BUTTERFIELD MORTGAGES LIMITED

Annual Report and Financial Statements

31 December 2021

Company Registration No: 338594

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BUTTERFIELD MORTGAGES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 December 2021

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BUTTERFIELD MORTGAGES LIMITED

REGULATED BY THE FINANCIAL CONDUCT AUTHORITY
31 December 2021

Directors and Auditors

Directors	Jayne Almond	Non-Executive Director and Chairman of the Board (Resigned 21 March 2021)
	Tim Brooke	Non-Executive Director and Chairman of the Board and the Risk, Audit and Compliance Committee
	John Wright	Non-Executive Director (Appointed 13 May 2021; Resigned 4 October 2021)
	Richard Saunders	Director
	Alpa Bhakta	Director

Registered Office

Sun Court
66-67 Cornhill
London
EC3V 3NB

Telephone: 02038716900

Independent Auditors

PricewaterhouseCoopers CI LLP
Chartered Accountants and Statutory Auditors
1 Glategny Esplanade
St. Peter Port
Guernsey
GY1 4ND

BUTTERFIELD MORTGAGES LIMITED

For the year ended 31 December 2021

The Directors submit their Strategic Report, Directors' Report and the audited stand-alone Financial Statements for Butterfield Mortgages Limited ("BML" or the "Company") for the year ended 31 December 2021.

STRATEGIC REPORT

Review of the business

BML has operated as a niche mortgage provider, focusing primarily on High Net Worth ("HNW") and Ultra High Net Worth ("UHNW") clients seeking 5-year term, interest only mortgages within the prime residential market segment, since January 2017. BML's product offering includes regulated residential and consumer buy-to-let ("BTL") mortgages, non-regulated residential mortgages including some bridging finance facilities and development finance. All loans are sub-participated with Butterfield Bank (Guernsey) Limited ("BBGL") or Butterfield Bank (Jersey) Limited ("BBJL") thereby transferring all the risks related to its residential loan book.

Performance of BML in 2021

In 2021, BML focussed on continuing the implementation of its strategy. BML achieved operating income of £7.3m in 2021 (2020: £6.9m) and had an operating profit before taxation of £2.7m (2020: £2.9m).

Given BML's profitability over the last four years it has become probable that BML will be able to make use of its historic tax losses in the near future. A deferred tax asset of £1.8m (2020: £2.0m) has therefore been recognised. This has been calculated based upon the profits predicted in a five-year plan that has been drawn up and will be reviewed each year.

The relative size of BML's balance sheet has decreased in the year. This is largely due to a fall in cash balances related to the payment of dividends to The Bank of N.T. Butterfield & Son Limited ("BNTB" or the "Group") and the decline in Security Deposit Account Balances due to a reduction in the number of loans being issued with these facilities.

COVID-19

BML has not been adversely affected operationally by COVID-19 during 2021. Staff transitioned to remote working during March 2020 and continued to work remotely until September 2021 when agile working was implemented, which involved staff working both remotely and in the office. At the date of approval of the Financial Statements all staff are practicing agile working. All checks and controls have functioned as intended throughout the year.

Strategic Plan

The Group have confirmed their support for maintaining a residential mortgage business in the UK, a market in which BML has a proven track record. The business model for BML is founded on the assessment that there remains a significant demand for prime residential property loans in London.

The current loan portfolio is fully sub-participated with BBGL and BBJL. The risks and economic benefits of the sub-participated loans are with BBGL and BBJL and, as such, are not recognised on BML's Balance Sheet. The portfolio is assessed as high quality, with low credit risk, in well collateralised market segments.

The strategy of the continued operations is based on prudent credit risk management, with the key business model changes centring primarily on the funding of the book by sub-participation. BML is a wholly owned subsidiary of The Bank of N. T. Butterfield & Son Limited and will continue to receive the full financial and operational support of the wider Group.

The Board of Directors for BML (details on page 3) are actively involved in the supervision and oversight of BML business to matters involving (but not limited to) strategy, risk appetite, financial performance and growth. The resignation and appointment of a new Chairman of the Board during 2021 did not have any impact upon the performance of its duties.

At the date of approval of the Financial Statements, BML operates at a staff level of 27 employees (of which 3 are part-time).

STRATEGIC REPORT (continued)

The Bank of N.T. Butterfield & Son Limited
The parent bank, BNTB, had a Basel III total capital ratio of 21.2% (2020: 19.8%) and a Tier 1 capital ratio of 17.6% (2020: 16.1%) at 31 December 2021. These ratios remain significantly above regulatory requirements. BNTB's tangible total equity ratio of 5.8% reflects the continued strength of their balance sheet.

BNTB's liquidity also remains strong, with 63.3% or US$9.7 billion of total assets held in cash, cash equivalents, short-term and long-term investments. The Group business model does not rely on inter-bank borrowing or other wholesale borrowing to fund its balance sheet.

