and interest rate reduction	Term extension	Interest rate reduction	In % of the class of loans	Months of term extension	Interest rate reduction
December 31, 2025						
Residential mortgage loans	-	-	490	0.1%	-	1.7%

	Amortised cost basis			Weighted average financial effects		
	Term extension and interest rate reduction	Term extension	Interest rate reduction	In % of the class of loans	Months of term extension	Interest rate reduction
December 31, 2024						
Other consumer loans	-	50	-	0.4%	36	0.0%
Residential mortgage loans	-	224	626	0.1%	87	0.9%

Age analysis and subsequent default of modified loans

As at 31 December 2025 and 31 December 2024, all loans for which a concession was granted during the preceding 12 months are current.

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

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 geographic region of loan origination. In the consumer portfolio, concentrations are primarily evaluated by products. Credit exposures include loans, guarantees and acceptances, letters of credit and commitments for undrawn lines of credit. Unconditionally cancellable credit cards and overdrafts lines of credit are excluded from the tables below.

The following table summarises the credit exposure of the Bank by geographic region. The exposure amounts disclosed below do not include accrued interest, long-term investments, other assets and other liabilities and are gross of allowances for credit losses and gross of collateral held. The credit risk concentration for investments is disclosed in Note 5: Investments.

Geographic region	31 December 2025				31 December 2024			
	Cash and cash equivalents and short term investments	Loans	Off-balance sheet	Total credit exposure	Cash and cash equivalents and short term investments	Loans	Off-balance sheet	Total credit exposure
Bermuda	75,547	6,725	-	82,272	74,140	29,285	-	103,425
Canada	511,188	-	-	511,188	398,772	-	-	398,772
Cayman Islands	37,633	1,029,012	198,769	1,265,414	40,675	1,068,142	218,818	1,327,635
Ireland	22,840	-	-	22,840	4,651	-	-	4,651
Switzerland	119	-	-	119	-	-	-	-
The Bahamas	-	2,895	-	2,895	-	3,791	-	3,791
United Kingdom	19,041	-	-	19,041	12,900	-	-	12,900
United States	168,452	-	-	168,452	312,843	-	-	312,843
Total gross exposure	834,820	1,038,632	198,769	2,072,221	843,981	1,101,218	218,818	2,164,017

Within total cash and cash equivalents and short term investments at 31 December 2025, 23.15% were placed with a single Canadian Financial Institution with an S&P rating of A-1+ (2024: 29.62% with a different Canadian Financial Institution with an S&P rating of A-1), and 19.58% were placed with a single American Financial Institution with an S&P rating of A-1+ (2024: 18.98% with an S&P rating of A-1+). In addition at 31 December 2025, 31.78% of the total cash and cash equivalents and short term investments were held in CAD Treasury Bills (2024: 13.16%), and 0.00% were held in USD Treasury Bills (2024: 17.76%).

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 8: Premises, equipment and computer software

Category	31 December 2025			31 December 2024		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Land	3,053	-	3,053	3,053	-	3,053
Buildings	48,548	(17,461)	31,087	46,437	(16,452)	29,985
Equipment	7,653	(5,232)	2,421	7,512	(5,163)	2,349
Computer hardware and software in use	14,735	(9,643)	5,092	23,953	(16,961)	6,992
Total	73,989	(32,336)	41,653	80,955	(38,576)	42,379

Depreciation	31 December 2025	31 December 2024
Buildings (included in property expense)	1,123	1,063
Equipment (included in property expense)	466	438
Computer hardware and software (included in technology & communications expense)	2,916	3,016
Total depreciation charged to non-interest expense	4,505	4,517

Note 9: Intangible assets

Goodwill	31 December 2025	31 December 2024
Goodwill	551	551

Customer relationship intangible assets	31 December 2025				31 December 2024			
	Cost	Accumulated impairment	Accumulated amortisation	Net carrying amount	Cost	Accumulated impairment	Accumulated amortisation	Net carrying amount
Customer relationships	16,517	-	(11,067)	5,450	16,517	-	(9,966)	6,551

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. There were no intangible asset impairment losses recognised for the year ended 31 December 2025 (2024: Nil). There were no acquisitions of customer intangible assets during the year ended 31 December 2025 (2024: Nil). During 2025, the amortisation expense amounted to \$1.1 million (2024: \$1.1 million). The estimated aggregate amortisation expense in total for the next five years (until 31 December 2030) is \$4.6 million.