Key performance indicators
BML's management monitors the business using a range of financial data and operational review measures. Performance indicators are prepared and presented to senior management on a monthly basis. Key indicators used to manage the business include the following:

Non-interest income / Total revenue:	99.52%	(2020: 99.38%)
Cost / Income ratio:	63.24%	(2020: 58.60%)
Return on average shareholder's equity:	30.54%	(2020: 33.01%)

Non-interest income as a proportion of total revenue is calculated as non-interest income divided by total revenue.

Cost/Income ratio is calculated as total costs before tax divided by total income.

Return on average shareholder's equity is calculated as the profit for the financial year divided by the average equity shareholder's fund for the year.

Key indicators and performance measures will continue to be revised and updated in the context of the BML strategy and business model.

Legacy Pension Scheme
BML operates a Legacy Pension Scheme (the "Scheme") which is closed to new members. Full details of the Scheme's valuation as at the end of 2021 are given in Note 9. BML and the Group have agreed with the Scheme Trustees to provide ongoing support to the Scheme going forward ensuring liabilities can be met when they fall due. UK T-Bills worth £2m held on BML Balance Sheet have been ring-fenced for the Scheme.

The Scheme's liabilities have been calculated by a qualified independent actuary by carrying out a valuation of the members insured with Canada Life and Aviva as at 31 December 2021 using the actuarial assumptions adopted for FRS 102 purposes, and membership data as at 30 November 2021.

Principal risks and uncertainties
The management of the business and the execution of BML's strategy are subject to a number of risks. BML has identified the key risks the business faces through its Risk Appetite Statement. The Statement is subject to a monthly review by Management and a quarterly review by the Board. The key business risks affecting the Company and the financial management techniques employed by Management are set out below.

Financial Risk Management
The management and oversight of risk is an integral function within BML, and is coordinated with the financial risk management activities of BNTB. BML's Risk, Audit and Compliance Committee receive regular reports from the BML Risk Management Committee, under the chairmanship of the CEO, and to which it delegates management of the risk function.

Through BML's Risk Appetite Statement, overall financial risk is coordinated into the following main areas of risk:

(1) Liquidity Risk – The risk that BML is unable to meet its liabilities as they fall due.
(2) Capital Risk – The risk that there is insufficient capital to maintain the business as a going concern.

STRATEGIC REPORT (continued)

Further details of the BML's financial and operational risk management activities are set out in Note 20.

Capital and Liquidity

Capital – BML's capital requirement is determined by MIPRU 4.2.23 and BML is fully compliant. BML's balance sheet size is £32.0m with £8.3m as shareholder's equity (£2m ring-fenced for pension requirements and the remaining for BML's core operational requirements). Management is of the view that BML is well capitalised and is able to meet all its obligations for the foreseeable future especially considering credit risk for the loan book has been completely transferred to our jurisdictional partners in Guernsey and Jersey (the entire loan book has been sub-participated to BBGL and BBJL at the date of approving these financial statements).

Liquidity – BML has adequate liquid resources to meet its requirements for the foreseeable future. This position is further strengthened by the Group's ongoing commitment to support the UK business and pension requirements. Available liquid resources are well in excess of budgeted cash requirements for 2022 and beyond.

On behalf of the Board

Richard Saunders
Director
18 February 2022

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2021.

Directors of BML
The current Directors are shown on page 3.

Dividends
The Directors have recommended the payment of a dividend of £3.9m for the year (2020: £2.5m). This has been paid within the year.

Going concern
The Directors, having made due enquiries, continue to adopt the going concern basis in preparing the Financial Statements which assumes that the Company will continue in operation for the foreseeable future. The Financial Statements have, therefore, been prepared on a going concern basis, and this accounting policy has been disclosed within the notes to the Financial Statements, item 3(b).

Financial risk management
An explanation of the manner in which BML manages risk is set out in the Strategic Report and in Note 20.

Post Statement of Financial Position events
No significant events to report since the Statement of Financial Position date.

Company secretary
BML has decided to dispense with the need to appoint a Company Secretary as allowed by Section 270 of the Companies Act 2006.

Statement of disclosure of information to auditors'
In accordance with Section 418 of the Companies Act 2006, the Directors' Report shall include a statement, in the case of each Director in office at the date of the Directors' Report is approved that:

- so far as the Directors are aware, there is no relevant audit information of which BML's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that BML's auditors are aware of that information.

On behalf of the Board

Richard Saunders
Director
18 February 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

Richard Saunders
Director
18 February 2022

Independent auditors' report to the member of Butterfield Mortgages Limited

Report on the audit of the financial statements

Opinion

In our opinion, Butterfield Mortgages Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2021; the income statement, statement of comprehensive income and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We are also independent in accordance with SEC Independence Rules.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material

Independent auditors' report to the member of Butterfield Mortgages Limited (continued)

Reporting on other information (continued)

misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulated mortgage activities, as well as other regulatory principles governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate the financial performance by inappropriately recognising loan fees or deferring current year expenses to the next financial year by omitting from the accounting records or recognising them as assets in order report a desired performance or increasing net asset value, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

Independent auditors' report to the member of Butterfield Mortgages Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

- Discussions with management and the audit committee, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant board meeting minutes, including those of the audit committee;
- Assessment of the Company's compliance with laws and regulations, including the relevant requirements set out by the Financial Conduct Authority;
- Challenging judgements and estimates made by management in their critical accounting policies, in particular in relation to the recognition and measurement of the deferred tax asset;
- Identifying and testing journal entries posted throughout the year and manual year end journal entries posted during the preparation of the financial statements. This included, but was not limited to, unusual revenue account combinations, infrequent users and back-dated journals;
- Performed procedures in order to identify unrecorded liabilities which could be potential expenses omitted from the accounting records; and
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Tony Corbin

Tony Corbin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Statutory Auditors
Guernsey
18 February 2022

BUTTERFIELD MORTGAGES LIMITED
INCOME STATEMENT
For the year ended 31 December 2021

	Notes	31-Dec-21 £000	31-Dec-20 £000
Net interest income	5	**35**	**43**
Fees and commissions receivable	6	7,275	6,878
Non-interest income		**7,275**	**6,878**
Total operating income		**7,310**	**6,921**
Administrative expenses	7	(4,623)	(4,056)
Total operating costs		**(4,623)**	**(4,056)**
Profit on ordinary activities before taxation		**2,687**	**2,865**
Tax (expense)/credit on profit on ordinary activities	10	(155)	266
Profit for the financial year		**2,532**	**3,131**

The notes on pages 16 to 30 form an integral part of these financial statements.

BUTTERFIELD MORTGAGES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	31-Dec-21 £000	31-Dec-20 £000
Profit for the financial year	2,532	3,131
Actuarial profit recognised in post-retirement benefit scheme	174	37
Total comprehensive profit for the financial year	**2,706**	**3,168**

BUTTERFIELD MORTGAGES LIMITED
STATEMENT OF FINANCIAL POSITION
At 31 December 2021

	Notes	31-Dec-21 £000	31-Dec-20 £000
Non-current assets			
Deferred tax asset	10	1,500	1,598
Intangible fixed assets	11	28	36
Tangible fixed assets	12	194	306
		1,722	**1,940**
Current Assets			
Deferred tax asset	10	348	405
Other assets	13	283	378
Intercompany assets		115	-
Debt securities	14	2,000	2,000
Cash and cash equivalents	15	27,496	31,688
		30,242	**34,471**
Total assets		**31,964**	**36,411**
Non-current liabilities			
Other liabilities	16	1,403	1,260
		1,403	**1,260**
Current liabilities			
Other liabilities	16	18,117	21,323
Defined benefit pension liability	9	119	-
Intercompany liabilities	17	4,035	4,344
		22,271	**25,667**
Equity			
Called up share capital	18	-	-
Distributable reserve		3,169	3,938
Other reserves		2,589	2,415
Profit and loss account		2,532	3,131
Equity shareholder's fund		**8,290**	**9,484**
Total liabilities and equity		**31,964**	**36,411**

The Financial Statements were approved by the Board of Directors on 17 February 2022, and signed on its behalf by:

Richard Saunders
Director
18 February 2022

The notes on pages 16 to 30 form an integral part of these financial statements.

BUTTERFIELD MORTGAGES LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Called-up share capital £000	Profit and loss account £000	Distributable Reserves £000	Other Reserves £000	Total £000
At 1 January 2020	-	3,253	3,185	2,378	**8,816**
Profit for the financial year	-	3,131	-	-	**3,131**
Dividend payment to parent company	-	-	(2,500)	-	**(2,500)**
Transfer between profit and loss account and distributable reserves	-	(3,253)	3,253	-	-
Actuarial profit – post-retirement benefit scheme	-	-	-	37	**37**
At 31 December 2020	-	**3,131**	**3,938**	**2,415**	**9,484**
Profit for the financial year	-	2,532	-	-	**2,532**
Dividend payment to parent company	-	-	(3,900)	-	**(3,900)**
Transfer between profit and loss account and distributable reserves	-	(3,131)	3,131	-	-
Actuarial profit – post-retirement benefit scheme	-	-	-	174	**174**
At 31 December 2021	-	**2,532**	**3,169**	**2,589**	**8,290**

BUTTERFIELD MORTGAGES LIMITED
Notes to the Financial Statements for the year ended 31 December 2021

1. General Information

Butterfield Mortgages Limited ("BML" or the "Company") is a mortgage company limited by shares and is incorporated in England (Companies House registered number 338594). Its registered office and principal place of business is at Sun Court, 66-67, Cornhill, London EC3V 3NB. BML is regulated by the Financial Conduct Authority ("FCA").

BML is a wholly owned subsidiary of The Bank of N.T. Butterfield & Son Limited ("the parent bank"), based in 65 Front Street, Hamilton, HM12, Bermuda.

2. Statement of compliance

These Financial Statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

3. Principal accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation
BML being a wholly owned subsidiary undertaking of the parent bank has taken advantage of the provisions of Section 401 of the Companies Act 2006 and paragraph AG 6 of FRS 100 exempting BML from the requirement to prepare consolidated Financial Statements. BML has also taken advantage of paragraph 9.9A of FRS 102 exempting BML from the requirement to prepare consolidated Financial Statements. BML's Financial Statements are included in the full consolidation prepared by the parent bank. BML continues to prepare these Financial Statements under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value, in preparing its Financial Statements.