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 10: Deposits

	31 December 2025	31 December 2024
Non-interest bearing demand deposits	1,094,889	1,062,387
Interest bearing demand deposits	1,885,803	1,731,304
Term deposits	1,085,168	1,177,910
Total deposits	4,065,860	3,971,601

	31 December 2025	31 December 2024
Term deposits, by maturity		
Within 1 year	1,081,517	1,168,739
>1 to <=2 years	2,993	8,894
>2 to <=3 years	658	277
>3 to <=4 years	-	-
>4 to <=5 years	-	-
>5 years	-	-
Total term deposits	1,085,168	1,177,910

As at 31 December 2025, \$0.1 million (2024: \$0.1 million) of the term deposits bear an interest rate of 0.00%.

The effective yield on interest bearing deposits at 31 December 2025 was 1.10% (2024: 1.51%).

Uninsured term deposits totalled \$1,085 million as at 31 December 2025 (2024: \$1,178 million).

Note 11: Employee benefit plan

	31 December 2025	31 December 2024
Annual benefit expense		
Defined contribution expense	1,285	1,454
Total	1,285	1,454

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 12: Credit related arrangements and commitments

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 possible loan losses.

The following table presents the unfunded legally binding commitments to extend credit with contractual amounts representing credit risk as follows:

Outstanding unfunded commitments to extend credit	31 December 2025	31 December 2024
Commitments to extend credit	47,344	70,262
Documentary and commercial letters of credit	12,874	9,150
Total unfunded commitments to extend credit	60,218	79,412
Allowance for credit losses	(16)	(18)

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 is 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 recognised in income proportionately over the life of the credit agreements.

The following table presents the outstanding financial guarantees with contractual amounts representing credit risk as follows:

Outstanding financial guarantees	31 December 2025			31 December 2024		
	Gross	Collateral	Net	Gross	Collateral	Net
Standby letters of credit ¹	137,705	122,705	15,000	138,410	118,410	20,000
Letters of guarantee	846	846	-	996	996	-
Total	138,551	123,551	15,000	139,406	119,406	20,000

¹ During the course of the year, the Bank issued a letter of credit in the amount of \$15 million (2024: \$20 million) in favour of the lead clearing bank in the Cayman Islands Automated Clearing House.

Collateral is shown at estimated market value less selling cost. Where cash is the collateral, this is shown gross including accrued income.

A guarantee is a contract that contingently requires the guarantor to make payments to a third party based on (i) changes in an underlying interest rate, foreign exchange rate or other variable, including the occurrence or non-occurrence of an event, that is related to an asset, liability or equity security held by the guaranteed party, (ii) an indemnification provided to the third party with the characteristics listed above, (iii) another entity's failure to perform under an obligating agreement, or (iv) another entity's failure to perform related to its indebtedness. As at 31 December 2025, the guarantees that the Bank provided to its customers and other third parties were standby letters of credit and letters of guarantee with a maximum potential amount of future payments of \$94.1 million (2024: \$100.5 million). The carrying value of these amounts on the 31 December 2025 consolidated balance sheets were \$Nil (2024: \$Nil).

The Bank has a facility by 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 utilised facility. At 31 December 2025, \$125.0 million (2024: \$138.2 million) of standby letters of credit were issued under this facility.

Legal Proceedings

There are a number of 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 not be material to the consolidated financial position of the Bank.

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 13: Leases

The Bank enters into operating lease agreements either as the lessee or the lessor, primarily for office and parking spaces. The terms of the existing leases, including renewal options that are reasonably certain to be exercised, extend up to the year 2035. Certain lease payments will be adjusted during the related leases' term based on movements in the relevant consumer price index.

	Year ended 31 December 2025	Year ended 31 December 2024
Lease Costs		
Operating lease costs	616	659
Short-term lease costs	102	90
Total lease cost	718	749
Operating lease income	-	-
Other information for the period		
Right-of-use-assets related to new operating lease liabilities	450	519
Operating cash flows from operating leases	732	649
Other information at end of period	As at 31 December 2025	As at 31 December 2024
Operating leases right-of-use assets (included in other assets on the balance sheets)	3,411	2,467
Operating leases liabilities (included in other liabilities on the balance sheets)	3,391	2,563
Weighted average remaining lease term for operating leases (in years)	6.67	4.34
Weighted average discount rate for operating leases	5.68%	5.54%