(b) Going concern
BML's forecasts and projections indicate that the Company is expected to be able to operate within the level of its capital and liquidity, as agreed with and supported by the Group. After making enquiries and considering group support for the local entity, the Directors have a reasonable expectation that BML has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Company continues to adopt the going concern basis.

(c) Exemptions for qualifying entities under FRS 102
FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions (which have been complied with), including notification of and no objection to, the use of the exemptions by BML's shareholder.
BML has taken advantage of the following exemptions:

(i) From preparing a statement of cash flows, on the basis that it is a qualifying entity and being a wholly owned subsidiary undertaking of the parent bank;

(ii) Of the provisions of Section 401 of the Companies Act 2006 and paragraph AG 6 of FRS 100 exempting BML from the requirement to prepare consolidated Financial Statements and of paragraph 9.9A of FRS 102 exempting BML from the requirement to prepare consolidated Financial Statements. BML's Financial Statements are included in the full consolidation prepared by the parent bank.

(iii) BML is exempt under Section 33 'Related Party Disclosures' of FRS 102 from the disclosure of transactions with other Group entities or investees of the Group qualifying as related parties as all group entities are wholly owned. The consolidated financial statements of the parent bank are publicly available from BML's office at Sun Court, 66-67 Cornhill London, EC3V 3NB.

(d) Foreign currency
(i) Functional and presentation currency
The financial statements are presented in pound sterling (£) which is BML's functional and presentation currency, and rounded to the nearest £'000.
(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.
Foreign exchange gains and losses arising on monetary assets and liabilities are recognised in the Income statement.

(e) Income recognition
Interest income and interest expense are recognised in the Income Statement using the effective interest rate method.

Fee income and other direct costs relating to loan origination or commitments are recognised in the Income Statement using the effective interest rate method.

Other fees and fees from Group companies are recognised in the Income Statement in the period to which they relate.

(f) Pension costs
BML operates a Group Personal Pension ("GPP"), comprising a Defined Contribution section, and a Legacy Pension Scheme (the "Scheme") comprising a Defined Benefit and a Defined Contribution section up until 28 September 2020 when the Defined Contribution section was wound up. The Scheme was closed to new entrants in 2004 and to future accrual in 2012.

A full actuarial valuation of the Scheme Defined Benefit section is undertaken every three years and updated to 31 December each year by a qualified actuary on behalf of BML. For the purposes of these annual updates, assets are included at market value and liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on a Corporate AA Bond Index of equivalent term and currency of the related liabilities at the relevant date.

Any post-retirement benefit deficit is included in BML's Statement of Financial Position, gross of the related amount of deferred tax.

The current service cost and any past service cost is included in the Income Statement within operating expenses. The net interest element is calculated as the difference between interest income on plan assets and interest costs on the defined benefit obligation. The net interest is determined by multiplying the net defined benefit liability by the discount rate at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the Income Statement as other finance revenue or cost, except where there is a defined benefit surplus that is not recoverable. Any movements in a non-recoverable net pension surplus are not recognised.

Re-measurements, comprising actuarial gains and losses, and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified in the Income Statement in subsequent periods.

Contributions to the GPP are charged to the Income Statement in the period in which they fall due. BML recognises pension surpluses to the extent that these surpluses can be realised in the form of future repayments or reductions in future contributions to the scheme.

(g) Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and accounting profits as stated in the Financial Statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is not a commitment to sell the asset.

(h) Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, and costs directly attributable to bringing the asset to its working condition for its intended use.

(i) Depreciation and residual values
Depreciation is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

- Short leasehold property – over the period of the lease
- Furniture and other equipment – 4 to 5 years
- Computer equipment – 3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(ii) Derecognition
Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Income Statement and included in 'Other operating (losses)/gains'.

(i) Leased assets
At inception BML assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement. Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

(i) Operating leased assets
Rentals payable and receivable under operating leases are accounted for through the Income Statement in equal amounts over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case BML recognises an annual rental expense equal to amounts owed to the lessor.

(ii) Lease incentives
The aggregate benefit of lease incentives received to enter into an operating lease is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

(j) Onerous lease provisions
Onerous lease provisions are made for any contracts in which the unavoidable costs of meeting the obligations under it exceed the economic benefits expected to be received from the continued use of the underlying asset.

(k) Impairment of non-financial assets
At each reporting date non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected

asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Income Statement.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Income Statement.

(l) Provisions and contingencies

(i) Provisions

Provisions are recognised when BML has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular, restructuring provisions are recognised when BML has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within BML's control. Contingent liabilities are disclosed in the Financial Statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the Financial Statements when an inflow of economic benefits is probable.

(m) Financial instruments

BML has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Basic financial assets

Basic financial assets, including cash and balances and debt securities, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate (EIR) method.

(ii) Impairment of financial assets

BML regularly reviews all classes of financial assets to identify whether there are any indications of impairment.

Assets held at amortised cost are considered to be impaired where the recoverable amount of the asset i.e. the discounted expected future cash flows from the asset, using the original EIR, is less than the carrying value of the asset. Evidence of impairment includes non-payment of interest or other evidence that the borrower is experiencing financial difficulties.
All impairment losses are recognised in profit or loss. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

(iii) Basic financial liabilities
Basic financial liabilities, including deposits by banks, customer accounts, and subordinated liabilities, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future payments discounted at a market rate of interest.

Such liabilities are subsequently carried at amortised cost using the effective interest rate method.

(iv) Derecognition of financial assets
Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

BML has transferred the risks and economic benefits associated with its loan portfolio to BBGL and BBJL under sub-participation arrangements and so the loan portfolio is not recognised in the Statement of Financial Position

(n) Segmental reporting
There are no geographical segments beyond the United Kingdom. The Company's primary activity has been the provision of residential mortgages to customers in the UK and therefore there is only one segment.

4. Critical accounting judgements and estimation uncertainty

Preparation of the Financial Statements requires management to make significant judgements and estimates that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year.

The items in the Financial Statements where these estimates have been made include:

- **Pension Costs**
  BML operates a Legacy Pension Scheme (the "Scheme"). The Scheme had both Defined Benefit and Defined Contribution sections up until 28 September 2020 when the Defined Contribution section was wound up. Both sections were closed to new entrants in 2004 and were closed to future accrual in 2012. The Scheme's liabilities have been calculated by a qualified independent actuary by carrying out a valuation of the members insured with Canada Life and Aviva as at 31 December 2021 using the actuarial assumptions adopted for FRS 102 purposes, and membership data as at 30 November 2021. The actuarial valuation involved the actuary employing a number of assumptions; these assumptions being the best estimates chosen from a range of possible actuarial assumptions (see Note 9 Pension Costs for further information).

The items in the Financial Statements where judgements have been applied are:

- **Going Concern**
  BML's forecasts and projections indicate that the Company is expected to be able to operate within the level of its capital and liquidity, as agreed with and supported by the Group. After making enquiries, the Directors have a reasonable expectation that BML has adequate resources to continue in operational existence for the foreseeable future. Therefore, BML continues to adopt the going concern basis in preparing its Financial Statements.
- **Deferred Tax Asset**
  BML recognised a deferred tax asset in the prior year (see Note 10). After a detailed review of relevant Case Law, and advice received from BML's tax adviser, the Directors are still of the view that historical losses brought forward are allowable to be offset against future trade profits. The Directors have also made a judgement that it is prudent to only recognise the amount of historical losses that it is expected BML will use within the next five years and have updated the deferred tax asset accordingly.

BUTTERFIELD MORTGAGES LIMITED

Notes to the Financial Statements for the year ended 31 December 2021

5. Net interest income

	31-Dec-21 £000	31-Dec-20 £000
Interest receivable:		
Interest income from debt securities	-	9
Other interest receivable and similar income	35	34
Total net interest income	**35**	**43**

6. Fees and commissions receivable

	31-Dec-21 £000	31-Dec-20 £000
Administration fee from group companies	5,509	5,171
Loan commitment fee	343	425
Loan amortisation fee	1,433	1,273
Other fee	(10)	9
Total fees and commissions receivable	**7,275**	**6,878**

7. Administrative expenses

	31-Dec-21 £000	31-Dec-20 £000
Staff costs (including Directors):		
Wages and salaries	2,041	2,977
Social security costs	218	290
Other pension costs	293	37
	2,552	**3,304**
Auditors Remuneration:		
Audit of the financial statements	81	72
	81	**72**
Depreciation	163	97
Other administrative expenses	1,827	583
Total administrative expenses	**4,623**	**4,056**

	31-Dec-21 Number	31-Dec-20 Number
Number of staff employed: 27 (2020: 27).		
Analysis by type:		
Management	7	8
Administration	20	19
	27	**27**

	31-Dec-21 Number	31-Dec-20 Number
Director	1	2
Permanent employee	23	23
Temporary employee	3	2
	27	**27**

8. Directors' emoluments

In accordance with the Companies Act 2006, Directors' emoluments below represent the proportion of total emoluments paid or payable in respect of qualifying services only. Directors also receive emoluments for non-qualifying services which are not required to be disclosed.

	31-Dec-21 £000	31-Dec-20 £000
Emoluments of the Directors:		
Aggregate emoluments	467	488
Compensation for loss of office	-	-
Pension contributions	17	17
	484	**505**

Number of Directors participating in the Company's pension schemes	31-Dec-21 Number	31-Dec-20 Number
Group personal pension	1	1
Stakeholder pension plan	-	-

	31-Dec-21 £000	31-Dec-20 £000
Details of the highest paid Director:		
Aggregate emoluments	357	358
Compensation for loss of office	-	-
Group personal pension	17	17
	374	**375**

9. Pension costs

Butterfield Mortgages Limited operates a legacy funded pension scheme in the UK (the 'Scheme'). The Scheme had both Defined Benefit ('DB') and Defined Contribution ('DC') sections up until 28 September 2020 when the DC section was wound up. The DB section provides both pensions in retirement and death benefits to members, with pension benefits related to each member's final salary at retirement and their length of service.