Commitments

The following table summarises the maturity analysis of the Bank's commitments for long-term leases:

Year ending 31 December 2025	Operating Leases
2026	726
2027	752
2028	652
2029	400
2030	301
2031 & thereafter	1,303
Total commitments	4,134
Less: effect of discounting cash flows to their present value	(743)
Operating lease liabilities	3,391

Note 14: Interest income

Loans

The following table presents the components of loan interest income:

	31 December 2025	31 December 2024
Contractual interest earned	66,496	78,096
Amortisation of loan origination fees (net of amortised costs)	755	1,044
Total loan interest income	67,251	79,140
Balance of unamortised loan fees included in loans as at year end	2,439	2,661

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 15: Accounting for 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 ("OTC") transactions that are privately negotiated 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 International Swaps and Derivatives Association master agreements ("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. 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 exchange rates 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 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 derivatives not formally designated as hedges as described below.

Derivatives not formally designated as hedges are entered into to manage the interest rate risk of fixed rate deposits and foreign exchange risk of the Bank's exposure. Changes in the fair value of derivative instruments not formally designated as hedges are recognised in foreign exchange income.

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 recognised in foreign exchange income.

The following table shows the aggregate notional amounts of derivative contracts outstanding and respective gross positive or negative fair value. 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.

31 December 2025	Derivative Instrument	Number of contracts	Notional amounts	Gross Positive fair value	Gross Negative fair value	Net fair value
Risk management derivatives						
Derivatives not formally designated as hedging instruments	Currency swaps	15	365,548	680	(2,940)	(2,260)
Client services derivatives	Spot and forward foreign exchange	5	2,370	1	(2)	(1)
Total derivative instruments		20	367,918	681	(2,942)	(2,261)
31 December 2024	Derivative Instrument	Number of contracts	Notional amounts	Gross Positive fair value	Gross Negative fair value	Net fair value
Risk management derivatives						
Derivatives not formally designated as hedging instruments	Currency swaps	7	248,772	2,827	(584)	2,243
Client services derivatives	Spot and forward foreign exchange	3	714	-	-	-
Total derivative instruments		10	249,486	2,827	(584)	2,243

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 15: Accounting for derivative instruments and risk management (continued)

The Bank manages 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 collaterals 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.

	Gross fair value recognised	Less: Offset applied under master netting agreements	Net fair value presented in the consolidated balance sheets	Less: positions not offset in the consolidated balance sheet		Net exposures
				Gross fair value of derivatives	Cash collateral received / paid	
31 December 2025						
Derivative assets						
Spot and forward foreign exchange and currency swaps	681	(681)	-	-	-	-
Derivative liabilities						
Spot and forward foreign exchange and currency swaps	(2,942)	681	(2,261)	-	2,261	-
Net negative fair value			(2,261)			

	Gross fair value recognised	Less: Offset applied under master netting agreements	Net fair value presented in the consolidated balance sheets	Less: positions not offset in the consolidated balance sheet		Net exposures
				Gross fair value of derivatives	Cash collateral received / paid	
31 December 2024						
Derivative assets						
Spot and forward foreign exchange and currency swaps	2,828	(585)	2,243	-	-	2,243
Derivative liabilities						
Spot and forward foreign exchange and currency swaps	(585)	585	-	-	-	-
Net positive fair value			2,243			

The following table shows the location and amount of gains recorded in the consolidated statements of operations on derivative instruments outstanding.

Derivative Instrument	Consolidated Statement of Operations line item	31 December 2025	31 December 2024
Forward foreign exchange	Foreign exchange revenue	(2,261)	2,243
Total net (losses) gains recognised in net income		(2,261)	2,243

Butterfield Bank (Cayman) Limited
Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 16: Fair value of financial instruments

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 the Bank's Asset and Liability Committee.

Financial instruments in Level 1 include listed actively traded redeemable mutual funds and US Government Treasury notes.

Financial instruments in Level 2 include debt securities, mortgage-backed securities and other asset-backed securities, forward foreign exchange contracts, and mutual funds not actively traded.

There were no Level 3 instruments as at 31 December 2025 and 31 December 2024.

During the years ended 31 December 2025 and 31 December 2024, there were no transfers between Level 1 and Level 2 or Level 2 and Level 3.