The DB section closed to new members with effect from 1 April 2002 and subsequently closed to further accrual of new benefits with effect from 1 October 2012. In the year to 31 December 2021, no Company contributions were paid and no further contributions are expected.

The Scheme's liabilities have been calculated by carrying out a valuation of the members insured with Canada Life and Aviva as at 31 December 2021 using the actuarial assumptions adopted for FRS 102 purposes, and membership data as at 30 November 2021. This comprises the entire membership of the DB section at that time, and the membership data includes full allowance for GMP equalisation and Scheme NRA equalisation. The results allow for benefit outgo and expected member movements during the period since 30 November 2021. The valuation was carried out by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	As at 31-Dec-21	As at 31-Dec-20
Discount rate	1.80%	1.20%
Inflation assumption (RPI)	3.90%	3.10%
Inflation assumption (CPI)	3.00%	2.20%
Rate of increases in salaries	n/a	2.20%
Future rate of pension increases, subject to a minimum of 3% pa and a maximum of 5% pa	3.00%	3.00%

BUTTERFIELD MORTGAGES LIMITED
Notes to the Financial Statements for the year ended 31 December 2021

Revaluation in deferment	3.00%	2.20%

	As at 31-Dec-21	As at 31-Dec-20
Assumed life expectancies on retirement at age 63 are:		
Retiring today - Males	25.1	25.1
Retiring today - Females	26.4	26.3
Retiring in 20 years' time - Males	26.5	26.5
Retiring in 20 years' time - Females	27.9	27.9

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

The fair value of the Scheme's assets (which are not intended to be realised in the short term and may be subject to significant change before they are realised) and the present value of the Scheme's liabilities (which are derived from cash flow projections over long periods and thus inherently uncertain) were:

	31-Dec-21 £000	31-Dec-20 £000
The assets in the Scheme were:		
Cash and Other	101	342
Insured Annuity Policies	12,846	15,726
Defined Contribution Section assets	-	-
Fair value of Scheme assets	**12,947**	**16,068**
The actual return on assets over the period was:	**(1,381)**	**1,917**

None of the assets of the Scheme are invested in the Company's own financial instruments and none of the assets are properties or other assets used by the Company.

	31-Dec-21 £000	31-Dec-20 £000
Present value of funded obligations	13,066	15,952
Fair value of Scheme assets	12,947	16,068
Surplus/(deficit) in funded scheme	**(119)**	**116**

	31-Dec-21 £000	31-Dec-20 £000
Present value of unfunded obligations	-	-
Unrecognised past service cost	-	-
Surplus/(deficit)	(119)	116
(Irrecoverable surplus)	-	(116)
Net (liability) in balance sheet	**(119)**	-

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	31-Dec-21	31-Dec-20
	£000	£000
Benefit obligation at beginning of year	15,952	15,082
Current service cost	-	-
Interest cost	182	285
Contributions by Scheme participants	-	-
Actuarial (gains)/losses	(1,621)	1,674
Benefits paid	(1,740)	(551)
Past service cost	293	37
Settlements	-	-
Curtailments	-	-
Business combinations	-	-
Exchange rate	-	-
Increase in Defined Contribution liabilities	-	(575)
Benefit obligation at end of year	**13,066**	**15,952**

Reconciliation of opening and closing balances of the fair value of Scheme assets:

	31-Dec-21	31-Dec-20
	£000	£000
Fair value of Scheme assets at beginning of year	16,068	15,277
Interest income on Scheme assets	183	288
Return on assets, excluding interest income	(1,564)	1,629
Contributions by employers	-	-
Contributions by Scheme participants	-	-
Benefits paid	(1,740)	(551)
Scheme administrative cost	-	-
Business combinations	-	-
Settlements	-	-
Exchange rate	-	-
Increase in Defined Contribution liabilities	-	(575)
Fair value of Scheme assets at end of year	**12,947**	**16,068**

The amounts recognised in profit or loss:

	31-Dec-21	31-Dec-20
	£000	£000
Service cost - inc. current & past service costs, settlements	293	37
Service cost - administrative cost	-	-
Net interest on the net defined benefit liability	-	-
Total expense	**293**	**37**

Remeasurements of the net defined benefit liability (asset) to be shown in OCI:

	31-Dec-21	31-Dec-20
	£000	£000
Actuarial (gains)/losses on the liabilities	(1,621)	1,674
Return on assets, excluding interest income	1,564	(1,629)
Impact of surplus restrictions	(1)	(3)
Change in irrecoverable surplus	(116)	(79)
Total remeasurement of the net defined benefit liability (asset) to be shown in OCI	**(174)**	**(37)**

Sensitivity analysis	**Impact on Scheme liabilities**	
	31-Dec-21	**31-Dec-20**
Discount rate - increase by 0.25%	Decrease by £0.4m	Decrease by £0.6m
Rate of inflation (RPI and CPI) - increase by 0.25%	Increase by £0.3m	Increase by £0.2m
Assumed life expectancy at age 63 - increase by 1 year	Increase by £0.7m	Increase by £0.9m

The actuarial and administrative costs of the scheme are paid for by BML.

The current trustee of the defined benefit scheme is a corporate trustee appointed in accordance with the Trust Deed on 7 May 2019.

The closure of the defined benefit and defined contribution scheme led to BML setting up a new Group Personal Pension ("GPP") to ensure that appropriate pension arrangements remained in place, as well as meeting the requirement for BML to be positioned for the introduction of pensions auto-enrolment. The GPP was introduced in 2012 and the contract is currently held with Legal and General. None of the assets of the Scheme are invested in the Company's own financial instruments and none of the assets are properties or other assets used by the Company.

10. Tax on profit

The tax charge is based on the profit for the year and is detailed as follows:

	31-Dec-21	31-Dec-20
	£000	£000
Current taxation	-	-
Deferred taxation	(155)	266
Tax on profit on ordinary activities	**(155)**	**266**

Reconciliation to total tax charge	**31-Dec-21**	**31-Dec-20**
	£000	**£000**
Profit on ordinary activities before taxation	2,687	2,865
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**(511)**	**(544)**

Effects of:		
Income and expenses not deductible for tax purposes	(42)	(49)
Recognition of carry-forward tax asset	(155)	266
Group relief	(43)	(24)
Utilisation of tax losses brought forward	596	617
Tax on profit on ordinary activities	**(155)**	**266**

	31-Dec-21 £000	31-Dec-20 £000
Movement in deferred tax:		
Deferred tax asset at 1 January	2,003	1,737
Deferred tax charge recognised	(155)	266
Deferred tax asset at 31 December	**1,848**	**2,003**
Analysis of deferred tax asset:		
Tax losses carried forward (current)	348	405
Tax losses carried forward (non-current)	1,500	1,598
Deferred tax asset at 31 December	**1,848**	**2,003**

11. Intangible fixed assets

	Computer software £000
Cost	
At 1 January 2021	40
At 31 December 2021	**40**
Accumulated Amortisation	
At 1 January 2021	(4)
Charge for the year	(8)
At 31 December 2021	**(12)**
Net book value at 31 December 2021	**28**
Net book value at 31 December 2020	**36**

12. Tangible fixed assets

	Leasehold improvements £000	Computer equipment £000	Furniture & other equipment £000	**Total** £000
Cost				
At 1 January 2021	445	38	7	490
Additions	38	3	-	41
Disposals/Write-offs	(124)	-	(7)	(131)
At 31 December 2021	**359**	**41**	-	**400**

Accumulated Depreciation

At 1 January 2021	(154)	(24)	(6)	(184)
Charge for the year	(142)	(12)	(1)	(155)
Disposals/Write-offs	126	-	7	133
At 31 December 2021	**(170)**	**(36)**	-	**(206)**
Net book value at 31 December 2021	**189**	**5**	**-**	**194**
Net book value at 31 December 2020	**291**	**14**	**1**	**306**

13. Other assets

	31-Dec-21 £000	31-Dec-20 £000
Trade debtors	61	84
Prepayments and accrued income	222	294
Total other assets	**283**	**378**

14. Debt securities

	31-Dec-21 £000	31-Dec-20 £000
Issued by banks and building societies		
Other debt securities		
Government debt	2,000	2,000
	2,000	**2,000**
Remaining maturity:		
Three months or less	2,000	2,000
One year or less but over three months	-	-
	2,000	**2,000**

Listing Analysis	31-Dec-21 £000	31-Dec-20 £000
Listed in the UK	2,000	2.000

	31-Dec-21 £000	31-Dec-20 £000
Sterling denominated	2,000	2.000

15. Cash and cash equivalents

	31-Dec-21 £000	31-Dec-20 £000
Repayable on demand	9,064	9,043
Due from group undertakings	2,255	3,364
Cash treated as restricted+:		
Security Deposit Account Balances	16,177	19,281
Total cash and cash equivalents	**27,496**	**31,688**

+ Cash treated as restricted relates to cash collateral held on behalf of loan clients in BML bank accounts which is used to service periodic interest on loans and in cases of default.

16. Other liabilities

	31-Dec-21 £000	31-Dec-20 £000
Other liabilities (non-current)		
Deferred income	1,403	1,260
	1,403	**1,260**
Other liabilities (current)		
Trade and other creditors	449	536
Tax and social security	34	97
Security deposit related liabilities	16,177	19,281
Accruals and deferred income	1,457	1,409
	18,117	**21,323**
Total other liabilities	**19,520**	**22,583**

17. Intercompany Liabilities

	31-Dec-21 £000	31-Dec-20 £000
Intercompany payable to BNTB	19	13
Intercompany payable to BBGL	3,091	3,291
Intercompany payable to BBJL	924	987
Intercompany payable to Butterfield (Mauritius) Limited	1	1
Intercompany payable to Butterfield Group Services Limited	-	52
	4,035	**4,344**

18. Called up share capital

Ordinary shares of £1 each	
Allotted and fully paid	**Number**
At 1 January 2021	1
Movement	-
At 31 December 2021	**1**

19. Leasing commitments

At 31 December 2021 BML's future total minimum lease payments under non-cancellable operating leases were:

	31-Dec-21 £000	31-Dec-20 £000
Not later than one year	186	304
Later than one year and not later than five years	394	755
Later than five years	-	-

Lease payments recognised as an expense in the Income Statement are detailed in Note 7.