Items that are recognised at fair value on a recurring basis	31 December 2025			31 December 2024		
	Fair value			Fair value		
	Level 1	Level 2	Total carrying amount / Fair value	Level 1	Level 2	Total carrying amount / Fair value
Financial assets						
Debt securities						
Available for sale						
US government and federal agencies	466,664	558,564	1,025,228	294,571	450,952	745,523
Asset-backed securities - Student loans	-	-	-	-	40	40
Residential mortgage-backed securities	-	3,065	3,065	-	3,259	3,259
Total Available for sale	466,664	561,629	1,028,293	294,571	454,251	748,822
Other assets – Derivatives	-	-	-	-	2,243	2,243
Financial liabilities						
Other liabilities – Derivatives	-	(2,261)	(2,261)	-	-	-

Items other than those recognised at fair value on a recurring basis

	31 December 2025				31 December 2024			
	Fair value hierarchy	Carrying amount	Fair value	Appreciation/ (depreciation)	Carrying amount	Fair value	Appreciation/ (depreciation)	
Financial assets								
Cash and cash equivalents	Level 1	710,159	710,159	-	775,578	775,578	-	
Short term investments	Level 1	124,661	124,661	-	68,403	68,403	-	
Investments held to maturity	Level 2	1,449,876	1,245,003	(204,873)	1,565,519	1,290,711	(274,808)	
Loans, net of allowance for credit losses	Level 2	1,036,982	1,023,906	(13,076)	1,099,521	1,072,980	(26,541)	
Financial liabilities								
Customer deposits								
Demand deposits	Level 2	2,980,692	2,980,692	-	2,793,691	2,793,691	-	
Term deposits	Level 2	1,085,168	1,086,430	(1,262)	1,177,910	1,180,281	(2,371)	

Butterfield Bank (Cayman) Limited

Notes to the Consolidated Financial Statements (continued)

(In thousands of United States dollars)

Note 17: Regulatory capital

The Bank is subject to capital requirements of the Basel II framework as defined by the Cayman Islands Monetary Authority ("CIMA"), which came into effect on 1 January 2011 in the Cayman Islands. The measure of capital strength established by CIMA for the Bank is the total capital adequacy ratio with a minimum of 11.00%. At 31 December 2025 the total capital adequacy ratio was 28.47% (2024: 29.51%).

Note 18: Related party transactions

	31 December 2025	31 December 2024
Consolidated Balance Sheet		
Assets		
Cash and cash equivalents – parent and affiliates	75,548	74,140
Loans to staff	27,626	35,668
Accrued interest	118	79
Other assets - affiliates	459	969
Liabilities		
Customer deposits – affiliates and other related parties	86,398	86,323
Other liabilities – parent and affiliates	4,102	4,636
Consolidated Statement of Operations		
Non-Interest Income		
Asset Management	1,822	1,458
Banking Income	271	-
Net-Interest Income		
Interest Income – deposits with banks	3,251	5,275
Interest Expense – affiliates and other related parties	(2)	(32)
Non-Interest Expense		
Salaries and staff benefits	1,484	1,320
Professional and outside services ¹	8,302	6,826
Other expenses	663	706

¹Included within professional and outside services are intra-group charges from shared service centres and affiliates that represent manpower costs and other attributable overheads for services received.

The Bank provides, as a benefit to employees, loan facilities at preferred lending rates and banking services at reduced charges.

The Bank established a programme to offer loans with preferential rates to eligible Bank employees, subject to certain conditions set by the Bank and provided that such employees meet certain credit criteria. Loan payments are serviced by automatically debiting the employee's chequing or savings account with the Bank. Applications for loans are handled according to the same policies as those for the Bank's regular retail banking clients. The Bank's ability to offer preferential rates on loans depends upon a number of factors, including market conditions, regulations and the Bank's overall profitability. The Bank has the right to change its employee loan policy at any time after notifying participants. The interest rate benefit to employees for the year ended 31 December 2025 was \$0.8 million (2024: \$1.0 million).

In the ordinary course of business, the Bank receives from and provides to its affiliated and other related corporations, normal banking services on terms similar to those offered to non-related parties. The non-interest expenses are comprised of share based compensation allocations from the Parent Bank along with shared professional services allocations and loan and collateral administration fees to parent and subsidiary of parent.

Classified in Loans and participation receivables, loan participation receivables from the Bank's Parent at 31 December 2025 totalled \$nil (2024: \$18.0 million).

Note 19: Subsequent events

The financial statements were available to be issued and subsequent events have been evaluated up to 13 February 2026.