20. Financial risk management

BUTTERFIELD MORTGAGES LIMITED
Notes to the Financial Statements for the year ended 31 December 2021

General
The Company's business activities are subject to a number of financial and operational risks which are inherent in the industry. The risks have been identified through the firm's risk appetite statement and are credit, capital, market and liquidity risk in addition to legal & regulatory, anti-money laundering, governance, process & technology, people, country & political and reputational.

BML's risk management programme focuses on the optimisation of the control framework.

BML's risks are closely monitored and managed within the Butterfield Group's risk management programme, supporting risk management policies and BML's Risk Appetite Framework.

BML also monitors operational risk, comprising the risk of losses due to deficiencies and errors in processes and systems, errors made by employees or external events. In addition, reputational risk is monitored and managed in the firm's dealings with clients, as well as in relation to the status of the parent bank.

Credit Risk
Credit risk is the potential loss BML might suffer if counterparty defaults on its obligations. The risk arises from extending credit in the form of mortgage loans. All BML loans are covered under sub-participation agreements with BBGL and BBJL and have no impact on BML should a counterparty default. There are no financial assets which are either past due or impaired as at 31 December 2021.

BML's credit risk exposure arises from cash and cash equivalents, credit risk is managed by the parent. For bank and financial institutions, independently rated parties with a minimum rating 'A' are preferred.

Liquidity Risk
Liquidity risk is the risk of BML not being able to meet its financial obligations as they fall due and applies to all areas of BML's activities. BML's prudent approach to liquidity risk management ensures that it maintains sufficient cash balances and marketable debt securities. Management believes there are no liquidity concerns considering the strength of the balance sheet and liquid resources available at its disposal.

Liquidity risk management entails mitigating the risk that BML is not able to maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due. This risk process designed to continually re-assess liquidity risks and the amount of liquidity which offsets these risks on an ongoing basis.

The managing and monitoring of liquidity is a key control activity for BML and it ensures BML keeps within the requirements set by the regulators, whilst also managing its affairs to maximise profitability and operate prudently.

Capital Risk
BML's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal structure to reduce the cost of capital.

BML operates within the capital guidelines set by the regulator and, as a minimum, maintains Tier 1 (equity and reserves) to meet this obligation. BML's capital position is monitored, controlled and reported to senior management on a regular basis to ensure compliance with the Board and regulatory requirements.

A detailed analysis of the Butterfield Group's capital management, "Capital and Risk Management Pillar 3 Disclosures" is available on the Investor Relations page of The Bank of N.T. Butterfield & Son Limited website (www.bm.butterfieldgroup.com).

Market Risk
Market risk is the risk of losses being incurred as a result of adverse movements in interest or foreign exchange rates or other market indices.

BML does not take proprietary positions in financial instruments for resale or with the intention of benefiting from actual or expected short term price or interest rate movements. Debt securities are held for the purpose of providing liquid assets to cover the BML legacy pension related liabilities and with the intention of holding to maturity.

	Note	31-Dec-21 £000	31-Dec-20 £000
Financial assets measured at amortised cost			
Cash and cash equivalents	15	27,496	31,688
Debt securities	14	2,000	2,000
Intercompany assets		115	-
Other assets	13	61	84
		29,672	33,772
Financial liabilities measured at amortised cost			
Other liabilities	16	19,520	22,583
Intercompany liabilities	17	4,035	4,344
		23,555	26,927

21. Subsidiaries

Butterfield Group Services Limited (Registered Number: 11442919) ("BGSL") was incorporated on 2 July 2018 and was a wholly owned subsidiary of BML until it was sold to The Bank of N.T. Butterfield & Son Limited on 1 May 2020. From the incorporation of BGSL until its sale BGSL was a dormant entity. BML guaranteed BGSL in respect of any costs or liabilities during the Financial Year ending 31 December 2020.

BGSL has been not been consolidated within these Financial Statements as its inclusion is not material and so the company has taken advantage of Section 9.9A of FRS 102.

22. Related party disclosures

The Butterfield Bank (UK) Limited Pension Scheme is by definition a related party and transactions with the Scheme are disclosed in Note 9.

The Company has taken advantage of the exemption available, and not disclosed total key management compensation, as required by FRS 102 paragraph 33.7. Other than key management compensation, there are no transactions with key management personnel (2020: None).

As BML is a wholly owned subsidiary, it is exempt from disclosure of transactions with other wholly owned Group undertakings under paragraph 33.1A of FRS 102.

23 Ultimate parent and controlling party

As at 31 December 2021 BML's ultimate parent and controlling party was The Bank of N.T. Butterfield & Son Limited, a Bank incorporated in Bermuda.

The Bank of N.T. Butterfield & Son Limited is the only level of consolidation of the Financial Statements of Butterfield Mortgages Limited.

24. Subsequent Events

There are no subsequent events since the year end at the date of signing of the Financial Statements.